SUMITOMO BAKELITE CO., LTD.

Integrated Report 2020

Corporate Message

Expanding the Possibilities of Plastics to Contribute to Establishing a Sustainable Society

Sumitomo Bakelite Co., Ltd. is committed to offering life-enhancing products through high performance manufacturing.

Business Philosophy of Our Company Group (Company Policy)

"Business Philosophy" for the Group of Sumitomo Bakelite Co., Ltd. is as follows:

Business Philosophy (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.

LINK → https://www.sumibe.co.jp/english/company/philosophy/index.html

Our Code of Conduct (Code of Ethics)

Our Code of Conduct

1. We provide products and services designed from the viewpoints of social benefit as well as customer satisfaction on which we place highest priority.
2. We endeavor to improve business performance of the Group of Sumitomo Bakelite Co., Ltd. from a global perspective.
3. We observe corporate ethics, abide by all applicable laws and regulations as well as our internal rules, and, above all, value fairness and transparency in our business activities.
4. We place importance on safety, and voluntarily take actions for environmental protection.
5. We honor and respect each individual's personality and rights, and make efforts to create amicable and lively workplaces.

Management Policy of Our Company Group

To become an excellent global enterprise that helps enhance customer value through creating plastics with more sophisticated functions, and achieving sustainable growth in the advanced chemical products sector.

Sumitomo's Business Philosophy and Business Philosophy of Our Company Group (Company Policy)

We have inherited Sumitomo's Business Philosophy, passed down by the Sumitomo family, which 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. Approximately 400 years ago, Sumitomo (Monjuin) wrote to his family about business wisdom, urging at the beginning, "Strive with all your heart, not only in business, but in all situations."

The rigorous efforts and honesty demanded by the Monjuin Shiigaki as well as other personal characterbuilding precepts continue to form the foundation of the Sumitomo Group's Business Philosophy and make up the basis of our fundamental policy.

Monjuin Shiigaki

LINK → https://www.sumitomo.gr.jp/english/

Contents

Editorial Policy

Starting from this fiscal year, we will be reorganizing the Integrated Reports and CSR Reports we had been issuing up until now, and will now issue only an Integrated Report that serves as a tool for conveying our business strategy and ESG management in a cohesive manner. This will report on our policies, initiatives, data, and more, related to our Company's value creation, mid-term business targets, the performance and strategies of each of our business divisions, and sustainability.
For the editing of this report, discussions were held within the divisions in charge of preparing this report over the policy for its creation and content to be included in the 2020 edition. The editorial policy for the report was approved at a meeting of the Sustainability Promotion Committee in January 2020.
This report was organized by referring to and/or conforming with various guidelines to ensure it could be easily read and understood by all stakeholders. In addition, we prepared:

(1) A "Full Online Version" (No. of pages: 112) disclosing information in accordance with guidelines, and containing the details of our approaches to each activity, targets, and results.
(2) An "Abridged Print Version" (No. of pages: 60), which is easy to read and focuses on our activity reports and messages that we want stakeholders to know about.

It also, has been written in a simple, concise manner that is easy to understand by all.

● Guidelines referenced
・In compiling the report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).
・The "Full Online Version" follows the "core" option of the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines / Standards.

● Scope of third party assurance
The information contained in the "Full Online Version" is assured by a third party (KPMG AZSA Sustainability Co., Ltd.), and the information that is covered by this assurance is indicated with ☑.

● Period
In principle, the report covers fiscal 2019 (April 2019 through to March 2020). Cases in which the coverage is different from this period are listed separately.

● Published
October 2020 (The Fiscal 2019 Report was published in December 2019 and the Fiscal 2021 Report will be published in October 2021)

● Boundary
(The names of the companies are generally stated in simplified forms by omitting "Co., Ltd." and "Inc.," etc.)
In principle, this report covers Sumitomo Bakelite Co., Ltd. and its consolidated subsidiaries.Regarding environmental and occupational health and safety, the coverage is limited to the following business sites, which are mostly production sites.

【Japan】
Sumitomo Bakelite Co., Ltd.
Head Office and marketing offices etc.*1, Amagasaki Plant, Kanuma Plant, Utsunomiya Plant, Shizuoka Plant, Kobe Facility Office, Akita Sumitomo Bakelite Co., Ltd., S.B. Techno Plastics Co., Ltd., Hokkai Taiyo Plastic Co., Ltd., Yamaroku Kasei Industry Co., Ltd., Kyushu Sumitomo Bakelite Co., Ltd., S.B. Sheet Waterproof Systems Co., Ltd., Tsutsunaka Kosan Co., Ltd., S.B. Research Co., Ltd. (Osaka Center), Seibu Jushi Co., Ltd., Softec Co., Ltd.*1, SB Bioscience Co., Ltd.

【Overseas】
Sumitomo Bakelite Singapore Pte. Ltd., SumiDurez Singapore Pte. Ltd., SNC Industrial Laminates Sdn. Bhd., P.T. Indopherin Jaya, P.T. SBP Indonesia, Sumitomo Bakelite (Suzhou) Co., Ltd., Sumitomo Bakelite (Dongguan) Co., Ltd., Sumitomo Bakelite (Shanghai) Co., Ltd., Sumitomo Bakelite Macau Co., Ltd., Sumitomo Bakelite (Nantong) Co., Ltd., Sumitomo Bakelite (Taiwan) Co., Ltd., Vaupell China (Dongguan) Co., Ltd., Durez Corporation, Durez Canada Co., Ltd., Sumitomo Bakelite North America, Inc., Promerus LLC, Sumitomo Bakelite Europe NV, Sumitomo Bakelite Europe (Barcelona) S.L.U., Vyncolit NV, Vaupell Industrial Plastics, Inc., Vaupell Molding & Tooling, Inc., Russell Plastics Technology Company, Inc.

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.

*1 These business sites and companies are included in the compilation of energy consumption and CO_2 emissions data.

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.
Quantitative data presented in this report are rounded, in principle. Therefore, in certain cases, the sum of breakdowns may not equal the total.

Expanding the Potential of Plastics to Become "A Company That Makes Your Dreams for the Future a Reality"

Introduction

I would like to express my deepest sympathies to those who have been affected by COVID-19, and to everyone impacted by the pandemic this year.

It has been more than 100 years since the beginning of plastics production in Japan. In that time, many different types of plastic products have been invented or developed, and they continue to develop and advance as an essential material across a wide variety of uses, including everyday items, transport equipment, medical equipment, semiconductors and the aerospace industry.
As a pioneer in plastics, we have pursued the potential of plastics amid rapid social changes, expanding our business on a global scale. We consider it our mission to create plastics with more advanced functionality, and focus on the concept of "Customer Satisfaction (CS) First" to contribute to social development and the standard of living through building customer value.

▶ Performance Highlights

	Fiscal 2018 results		Fiscal 2019 results	Increase/Decrease
Revenue	**¥ 213.0** billion		**¥ 206.6** billion	**(6.3)**
Business profit	**¥ 17.3** billion		**¥ 14.3** billion	**(3.0)**
Operating profit	**¥ 13.6** billion		**¥ 10.3** billion	**(3.3)**
Profit attributable to owners of parent	**¥ 15.1** billion		**¥ 9.0** billion	**(6.1)**
ROE	**8.7**%		**5.0**%	—

President and
Representative Director

K. Fujiwara

Results for fiscal 2019

As for the business environment surrounding our Company, in the field of semiconductors, 2019 saw the most deeply negative rate of market growth since the collapse of the dotcom bubble. However, the second half saw rising demand from the development of 5G, with a substantial recovery led by the Chinese market. In the automobile field, new car sales underperformed the previous fiscal year due to the COVID-19 pandemic in China, the United States, Europe and Japan, among other factors.

Revenue in fiscal 2019 dropped 6,332 million yen, or 3.0%, year on year to 206,620 million yen due to the combined impact of recessionary conditions in the manufacturing industry overall from the start of the year, the strong yen and weak dollar and weak euro, and the COVID-19 pandemic which began to affect the market in February 2020. With regard to profit or loss, due to struggling in sales of high-performance plastic products, primarily those for automobiles, rising raw material prices for semiconductor materials and increasing restructuring costs related to a deteriorating sales environment for aircraft parts led to a 17.0% year-on-year decline in business profit to 14,346 million yen. Operating profit dropped 24.3% year on year to 10,285 million yen. Profit attributable to owners of parent fell 40.4% year on year to 8,986 million yen.

Mid-term Business Targets

The Mid-term Business Targets set last year have become very difficult to achieve due to the changes in the business environment wrought by the impact of the COVID-19 pandemic. We are currently reviewing them, but we continue to use revenue, busines profit and return on equity (ROE) as indicators for our performance goals. We have retained the vision set out in 2018 of “a company that makes your dreams for the future a reality” as we strive to achieve future expansion and sustainable

growth of the business.

We are continuing with our basic policy of "Aiming to achieve the 'top shares in niche markets' in the functional chemical sector as well as expanding our business by implementing 'One Sumibe' (the Japanese abbreviation of 'One Sumitomo Bakelite') activities in line with the Sustainable Development Goals (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 align with our Business Philosophy (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." Of the 17 goals of SDGs, we have identified the goals on which we should focus our efforts.[*1] We will put companywide effort into promoting activities, including the development of new products while keeping these goals of SDGs in mind. As a quantitative target, we are aiming for revenue ratio of 30% for our SDG-contributing products in fiscal 2021. Another key aspect is our "CS first" philosophy. We are engaged in companywide "One Sumibe" activities globally, 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. This makes it possible for us and customers to develop new materials and roll out technological innovation at pace, as one-stop solutions.

We are continuing to advance initiatives in the following basic strategies finalized last year: (1) develop new products with competitive advantage, aiming at their prompt contribution; (2) increase profitability of existing products, expanding their field (applications and geographical areas); (3) proactive strategic investment in growth areas (M&A, etc.).

*1 Priority SDGs "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

Impact of the COVID-19 pandemic on business and response

Due to the impact of the COVID-19 pandemic, we unfortunately had to suspend production in some plants overseas. Some staff have fallen ill. Risks remain around the impact on supply chains due to suppliers or distribution failing and border closures. In order to minimize disruption to business activity, in February 2020 we established an internal COVID-19 Emergency Taskforce and we are steadily implementing a possible Business Continuity Plan (BCP).

To stop the virus infecting employees, we have preventative measures in place across all workplaces and are proactively applying work-from-home and staggered working hours. Regarding supply chains, we secured multiple sources for raw materials procurement, duplicated our production in plants worldwide, and ensured that we had the appropriate stocks of raw materials and products in our inventories. These longstanding measures worked and there was no major negative impact on supply chains. We also gathered information as quickly as possible on supply chains and the situation and shared it instantly with customers. At the same time, we kept updated with the operational status of our customers, reacting to ensure that the supply chains did not break down.

At the same time, we are progressing initiatives to respond to needs brought about by the market changes resulting from the COVID-19 pandemic. In the Quality of Life Products segment, harnessing the plastics processing technologies we have developed to date, we launched production of anti-droplet face shields and protective panels to respond to the spike in infection prevention awareness. We also expect demand to rise for bio-related products for supporting drug discovery and drug packaging materials as hopes rise for new drug development. There is also expected to be increased

The One Sumibe activities logo

One Sumibe

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."

demand for long-life food products as a result of stay-at-home advisories. In semiconductor materials, the rise in working from home should accelerate demand for advanced materials for IT services such as 5G. Going forward, the way people live and work—and every area of economic activity—is expected to change too. We will harness the technologies and strengths we have fostered so far to meet market needs.

ESG initiatives

The Sustainability Promotion Committee established in 2019 is the focus of the activities involving all departments and employees on the three axes of environment (E), social (S) and governance (G).

As a manufacturer of functional chemical products, we do not believe the environment can be separated from any aspect of our business activities. We have longstanding initiatives to reduce our CO_2 emissions and material loss in our production and sales activities, but we are developing new technologies to ensure that we can supply finished products to customers that are even more environmentally-friendly. The best examples of this would be our support to the automotive industry in swapping metal parts for lightweight plastic to improve fuel efficiency in vehicles, and our efforts to help reduce the volume of waste by developing environmentally-friendly packaging. Elsewhere, our "Freshness-preserving film (MAP)"[*2] for fruit and vegetables is proving tremendously helpful in reducing food loss. We intend to vigorously pursue development of products to help the environment, driven by "Responsible Consumption and Production" as one of our Priority SDGs.

On social aspects, our independently developed SBPS (Sumitomo Bakelite Production System) is in place to achieve better manufacturing. As we undertake reforms to improve quality, innovate production and shorten lead times, it has also led to the elimination of quality complaints, reduced energy and resource consumption. More recently, we have applied AI and the IoT to our promotion of production technology digitalization, including advance detection of irregularities and automated controls of facilities.

Meanwhile, occupational health and safety is certainly core to our business activities and we have a cross-cutting initiative to ensure that our workplaces are safe and healthy for all employees. Undoubtedly, the smooth transition to working from home to prevent the spread of COVID-19 among employees was made possible by the success of the work style reform carried out earlier. For all employees around the world, we will continue to pursue better working conditions adapted to social and economic change, as well as training to boost our "human ability."

From the perspective of governance, our Business Philosophy (Company Policy), a legacy of Sumitomo's Business Philosophy that has over 400 years of history, is: "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 is the basis of our Group Standards of Conduct and Code of Conduct, and we are strengthening compliance in our operations. We must never lose the trust and confidence of our customers and the market because quality and compliance were neglected in favor of short-term profits and focus. Through e-learning, SB School and the in-house newsletter, we will strive to ensure that all employees are more aware than ever of the need for compliance. Furthermore, of the 14 directors and auditors on our Board of Directors, four are independent outside officers. We are working towards increased board effectiveness by ensuring more robust discussion and greater transparency.

*2 Acronym for Modified Atmosphere Packaging.

To stakeholders

When I assumed office as the President in 2018, 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." This vision is born out in the innovation created by our competitive advantage, the fundamental technologies that we have built up over many years—in other words, the material technologies for resin formulation and design as well as monomer/polymer synthesis, process design technologies, and evaluation technologies. Further, as part of the chemical industry, it is vital that we fulfill our social responsibility and we will continue to support and implement our Responsible Care Global Charter. It is through these initiatives, striking the balance between creating business opportunities and resolving social issues, that we will make a contribution to our stakeholders. Thank you for your continued support.

Value Creation

Value Creation Process

Realization of Philosophy

Our Business Philosophy (Company Policy) that inherits Sumitomo's Business Philosophy.

Realization of SDGs, which is ultimate potential needs, is consistent with our Business Philosophy (Company Policy)

Universal Goals SDGs

SUSTAINABLE DEVELOPMENT GOALS

Input

Financial Capital
Stable financial foundation

Manufacturing capital
Global manufacturing network

Intellectual capital
The advanced technical foundation we have cultivated thus far

Human capital
Human resources who can contribute to sustained growth

Social capital
Relationships of trust with our stakeholders

Natural capital
Effective use of resources and energy

Business Activities

Mid-term Business Targets
(Please see page 26 for more details)

* SBPS: Sumitomo Bakelite Production System

Core Technology
● Materials Technology (resin formulation and design/monomers and polymer synthesis)
● Process Design Technology ● Evaluation Technology

CSR•ESG
● Responsible Care ● Corporate Governance
● Compliance ● Risk Management ● Social Contribution Activities

Innovation

History of Value Creation

1907
Dr. Baekeland developed phenolic resin in the United States and named it "Bakelite."

1911
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.).

1932
Establishment of Nippon Bakelite Co., Ltd., succeeded the phenolic resin business from Sankyo.

1955
Nippon Bakelite Co., Ltd. merged with Sumitomo Synthetic Resin Industries, Ltd. to found Sumitomo Bakelite Co., Ltd.

1959
Started production of phenolic copperclad laminates, "SUMILITE" PLC.

1962
Started sales of rigid PVC sheets, "SUMILITE" VSS.

1968
Developed epoxy resin molding compounds, "SUMIKON" EME for semiconductor encapsulation.

1976
Started sales of co-extruded sheets, "SUMILITE" CEL.

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.

Output → Outcome

Realization of “top share in niche markets” Priority SDG goals (5 + 1)

Products and Services that Realize Value Creation

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

Early Commercialization of Priority Development Themes

Societal and Customer Needs
▼
Company's New Products
▲
Technology Development

Creating Business Opportunities

Financial Results (fiscal 2019)

Revenue
¥206.6 billion

Business Profit
¥14.3 billion

Business Profit to Revenue Ratio
6.9 %

ROE
5.0 %

Coexistence

Solving and Contributing to Social Issues

Non-financial Results (fiscal 2019)

CO_2 Emissions
(Compared to 2005)
Domestic Offices: ▲45%
Overseas Offices: ▲16%

Ratio of Female Managers:
2.41 %

Contributions to Stakeholders

- Customers
- Shareholders/Investors
- Local Communities
- Government Entities
- Business Partners
- Employees

Contributing to the Formation of a Sustainable Society

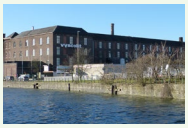
1981
Started sales of various kinds of medical devices.

1982
Established Sumitomo Bakelite Singapore Pte. Ltd.

1995
Established Sumitomo Bakelite (Suzhou) Co., Ltd.

2000
Acquired the phenolic resin business from Occidental Chemical Corporation in the United States.

2005
Acquired Vyncolit (Belgium and the United States).



2007
Merged Tsutsunaka Plastic Industry Co., Ltd. into Sumitomo Bakelite Co., Ltd.

Plate products

2014
Acquired Vaupell Holdings, Inc. (the United States) and entered the aircraft materials business.

President and
Representative Director
Kazuhiko Fujiwara

Interview with the President

Addressing the SDGs and Creating Value as a “Pioneer in Plastics”

Through its businesses that are expanding globally, the Company works to contribute to achieving the Sustainable Development Goals (SDGs) by working together with a variety of stakeholders.
We invited Misako Konno, who serves as the Goodwill Ambassador for the United Nations Development Programme (UNDP) and has been active in environmental protection and reducing poverty around the world, for a discussion on the theme of the Company's efforts for the SDGs and its creation of value.

Developing a variety of products as a "Pioneer in Plastics"

Konno: As a "pioneer in plastics," your Company conducts business in a variety of different areas. I know of your Company from "freshness-preserving film (MAP)," which is used to preserve vegetables, but what other sorts of businesses are you engaged in?

Fujiwara: Phenolic resin is the oldest plastic, which was developed in 1907. We took on the mantle of being a "pioneer in plastics" because we originated from the first company to industrialize this phenolic resin in Japan. We currently promote our businesses in three segments: Semiconductor materials, high-performance plastics, and quality of life products. "Freshness-preserving film (MAP)" is one of our quality of life products. We are a so-called materials manufacturer, and so most of our products are delivered in the form of materials to clients who then make the end products or the parts for these. As such, our products are almost entirely invisible to ordinary consumers.

Konno: I see. So for example, in what sorts of places are your Company's materials used?

Fujiwara: Semiconductors are used in computers and smartphones, and we also make the encapsulation materials used to cover and protect semiconductor chips. With cars, our high-performance plastic products are found everywhere from the tires to the brakes, and they have come to be used in important components within the motors of the electric vehicles that have recently begun to be produced in greater quantities. In addition, they are used across a broad spectrum such as in airplanes, shale gas extraction equipment, medical devices, packaging materials for pharmaceuticals or food, construction-related uses, and more.

Konno: That truly is a wide range, with a surprising amount of diversity. What are some of the features and characteristics unique to your Company's when it comes to these products?

Fujiwara: The trend with semiconductor materials and high-performance plastics is weight saving. This also leads to making them more environmentally friendly. Of course, this also cuts down on waste. For example, if you think about this in terms of automobile parts, this makes it possible to reduce CO_2 emissions because the lighter the weight, the better the fuel efficiency. As such, one of the Mid-term Business Targets we have been working towards since FY2019 is: "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." It would be safe to say that one of our characteristics is that we have numerous products that contribute to the SDGs. We are currently putting our efforts into research and development, and are aiming to launch new products that incorporate the SDG-perspective as soon as possible.

Konno: Adopting a strong awareness when it comes to contributing to the SDGs in the products near and dear to us in our everyday lives would be a welcome development. But at the same time I feel that we as consumers need to be aware of the SDGs and environmental issues when making purchases. As consumers we tend to focus on price over all else. Instead of this, we need to make purchases by considering what sorts of environmental considerations are being shown by the companies making the products. We need to be smart consumers in this regard.

Fujiwara: Making products that meet the demands of customers is the top priority, and so I am strongly encouraged by such comments. In addition, the greatest risk we face in 2020 comes from the coronavirus pandemic. We considered whether there was anything we could do to be helpful to society here at our Company, and as a result we decided to manufacture the medical face shields for which there had been severe shortages. We have been manufacturing helmets and polycarbonate sheets from the outset, so by combining these together we were able to get to the point of achieving a mass-production system for these in about one month from the start of development.

Konno: I've seen the actual goods, and they seem to be light, highly transparent, and very easy to use. Have you been

delivering these directly to medical settings?
Fujiwara: Recently, we wanted to find a way to quickly deliver them to those places that were hard-hit, so we donated them to the administrative agencies of local municipalities where our plants are located and so forth. Since we were able to bring our technology and knowledge in manufacturing medical devices to bear here, we are confident in their quality.

Structure for promoting initiatives for the SDGs globally

Konno: There has recently been an increase in the number of companies that are enthusiastically promoting the SDGs. But chief among these is your Company, as you have already incorporated this into your business targets, which I feel puts you far ahead of the curve in this respect.
Fujiwara: The SDGs are not a new concept, and we consider them to be consonant with our Business Philosophy (Company Policy) that we had previously set forth. Within this Business Philosophy we declare 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." The roots of this ideology have been passed down from the "Sumitomo Business Philosophy" from 400 years ago. We have consistently held to our corporate mission to contribute to society through our business activities since way back.
Konno: If you regard the SDGs as being consonant with your Business Philosophy, then they would surely be readily accepted by all of your employees. Incidentally, for the SDGs, 17 goals and 169 targets have been established, with specific matters having been incorporated into them. This would surely give rise to some difficult areas if you were to go about promoting this in a concerted manner across the company as a whole, would it not?
Fujiwara: First of all, I think it is important to have the top managers act by leading the way. To have the entire company come together to promote the SDGs, we launched the SDG Promotion and Preparation Project Team in 2018. Furthermore, in 2019 we established the Sustainability Promotion Committee to serve as a parent body for carrying out our sustainability activities in an ongoing, company-wide manner, with this including the SDGs. As the president, I serve as the leader for this committee. The fact that everyone from top management down to the worksites must join forces and work together is something that should be clearly indicated in an organizational sense as well. Under this Sustainability Promotion Committee, we are undertaking initiatives such as promoting the SDGs, taking measures to combat climate change, and reducing waste. What is more, of the 17 goals in the SDGs, we have selected five that are deeply connected to our businesses, as well as one that we ought to emphasize as a company dealing in plastics, and have been working to address these by setting them as priority targets.
Konno: Do these initiatives cover your business sites and plants around the world?
Fujiwara: Yes, these are being deployed globally. This is because the SDGs are similar to climate change and other environmental problems in that all of these are challenges at the global-level. We will also continue to promote the globalization of our businesses in the future. Initially, we had expanded out into overseas markets in a manner consistent with the deployment of businesses by our customers, but having this global manufacturing structure has served as one of our strengths now more than ever before. When we shut down some of our plants due to the coronavirus pandemic, we were able to get by without stopping the supply of products by manufacturing these

President and Representative Director

Kazuhiko Fujiwara

Joined the Company in 1980. Became Team Leader of the Biotechnology-related Product Development Project in 2003, Department Manager of S-Bio Development Department in 2007, General Manager of S-Bio Business Division and Executive Officer in 2009, Managing Executive Officer in 2013, Director and Managing Executive Officer in 2014, Director and Senior Managing Executive Officer in 2016, and President and Representative Director in 2018.

at plants located in other regions instead. The same holds true when it comes to the procurement of raw materials. The fact that we set in place structures from a Business Continuity Plan (BCP) perspective to ensure that we could procure raw materials from different regions is bearing fruit in the present.

Improving “human ability” and working to create additional value

Konno: We've talked about products and structures, but I feel that in conjunction with these, it is also extremely important to educate the people who use the products as well as the people who make them. The UNDP, where I have been serving as Goodwill Ambassador, has been focusing its efforts on human development.

Fujiwara: You're exactly right. In the message I delivered to our employees at the start of the year I designated “human ability” as the keyword for 2020. “Human ability” is the cumulative effect obtained from multiplying motivation, capability, personality, and character together. I want to raise the “human ability” of every one of our employees, and make them feel glad to work at Sumitomo Bakelite. Therefore, we are promoting human resource development with our SB School and Sumitomo Bakelite Production System (SBPS) serving as central pillars for this.

Konno: What can you tell us about your employees’ work styles? In the SDGs, “No. 8. Decent Work and Economic Growth” and “No. 5. Gender Equality” relate to this.

Fujiwara: Working from home became widespread all at once in order to prevent the spread of infections from the coronavirus. This was an abrupt change the likes of which had never been seen before. Even from before that we declared a state of emergency at our Company, we had set up an emergency response headquarters and took a number of different measures, in addition to which many of our employees started working from home or working staggered work hours. At first we were anxious that we would fall behind in terms of work, but that never came to pass. Of course, some people are better suited to it than others based on their individual characters, capabilities, and the work they oversee, but I suppose that’s about all you can say given the circumstances. Our employees lent us their cooperation in order to keep them safe. While this was an emergency situation, I'm sure that working from home will persist as one style of work even after the coronavirus pandemic is over.

Konno: This will certainly spur significant changes to work styles. Seeing as how each employee is sure to have their own respective circumstances, it would be great to create a structure whereby they can choose from among various different work styles.

My take-away from this conversation is that there is still a great deal of potential in plastics. Since you're putting your efforts into research and development, I'm sure you'll create products that lead to resolving a great many problems, which I look forward to seeing. Conversely, due to problems such as those of ocean plastics, plastics have been gaining attention in various different senses. While ocean plastics is a problem that you probably have little in the way of a direct connection with as a materials manufacturer, my hope is that your Company can come up with some sort of groundbreaking solution that only you can provide as a company that is unlocking the potential of plastics. So I would urge you to actively give thought going forward to the question of how you can bring your wealth of knowledge and your track record to bear on solving the challenges facing society.

Fujiwara: As a company whose businesses have a global reach, we must not only create economic value in terms of sales and profits and the like, but we must also contribute to achieving a sustainable society through our business activities. We will continue working to meet the expectations of our stakeholders, create still-greater value, and contribute to a sustainable society.

Actress

Misako Konno

Came to fame in 1980 by playing the role of the heroine in Niji wo Oru (Weaving the Rainbow), a serialized NHK Morning Drama, while studying at Keio University. Has appeared in numerous dramas such as Takeda Shingen and Asuka. Gave an excellent performance as the third daughter, Yukiko, in the play The Makioka Sisters (based on an original work by Junichiro Tanizaki). Appointed Goodwill Ambassador to the UNDP in 1998, and since then has been active in the international cooperation field, including making observation trips to Cambodia, Palestine, and various countries throughout Asia and Africa. Provided financial cooperation to combat the coronavirus among the poor in Brazil in 2020. Has overseen the Misako Konno Read-along since fall of 2010, and serves as one of the hosts on NHKFM's Musical Flyover. Known as one of the original sumo female fans (sujo), she is a member of a committee of sumo experts. Will be performing in the play Ryogkoku Oshare Rikishi in Tokyo, Osaka, and Fukuoka from December 2020–January 2021.

Round-table Discussion

Sumitomo Bakelite is promoting the SDGs to create a future in harmony with plastics

Our Company launched the SDG Promotion and Preparation Project Team in 2018 and the Sustainability Promotion Committee in 2019, thus setting in place a structure for addressing the SDGs in a full-fledged manner.
Director and Senior Managing Executive Officer Inagaki, who leads our SDG promotion efforts to ensure to promote even more effective initiatives in the future, as well as other members of our SDG Promotion Committee, sat down for a discussion with Professor Norichika Kanie of Keio University, one of the foremost figures in research on the SDGs.

Achieving harmony with plastics to create a sustainable future

Inagaki: At our Company, we have incorporated the Sustainable Development Goals (SDGs) into our mid-term business targets that started in fiscal 2019. The targets set forth by the SDGs represent the ideal vision for the world we must strive for, and serve as guideposts for where people all around the world will end up, so to speak. In contemporary societies undergoing intense changes that feature a great many elements of uncertainty, it is extremely difficult to predict what sorts of products will be well-received by society at large. So I consider the SDGs as one authority we can rely on for this.

Kanie: I feel that this is a particularly effective way of thinking for companies that conduct business globally. Actually, movements are arising in which developing countries are re-calibrating their development plans for the nation as a whole so as to be consistent with the SDGs. So dealing in products that are consistent with the SDGs will surely make it easier to enter these sorts of markets. In addition, the material of plastic is an extremely important one from the perspective of the SDGs. Plastics is an issue that inevitably comes up with regard to Goals 13 and 14 of the SDGs, and in terms of its impact on climate change. So I

am heavily focusing on the initiatives taken for the SDGs by companies that deal in plastics.

Inagaki: In the recent trend towards eliminating plastics, we have seen some views to the effect that plastic is bad, but this is just not the case. As you can see by looking at the measures taken to prevent infections by the coronavirus, which has come to be the greatest hardship faced worldwide in 2020, plastics play an essential role in contemporary society. Therefore, as a manufacturer of plastics we must give thought to modalities for how plastics can achieve harmony with the global environment. For example, plastic films that can offer the same functionality as conventional plastics at half their thickness. These will make it possible to reduce the amount of waste generated by half. Or plastics that do not place a burden on the environment when they are disposed of, such as plastics derived from inedible biomass and biodegradable plastics. We are already considering a number of techniques and directions to head in, such as increasing plastics with a structure that makes them easy to recycle.

Kanie: We will continue to perceive the challenges head-on and discover solutions in order to make greater use of the positive aspects of plastics. This in itself is the very philosophy of the SDGs. The SDGs consist of 17 goals, and if you were to try to achieve all of these at the same time it wouldn't go well at all due to conflicts that would arise between them. But then if you give some thought to why this didn't go well, it would serve to clarify what barriers are hindering you. By removing these barriers, we will continue to get closer to a more sustainable society. The expectation is that this process will contain signs for major innovations.

The world has begun to change as we aim to achieve the SDGs

Inagaki: Roughly five years have passed since the SDGs were adopted at a UN summit in September 2015. I look at this five-year period as basically having been a preparatory phase, so to speak. The next five years starting from 2020 will be the phase in which to assess the actual activities. Then the last stretch from 2025 to 2030 will be the phase for finally arriving at the goals. Our Company has launched a Sustainability Promotion Committee and set in place a structure for continuing to promote concrete activities. But I wonder what the situation is like at other companies all over the world.

Kanie: When you look at this by region, you see that Europe is quite far ahead of the curve. The United States and developing countries both have some individual companies that have made significant progress with this, but I feel that they are lagging behind on the whole. In Japan's case, there is an incredibly high level of recognition when it comes to the SDGs. This is particularly high among listed companies, and recently they have become well-known among general consumers and students as well. However, on the question of what sorts of concrete actions are actually being taken in order to achieve the SDGs, Europe is still a step ahead of Japan in this regard.

Oki: Every day we wrack our brains trying to think of what we should actually do in order to achieve this. While goals have been set for the SDGs, nothing has been decided in terms of how we should proceed in order to achieve them. There are some items that are clearly aimed at national and regional governments, which we feel would be difficult to work into our corporate activities. Particularly since we are a material manufacturer, when we consider the connection between our products and society we must look at the whole picture by linking together our customer companies and supply chains. These present difficulties that we cannot successfully complete just on our own, but which we are slowly but surely making progress on.

Aiba: I feel that awareness and judgment criteria have been changing among the automotive and food companies and so forth that are our customers. At times like when we introduce our newly developed product to them, it's

Norichika Kanie

Chair of the SDG Promotion Committee
Director and Senior Managing Executive Officer
Masayuki Inagaki

SDG Promotion Committee member
General Manager of the R&D Planning and Promotion Department, Corporate Research & Development Division
Hiromi Oki

SDG Promotion Committee member
General Manager of the Corporate EHS Promotion Department, Corporate Production Management & Engineering Division
Hiroshi Aiba

Masayuki Inagaki

becoming increasingly commonplace for them to confirm matters like whether we are able to reduce its CO_2 emissions versus past products when it is produced, or whether it does not contain any chemical substances that would place a heavy burden on the environment.

Kanie: How did you go about producing this single product? How should one go about disposing of it? Or how should it be returned back to the global environment? It's like you're presenting products to consumers by including its story right on through to the very end. The perspective through which products are viewed has been changing from how it was before. I feel that this perspective is the one thing that is most worthy of being changed as we go about addressing the SDGs.

Addressing the 5+1 priority areas as we set our sights on the 17 goals

Inagaki: The SDGs contain 17 goals. At our Company, we analyzed our strengths, position, and market demands based on our business areas and decided that the areas we were going to address in a prioritized manner were Goals 3, 7, 8, 9, and 12. Things like products for the medical field and food packaging are related to Goals 3 and 9, while products related to issues like environmental friendliness with automobiles contribute to Goal 7. Goals 8 and 12 are important for us as a manufacturing company, and also as a company where a great many employees work. As for Goal 14, we defined this as a priority area since it includes the problems of marine plastics and microplastics.

Kanie: When your priorities are clear, it makes it easier to address them. Most people would probably get confused if they were suddenly told to address 17 goals at once. I believe that as you actually go about addressing these you will come to find that other areas besides the 5+1 priority areas are also in fact closely interconnected with these. But I feel that it's better to start from those ones that are easy for you to comprehend and easy to act on. While you are addressing energy this will lead you to get involved in water issues, and improving approaches to work will bring you into contact with gender issues, which ultimately should lead to you contributing to all 17 of the goals.

Inagaki: Our Priority SDGs "5 + 1 goals" are the message from management. At our Company, we have established highly integrated devices, automobiles and aircraft, and healthcare as our three creation areas. We have declared our intention both internally and externally as being to carry on devoting managerial resources to the areas where our three creation areas overlap with our Priority SDGs "5 + 1 goals".

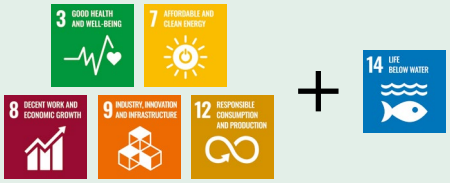
Oki: When it comes to research and development in line with our creation areas and SDG priority areas, since 2018 we have been addressing this by soliciting ideas from our

Hiromi Oki

Hiroshi Aiba

Priority SDGs of Sumitomo Bakelite Co., Ltd.

Taking into account our Company's business domains and strengths, "five goals + one goal" are 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

employees. Employees can offer suggestions regardless of their affiliation, and if the substance of their proposal is good we will either turn them into projects, or expand them out to joint research with outside research institutions and the like. To begin with, we selected 25 projects and moved forward with examining them over the past year. Now, we have narrowed these down to eight projects for which research and development have actually gotten underway. In addition, we are carrying out a system in which we certify products that contribute to the SDGs as "SDG-contributing products."[*1]

Kanie: This is excellent. It seems like it would certainly boost the motivation of your employees. Creating and utilizing structures for promoting activities is something that must be done if you are going to tackle the SDGs in a serious manner.

Aiba: Boosting employee motivation is of course important, but even before that I feel like working to improve understanding of the SDGs and thoroughly informing our employees of them are important challenges for us. As you stated before, Professor Kanie, you mentioned that recognition of the SDGs is high in Japan. But through my activities on the SDG Promotion Committee I came away with the feeling that there is a significant age-gap here, and that it differs between individuals. In order to engage in one's daily work duties in line with the SDGs, it is crucial that each and every employee have an accurate understanding of them, regardless of their specific section or position. Thus far we have entrenched the SDGs internally by using our internal newsletter and e-learning, and we intend to continue to institute a variety of measures and soundly align the vectors of all of our employees.

Kanie: I would like to see everyone not just entrench the SDGs internally within their companies, but also take on the challenge of raising the bar across their supply chains as a whole. I feel that your Company is a company that has the power to do so.

*1 See P.18 for details on the process for certifying SDG-contributing products.

The sense that global challenges are near at hand, and the rising importance of promoting the SDGs

Inagaki: What sort of impact will the global spread of the coronavirus pandemic have on promoting the SDGs? As the situation has not yet been resolved at this point in time, the answer to this question is not yet apparent. But my fear is that this could potentially change the order of priority of the challenges we ought to be resolving.

Aiba: I feel like right now we are seeing one of those changes that can fundamentally alter people's sense of values. I think that perhaps the importance of the SDGs will conversely rise amidst such changes, but what are your thoughts on this?

Kanie: The coronavirus pandemic clearly threw into relief just how unsustainable our world up until now had been. Yet at the same time, I think that it has been an opportunity to get a visceral sense of the fact that global challenges can occur close to home for us. If each and every one of us acts with great care, it can lead to preventing pandemics. The same holds true for climate change and issues of human rights. I feel that what we have learned through this experience will have a significant impact on promoting the SDGs in the future.

Oki: The SDGs are targets for people all around the world, and also represent targets for our Company at the same time. This has reaffirmed for me that these are individual targets for us as well. Turning our attention to the individual level while keeping our sights set on the global level, and soundly grasping and expanding upon the opinions and ideas of our employees, will lead to growth for our Company. We intend to continue to promote research and development from this perspective moving forward.

Kanie: It is certainly my hope that everyone will take a positive approach, and that we will be able to give rise to innovations that pave the way to the future by making use of the flexible way of thinking young people have.

Inagaki: It's a question of what we do to create a future even further beyond 2030, which is the target year for the SDGs. The theme of sustainable development must transform into something that can continue indefinitely. I feel that what we ought to be doing right now is developing targets for the future. Society is undergoing intense changes, and we have no idea if the conceptual blueprint for the future which we envision will be accurate or not. But I believe that creating ideals and passing these down to the next generation will lead to sustainable development. Thank you very much for the opportunity to have this valuable discussion today.

Norichika Kanie

Professor at the Graduate School of Media and Governance, Keio University . Ph.D. in Media and Governance. Director of the xSDG Laboratory , Keio Research Institute at SFC. Has served as a member on numerous government committees, such as the Japanese Government's SDGs Promotion Roundtable Meeting.
Major areas of study include international relations theory and global systems / governance. Participated in establishing the SDGs at the United Nations from the process of formulating the SDGs onward. One of the foremost researchers on the SDGs, who strives to combine both research and practice. Publications include Goals that Can Alter the Future: A Book of Ideas on the SDGs (Kinokuniya Company Ltd.) and SDGs (Sustainable Development Goals) (Chuokoron-Shinsha Inc.).

SDG-contributing products designed to create a sustainable future

Our Company produces and sells products that span a broad range of sectors that feature a wide array of uses. Chief among these are products that make a particularly significant contribution to the SDGs, which we certify as "SDG-contributing products," whereby we contribute to achieving the SDGs by promoting their dissemination.

Our initiatives related to the SDGs are introduced on "Sumitomo Bakelite and the SDGs" on our website.

LINK → https://www.sumibe.co.jp/sdgs/

Process, Results and Target of SDG-Contributing Product Certification

Since fiscal 2018, our Company Group has been accrediting products, technologies, and activities that contribute to the SDGs as SDG-contributing products, SDG-contributing technologies, and SDG-contributing activities.

【Targets for SDG certification】

Items that satisfy one or more of the certification targets (1) to (7) below are eligible for accreditation.

Priority SDGs of Sumitomo Bakelite Co., Ltd

(1) Goal 3: Contributes to promoting good health and well-being.

(2) Goal 7: Contributes to improvements in energy efficiency and the realization of new energy (including energy storage).

(3) Goal 8: Contributes to decent work and economic growth.

(4) Goal 9: Contributes to the expansion of environmentally-sound technologies, and infrastructure for industries and technological innovation.

(5) Goal 12: Contributes to the reduction of waste (including food waste) and hazardous substances, reduction of environmental impact, and realization of recycling and resource conservation.

(6) Goal 14: Contributes to the conservation and use of the oceans and marine resources, and to preventing and reducing marine pollution.

SDGs other than the priority goals

(7) Contributes to the achievement of one or more of the 17 SDGs apart from the abovementioned 3, 7, 8, 9, 12, and 14

【Fiscal 2019 results】

Sales revenue **53.7 billion**

Sales ratio **26.0%**

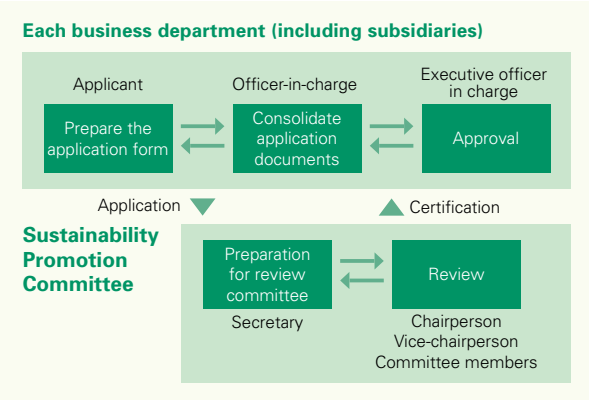
【Target】

FY 2021 Revenue ratio **30%**

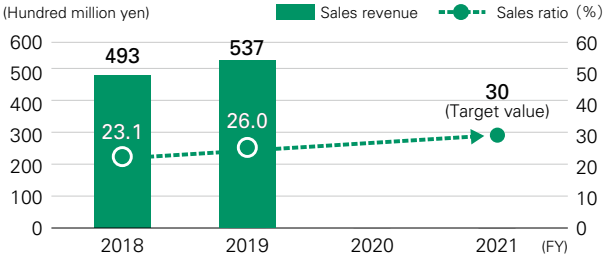
【Certification process】

Items reviewed, and assessment criteria

- Concrete explanation about contributions: Presented through objective figures based on actual data or publicly disclosed information.
- SDGs that the products/technologies/activities contributes to: Selected appropriately



Sales revenue of SDG-contributing products/ SDG-contributing technologies (consolidated)



Environmental friendly EME
(semiconductor encapsulation materials)

12.4 Reduce the release of chemicals

SUMIKON EME[*1] is a material that encapsulates semiconductors and electrical components for the purposes of providing protection, moisture resistance and insulation for them. Encapsulation materials must offer excellent flame retardance, and conventionally chemical substances that are harmful to the environment and health have been used for this, such as bromine and antimony. Therefore, our Company brought our own compounding techniques to bear to develop an environmental friendly EME that achieves equivalent or greater flame retardant properties without the use of any bromine or antimony flame retardants. We will continue to contribute to reducing the release of harmful chemical substances by expanding and deploying environmentally-friendly EME in the future as well.

*1 Epoxy Resin Molding Compounds for Encapsulation of Semiconductor Devices

Bromine/antimony content: 0%

Phenolic molding compounds and molded parts

7.3 Improve energy efficiency
9.4 Environmentally sound technologies

Improving battery performance and achieving lighter-weight vehicle bodies are essential when it comes to reducing CO_2 emissions from vehicles. Switching the metal parts used in the brakes and engines of automobiles to phenolic molding compounds and molded parts makes it possible to reduce the weight of the vehicle bodies. Our Company's phenolic molding compounds and molded parts are made using our proprietary technologies for developing and processing materials that capitalize on the unique qualities of phenolic resin, which is a thermoset resin. With these, we have been able to boost the performance of parts, particularly those placed under thermal load and those for which dimensional accuracy is required.

Improved fuel efficiency from 1.1 kg/vehicle weight savings when pulleys are made from resin

0.055%

CO_2 emissions reduction: 0.11cc/km

Cover tape for electrical components

12.5 Substantially reduce waste

This is a tape used to carry semiconductor packages and electrical components to the surface mount process. Through innovations in the tape's design and production processes, we were able to substantially reduce the electricity and solvents used during its production. In addition, making the tape itself as thin as possible contributes to cutting down on waste.

Reduces waste after using the tape by approximately

15%

SDG-contributing products designed to create a sustainable future

Polycarbonate polarizing plate for eyewear

11.2 Safe transport systems

This is a material that is primarily used in sunglasses. Cutting down on the brightness and glare in one's field of vision reduces eye and nerve fatigue and stress. When they are used by drivers during long distance transportation runs, they contribute to improving transportation safety by reducing the physical burden and also making it easier for them to notice signs and other such objects.

Effect of reducing fatigue when polarized glasses are worn:

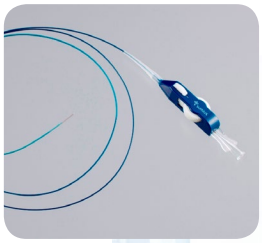
20% on average

Steering microcatheter

8.1 Sustain per capita economic growth

This is used in catheterization (a minimally invasive treatment) to treat hepatocyte cancer. Since the tip moves freely without any guide wires, it can quickly and reliably arrive at the affected blood vessel. As a result, this enables more precise surgeries to be conducted in a shorter time span compared with cases where traditional catheters are used.

There is little in the way of physical burden on the patient, and since patients can be rehabilitated and rejoin society quicker than they could if they had undergone surgical procedures involving an incision to the abdomen, this contributes to the economic underpinnings that serve as a basis for economic growth.



Impact of catheterization

Time spent hospitalized + time spent recovering at home after being discharged

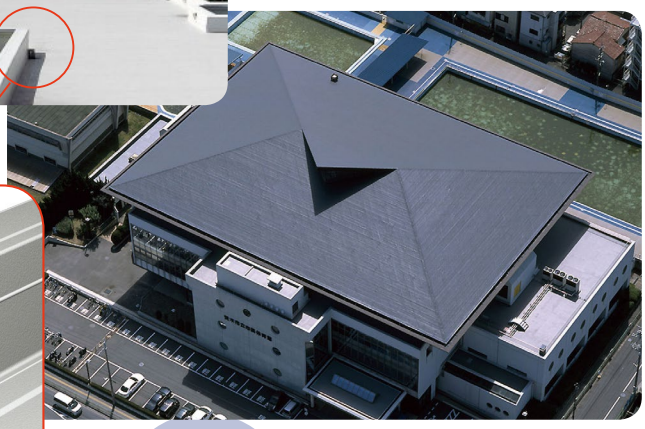
Shortened by 50%

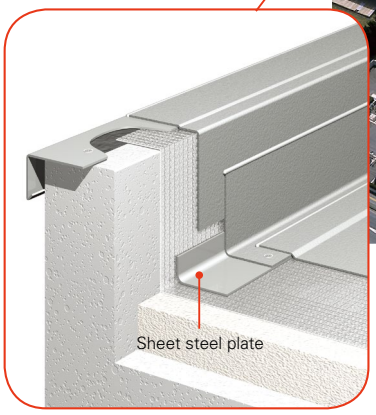
Sheet steel plate manufactured from near-infrared laminates

8.8 Safe and secure working environments

12.4 Manage wastes and reduce their release

This is a construction material used in the roofs and balconies of houses. Conventionally, organic solvents with a high environmental impact had been used to weld steel plates and sheets. But performing thermal welding by near-infrared welding techniques makes it possible to substantially cut down on the amount of organic solvents used.





Reduction amount of organic solvents

45.3g per 2m sheet steel plate

Freshness-preserving film (MAP)[*1]

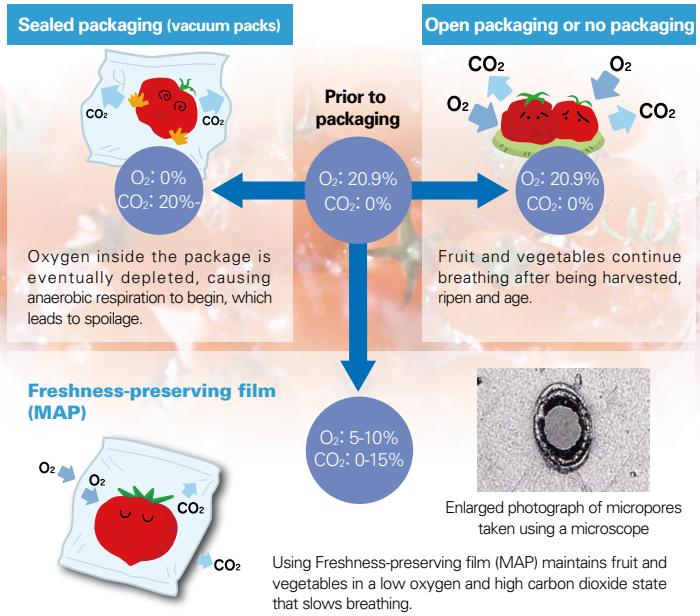
2.1 End hunger
9.4 Achieve increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
12.3 Halve per capita food waste and reduce food losses along supply chains

Our freshness-preserving film (MAP) helps to improve distribution and product appeal by retaining the freshness of fruits and vegetables for an extended period of time, and delaying degradation. This is achieved by keeping the product in a state of "hibernation" (a state of equilibrium with reduced breathing).

This means that the distribution of products can be switched from styrene foam containers to cardboard boxes, contributing to the resolution of problems with waste due to lighter and more compact packaging. This can also reduce food loss with the extended period of quality maintenance thanks to functional improvements in packaging with freshness preserving film, contributing to the reduction of environmental burdens in terms of the lifecycle of fruits and vegetables.

Freshness-preserving film (MAP) is not only used in areas across Japan to transport their distinctive fruits and vegetables, in recent years it has been adopted for overseas exports and distribution between foreign countries. It is also used for packaging cut vegetables, and you can buy zipper bags for use at home.

*1 Acronym for Modified Atmosphere Packaging.



Enlarged photograph of micropores taken using a microscope

Using Freshness-preserving film (MAP) maintains fruit and vegetables in a low oxygen and high carbon dioxide state that slows breathing.

Number of days the freshness of komatsuna (Japanese mustard spinach) can be preserved (stored at 10°C)

*Three days in an open package. Based on experiment data from our research laboratory

7 days

Used to ship fruits and vegetables across all parts of Japan

Number of items on which freshness-preserving film (MAP) is used

Over 60 items

Niigata JA Minami Uonuma

Shiitake mushrooms

Hokkaido JA Makubetsu

Potatoes

Nagano Fruit Farm Suko

Shine Muscat grapes

Yamagata JA Tsuruoka

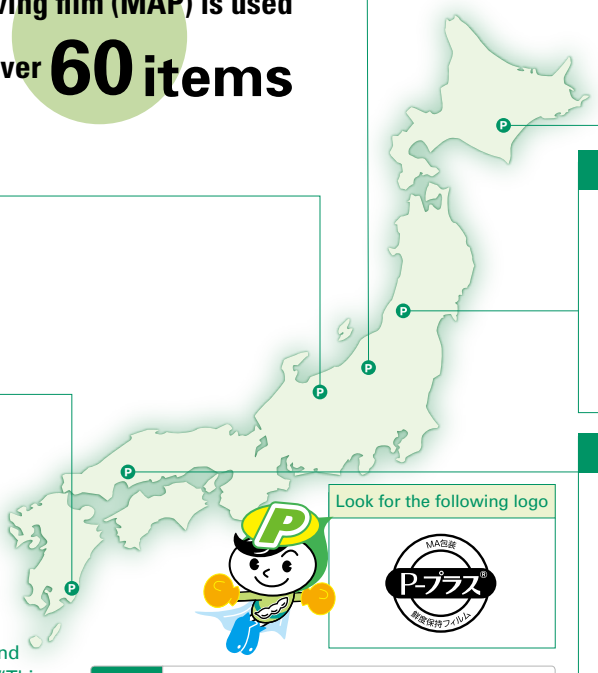
Edamame

Miyazaki Kushima Aoi Farm Co.

Sweet potatoes

Hiroshima JA Hiroshima Yutaka

Lemons



Look for the following logo

Every month, we cover topics related to fruits and vegetables on our corporate website as part of "This month's Freshness-preserving film (MAP) produce" page.

Link → http://www.sumibe.co.jp/product/p-plus/topics/

We are instituting "investments aimed at growth and expansion" and "regular and stable shareholder returns" predicated on maintaining a sound financial foundation.

Director,
Senior Managing Executive Officer
Takashi Nakamura

A look back at business performance in fiscal 2019

In the fiscal year ended March 31, 2020, the automotive and semiconductor sectors that constitute major markets for our Company had been in a slump since the start of the fiscal year. Then upon entering the fourth quarter the global coronavirus pandemic occurred, which had a significant impact on our business performance. On the other hand, throughout the fiscal year we had been thoroughly undertaking efforts to "lean management" such as by cutting fixed costs. So while both sales and profits fell below our initial expectations with respect to our business performance for fiscal 2019, my take is that through these sorts of initiatives we were able to keep the extent of the decline down to a minimum. However, the fact of the matter is that our sales and profits declined compared to those of the previous fiscal year. Therefore, we should accept this in good faith, and promptly take measures to counteract it without failing to reflect on this and select challenges for the coming fiscal year.

My view is that it will take time for demand to recover in the new fiscal year. Therefore, in order to ensure business performance capable of meeting the expectations of our stakeholders given the environment we find ourselves in, we will continue to regard consolidating a foundation for earning profits as our highest priority. We will continue to work towards reassessing and cutting costs as a whole, primarily fixed costs, across each department. We will also provide a sound underpinning for our business performance, and establish a constitution capable of earning profits despite the challenging circumstances.

Initiatives for Mid-term Business Targets

One of the basic strategies for our Mid-term Business Targets we set forth is: "Developing new products with competitive advantage, aiming at their prompt contribution." With this strategy, since demand for end products has not recovered, we have been unable to achieve adequate results from the perspective of readily developing the potential for such products. But when it comes to development, we are soundly moving ahead with spreading and nurturing the seeds necessary for this. Another strategy is: "Increasing profitability of existing products, expanding their field (applications and geographical areas)." With this, for our semiconductor materials business we are making advances in developing new purposes of use and functionality for not only telecommunications equipment, but also for in-vehicle products, while for our high-performance plastics business the same is being done for thermal management and replacing metals. As for our quality of life products business, we are proceeding ahead with developing new application and functionality in areas such as health care and films and sheets, including through outside partnerships, and these are being a potential force. When it comes to these two strategies, we ought to promote them in tandem with measures to enhance revenue for when they are practically implemented, wait until demand for end products recovers, and then tie this in with results all at once.

With the third strategy of "Proactive strategic investment in growth areas (M&A, etc.)," we will allot research and development costs on a basis of 5% of sales and capital investments of around 10 billion yen per year to expand sales in the future. We will also allocate about 50 billion yen as part of a strategic investment framework for the prompt commercialization of priority areas as businesses. Yet under the current harsh conditions, as we take measures to underpin our business performance we will be rendering judgment on these, which will surely lead to making new large-scale investments based on careful selection, although we will continue to proactively seek out investment opportunities. At this point in time, the coronavirus pandemic has not affected our cash flow, and we will continue to ascertain investment opportunities by keeping an eye on the situation.

Basic policies for financial strategy

The composition of our finances has been maintained at a stable and sound level for a long time. In many cases the materials we provide are the main components in our customers' products, and they all have lengthy development timeframes. As such, even after they are made into products we must supply materials in a stable manner over the long-term. In other words, we must be worthy of forming long-term, stable partnerships with, as seen from the perspective of our customers. In addition, it is also crucial that we form sound relationships of trust with upstream manufacturers of raw materials in order to be able to continue to provide high quality that can meet the expectations of our customers in a stable manner.

As a company that has been chosen by our stakeholders, we strive to improve our corporate value from three primary perspectives. The first is profitability. First off, while business profits are at an exceedingly dire level due to the current circumstances, our aim is to build a foundation for earnings in which our business profit to revenue ratio from our three business segments can be kept at or above 10% in a stable manner. The second is ROE, which is an indicator of how effectively we are utilizing capital to generate profits. In fiscal 2019, this fell 3.7% compared to the previous fiscal year to 5.0%, but our goal is to raise this figure up to 10%. Another important perspective is financial stability. As I mentioned above, I feel that we need to allocate cash to investments in new business areas, M&A, and so forth, with a view towards long-term growth. However, while we are in the process of making investments in an increasingly proactive manner, we have set the criterion of not exceeding ratio of interest-bearing debt and debt-equity ratio from when we acquired the US company Vaupell Holdings, Inc. back in 2014. For fiscal 2020, we will continue working to make efforts to reform our businesses structures, make improvements, and boost our corporate value with this in the front of our minds as we focus on restoring our business performance in the here and now.

Shareholder return policy and message to shareholders and investors

Even though our business performance in fiscal 2019 fell below that of the previous fiscal year's, we kept annual dividends at the same level as the previous fiscal year at 75 yen. In addition, the standard we use for our dividend payout ratio is 30%. On account of our business performance, this came in at the high figure of 39% for fiscal 2019, but over the medium-term we will continue to aim for our standard of 30%.

When it comes to cash, I would like for us to maintain a certain amount of this as capital for strategic investments geared towards future growth and expansion. When this is viewed over the medium-to long-term, this will bring about improvements in our corporate value and allow us to return profits to our shareholders. We will focus on restoring and improving our business performance in the future based upon our policy of continuing to return profits to our shareholders in a stable and ongoing manner.

In light of the current state of affairs with the world economy, we must soundly do what we must in this moment and seek to expand and grow our businesses over the medium to long-term while sustaining our business performance in the here and now. The embodiment of the SDGs that is consonant with our Business Philosophy (Company Policy) serves as an articulation of this growth orientation. We will engage in development that places importance on social needs based on the SDGs and continue to provide valuable materials. Through this, we will aspire to be a company that can both create business opportunities and contribute to resolving social issues, as well as exert a strong presence in various different sectors.

In addition, my view is that times of social change present opportunities. For example, metallic materials have until now been widely used in automobiles, but the emergence of the problem of climate change has accelerated moves to switch to hybrid vehicles and EVs in order to reduce emissions of CO_2, and encouraged the replacement of metals with resin materials in the aim of reducing weight. Nowadays, the focus is on new breakthroughs such as self-driving and connected vehicles. As this demonstrates, the concept of what a vehicle is, is changing. Our greatest strength is our ability to provide plastics with new functionality right when technical innovations demand such functionality and materials. Our greatest mission lies in providing materials offering high-performance, high added-value, and sound reliability, as well as those materials that no one else but we can produce.

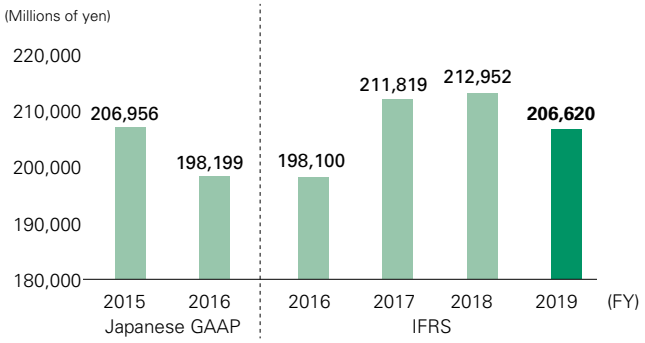
Society is undergoing significant changes as a result of the coronavirus pandemic. In all likelihood, only those companies that can acutely grasp these changes and continue providing sought-after value will be able to achieve growth. I am confident that we can be one such company. I would like to ask all of our shareholders for your understanding regarding our approach to business, and to lend us their support as viewed from a long-term perspective on into the future.

Financial/Non-financial Highlights

Financial Highlights

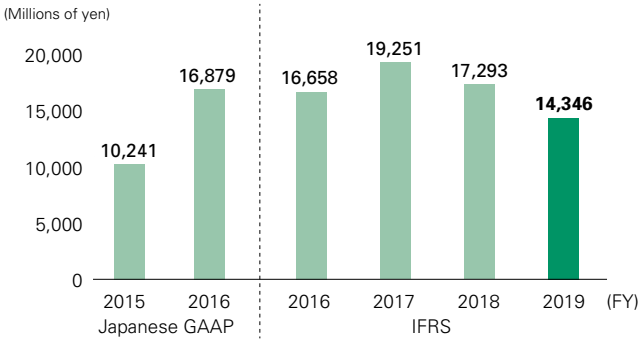
Net sales/Revenue

¥206,620 million



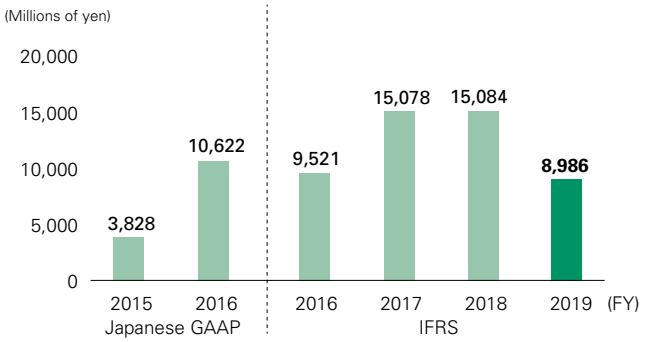
Operating profit/Business profit

¥14,346 million



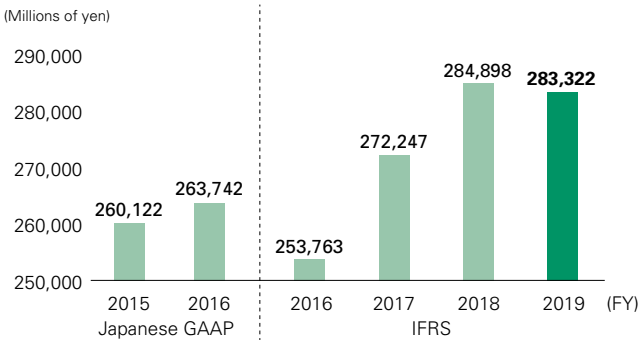
Profit attributable to owners of parent

¥8,986 million



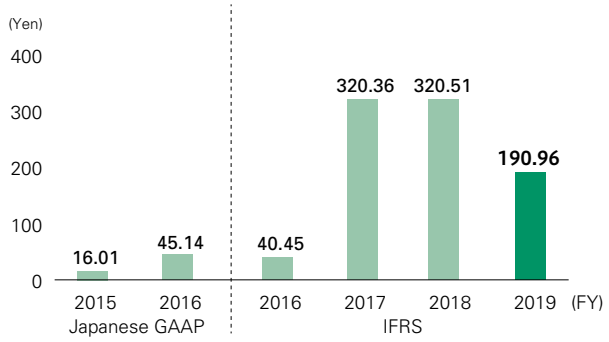
Total assets

¥283,322 million



Earnings per share/Basic earnings per share

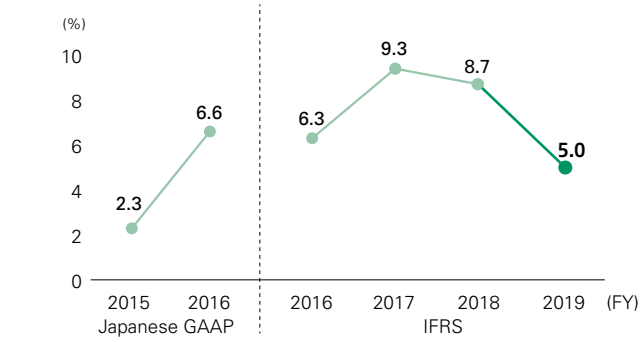
¥190.96



* 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)

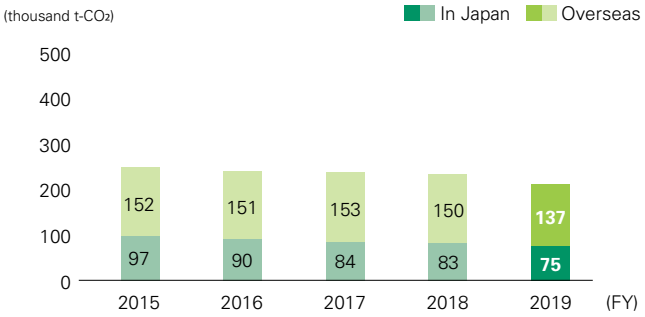
5.0%



Non-financial Highlights

CO_2 emissions

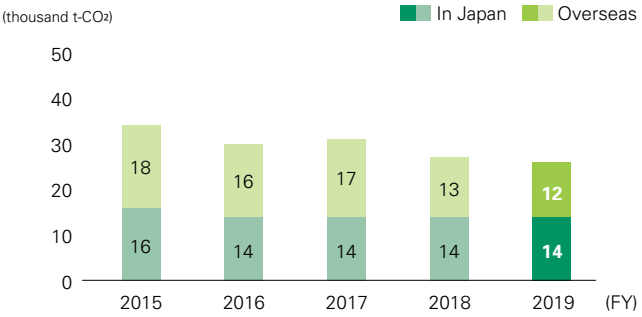
In Japan: **75** thousand t-CO_2 Overseas: **137** thousand t-CO_2



* Details on page 46 (article) and 104 (data).

Amount of material loss

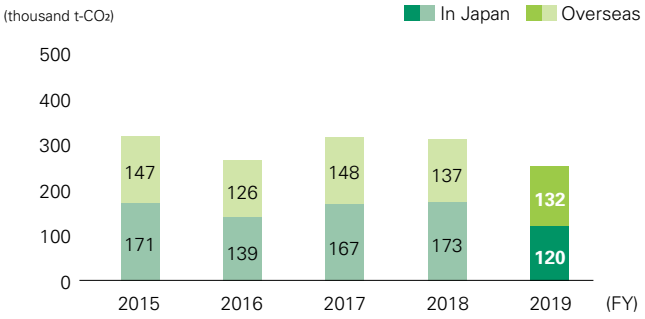
In Japan: **14** thousand ton Overseas: **12** thousand ton



* Details on page 46 (article) and 104 (data).

Chemical substance emissions

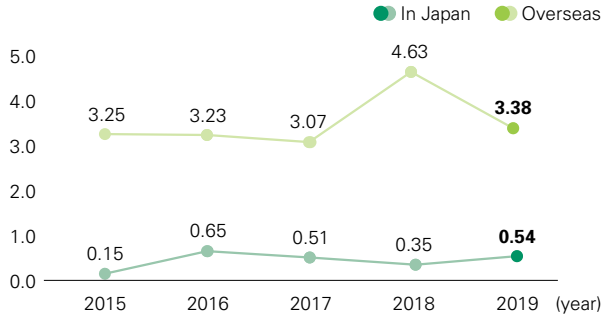
In Japan: **120** ton Overseas: **132** ton



* Details on page 46 (article) and 104 (data).

Frequency rate of occupational accidents

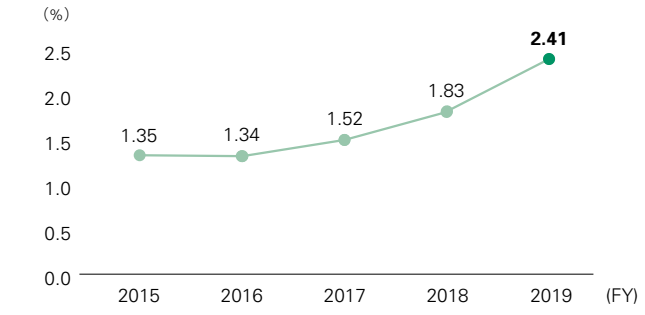
In Japan: **0.54** Overseas: **3.38**



* Details on page 52.

Trends in the proportion of female management staff

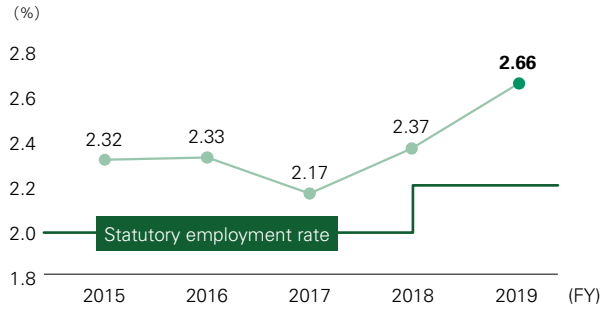
2.41%



* Details on page 62.

Employment rate of people with disabilities

2.66%



* Details on page 61.

Mid-term Business Targets

With a view to expanding our business and realizing sustainable growth, we have established our vision to become "a company that makes your dreams for the future a reality," and will continue to promote initiatives based on this.

Overview of Mid-term Business Targets

Philosophy	Business Philosophy (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 which is ultimate potential needs, is consistent with our Business Philosophy**
Vision	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
Path toward creation of value	▶ Please refer to page 8 "Value Creation" for details on our path toward the creation of value

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 SDG-contributing products Fiscal 2018 **23**% ▶ Fiscal 2019 **26**% ▶ Fiscal 2021 **30**% Priority SDGs "5 + 1 goals"  ● Develop "One Sumibe" activities world wide · Provide customers with values that cut across the whole company · Create potential needs for customers and business opportunities One Sumibe

Target values

The target values of our Mid-term Business Targets established in 2019 have been affected by the coronavirus pandemic, and we are making progress on revising them. We will continue to promote initiatives in aiming for the targets set forth as our ideal vision for the future while maintaining our vision to be "a company that makes your dreams for the future a reality."

Future (vision)

Revenue ¥**300** billion

Business profit ¥**30** billion

Risks on Business

The items below constitute the major risks facing our Company Group's businesses. However, these do not cover all of the risks related to our Group, as risks other than those listed here that are difficult to foresee also exist.
Our Group has set in place a corporate control structure and has established and operates an internal control system in an effort to reduce both the frequency with which these risks occur and the extent of their impact.
What is more, each Group company and each department gets a handle on and assesses the business risks facing their own sections, based on which our Group formulates its basic policy for risk management. This states that we must undertake appropriate controls and best practices in response to the various risks surrounding our businesses.
Matters related to future events found within this document are based on judgments made by our Group as of the end of fiscal 2019.

1 Product Quality

Our Group has adopted a consistent quality control structure covering everything from the design management through to the manufacture and sales of our various products that is based on quality manuals that conform to international quality control standards (ISO-9001, IATF-16949, AS9100, etc.). Yet we cannot guarantee that all of our products will be completely free of defects and deficiencies, or that absolutely no quality complaints or recalls will occur in the future.
Our products are used for purposes that are both directly and indirectly related to people's lives, such as in automobiles, aircraft, medical devices, electronic materials, and more. Therefore, if a large-scale incident involving these products were to occur, it would generate an enormous cost burden as a result of paying compensation for damages, recalls, and so forth. Not only that, but it could also potentially lead to negative repercussions for our management performance due to a loss of confidence in our Group.
There are also cases where advances in science and technology and changes in customers markets, and the way our products are used result in raising the level of quality control demanded by customers after our products have been placed on the market, or which give rise to unexpected quality issues.
Our Group regularly verifies our quality control status via internal audits performed by licensed personnel and external onsite quality audits. In addition, we undertake improvement activities that include detecting latent quality risks through the use of FMEA and FTA techniques, as well as taking measures to reduce these.
In addition, our Group has established a system for immediately sharing and undertaking centralized management for any quality issues that arise at any of our business sites in Japan or overseas. This is done in an effort to mount initial responses to said quality issues and to prevent the damage from them from spreading.

2 Disasters and Accidents

Of the foreseeable disasters and accidents that could occur, our Group regards earthquakes; explosions, fires, and leaks; storm and flood damage, and pandemics as major emergencies. Should any of these emergencies occur, our concern is that this would produce conditions under which we would be unable to continue to supply products as a result of casualties arising among neighboring residents and employees, damage to facilities and equipment, or the interruption of electricity, gas, water supply, or communication functions. Furthermore, interruptions to supply chains resulting from our partners or suppliers suspending functions, or functional interruptions to distribution, could potentially render us unable to ensure continuity in our economic activities. As a result, this could potentially have negative repercussions for our business performance, such as if we were to receive claims to pay vast sums of money as compensation for damages.
Our Group has usually prepared Business Continuity Plans (BCP) designed to ensure the continuity of business when such emergencies occur, and shares these with the relevant parties as needed. When the Great East Japan Earthquake struck, the structures and equipment at our Utsunomiya base were partially damaged, but by acting in accordance with this BCP we were able to minimize the damage done to our Group.
Our Group recognizes that the frequency with which disasters and incidents that we regard as major emergencies occur, as well as the magnitude and extent of their impacts, is changing every year as a result of advances in science and technology and the effects of climate change. To date, we have taken measures such as ensuring adequate inventories, ensuring redundancy with our production systems at business sites in Japan and overseas, augmenting our supplies of spare parts, and systematizing our restoration structures. Every year we verify the adequacy of these measures based on the latest information. Moving forward, we will continue to reassess our BCP and offer training.
Of the disasters mentioned above, with regard to "explosions, fires, and leaks" that could potentially occur due to causes attributable to our Group, we collect data on near misses that occurred at our business sites in Japan and overseas. We then have our Corporate Safety Center, which was established in 2018, draft scientific explanations and countermeasures, which are then deployed throughout the entire Group.

3 Information Security Incidents

In recent years, cyber attacks have been growing increasingly clever and sophisticated, and there have been numerous cases in which the information retained by companies has been exfiltrated as a result of unauthorized access and cyber attacks. If our Group were to suffer a cyber attack that resulted in the failure or interruption of important systems, or the exfiltration of sensitive data in our possession, it could potentially impact our Group's business performance via a loss of trust in us by society, causing confusion or delays in our business activities, or generating costs such as compensation paid to our business partners.

To prevent information security incidents, our Group adopts information security measures and monitors for cyber attacks. We also provide information security education for our executive officers and employees and perform cyber attack drills in working to improve awareness of information security.

In addition, we make efforts to take part in and actively obtain information from organizations that share information on and enhance countermeasures to cyber attacks, such as the Nippon CSIRT Association and the Initiative for Cyber Security Information sharing Partnership of Japan (J-CSIP). We also established SUMIBE-CSIRT, which is a cross-cutting body to prepare against the occurrence of information security incidents. Through this, we have set in place a structure for mounting responses when emergencies occur that includes our management-level employees, and coordinating with outside agencies related to security.

4 Legal and Regulatory Compliance

Our Group engages in business activities globally, and complies with a broad range of laws and regulations covering a number of different areas both in Japan and various other countries. Of these, regulations that are closely related to the contents of our businesses as a manufacturer of functional chemical products include regulations on the management of chemical substances, as well as regulations pertaining to waste, carbon dioxide, sewage, and emissions of soot and dust.

In the event that we should fail to abide by any current or future laws or regulations, this could result in negative repercussions for our business performance on account of the generation of vast sums in losses due to criminal penalties, fines, or civil suits, as well as a loss in confidence in our Group.

In order to prevent legal and regulatory violations from occurring and minimize any negative repercussions from these on our financial condition and business performance, through operating and enhancing our chemical substance management system, arranging and improving various internal regulations and procedures, providing different types of compliance education, and performing internal audits, we work to properly comply with laws and regulations.

5 Country-specific Risks

Revenue from our overseas subsidiary companies accounts for an approximately 50% share of our consolidated revenue, and the regions we are active in span a wide range that covers Europe and the United States, East Asia (including China), and Southeast Asia. In cases where there are abrupt changes in the practical application or interpretation of laws by the laws, regulations, policies, or authorities of the countries in which we carry out business activities, or when political instability arises or uprisings occur, this could potentially have negative repercussions for our Group in carrying out our business and on our business performance. The same holds true in cases where such changes occur in regions in which our suppliers and customers operate.

In addition, in the future chemical substance management and initiatives to curb and reduce our emissions of CO_2 could be strengthened, which could potentially give rise to new costs for countermeasures to these.

Our Group focuses on getting a grasp of the most recent circumstances in each country. In addition, for products that we provide globally, we focus our efforts on establishing structures that allow us to supply said products from multiple production bases in order to disperse risk and continue supplying these to our customers.

6 Procurement of Raw Materials and Price Fluctuations

As a manufacturer of functional chemical products, many of the main raw materials used by our Group are derived from petroleum. Therefore, if the price of petroleum or naphtha were to suddenly rise as a result of instability in the Middle East or the global economic climate, this could potentially lead to negative repercussions for our business performance as a result of delays in reflecting this in the price of our products, for example.

We also use metal materials like silver and copper as raw materials. If the prices of these materials were to skyrocket due to the economic climate or for other reasons, then this could also potentially have negative repercussions on our business performance in a similar manner.

Furthermore, with regards to the raw materials that are supplied to us from foreign companies, there is the possibility of supply

interruptions, temporary restrictions, sudden price increases, and raw material manufacturers suddenly withdrawing from business on account of causes such as the conditions or climate, revisions to laws, and problems in securing a labor force in the country of origin. Such cases could potentially give rise to sales decreases, worsening profitability, or impediments to business continuity.

With continuity of supplies as our foremost consideration, our Group works to reduce such risks by sourcing from multiple suppliers, by way of example. As for raw materials derived from natural products such as plants and minerals, we will continue working to develop technologies to control differences in their composition and ingredients that occur as a result of regional variations. In addition, when we adopt new raw materials, one of our criteria for their adoption is that they must not contain substances that will be subject to restrictions in the future, which is done in an effort to reduce risk. As for price fluctuations for our main raw materials, we are proceeding with the adoption of a formula system (where changes in raw materials are automatically reflected in prices) based on consultations with our customers.

7 Securing and Developing Human Resources

People form the foundation of our business activities. Should we be unable to secure and train human resources who can be expected to serve as valuable assets, or if our existing valuable human assets were to leave our Group, it could potentially have negative repercussions on our business continuity and business performance. Members of our organizations for each business, both in Japan and overseas, are aging, and our Group will be faced with risks in terms of our operational safety should we be slow to properly respond to this. What is more, the chemical industry to which our Group belongs is similar to other industrial sectors in that the human resources they require have been changing as a result of changes to the products, manufacturing techniques, and so forth, with engineers in particular in short supply. The employment of the digital engineers that can oversee the AI/MI/IoT that will be key to the chemical industry and our Group in the future is becoming increasingly fluid. Should we be slow in responding to this appropriately, it could have negative repercussions on our business continuity and business performance.

To respond to social changes such as flows of human resources becoming commonplace and increasingly diverse career paths, since 2007 our Group has been offering our own unique education and training program in the form of SB School by revising the course every year. For the future, we feel that it will be necessary to promote efforts like overhauling our various personnel systems to be even more appealing, career recruitment, and so forth.

8 Coronavirus

Our Group regards the "pandemics" mentioned in section "2 Disasters and Accidents" above as major emergencies. The COVID-19 pandemic that has spread all over the world starting in early 2020 has truly become manifest in a manner close to the absolute worst-case scenarios envisioned. Our Group now finds itself in a position where it cannot guarantee the continuity of economic activities that involve all of the relevant parties. This naturally includes health issues faced by employees, as well as protracted stoppages in production and shipping activities at our plants in different locations, primarily those located overseas, disruptions of supply chains due to business partners and suppliers suspending their functions, and logistical disruptions. We now find that we must promptly respond.

As for our initiatives for this, we are currently soundly moving forward with all conceivable BCP measures. These include continuing to procure raw materials from multiple sources, ensuring redundancy with our production systems at our business sites in Japan and overseas, ensuring adequate inventories, and taking prompt and flexible measures to ensure the health and safety of our employees. Furthermore, we recognize the need to continue performing verification and reappraisals of the adequacy of our measures while keeping an eye on changes to the current conditions.

Contributing to technological innovations for a smart society and the mobility sector based on our global CS structure.

Director,
Senior Managing Executive Officer
Sumitoshi Asakuma

Segment performance for fiscal 2019

Revenue

49,824 million yen (up 2.0% year on year)

Business profit

7,684 million yen (down 3.9% year on year)

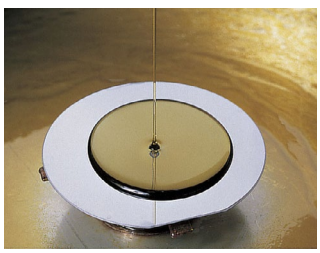
A look back at fiscal 2019

A worldwide slump in the semiconductor market has persisted since the latter half of 2018, and just when demand was showing signs of recovering at the end of 2019 the coronavirus pandemic struck. However, we were ultimately able to increase revenue, partially as a result of the initiatives we had previously been addressing, including expanding our market share and developing new use cases. Conversely, with respect to business profits our profit margins deteriorated and profits fell as a result of the steep rise in procurement costs for certain raw materials.

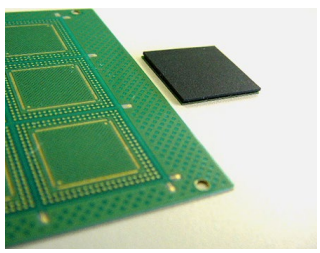
▶ Main products

Epoxy resin molding compounds for encapsulation of semiconductors

Liquid resins for semiconductors



Epoxy resin molding compounds for encapsulation of semiconductors



"LαZ" substrate materials for semiconductor packages

By building globally same quality assurance structure maintaining top share in global markets for more than 30 years

Since the 1980s, we have captured the top share in global markets with our semiconductor encapsulation materials that insulate and protect semiconductor devices, and we have maintained this position for more than 30 years since then. At present, in addition to encapsulation materials we also supply a number of products that are crucial for semiconductor manufacturing processes, including photosensitive coating resins for semiconductor wafers, substrate materials for semiconductor packages, and die bonding paste. These are used in a variety of different sectors, such as in telecommunications equipment like PCs and smartphones, as well as in automobiles, consumer electronics, industrial machinery, and more. To meet the needs of our customers all around the world, we have established structures that integrate manufacturing, sales, and R&D in different regions spanning from Japan (Fukuoka) to China (Suzhou), Singapore, and Taiwan (Kaohsiung). Through this, we have established a quality assurance structure offering a uniform level of quality between our bases. In addition, with "Customer Satisfaction (CS) is the foundation for everything" as our business policy, we emphasize activities whereby we offer proposals from the customer's viewpoint. We have also established open laboratories that allow us to undertake development in an integrated manner together with customers in our various locations in Asia, as well as Europe and the United States, and work to faithfully and rapidly reflect the needs of our customers in products.

Striving to expand competitive advantage with a view towards next generation and augment production capacity in growth areas

We are working to create new markets that offer value which contributes to smart societies in the future based on the

SWOT for Semiconductor Materials Business

Strengths
- 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

Weaknesses
- Susceptibility to market conditions
- High dependence on specific products

Opportunities
- 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
- Growing demand for telecommunications equipment due to the increase in people working from home

Threats
- 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

material technologies we have cultivated to date and our strong relationships of trust with our customers. As for our Mid-term Business Targets, we are working to boost the competitive advantage of our encapsulation materials and expand production in growth areas by means of expanding our business with highly integrated devices and in the mobility sector.

For example, in the in-vehicle encapsulation material sector, in addition to conventional semiconductor devices, we have also positioned materials for fixing motor magnets for hybrid and electric vehicles (EVs), direct molding materials for electric control units (ECUs), and materials for power module as strategic products, and will continue to actively deploy these. In April 2020, we launched the Mobility Materials Sales Department within our Sales Division, thereby setting in place a sales promotion structure. For the future, our aim is to situate in-vehicle encapsulation materials as a second pillar of our business after our semiconductor encapsulation materials. We have set forth a target for sales in the in-vehicle encapsulation materials market of 12 billion yen by fiscal 2025.

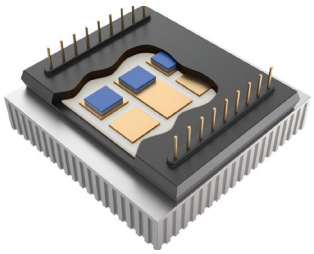
In addition, in January 2020 we established the Next e-Axle Market Promotion Project Team to set our sights even farther ahead in the future of mobility. Electric axles are pivotal devices providing the driving force for hybrid and electric vehicles that integrate together a motor, inverter, and gear box. This project aims to manufacture prototypes and perform proof-of-concept experiments together with experts and engineers from industry, government, and academia. It also aspires to promptly achieve electric axles that are small, light-weight, low-vibration and low-noise, and highly efficient by making them out of resin.

In the field of highly integrated devices, we are working to enhance our lineup in response to the advent of IoT and 5G (fifth generation mobile communications systems). We are making advances in developing forward-looking products that include cutting-edge packaging materials (mold underfill materials[*1] and granule type encapsulation materials for compression molding), low dielectric constant materials for 5G, and materials that can directly act as antennas on the surface of encapsulation materials. To supply goods to the Chinese market, where 5G-related demand is growing, we plan to increase production capacity at our subsidiary company in Suzhou, China. For the future, our aim is to expand our market share worldwide by further promoting initiatives that place CS first and ensuring our competitive advantage.

*1 Encapsulation materials to enable one-step process both to fill in the gap between the substrate and semiconductor device (underfill) and encapsulate semiconductor devices (over-molding). They offer the advantages of reducing the cost and man-hours spent in assembling semiconductor packages.


Materials for fixing motor magnet


Direct molding material for ECU


Materials for power module

TOPIC

Starting production of the in-vehicle encapsulation materials in Europe, where the automotive industry originated

The electrification of vehicles is spreading worldwide based around the keyword "CASE."[*2] To meet the rising demand from the mobility sector in Europe, our Group will introduce a new manufacturing line for in-vehicle epoxy resin encapsulation materials at Vyncolit in Belgium. The assumption is that its main products will be the materials for fixing in place motor magnets used on electric and hybrid vehicles, as well as the direct molding materials for ECUs that provide electronic controls for engines, transmissions, and so forth. The aim is to have it begin production in early 2022.

*2 This is a keyword representing next-generation moving vehicles that is an acronym of the words: Connected, Autonomous, Shared, and Electric.


Vyncolit

Contributing to resolving social problems as a global manufacturer of thermoset reins creating new functionality.

Director,
Managing Executive Officer
Goichiro Kuwaki

Segment performance for fiscal 2019

Revenue

84,882 million yen (down 9.5% year on year)

Business profit

4,065 million yen (down 39.0% year on year)

A look back at fiscal 2019

Revenue declined due to the sluggishness in the global automotive market seen since the start of the fiscal year, the decline in exports of electrical machinery and products from China to the United States due to the trade friction between the two countries, as well as the partial suspension of production at U.S. aircraft manufacturers that serve as our major customers. Other reasons for this decline include the slump in sales to the shale gas oil industry by our U.S. subsidiaries due to cheap crude oil costs, as well as the impact from the coronavirus pandemic. Business profits also decreased as a reflection of the rising cost of structural reforms due to the slump in sales to the automotive industry and the worsening sales environment when it comes to the aircraft industry.

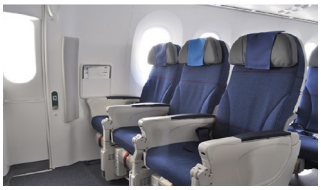
▶ Main products

Phenolic resins

Phenolic molding compounds

Molded parts

Copper-clad laminates



Aircraft interior components

Deploying our own proprietary value chains worldwide as a pioneer in plastics

High-performance plastics are the business that formed the core of our Company starting from back when we were founded. Phenolic resin is characterized by its excellent heat-resisting properties. By adding new functionality to it in the form of strength, heat dissipation, and abrasion resistance qualities we have expanded its use cases, thus ensuring its continued existence for more than 100 years. Chief among these, the greatest expansion in this regard has been in terms of its usage as a replacement for metal. Switching from metal to resin offers numerous advantages in terms of reducing the cost of raw materials, cutting manufacturing costs due to the ease with which it can be processed, and its ability to achieve weight reductions. As such, its use has rapidly expanded, primarily in the area of small components on vehicles.
In addition, one of our major strengths lies in our complete value chain. By developing and synthesizing phenolic resins in-house, creating molding compounds and molded parts suited to each purpose, and providing exceptional functionality and value at each stage, we are able to offer proposals that meet our customers' requirements. There are few resin manufacturers that possess such a value chain. Through these activities, we have built strong relationships of trust with customers in a variety of industries such as the automotive industries in North America, Europe, Asia, and Japan.

Returning to a growth path by implementing measures to restore business performance and accelerating new expansion in growth areas

Our high-performance plastic business has suffered a sizable slump in business performance. This came about as a result of the worldwide slump in the automotive market and the partial suspension of production at aircraft manufacturers, which are major customers of ours, as well as the impact from the

SWOT for High-Performance Plastics Business

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

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

Opportunities
- Electrification of automobiles
- Strengthening environmental regulations around the world
- Aircraft weight reductions
- Increased demand for flame-retardant, heat insulating materials
- Increased demand for electronic devices due to the increase in people working from homes

Threats
- Intensifying competition for main products
- Increasing raw material prices

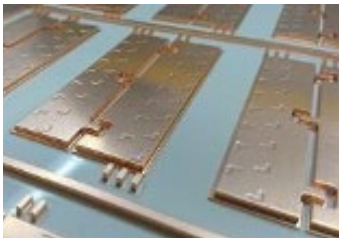
coronavirus pandemic. While we expect that these uncertain conditions will continue on into the future, we consider restoring our business performance and securing earnings to be pressing needs. We are currently promoting the concept that we must "lean management" measures in response to the market environment (optimizing our organizations, personnel, and equipment), such as by cutting fixed costs mainly in Europe and the United States, rebuilding our business models by expanding our customer base for the aircraft business, and so forth.

Yet even amidst such business conditions, we intend to capture demand by bringing to bear our complete value chain and global production and supply structures, which are our strengths. We have set molding compounds for brake pistons, resins for tires, and resins for friction materials as global strategic products, and position products in which we have an advantage in each region as regional competitive-advantage products. Examples of this would include materials for excavating shale gas and oil in the United States, resins for heat insulating foam in Europe, and materials for electric parts in Asia. We believe that there is not only demand for these in their respective regions, but that there could also potentially be latent demand for them in other regions as well. As such, we are proactively working to deploy these laterally in aiming to expand our market share and business globally.

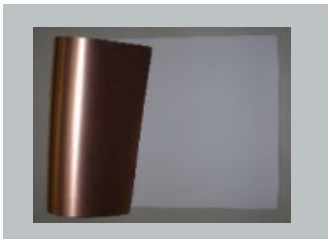
What is more, we work to create new business opportunities through joint development rooted in the relationships of trust with our customers that we have built up over a long time, as well as our "One Sumibe" activities. In fiscal 2019, we developed a module for detecting fuel leaks that is compliant with China's environmental regulations for vehicles, and succeeded in acquiring major customers for it. In addition, we are strengthening our sales of materials for thermal management, as there is a growing need for this in a broad range of areas that include high-speed telecommunications and the fitting of electronics on vehicles. We offer a lineup of materials in a variety of different form factors suited to their purpose of use, such as substrates and sheets. Moving forward, we will aim for still-greater growth by proposing materials that contribute to solving social issues based on the three keywords of new markets, new customers and new functions.

Brake pistons molded from phenolic molding compounds

Phenolic resins are used to improve tire durability



Thermal management materials (heat dissipating substrate)



Thermal management materials (heat dissipating sheet)

TOPIC

Development of "SiON™," a phenolic molding compound offering high dimensional accuracy

We have developed our SUMIKON® PM "SiON™" series of phenolic molding compounds, which achieve dimensional accuracy comparable to that of machined metal components via general injection molding, which we began selling in 2020. "SiON™" is a new molding compound that overcomes the challenges of dimensional accuracy and strength that had plagued phenolic molding compounds, and is capable of meeting numerous high-level requirements such as creep resistance and strength at high temperatures. This is allowing us to accelerate the replacement of medium and large-sized molded metallic components with resin components on vehicles, for which such applications had previously been difficult, such as the gear pulley for electric power steering. In addition, replacing metal components, by cutting back on die-cast aluminum and bonded metal, with resin components which exhibit dimensional accuracy makes it possible to reduce weight by 20–60% and improve energy efficiency, which in turn contribute to achieving No. 7.3 of the SDGs.

Gear pulley for electric power steering

Providing products with superior functionality contributes to achieving a rich lifestyle for everyone.

Director,
Managing Executive Officerr
Takashi Kobayashi

Segment performance for fiscal 2019

Revenue

71,207 million yen (up 2.4% year on year)

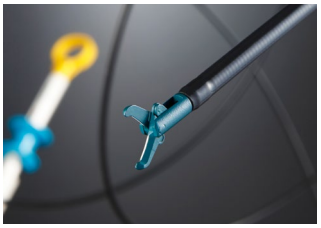
Business profit

5,567 million yen (up 2.7% year on year)

A look back at fiscal 2019

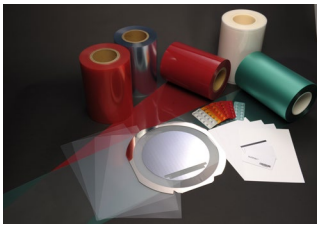
While the domestic market for medical devices has been weak, sales in the U.S. market have increased favorably, thus leading to growth on the whole. Moreover, with bio-related products we saw favorable sales of glycan kits and diagnostic microfluidics. In addition, this business also saw increased revenue and profits due to the contributions by SB Bioscience Co., Ltd., with its in-vitro diagnostics (IVD) business that newly began operating from this fiscal year, as well as the substantial growth we saw in sales of films and sheets to manufacturers of generic drugs.

▶ Main products



Medical devices

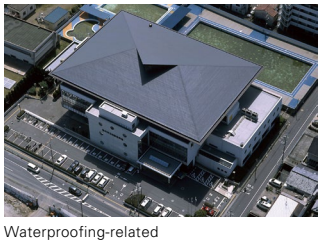
Bio-related products



Films and sheets

Freshness-preserving film (MAP)

Plate products



Waterproofing-related

Eliciting new functionality from plastics and paving the way to a future of human health and wealth

Our quality of life (QOL) products business is divided up into the four areas of healthcare, films and sheets, industrial functional materials, and waterproofing, with the healthcare area including medical devices and bio-related products.

Our QOL product business features numerous products closely connected to people's everyday lives, including medical care, food, and housing, and provides both sophisticated functionality and value throughout daily life. For example, our films and sheets for pharmaceutical packaging have been imbued with various different functionality, such as being moisture-proof and blocking light and ultraviolet rays, by means of overlapping multiple sheets with varying formulations. In addition, we undertake design and offer proposals that incorporate innovations to make the packages easy to press, safe, and that discourage accidental ingestion, while also reflecting the unique characteristics of the drug in question. For this reason, our customers entrust our Company to handle the majority of their packaging design, leaving them free to focus on the development of the drugs themselves. We have received high praise regarding our excellent product functionality and our business model of placing CS first, which has allowed us to acquire a roughly 70% domestic market share when it comes to our films and sheets for pharmaceutical packaging.

Moving forward, we will continue to pursue development and manufacturing that contribute still further to society and the richness of people's lives to continue achieving growth with an accurate understanding of social problems like the aging of society, as well as the challenges for the SDGs.

Eliciting new functionality from plastics and paving the way to a future of human health and affluence

As for medical devices for the healthcare sector, our focus is on the minimally invasive medical treatments that are expected

Primary SDGs

SWOT for Quality of Life Products Business

Strengths
- High share in each niche market
- Accumulation of polymer design, microfabrication, and assembly technology
- Polarization and optical control technology
- Sales activities with CS first

Weaknesses
- High dependence on the domestic market
- Maturation of building materials market

Opportunities
- 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

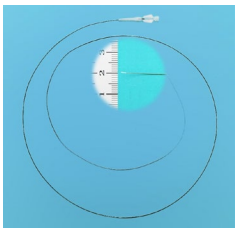
Threats
- Intensifying competition in market for main product
- Prolonged development, approval and licensing of medical devices
- Cost pressure on pharmaceuticals and medical devices
- Shortage of skilled construction workers and personnel
- Reducing plastics in everyday life

to see growth in the future, such as endovascular treatments and gastrointestinal endoscopic treatments. We are moving forward with expanding our lineup of Class III and IV (in-vivo products) in particular, which involve a high degree of difficulty. While we are already selling our "Steering Microcatheter" endovascular treatment devices and biliary stents, in FY2019 we newly launched the world's thinnest microcatheters for the brain and endoscopic clips on the market. In addition, we are moving ahead with obtaining approval for pharmaceuticals at our subsidiary in Dongguan, China, and will continue working to expand into the Chinese market, which will only grow larger in the future. At the same time, when it comes to bio-related products, since April 2019 we have been expanding into the in-vitro diagnostic pharmaceutical business through SB Bioscience Co., Ltd., which is a joint venture together with Sumitomo Dainippon Pharma Co., Ltd. Diagnostic drugs are useful when it comes to the early diagnosis of illnesses. By bringing the bio-related technologies for things such as cell culture incubators and glycan analysis reagents/kits that we have cultivated thus far to bear on diagnostic drugs, we are expediting research and development of these drugs.

For films and sheets, we have been able to supply most of the packaging for new generic drugs. We believe this is due to the fact that our initiatives that place CS first have garnered recognition. As for their use for food packaging, we are moving forward with sales promotions of products that contribute to cutting down on food waste, such as our freshness-preserving film (MAP), which features anti-mold and antibacterial functions, as well as developing skin packaging for meat. In aiming to improve our CS activities, we plan to open a Package Solution Gallery to showcase these initiatives in the year 2021. As for their industrial uses, our subsidiary in Nantong, China is off to a good start in this regard, and is setting in place a structure capable of accommodating this via local production for local consumption in China, through which we are making progress with capturing demand.

As for industrial functional materials, we are making progress with differentiating ourselves by using the optical control technology we have cultivated with our polarizing sheets as an asset in this. We are promoting the development and sale of in-vehicle optical products, such as heads-up displays and sensing cameras for self-driving, and are working to shift to highly profitable products.

It is essential that we continue to meet the new needs arising as people's lives change due to the coronavirus pandemic. For example, in the healthcare sector we have begun supplying face shields to protect against infection via droplets. Moreover, our films and sheets are perfectly suited for the long-term storage of foods in response to people's rising tendency to stay at home more. Through our business model of placing CS first, we intend to continue to go about accurately determining market needs and creating products that can contribute to society and the richness of people's lives.


Microcatheters for the brain

In-vitro diagnostics


Skin packaging

TOPIC

Initiatives to provide total solutions for the glycan sector

Glycan is one of the biomolecules that make up our bodies. It plays an important role when it comes to diagnosing cancer and other diseases, drug discovery, and research on iPS cells. We are not only advancing sales of glycan analysis kits and fully-automated equipment for this, but we also offer analysis services on a consignment basis in which we undertake glycan analysis. What is more, in May 2019 we began selling our O-glycan analysis kits, which made it possible to easily, quickly, and accurately analyze O-glycan, which had previously been difficult to analyze. Use of these products and services has spread among pharmaceutical companies, universities, and others both in Japan and overseas. By providing "one-stop solutions for glycan research and analysis," we are supporting the healthcare industry and contributing to improving the richness of people's lives.


O-glycan analysis kits

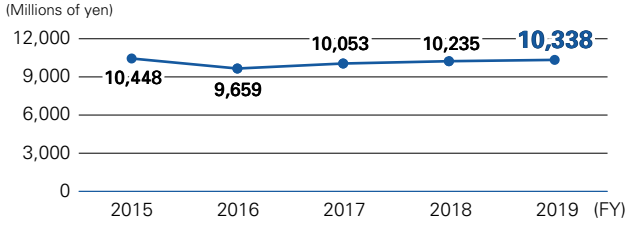
Research and Development / Intellectual Property

Research and Development

Our Company Group has decided to incorporate the SDGs as one of our management policies, and we clarify the areas of SDGs to focus on and promote the necessary measures at a company-wide scale. 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 via innovations with a conscious awareness of the SDGs, in the three areas that we have established as "Creation Areas." These are, namely, "highly integrated devices," "automotive and aircraft," and "healthcare."

Our R&D activities are carried out via a structure that principally consists of our Advanced Materials Research Laboratory, which is in charge of research on new products and the material technologies required for them 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, responding to market demands, and research on improving existing products (Information & Telecommunication Materials Research Laboratory, High Performance Plastic Technology Development Laboratory, Films & Sheets Research Laboratory, Industrial Functional Materials Research Laboratory, and the Healthcare Research Laboratory at our subsidiary of Akita Sumitomo Bakelite Co., Ltd.). It is also comprised of the Corporate Engineering Center, which underpins these laboratories' activities through the development of production technology.

▶ R&D expenses



R&D contributes to ¥300 billion in sales

Developing products that are truly in demand by our customers and well-received by society, as well as the technologies required for this

- Verify market growth rate × market scale
- Work together with the relevant departments to hold interviews with customers and perform verification
- Clarify that functions with a competitive advantage = selling points for each product

Conceive and plan research themes with a sense of speed, and have this lead to the creation of business

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.

Activities related to intellectual property

(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.

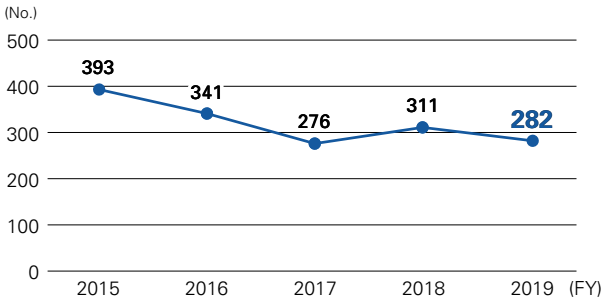
(3) Clarifying our response to intellectual property risks and reducing business risks.

(4) Carrying on with preventative legal approaches that support business scenarios and research scenarios and implementing proposal-based preventative legal approaches.

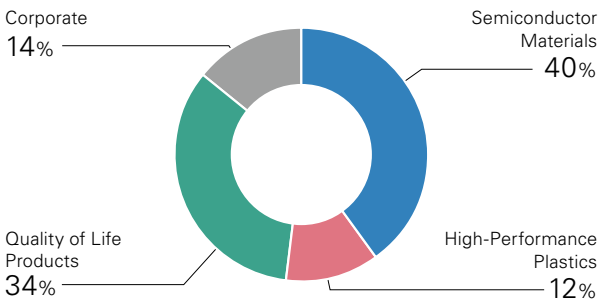
(5) Establishing an intellectual property management structure for our company group as a whole (particularly for overseas subsidiaries).

(6) Determining survey tools to analyze and supply intellectual property information conducive to creating new business and establishing business strategies, while also proposing a structure for harnessing the results of said analyses.

▶ Number of domestic patents published



▶ Share of patents held by each business division (as of March 31, 2020)



ESG Activities

Materiality in Promoting Sustainability

In fiscal 2015, we identified our Company's 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 and the SDGs

Our materiality (priority items) are presented below. We compared each category of materiality items with the SDGs, and reviewed this comparison in fiscal 2017.

We will now work on initiatives for materiality items that were identified to contribute to the fulfillment of the SDGs.

Field	Materiality item	Related stakeholders	Page number
Issues related to ensuring harmony with environment Related SDGs 	Mitigate environmental impacts	● Local communities ● Business partners	Pages 43 to 50
	Resource and energy conservation	● Business partners ● Employees	Pages 45 to 49
Issues related to providing safety and peace of mind Related SDGs 	Safety and security	● Local communities ● Business partners ● Governments ● Employees	Pages 51 to 53
	Management of chemical substances	● Business partners ● Governments ● Employees	Page 54
	Product liability	● Customers	Pages 55 to 57
Issues impacting society Related SDGs 	Biodiversity conservation	● Local communities	Page 70
	Improving stakeholder satisfaction	● Customers ● Shareholders ● Local communities ● Business partners ● Governments ● Employees	Pages 58 to 74
	Human resource development	● Employees	Pages 64 to 67
	Diversity, Work-life balance	● Employees	Pages 60 to 64
Issues representing the foundation of business activities Related SDGs 	CSR procurement	● Business partners	Page 85
	Compliance	● Employees	Pages 83 and 84

*Please see pages 41 and 42 for more details about our initiatives under each materiality item.

Materiality determination process

1 Identification	2 Prioritization	3 Confirmation of Validity	4 Review	Initiatives for Fiscal 2016 and Beyond
Select issues by referring to the GRI's fourth generation Sustainability Reporting Guidelines (G4), ISO26000, and other international guidelines on the basis of our previous sustainability activities.	Evaluate the selected issues in terms of their impact on our Group and stakeholders, and select 14 items that are of particularly high priority through internal consultations.	Hold hearings with departments within the company regarding the 14 high priority items and narrow this down to 11. Then verify these with external experts and confirm their validity at our internal Responsible Care Committee.	Promote sustainability activities based on the materiality of these 11 items, and have external experts and employees review the contents of said activities. Harness the results of these reviews to report and plan future activities.	Go through the PDCA cycle based on the materiality items. Also, move forward with arranging the relevance between materiality and our business activities (provision of value) and the SDGs (Sustainable Development Goals) and entrench this within the company. Then analyze any gaps by referring to the GRI Standards.

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.

Our Company Group 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 our Group would focus on, and began promoting necessary measures across the entire Group. 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 Group.

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), our Group intends to improve sustainability by contributing to the SDGs and engaging in various CSR activities.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Basic Policy for Promoting Sustainability

We solve social issues and achieves sustainable growth and value creation under a structure comprised of our Sustainability Promotion Committee (which is chaired by the President) and its subcommittees based on our Business Philosophy, which esteems the Sumitomo's Business Philosophy and sets forth our management principles.

We regularly and comprehensively verify the extent of the progress made by these committees, based on which we continuously revise the contents of our activities and actively improve upon them.

We widely announce the results of our activities within the company and outside it in aiming for communication with our stakeholders.

Policy on Responsible Care Activities of Group of Sumitomo Bakelite Co., Ltd.

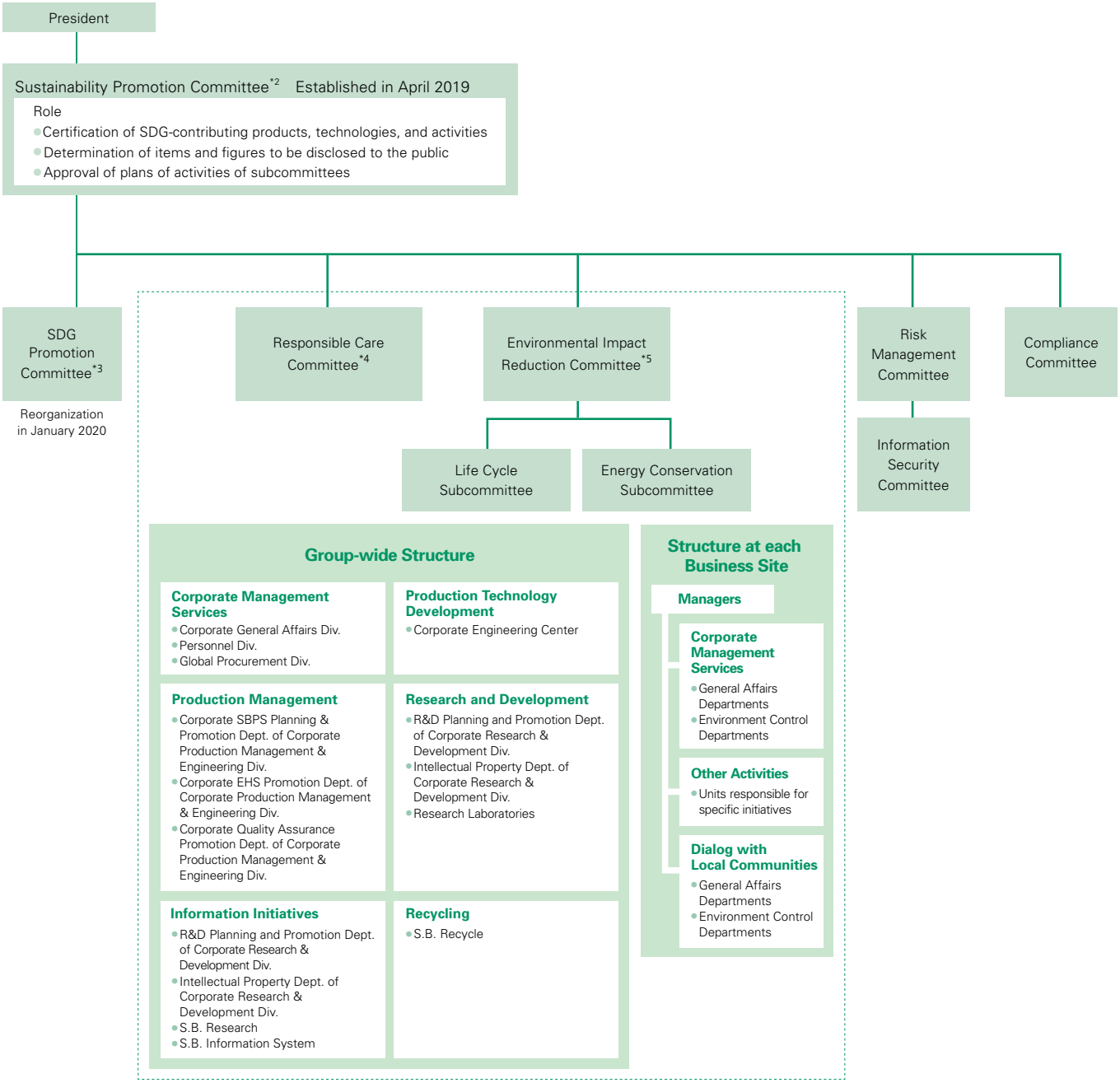
Philosophy

In all its operations, Sumitomo Bakelite Co., Ltd. will contribute to the sustainable development of society while promoting business activities by meeting the highest standards of the Responsible Care concept and giving due consideration to environmental preservation, human health and safety as well as product quality.

Policy

1. Evaluate the safety, health, and environmental aspects throughout the entire life cycle ofa product, from product design to the procurement of raw materials through disposal, strive to minimize the environmental impact of our corporate activities, and undertake to develop safer products and technologies;
2. Make sustained, group-wide efforts to promote resource and energy conservation, waste reduction and biodiversity conservation;
3. Perform Environmental, Safety & Health Audit and Quality Assurance Audit as well as work to maintain and improve systems for managing environmental protection, safety promotion and disaster prevention, worker safety and health, and quality management;
4. Comply with all relevant laws, regulations and agreements associated with safety, health, the environment, and chemicals while autonomously establishing administrative rules with the aim of strengthening management capacity, so as to improve environmental, health and safety conditions for society, customers, and employees;
5. Work to ensure and improve the safety of raw materials, products, transportation operations and process safety, and provide product safety information to employees, customers, and others;
6. Promote continuous improvement in security over facilities, processes and technologies, and implement operational safety management programs to ensure the safety and health of employees and residents of local communities;
7. Publicly disclose information on the environment, safety and products to and promote dialog with interested parties such as customers, employees and residents of local communities, so as to identify their needs and deepen mutual understanding and trusting relationship;
8. In order to ensure environmental preservation, human health and safety as well as product quality, provide employees with training to develop necessary human resources for that end.

▶ Sustainability Promotion Structure



*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, the committee is composed of directors and division representative and meets about once every 2-3 months.

*3 Chaired by the officer overseeing the Corporate production Management & Engineering Div., the committee consists of members selected from each business division and meets once a month.

*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 the Company's business operations.

*5 Chaired by the officer overseeing the Corporate Production Management & Engineering Div., this committee has two subcommittees—the Life Cycle Subcommittee and Energy Conservation Subcommittee. 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.

Highlights of Fiscal 2019 Sustainability Activities

Our Company Group aims to deliver safety and reliability as well as achieve harmony with the environment and coexistence with society.
We are working to contribute to the realization of a sustainable society by resolving various issues facing society through our businesses, including energy issues and environmental issues, linking all our activities to the SDGs. Toward that end, we carry out activities focused on social issues and businesses in need of attention in a steady manner while establishing plans and targets.

○: Target attained △: Target not attained (but improvement over the previous fiscal year) ▼: Target not attained (deterioration from the previous fiscal year)

Area of activities	Relevant SDGs	Major items	Fiscal 2019 targets	Fiscal 2019 results	Fiscal 2020 plan	Achievement evaluation	Related page
Themes related to the promotion of harmony with the environment							
1. Environmental initiatives	3, 12, 13	Reduction in CO_2 emissions (compared with fiscal 2005)	In Japan: 42% reduction	In Japan:45% reduction	In Japan: 43% reduction	○	46
			Overseas: 8.5% reduction	Overseas:16% reduction	Overseas: 17% reduction	○	46
		Reduction in material loss (compared with fiscal 2005)	In Japan: 36% reduction	In Japan: 31% reduction	In Japan: 34% reduction	▼	46
			Overseas: 58% reduction	Overseas: 58% reduction	Overseas: 61% reduction	○	46
		Reduction in chemical substance emissions (In Japan: compared with fiscal 2005) (Overseas: compared with fiscal 2010)	In Japan: 77% reduction	In Japan: 77% reduction	In Japan: 79% reduction	○	46
			Overseas: 52% reduction	Overseas: 53% reduction	Overseas: 60% reduction	○	46
2. Resource conservation, energy conservation	7	Energy conservation activities	• As in fiscal 2018, continue to provide technical support by establishing an energy conservation plan and raising the level of energy-saving technology by sharing information across all our business sites in Japan, and to achieve this overseas by promoting the rollout of best practices through collaboration between the mother plants in Japan and offices throughout the company.	• In Japan, reduced energy usage by 1,424 kL of crude oil equivalent after implementing specific proposals. • Overseas, we reduced energy consumption by 2,228 kL in crude oil equivalent by continuing to promote the rollout of best practices.	• As in fiscal 2019, continue to provide technical support by establishing an energy conservation plan and raising the level of energy-saving technology by sharing information across all our business sites in Japan, and to achieve this overseas by promoting the rollout of best practices through collaboration between the mother plants in Japan and offices throughout the company.	○	44
Themes for providing safety and reliability							
3. Safety and security	8	Prevention of industrial accidents	In Japan: 1	In Japan: 3	Serious disaster in Japan: 0	▼	52
			Overseas: 20	Overseas: 29	Serious disaster overseas: 0	▼	53
		Security and disaster prevention	Major Accidents (Fires/Explosions): 0	Major Accidents (Fires/Explosions): 1	Major Accidents (Fires/Explosions): 0	▼	52・53
			Leakage-related incidents: 0	Leakage-related incidents: 0	Leakage-related incidents: 0	○	
4. Chemical Substance Management	12	Chemical Substance Management	• Compliance with Japan's revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and Korea's Act on Registration, Evaluation, etc. of Chemicals • Maintenance and expansion of data on raw materials and formulations	• Confirmed the contents of Japan's revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and completed efforts to comply with the revisions to Korea's Act on Registration, Evaluation, etc. of Chemicals and Taiwan's SDS*1 on schedule. Achieved compliance with sudden revisions to laws and regulations in other countries as needed. Also organized data on raw materials.	• Enhance the comprehensive management system: The new system will go into full-scale operation starting from October 2020 • Promote legal compliance in various countries: Comply with Korea's Act on Registration, Evaluation, etc. of Chemicals, the revisions to SDS*1, and Taiwan's existing Chemical Substance Inventory, etc.	○	54
5. Product liability	12	'Monozukuri' Audit	• Carry out headquarters audit In Japan: Carry out in six business sites under our direct control/belonging to subsidiary companies Overseas: Specify priority business sites in China and Southeast Asia, as well as North America and Europe • Raise the levels of auditing through auditor training, in order to enhance the auditing process	In Japan: Six business sites our direct control/belonging to subsidiary companies Overseas: Seven business sites in Europe and China, Southeast Asia • Began selecting and educating internal auditor leaders at six business sites in Japan to improve the effectiveness of our internal monitoring (digging deep into and selecting challenges/problems).	In Japan: Six business sites under our direct control/belonging to subsidiary companies Overseas: Designate priority business sites from Southeast Asia, North America, and Europe and perform said audits • Subdivide internal auditor leader education and provide education to head office auditors → internal audit leaders and for leaders → internal auditors in aiming to improve their abilities	○	57

*1 Acronym for Safety Data Sheet. This sheet contains the safety information regarding.
*2 SB School is the name of an in-house training institute for all employees, from new hires to executive officers.

Themes that affect society							
6. Biodiversity		Conservation Biotope	• Continue with self-led conservation activities • Continue to be open to the public and communicating externally, as well as regular meetings with schools	• Promoted conservation through voluntary activities (maintenance by the relevant parties) and site-wide activities (beautification activities within business sites) • Visited by 520 people when made open to public. • Continued to offer killifish externally. As a result, regular meetings were held with the schools, and led to the holding of an observation event for elementary school students. • Won the Chairperson's Encouragement Award of the Japan Greenery Research and Development Center at the National Assembly of Factory Greening Promotion Initiatives	• Continue with self-led conservation activities • Continue to be open to the public and communicating externally, as well as regular meetings with schools	○	70
		Initiatives to preserve forest ecosystems	• Continue to support forest thinning projects in Iwate Prefecture by mainly using "Paper Products that Contribute to Forest Thinning Efforts" (Morino Chonai-Kai (Forest Neighborhood Association))	• Used 6,803 kg of Morino Chonai-Kai paper and contributed to promoting the thinning of 0.44 ha	• Continue to support forest thinning projects in Iwate Prefecture by mainly using "Paper Products that Contribute to Forest Thinning Efforts" (Morino Chonai-Kai (Forest Neighborhood Association))	○	71
7. Improvement of stakeholder satisfaction		Improvement of Customer Satisfaction	• Conduct e-learning programs and continue to organize product study group meetings to spread One Sumibe activities throughout the company	• Held e-learning in Japan and overseas. And product study group meetings mainly aimed at sales departments	• Continue to hold e-learning and product study group meetings. Expand the scope of activities across business divisions in order to broaden the extent of activities, and enhance our ability to offer proposals	○	58
		Communicating corporate information, advertising	• Develop and update contents for information dissemination tools through a wide range of media including external advertising, billboards, and websites • Provide company-wide support for social contribution activities	• Continued to provide support for the Japan Inclusive Football Federation, which the company signed a partnership agreement with in 2018	• Develop and update contents for information dissemination tools through a wide range of media including external advertising, billboards, and websites • Provide company-wide support for social contribution activities	○	59・71・73
		Development of products that contribute to the environment	• Commence group-wide efforts to acquire certification of products that contribute to the SDGs, including environmental contribution, based on the 2015 SDG standards adopted by the United Nations	• Expand the share of revenue from SDG-contributing products/technologies 2018: 23.1% → 2019: 26.0%	• Expand the share of revenue from SDG-contributing products/technologies (target for fiscal 2021: 30%)	○	18・44
8. Human resource training		Internal human resource training	• Continue to carry out employee training at SB School[*2]	• About 27,000 employees took part, representing about 16,000 hours of training	• Continue to carry out employee training at SB School[*2]	○	64・65
		Women's empowerment	• Enhance education and training programs for female managers • Improve and conduct team-building education that gives consideration to the diversity of human resources • Continue conducting human rights education that contributes to preventing harassment	• 3 female management staff attended seminars • 26 people attended team building education • 2,811 people attended human rights education, including employees of Group companies	• Increase the share of women hired for main career track to 20% or more • Provide education to management staff • Follow up on efforts to redress long working hours by getting a grasp of overtime work	○	62
9. Diversity, Work-life balance		Employment of people with disabilities	• Employment rate of people with disabilities: maintain at 2.2% level	• Employment rate of people with disabilities: 2.66%	• Employment rate of people with disabilities: maintain at 2.2% level (We plan to boost the statutory employment rate to 2.3% from April 2021)	○	61
		Work style reform	• Discussing effective measures to reduce overtime work and disseminating them throughout the company • Support so that staff can work and raise children/provide nursing care	• A 100% rate of returning to work after taking childcare leave or nursing care leave (In fiscal 2019, people who took childcare leave: 7; people who took nursing care leave: 0) • Reduced the number of people exceeding 45 hours of overtime per month from 107 in fiscal 2018 to 58 in fiscal 2019 (monthly average)	• Discussing effective measures to reduce overtime work and disseminating them throughout the company • Promoting work style reforms through the adoption of working from home	○	63
		Promoting employee health	• Continue implementing the Data Health Plan (preventing the worsening of illnesses) (in our company and certain group companies in Japan)	• Conducted health education classes at each business site, totaling 19days with 315 participants from across the company	• Continue implementing the Data Health Plan (preventing the worsening of illnesses) (in our company and certain group companies in Japan) • Achieve a 100% rate of employees receiving regular scheduled health checks	○	68
Fundamental Themes							
10. CSR procurement		Practice of CSR procurement	• Conduct BCP surveys on the risk of natural disasters for suppliers in Japan that handle our main raw materials and special raw materials • Conduct surveys on the status of initiatives to reduce emissions of CO_2 on major suppliers in Japan	• Performed BCP surveys on the risk of natural disasters on 96 of our suppliers in Japan • Performed surveys on the status of initiatives to reduce emissions of CO_2 on 36 of our major suppliers in Japan	• Confirm the BCP measures of our suppliers located in regions at high risk of typhoons and flooding. Consult with them on response measures if they are inadequate • Prepare initiatives and plans to reduce CO_2 emissions that include our suppliers. Conduct surveys on the status of initiatives to reduce CO_2 emissions on our major overseas suppliers as well	○	85
11. Compliance		Practice of compliance	• Promote activities that raise awareness of compliance (including prevention of bribery and cartels, security export control, and protection of personal information)	• Implemented activities to raise awareness about compliance during the month of emphasis • Raised awareness through the internal publication of a four-panel comic titled "The Way to Become a Compliance Master"	• Promote activities that raise awareness of compliance (including prevention of bribery and cartels, security export control, and protection of personal information) • Overhaul and promote the use of our Internal Whistleblower System (expand the eligible users out to include stakeholders other than executive officers and employees)	○	83・84

Environmental Management

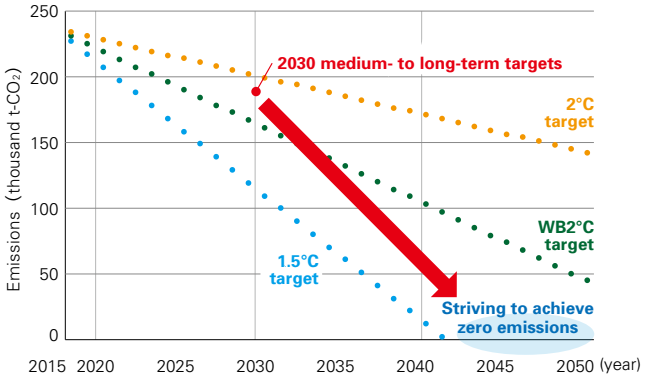
Our Company Group's Environmental Vision for 2050 (CO_2 reduction)

Our Group relies 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 our Group 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.

In fiscal 2018 our Group established a plan with medium- to long-term targets ending in fiscal 2030, and has been promoting activities based on this. However, in light of the environmental challenges that will only grow more severe from this year on, we felt it was necessary to promote activities from an even longer-term perspective. Therefore, we formulated our Environmental Vision for 2050 (CO_2 reduction) ending in 2050.

For the future, we will continue to promote activities aimed at our challenges for the year 2050 by using SBT[*1] as one of the indicators for this.

▶ Striving to achieve zero CO_2 emissions and SBT



*1 SBT: Abbreviation for "science-based targets." 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. The target level was raised in October 2019 and has become a greenhouse gas reduction target consistent with the requirements of the Paris Agreement (Aiming to keep a global temperature rise well below 2 degree Celsius and 1.5 degree Celsius below pre-industrial levels).

Environmental Vision for 2050 (CO_2 reduction)

① Strive to achieve zero CO_2 emissions (Scope 1 and 2) by 2050

- Reduce CO_2 emissions via energy conservation activities, MFCA activities, and improving process efficiency
- Increase the share of our energy from renewable sources by getting a grasp of the electric power conditions in each country

② Contribute to reducing CO_2, including along supply chains.

- Develop products that factor in reducing CO_2 throughout their life cycle
  (Improve efficiency, reduce weight, lengthen service lives, recycle, switch to mono-material design, etc.: Use LCA)
- We will work together with our supply chain

Initiatives for the Climate Change Program

CDP (headquartered in London)[*2] is an international NGO established in 2000 in partnership with institutional investors from around the world. It carries out projects in which it sends out questionnaires to major companies and municipal governments around the world on issues such as climate change, water security, and forests, and that seek climate change strategies and specific declarations related to emissions of greenhouse gases.

With the CDP's 2019 survey, survey activities were conducted on behalf of 525 institutional investors with net invested assets totaling 96 trillion U.S. dollars. More than 8,400 companies, accounting for over 50% of global market capitalization, disclose environmental data on their initiatives for climate change programs via the CDP.

We complied with the CDP's request to respond to its 2019 climate change survey, and we were awarded a "B" rating on January 20, 2020. For fiscal 2020, we have been requested to reply to the survey on water security in addition to the one on climate change, and we intend to respond.

We will continue to reduce our environmental impact, conserve resources and energy, control chemical substances, develop products that contribute to the environment, and contribute to countering climate change, while also promoting the disclosure of environmental information in the future.

*2 This was formerly known as The Carbon Disclosure Project, but now its official name is the CDP.

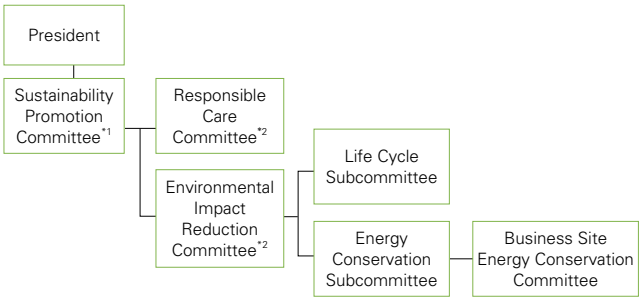
Environmental Management System

Under our newly established Environmental Vision for 2050, our Group will work to address environmental conservation across the entire Group based on our Policy on Responsible Care Activities in aiming to contribute to the sustainable development of 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.

From January 2020, our Responsible Care Committee and Environmental Impact Reduction Committee began carrying out activities as subordinate committees under the Sustainability Promotion Committee. We will continue to promote environmental management under this sustainability promotion structure.

Environmental Management Structure



*1 The Sustainability Promotion Committee is a committee that is chaired by the president, and was launched in April 2019. See pages 39 and 40 for details.

*2 The above system diagram is just an excerpt of our committees related to environmental management. See page 39 regarding our Responsible Care Committee and Environmental Impact Reduction Committee.

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. It carries out its activities with the approval of the Sustainability Promotion Committee, which serves as its parent body. 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 aims to establish production systems with minimal environmental impacts through scientific, quantitative, and objective assessments of environmental impacts, from the R&D phase onward, under the Policy on Responsible Care Activities. The subcommittee is moving forward with its activities under its set target of ensuring that 25% of its researchers are capable of performing life cycle assessments (LCA) at all research and development departments and instituting energy conservation on their own by fiscal 2022 by continuing to foster said researchers and developers. In fiscal 2019 the number of certified personnel was hovering above the target line. In addition, as part of its efforts to expand the aggregation of environmentally friendly products company-wide, it has revised the phrasing from "environmentally friendly products (non-consolidated)" to "SDG-contributing products and technologies (consolidated)."

In fiscal 2020, the Life Cycle Subcommittee will work to enhance educational opportunities, horizontally deploy LCA evaluations on baseline products, and expand items on which LCA evaluations have been carried out for SDG-contributing products.

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 2019, the subcommittee successfully reduced energy consumption by as much as 1,424 kL (55,181 GJ) in crude oil equivalent, or 2,748t-CO_2, compared with fiscal 2018, primarily by reducing city gas and electricity consumption. Furthermore, the subcommittee established and successfully achieved targets by carrying out unique activities to conserve electricity in the summer and winter months. Outside of Japan, the subcommittee worked to ensure a similar level of activities as in Japan and continued to promote the roll out of activity methods and best practices.

The subcommittee has established an energy conservation target for fiscal 2020 too, and will continue efforts aimed at achieving energy consumption reduction plans at the workplace level. In particular, the subcommittee will focus on creating a system across business sites in Japan for sharing practices for reducing energy consumption and technical information related to energy conservation in order to improve the level of energy-saving technology throughout our Company; and having the mother plants in Japan provide technical support to their affiliated sites through a tie-up with the Company-wide Energy Conservation Secretariat.

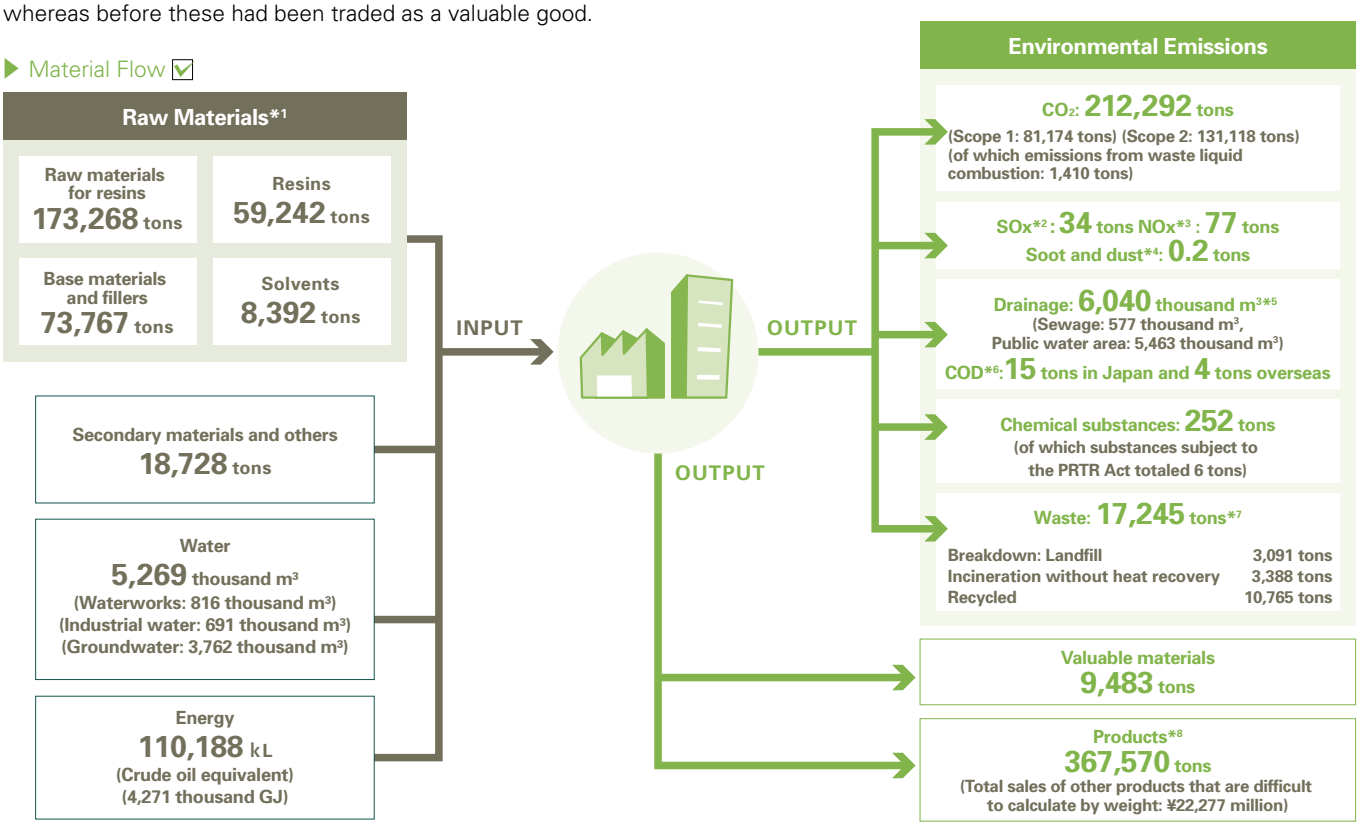
LCA training in progress

Material Flows and Investments in Environmental Protection

The figure below shows inputs, including raw materials and energy, and outputs that are products and emissions released into the environment.

The Group is working to minimize its impact on the environment by means of waste reduction and resource savings through promoting more efficient use of raw materials, energy, and water. For fiscal 2019, we reduced both our emissions of CO_2 and the amount of water used compared with the previous year through reduction efforts at our business sites. In addition, in light of the impact that the coronavirus (COVID-19) pandemic has had in terms of bringing economic activity to a standstill in the latter part of the fiscal year as a separate causal factor, we saw reductions across numerous items such as the volumes of inputs of raw materials and sales of products. Conversely, our amount of recycled waste has increased. This can be attributed to import restrictions on waste plastics in the China / Southeast Asian region, which in turn has led to an increase in waste plastics being disposed of as waste, whereas before these had been traded as a valuable good.

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.

*2,3,4, and 6 See the glossary on page 108. SOx, NOx, and soot and dust are calculated using the company's own formula based on exhaust gas readings and fuel usage amount, among other variables. Since methods of calculating emissions of soot and dust differ among countries, this figure is compiled solely for business sites in Japan at present. COD is calculated based on the measured concentration and drainage volume. Data on overseas COD covers sites that measure COD within drainage. Data for overseas sites are stated separately because the types of oxidant (potassium dichromate is mainly used overseas) used for measurement differ from those used in Japan.

*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.

*7 The volume of hazardous waste found in our total waste volume came to 8,226 t (based on the definitions used by each country). The volume of hazardous waste is not subject to assurance.

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

Investments in Environmental Protection

Our Group has compiled data annually on the amounts of investments in environmental protection of all Group companies in Japan since 2000.

In fiscal 2019 we made investments of 281 million yen in total. Just as we did in fiscal 2018, we continued to implement energy-conservation measures such as increasing the efficiency of power supplies. However, since a large-scale project wound down, the amount we invested declined compared to fiscal 2018.

Amounts of Investments in Environmental Protection in Fiscal 2019

Category	Investment amounts (millions of yen)
Emissions control	33
Energy conservation	244
Waste reduction, recycling, and treatment	4
Total	281

* Data covers the time period and business sites in Japan listed on page 3.

Medium- to Long-term Environmental Targets and Performance

Medium- to Long-term Environmental Targets

We have established a 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 (CO_2 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, the amount of material loss (waste and valuable materials) generated is suppressed. By controlling it, we will improve the resource utilization rate and promote the effective use of raw materials. We will also set targets for reducing chemical substance emissions and systematically promote efforts to reduce environmental impact.

Initiatives at Business Sites in Japan

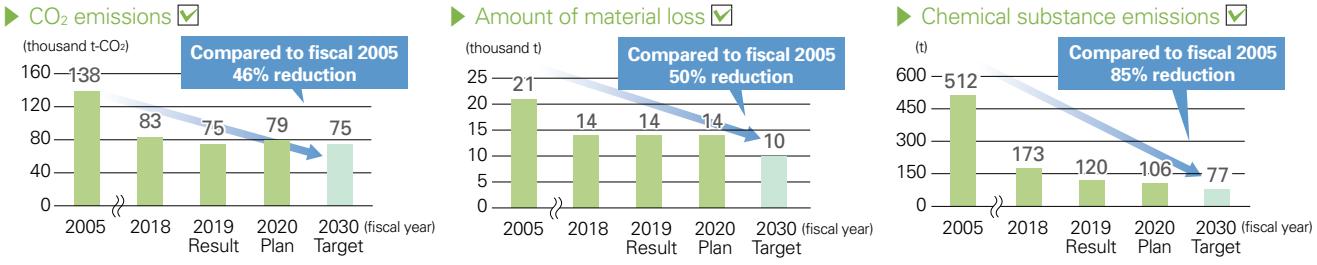
We saw reductions that were over and above our expectations in light of the impact that the coronavirus pandemic had in terms of bringing economic activity to a standstill at the end of fiscal 2019. For fiscal 2020, we expect to see increases over fiscal 2019 based on the expected recovery in production activities and the emission factors of our power suppliers.
Regarding material loss, we are promoting measures to detect and cut down on waste at our plants through MFCA[*1] activities at each of our business sites. We saw a slight increase in material loss due to the effects of the import restrictions on waste plastics in China and Southeast Asia in fiscal 2019. However, we will institute further measures to reduce the amount of losses that arise, and we expect this to once again begin declining starting from fiscal 2020.
As for emissions of chemical substances, we had business sites that saw temporary increases in their atmospheric emissions for reasons such as the start of new businesses. These sites achieved substantial reductions by introducing exhaust combustion equipment. We are also making progress on treating the substances subject to the PRTR Act found within said emissions of these same business sites, achieving substantial reductions of 5.5 tons versus the previous year. For fiscal 2020, we will proceed with increasing our efficiency in treating this, and expect to be able to reduce this still further.

*1 See the glossary on page 108.

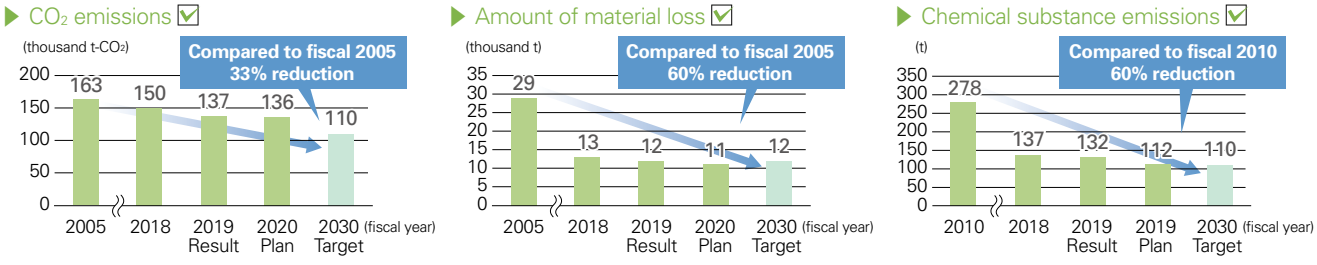
Initiatives at Overseas Business Sites

CO_2 emissions at overseas business sites fell significantly compared to the previous fiscal year due partially to the results of Energy conservation activities at each business site, but also as a result of the coronavirus. For fiscal 2020 our aim is to recover our production activities while at the same time promoting further reductions.
As for the occurrence of material loss, this was similarly impacted, and thus fell. Moving forward, we will perform monitoring to ensure that no waste arises when our production activities recover via MFCA activities in aiming to reduce this further.
We reduced emissions of chemical substances compared with last year by operating the exhaust combustion equipment introduced the previous year in a more efficient manner. For the future, we will move forward in reducing our consumption to an even greater extent at each of our business sites.

Business sites in Japan



Business sites overseas



* See the business sites listed on page 3 about the boundary.
* For definitions and the calculation method of CO_2 emissions, material loss, and chemical substance emissions, refer to page 104.
* The total of the 35 substances subject to the PRTR Act included in chemical substance emissions released by our Group's sites in Japan amounted to 5.5 tons and the total amount transferred amounted to 99 tons. For details of the transfer and release of substances subject to the PRTR Act, refer to the Data Section on page 106.

Environmental Performance

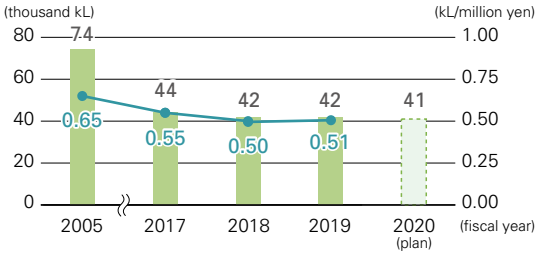
Reducing Energy Use and CO_2 Emissions

Regarding energy usage at our business sites in Japan, our per production amount value rose slightly due to the decrease in production. As for CO_2 emissions, both emissions and per production amount value are on a downward trajectory, but we expect that our emissions will increase slightly in 2020 due to the recovery of production and the emissions coefficient of our energy suppliers.

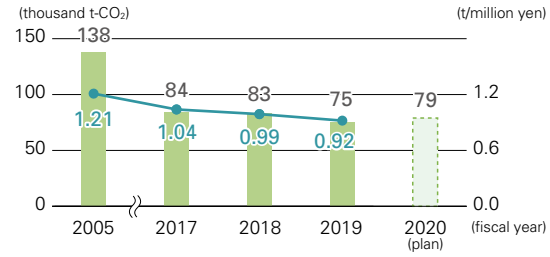
At our overseas business sites, both our energy consumption and CO_2 emissions declined from the previous year, but our per production amount value increased due to the decrease in production. As we expect production to recover in 2020 we anticipate that our energy consumption will increase, but we anticipate reductions in CO_2 based on our efforts to achieve this.

Business sites in Japan

▶ Energy usage per production amount value[*1]

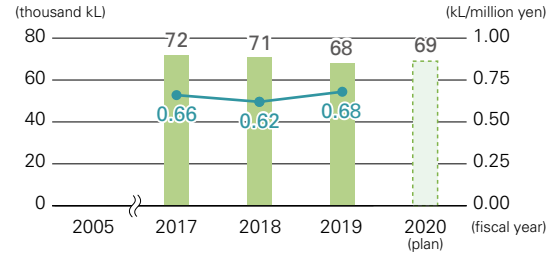


▶ CO_2 emissions per production amount value[*2]

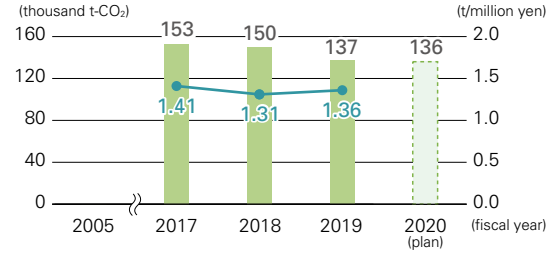


Business sites overseas

▶ Energy usage per production amount value



▶ CO_2 emissions per production amount value



Disclosure of Scope 3[*3] Data

In 2015, our Group began calculating and disclosing Scope 3 emissions in the supply chain of business sites belonging to Group companies in Japan because of the growing importance of understanding CO_2 emissions covering the entire supply chain. In fiscal 2018, we enlarged the scope to cover overseas business sites. The scope of said disclosures cover a total of eight categories including Category 1 "Purchased goods and services." In addition, we confirmed that three categories including Category 8 "Upstream leased assets" are not applicable.

Similar to past years, Category 1 "Purchased goods and services" accounted for a large portion of CO_2 emissions, and this includes the portion from overseas. However, emissions have been declining since fiscal 2018 due to the drop in purchase volumes, primarily at overseas business sites.

Moving forward, we will continue to calculate and disclose data on other categories and work to increase the accuracy of the data for each category, while also promoting ongoing efforts to reduce CO_2 emissions across the entire supply chain.

*3 See the glossary on page 108.

▶ CO_2 Emissions in Certain Categories of Scope 3 and Other Scopes (In Japan and Oversea Sites)

No.	Category	Emissions (thousand t-CO_2 / year)
1	Purchased goods and services ☑	893
2	Capital goods	30
3	Fuel- and energy-related activities not included in Scope 1&2	38
4	Upstream transportation and distribution	76
5	Waste generated in operations	9
6	Business travel	3
7	Employee commuting	4
8	Upstream leased assets	Not applicable
13	Downstream leased assets	Not applicable
14	Franchises	Not applicable
15	Investments	6
	Scope 3 Total	1,059
	Scope 1 (All direct emissions)	81
	Scope 2 (Indirect emissions associated with purchased power and steam)	131

* Data covers all the business sites in Japan and Oversea listed on page 3.

Calculation method:

We calculated the amount of emissions in accordance with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 3 issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, using the emission coefficient stated in the basic database IDEA Ver. 2.3 Carbon Footprint Communication Program developed jointly by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry as well as the Emissions Intensity Database for Calculating Greenhouse Gas Emissions of Organizations through the Supply Chain

*1 Energy usage per production amount value is determined using the following equation: Energy usage per production amount value = energy usage/(production amount x unit price) Energy consumption is calculated as a crude oil equivalent.

*2 CO_2 emissions per production amount value are determined using the following equation: CO_2 emissions per production amount value = CO_2 emissions/(production amount x unit price) Also, CO_2 emissions are the sum of Scope 1 and Scope 2 emissions.

* See the business sites listed on page 3 about the boundary.

Reducing Material Loss

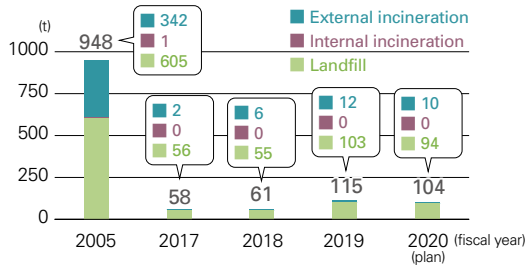
Our group is working to increase the efficiency of resource utilization, because it regards the reduction of environmental impacts as an opportunity to improve profitability. Through our efforts toward material flow cost accounting (MFCA[*1]), we are promoting the improvement of effective use of raw materials by reducing material loss, including not only waste but also valuable resources.

The Group is implementing measures to attain zero emissions of waste in Japan by promoting recycling and reuse instead of disposing of waste in landfills or treating it in simple incinerators without heat recovery in an effort to reduce the environmental impact of our waste.

The graph shows the volume of materials subject to zero emissions measures for the base year of fiscal 2005 and recent years. Owing to the circumstances with our treatment providers, the amount of waste we disposed of in landfills increased in fiscal 2019 due to the generation of waste that will be switched from recycling to landfill disposal. Our expectation is that this will gradually decline from fiscal 2020 onward. We intend to continue promoting further reductions through analysis of losses in our processes using MFCA.

*1 See the glossary on page 108.

▶ Material Subject to Zero Emissions Measures in Japan



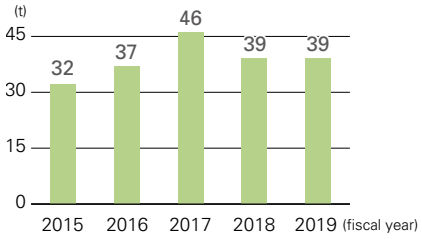
* Zero-emissions-targeted substances comprise landfill waste, internally incinerated waste, and externally incinerated waste. No waste was internally incinerated at business sites in Japan from fiscal 2012 onward.

* Data covers all the business sites in Japan listed on page 3.

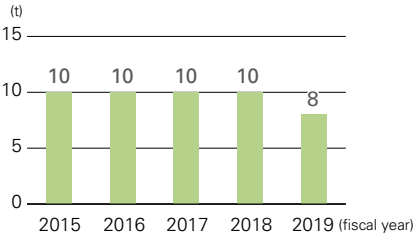
Emissions into the Atmosphere

The Group's business sites in Japan have been promoting a shift of boiler fuel from heavy oil to city gas since fiscal 2004. Fuel conversion was completed in fiscal 2019 at our Shizuoka Plant, which had a few remaining heavy oil boilers, and therefore emissions of SOx[*2] fell. Heavy oil is still in use at some business sites in regions where city gas supplies are unavailable, and we are working to optimize the combustion conditions and keep both emissions of SOx and soot and dust[*3] down at low levels. Emissions of NOx[*4] have seen some degree of variance due to an increase in the nitrogen content of the city gas used and fluctuations depending on the conditions of the combustion of city gas. But on the whole these increases have been and continue to be within expectations.

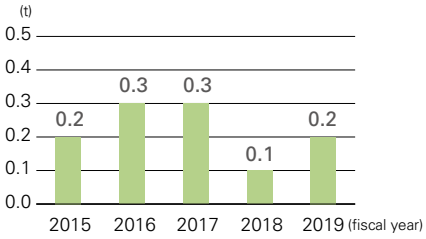
▶ NOx Emission



▶ SOx Emissions



▶ Soot and Dust Emissions



* Data of NOx, SOx, Soot and Dust cover all the business sites in Japan listed on page 3.

* 2,3,4 See the glossary on page 108.

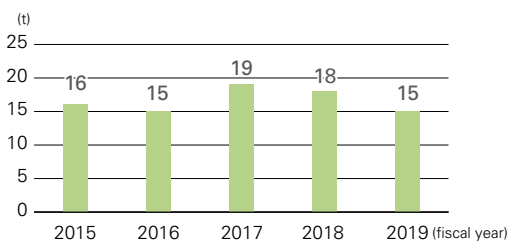
Emissions into the Hydrosphere

Effluent discharged from plants includes pollutants, which are categorized into industrial and household sewage. Treatment facilities, such as high-concentration phenol recovery equipment and activated sludge treatment equipment, and surveillance systems for constant monitoring are in place to ensure compliance with environmental standards and laws and regulations at the national and local government levels. Additionally risk assessments are conducted on leakages into rainwater that also includes cooling water to prevent sudden and unexpected increases in environmental impacts.

COD,[*5] which is used as a water quality indicator, is trending downward after improving the problems with the activated sludge treatment equipment at the Shizuoka Plant. Over the long term it has remained low.

*5 See the glossary on page 108.

▶ COD



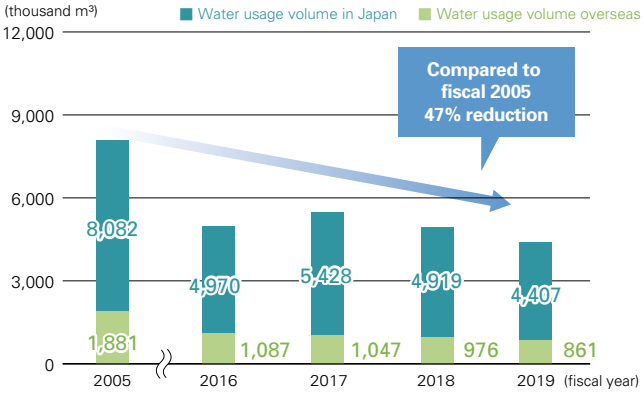
* Data covers all the business sites in Japan listed on page 3.

Conservation of Water Resources

When it comes to the water used at our Group's locations, in Japan a large share of the water used comes from groundwater, while overseas a large share of this comes from waterworks. The water used in our plants in Japan accounts for 84% of the water used by the entire Group.

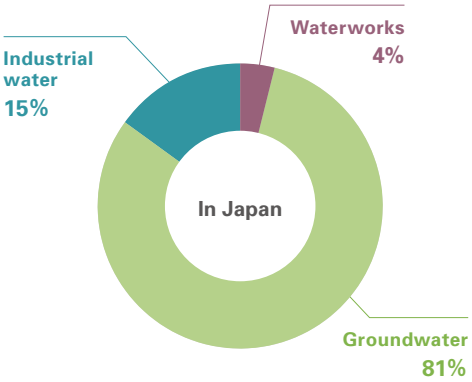
The Group has worked to reduce the amount of water it uses. In particular, we are promoting ongoing reductions of water usage at our Shizuoka Plant, which accounts for a large percentage of the Group's water usage in Japan, and have achieved substantial decreases in its water usage for two years in a row. Overall, water usage by the Group in Japan and overseas has been reduced by 47% compared to fiscal 2005. Moving forward, we will promote internal reviews in order to set company-wide targets for reducing our water usage. As it had come to light that our Shizuoka Plant had been aggregating its water usage on a January–December basis, this was revised so that it was being aggregated on an April–March basis the same as our other locations, with this applied retroactively back to 2005. There were no changes to the overall trends from this. Furthermore, it also came to light that there were errors in the method by which water was being aggregated at Vaupell's Ballard & Everett Plant, and so this was corrected starting from the aggregation of fiscal 2019 figures.

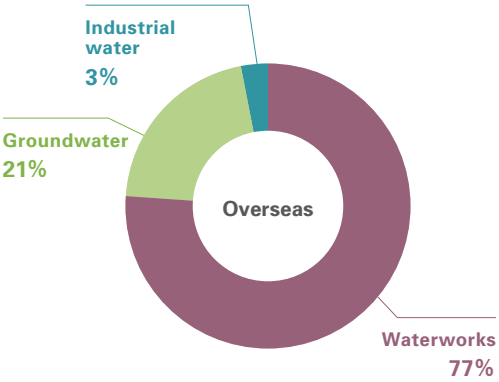
▶ Water Usage Volume



* See the business sites listed on page 3 about the boundary.

▶ Water Usage by Source in Fiscal 2019





Assessment of Water-Related Risk in Fiscal 2019

Since fiscal 2015, we have been continuously surveying the regional watershed risk of all major plants in the Group (11 sites in Japan and 24 sites overseas). Continuing on from fiscal 2018, in fiscal 2019 there were significant changes to the WRI Aqueduct*1 tool. While the risk level for our business sites in Japan fell, conversely the risk level for districts in China worsened.

Our Group revised risk levels based on the results of WRI studies and independent studies performed on each business site. We compiled the results into a table that contains the risks facing each of the regions in which the Group operates. Using these results, going forward, we will continue working to preserve water resources more effectively.

*1 A tool providing information on water risks developed and published by the World Resources Institute (WRI).

▶ Assessment of Water-Related Risk in Fiscal 2019

Region		Risk level					Total
		Extremely high	High	Medium to high	Low to medium	Low	
Japan	Number of bases				**7**	**3**	**10**
	Water consumption (thousand m³)				3,751	642	4,393
China (and Taiwan)	Number of bases		**1**	**4**	**2**		**7**
	Water consumption (thousand m³)		42	160	73		275
Southeast Asia	Number of bases		**2**	**1**		**2**	**5**
	Water consumption (thousand m³)		51	95		25	172
North America	Number of bases			**1**	**2**	**6**	**9**
	Water consumption (thousand m³)			7	112	180	298
Europe	Number of bases			**1**	**2**		**3**
	Water consumption (thousand m³)			61	39		100

Soil/Underground Water Pollution Countermeasures

Response to Soil/Underground Water Pollution

Our Group carries out risk assessments relating to leakage of chemical substances at all of our business sites, and we promote both the development and implementation of preventive frameworks. At the same time, when contamination caused by past leakage accidents is confirmed, we actively undertake voluntary surveys and institute countermeasures in order to prevent the environmental impact and health damage from spreading.

We did not suffer any severe leakage accidents in fiscal 2019.

▶ Results of Soil and Groundwater Studies, Related Actions, and Monitoring Results ☑

Site	Results of Investigation	Countermeasures and monitoring results
Amagasaki Plant	Lead was detected by soil content sampling in 2009 and 2010 (max. 500 mg/kg whereas the standard is 150 mg/kg). No groundwater contamination was detected.	Heavy metals exceeding the standard values of the Soil Contamination Countermeasures Act were detected at the business sites on the left. Monitoring of the groundwater is conducted at these sites every year and their contamination levels have been confirmed to be below standard values.
Akita Sumitomo Bakelite	Lead was detected by soil elution sampling in 2005 (max. 0.032 mg/L whereas the standard is 0.01 mg/L). No groundwater contamination was detected.	
Yamaroku Kasei Industry	In January 2016, 1,4-Dioxane in excess of the standard concentrations was detected in the company's cooling water effluent, with concentrations of a similar amount confirmed in well water drawn from on the premises that had been used. In consultation with the government, the plant stopped drawing water and switched to a closed water cooling system. The company has no history of using the substance in question.	The company cooperates with an ongoing monitoring survey of the groundwater quality that is regularly conducted by Osaka Prefecture, and also continues to perform independent examinations as well. The latest measurement results were 1.48mg/L (standard value of 0.05mg/L).

Initiatives for resource recycling

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.

We are currently taking part in the Japan Initiative for Marine Environment (JaIME), which was established by major companies and industry organizations in the chemical industry, as well as the Clean Ocean Material Alliance (CLOMA), which was established by a broad range of business operators related to supply chains for plastic products, including those in the chemical industry and distribution/retail industries, with the goal of forming cross-industry partnerships. Through this, we are working to address a variety of challenges by aiming to curb plastic waste across our supply chain as a whole and promoting recycling via 3R activities for plastic products.

Recycling

Our Group promotes 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).

Safety and Security

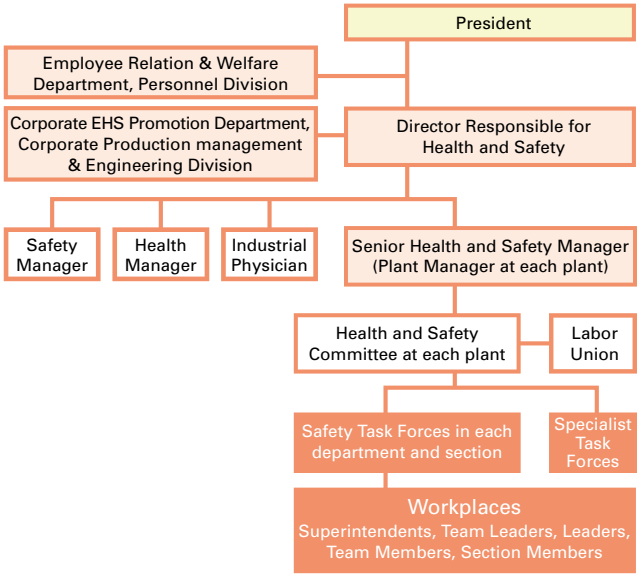
Occupational Health and Safety Management System

Our Group has 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. What is more, in October 2019 we enacted our uniform, company-wide Safety Philosophy: Prioritizing Safety in Everything We Do and our three Safety Action Guidelines. These have been translated into eight languages and deployed throughout the entire company to promote the complete elimination of serious disasters and major accidents.

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 Group's plants and main subsidiaries in Japan began pursuing OHSAS18001 accreditation, followed by our Group's overseas subsidiaries from 2010. Today, a total of 23 business sites have received accreditation, including five business sites and three subsidiaries in Japan and 15 subsidiaries overseas. In addition, we are making steady progress on transitioning over to ISO 45001 as a result of the repeal of OHSAS 18001 scheduled for 2021.

▶ Management Structure



Machinery and Equipment Risk Reduction Activities

All new machinery and equipment installed at domestic production plants and subsidiaries from 2008 and at overseas subsidiaries from 2009, have been designed in compliance with ISO12100. We carry out risk assessments of existing facilities when changes occur, such as when the facilities are restructured or work procedures change, in an effort to make machinery and equipment fundamentally safer.

Risk Reduction Activities relating to Chemical Substances

In 2012, we introduced chemical substance risk assessments at plants in Japan and subsidiaries worldwide. We verify our evaluation results when changes occur, such as information on the risks and hazards posed by chemical substances and changes to work procedures. This is done in aiming to prevent adverse health effects to employees through exposure to chemical substances, and to prevent explosion or fire incidents caused by chemical substances.

Complaints from Authorities, Local Governments and Local Communities

Our business sites in Japan along with subsidiaries worldwide comply with laws and ordinances and address prevention needs in order to preserve the environment. In fiscal 2019, we received five complaints concerning the environment (two from Japan and three from overseas). Three of these involved instructions to improve our environmental impact, one was a noise complaint, and one was a complaint concerning odors. Each of these were addressed in the appropriate manner.

Health and Safety Education

We carry out measures to reduce the risks posed by machinery and chemical substances in order to ensure safety on sites where these are used. At the same time, we conduct hazard prediction training as well as initiatives, such as "pointing and calling" and making proposals for reducing near-miss accidents. We have introduced "Safety Gyms" at each production plant to allow employees to learn about the fundamentals of safety. They are able to improve their safety consciousness and learn hazard prediction skills and risk identification skills.
Furthermore, we also conduct safety education at every level. This includes holding safety meetings in which all plant managers participate to share initiatives involving safety activities in which they take a lead and act as role models, specialized safety education for managers, basic correspondence education on safety for mid-level employees, and hands-on safety education for new employees. In addition, we make efforts to disclose disaster and accident information, and to share information in a timely manner through the use of our Safety Portal Site, which was set up online so that it was accessible by every employee. The Safety Philosophy and Safety Action Guidelines that were enacted in October 2019 have also been translated into eight languages, and education is being carried out at every business site.


Sumitomo Bakelite (Suzhou) Co., Ltd.
Safety dojo (Safety gym) training


Yamaroku Kasei Industry Co., Ltd.
Training course in CPR using an AED

Occupational Accident Figures

Trends in the Frequency Rate of Accidents at Sumitomo Bakelite and Subsidiaries Worldwide

The graph on the right shows the overall frequency rate*1 of occupational accidents, including those occurring at subsidiaries worldwide.
Compared with 2018, our 2019 frequency rate worsened on account of the fact that the number of accidents resulting in lost workdays in Japan increased by one. Though this improved overseas due to a drop in the number of occupational accidents resulting in lost workdays.

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

* Data covers each calendar year.
See the business sites listed on page 3 about the boundary.

Trends in Occupational Accidents at Sumitomo Bakelite and Subsidiaries

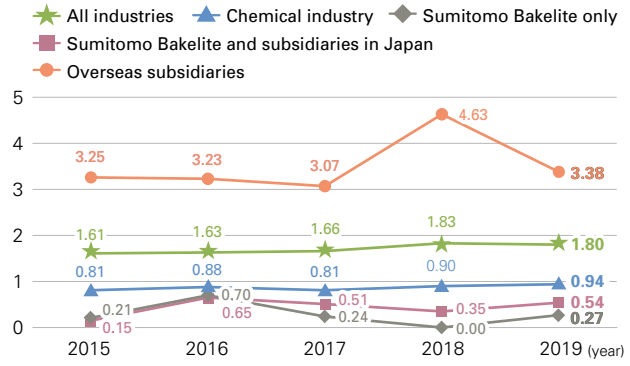
Number of Employees Injured as a Result of Occupational Accidents

The graph on right shows the number of employees injured as a result of occupational accidents at our company as well as subsidiaries in Japan. In 2019 there was a slight increase in both occupational accidents resulting in lost workdays and occupational accidents not resulting in lost workdays, and the total number of employees injured rose for the second straight year.

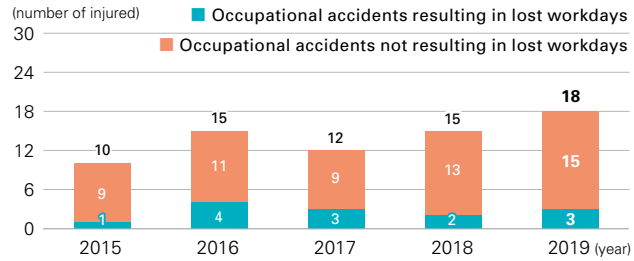
Occupational Accidents by Type

Occupational accidents in Japan categorized by type are shown in the graph on the right.
In 2019 pinching and entanglement accidents increased. Other than this, no prominent trends were observed with regard to the type of accidents, but the majority was made up of accidents caused by unsafe actions taken by workers. By notifying all employees of our Safety Action Guidelines and utilizing our Safety Portal Site, we will continue with initiatives to enhance the safety awareness of workers.

▶ Frequency Rate of Occupational Accidents at Sumitomo Bakelite and Subsidiaries Worldwide

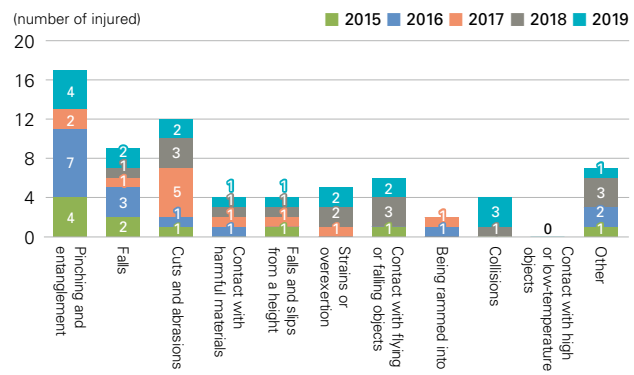


▶ Number of Employees Injured as a Result of Occupational Accidents (in Japan)



* Data covers each calendar year.
See the business sites listed on page 3 about the boundary.

▶ Occupational Accidents by Type (in Japan)

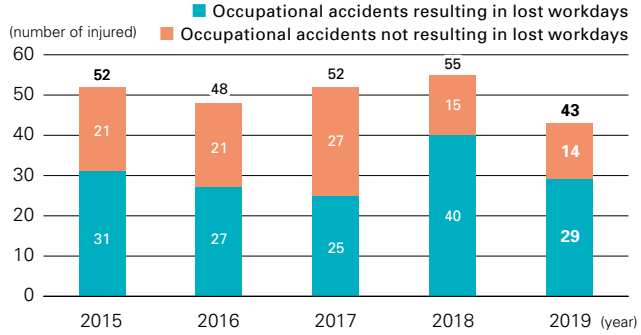


Trends in Occupational Accidents at Overseas Subsidiaries

Number of Employees Injured as a Result of Occupational Accidents

The graph below shows the number of employees injured as a result of occupational accidents at our overseas subsidiaries.
In 2019, the number of occupational accidents resulting in lost workdays fell by approximately 30% and the number of occupational accidents not resulting in lost workdays fell marginally, for a decrease in the total number of employees injured in comparison with 2018. Sumitomo Bakelite (Dongguan) Co., Ltd. once again went an entire year without any occupational accidents, thus bringing its total to three years and a total of 4 million consecutive hours without any occupational accidents.

Number of Employees Injured as a Result of Occupational Accidents (Overseas)

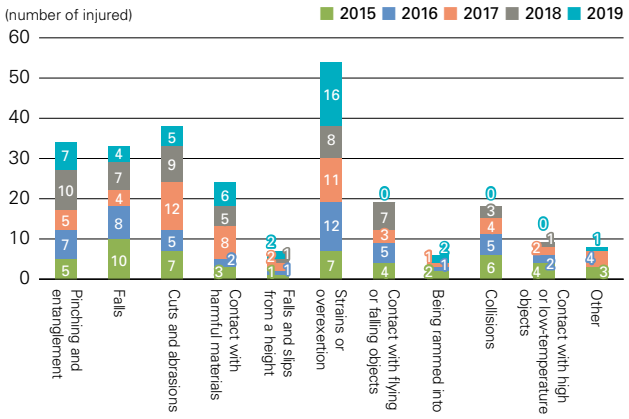


* Data covers each calendar year.
See the business sites listed on page 3 about the boundary.

Occupational Accidents by Type

The graph below shows the occupational accidents categorized by type of accident.
In 2019, the following four types of accidents made up 80% of all accidents: pinching/entanglement in machines, cuts by edged tools, Strains or overexertion such as handling heavy objects, and contact with harmful substances such as chemical substances. We will continue to post educational materials in additional languages (English, Chinese) to our Safety Portal Site, move forward with making every employee aware of our Safety Philosophy and Safety Action Guidelines, and continue with initiatives designed to raise safety levels to the same level as in Japan.

Occupational Accidents by Type (Overseas)



TOPIC

Sumitomo Bakelite (Dongguan) Co., Ltd. has gone three years and 4 million consecutive hours without an accident

On October 28, 2019, Sumitomo Bakelite (Dongguan) Co., Ltd. reached three years and a total of 4 million consecutive hours without any occupational accidents.
On account of this, Sumitomo Bakelite President Fujiwara presented the company with a certificate of commendation and an escutcheon. In order to continue with its streak of zero accidents, Sumitomo Bakelite (Dongguan) Co., Ltd. has continued to carry out a number of initiatives together with the Environmental Health, Safety, and Disaster Prevention Committee and its employees. These initiatives include sharing information related to disasters that occur at other business sites, reaffirming measures taken for disasters that occurred in the past, and utilizing safety dojo training.

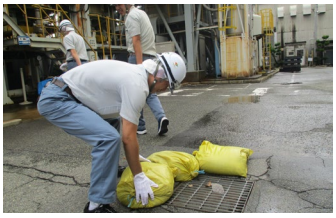
Accident Prevention

Accident Prevention is the top priority of all our business sites. Our objective is to make business sites safer and more secure, and thus earn the confidence of the local community, ensure employee safety, and maintain stable supplies of products to customers. The Disaster Prevention Committee is convened and implements activities systematically with the aim of helping all business sites achieve an accident and disaster-free record. It also conducts drills and puts in place accident prevention measures to minimize damage in the event that an accident does occur.

Sumitomo Bakelite (Shanghai) Co., Ltd.
Firefighting drill

Sumitomo Bakelite (Nantong) Co., Ltd.
General emergency drill

S.B. Sheet Waterproof Systems Co., Ltd. (Nara Plant)
Evacuation drill (test scenario using a satellite phone)



Amagasaki Plant
Emergency response drill for when leaks occur (arranging sandbags to prevent leaked oil from entering a rainwater channel)

Chemical Substance Management

Chemical Substance Management throughout Product Life Cycles

The targets for 2020 agreed upon at the WSSD[*1] call for the worldwide and comprehensive management of chemical substances throughout the product life cycle, from development to manufacturing, use and disposal, by 2020 in order to minimize the significant adverse effects on human health and the environment caused by the manufacture and use of chemical substances. Following this trend, the regulatory environment is changing, as new regulations on the management of chemical substances have been established not only in Europe and the United States, but also in Asian countries since 2015.

In September 2015, the Sustainable Development Goals (SDGs) were adopted at the U.N. Summit. They comprise 17 goals and 169 targets to be achieved by 2030 to create a sustainable world. Aimed at achieving the SDGs in 2030, the governments of each country have begun taking proactive actions. The Group (each of our plants and research institutes worldwide) is working on the SDGs through the management of chemicals carried out as part of our Responsible Care activities.

In terms of its management of chemical substances, the Group has a system in place for studying and reviewing chemical substance-related laws and regulations in Japan and throughout the world from the product development phase onward. We manage the chemical substances contained in products in order to comply with the laws of the countries where we operate and to minimize environmental impacts throughout product life cycles.

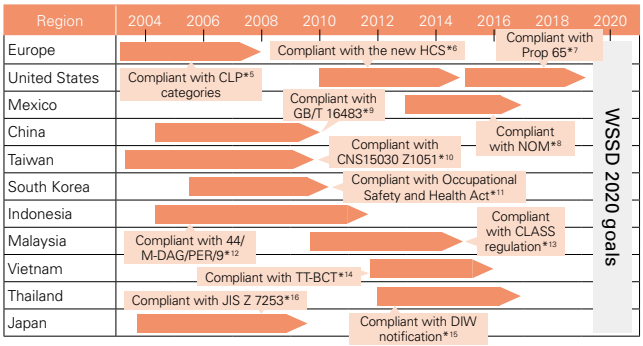
*1 See the glossary on page 108.

Chemical Substance Management System

We are focussing on promoting the use of SDSs[*2] across the Group not only for disclosing information related to chemical substances under regulatory control in Japan and overseas, but also for disclosing relevant information voluntarily so as to improve the quality of the Group's information disclosure practices. Particularly for the GHS[*3] system, we have introduced MSDgen.[*4] and offer SDS and labels that are compliant with the laws and regulations of 40 countries, including Japan, in the official languages of each country. In 2019, we revised our SDS to accommodate the new additions to Taiwan's Priority Management Chemicals and the U.S.' TSCA Active Inventory.

*2,3,4 See the glossary on page 108.

▶ Status of GHS implementation and countries



Countries in which we provide SDS: 40 (North America/Latin America: 4 countries, Europe: 25 countries, Asia/Oceania: 10 countries, Japan)

*5 to 16 See the glossary on page 108.

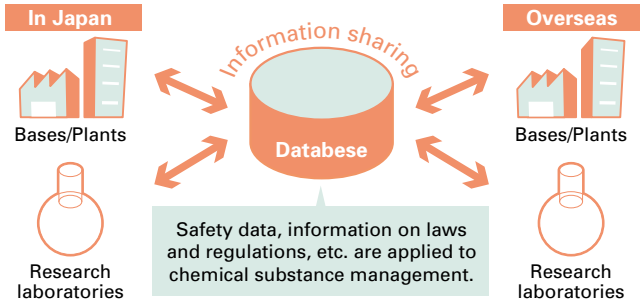
Chemical Substance Management System

In the interest of ensuring safety, we confirm that all of the chemical substances constituting the raw materials and products handled by the Group conform with the laws and regulations of each country. We are also making progress with the creation of a Chemical Substance Management System to centrally manage these chemical substances. Introducing this system allows us to speed up chemical substance-related investigations (inventory in each country, the safety of products and raw materials, regulatory information, etc.) and to provide accurate information. We are now rolling out the system to plants that manufacture molded articles[*17] and expanding application of volume tracking management to products for Taiwan and South Korea, in addition to Japan's Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture and Industrial Safety and Health Act as well as Europe's REACH.[*18] We will continue to enhance our system for managing chemical substances in order to ensure even more meticulous management of these substances.

*17 "Molded articles" here refers to all molded articles that have a defined shape with dimensions that can be measured. This applies to molded products and parts of devices, electronic components, paper, packaging materials, etc.

*18 See the glossary on page 108.

▶ Chemical Substance Management System



Product Liability

The Group's Basic Policy and System for Quality Assurance

Our Group has 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, 2020). 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 of our Group systematically implements product safety and quality assurance initiatives in accordance with QMS. We also began training for quality management representative.

Quality Management Policy for FY2020

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:

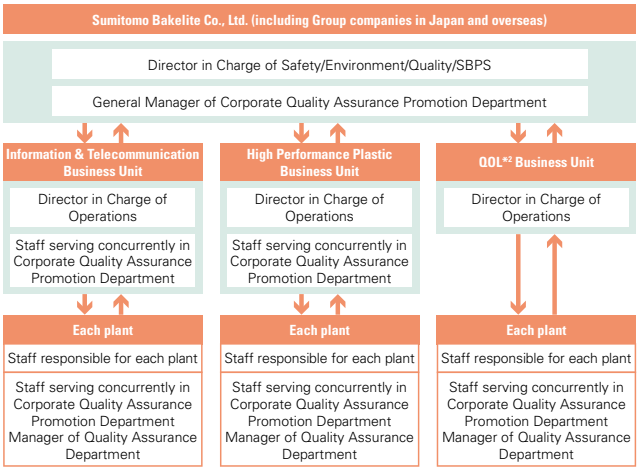
One Sumibe / Zero Defect / Proactive

Action Plan: SDG 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*1)
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. Fostering Outstanding Quality Management Representative to Lead the Next Generation

*1 See the glossary on page 108.

Quality Management System

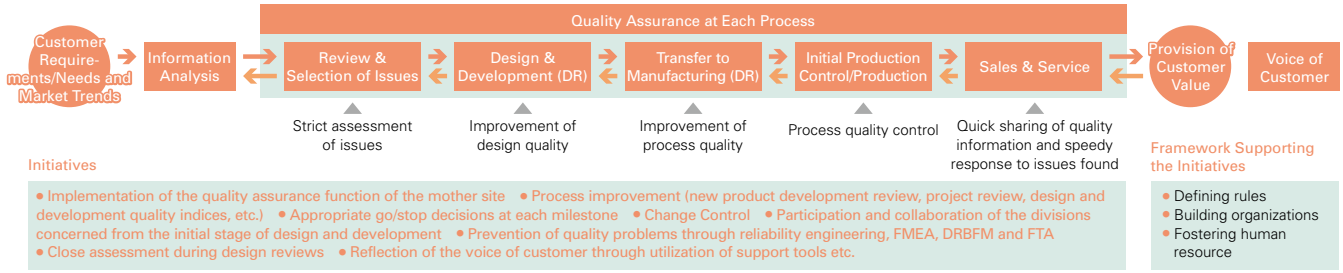


*2 See the glossary on page 108.

QMS Certification Received

Business/products	Certification Standard
ISO9001	Quality of life products (packaging films for food and pharmaceutical products, bio-based products, construction materials, waterproofing products, etc.)
	High-performance plastics (included molded articles)
	Semiconductor-related materials
IATF16949	High-performance plastics (included molded articles)
	Semiconductor-related materials
	Thermoplastic sheets
ISO13485	Medical products
ISO15378	Packaging Materials for Pharmaceuticals
FSSC22000	Packaging films for food
AS9100 or JIS Q9100	Aircraft components

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



Quality Improvement Activities for Existing Business

We are working to enhance the quality of our existing products through such efforts as ensuring rapid response to complaints, taking measures to prevent reoccurrences of problems, and rigorous 4M change control. Cross-functional responses are made to rapidly solve not only serious but also minor complaints. In order to prevent new occurrences and recurrence of issues leading to complaints and process abnormality, we use "Why-Why Analysis" and "Further Investigation" to identify what happened, causes, and countermeasures, among other factors, concerning these issues. This information is organized as knowledge that can be shared and used at any time by relevant divisions. In fiscal 2019 we focused on preventing complaints from recurring. For fiscal 2020 we are carrying out checks in cooperation with the business sites to see if their structures for soundly implementing countermeasures to complaints are functioning.

Reducing Risk Relating to New Business

There is a need to improve (optimize) the output quality (degree of perfection) of product designs and process designs when developing new products and to shorten (minimize) the time required for the development process by minimizing rework.

❶ Shortening New-Product Development Periods and Improving Work Quality

In new product development, initial plans are often delayed because of the tendency for a variety of problems requiring reworking to arise. To prevent this, we implement the Plan-Do-Check-Action (PDCA) cycle to increase the degree of perfection of design quality and shorten the development period through collaboration of all the divisions concerned from the initial phases. Furthermore, we implement the following to ensure that the problems do not recur in subsequent development work.

i) Feedback Review Analysis to identify problems through reviews of development processes over time.

ii) Why-Why Analysis and Further Investigation to identify root causes of the occurrence and out-flowing of problems in terms of technology and management. Why-Why Analysis and Further Investigation are also used to determine why problems were not prevented in terms of organizations, allocation of functions, systems, frameworks, and culture and to identify measures for preventing recurrence and new occurrences.

❷ Proactive Use of Various Quality Control Techniques

In addition to design review (DR) during each stage of product design and process design, we conduct Failure Modes and Effects Analysis (FMEA) to predict potential failures or abnormalities by analyzing health and safety risks on people including customers related to our products, along with Design Review Based on Failure Mode (DRBFM) that focuses on changes to the design and changes to conditions and the environment. In turn, we implement risk reduction measures in all processes of DR, FMEA and DRBFM as well as during technical verification at the time of using new raw materials. In addition, we use Fault Tree Analysis (FTA) that rationally analyzes accidents and defects in a hierarchical manner to discover root causes and fundamental solutions for preventing recurrence.

In fiscal 2019 our quality education for young employees did not just cover FTA and FMEA, we also enhanced our education on statistical tools used to improve the level of quality from the development stage through to the mass production stage. We will continue to address this in fiscal 2020 as well.

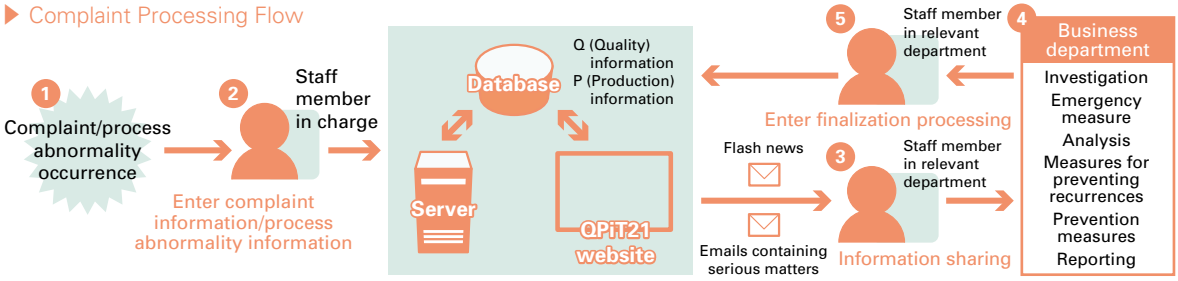
Quality education (on FTA / FMEA) for second year engineering employees held in June 2019

The "QPiT" System for Processing Quality-Related Complaints

We manage complaints relating to quality using the "QPiT21" system. QPiT21 (Quality & Production information Tools 21) is a system that allows the central management of quality- and production-related information, and it has been built into the Groupwide intranet. The system was introduced in order to accelerate the communication of quality- and production-related information within the Group, facilitate the sharing of information, and encourage the integration and effective utilization of information levels. With this system it is possible to respond efficiently, rapidly and appropriately to complaints.

In fiscal 2019, we began automatically graphing data related to complaints via our QPiT system, and began using this by converting it to a monitor format. Doing so has made it possible for us to confirm the extent to which we have achieved our targets for each quarter on a daily basis. In addition, we issue prediction information on worsening indicators regarding recurrences with the same customer or same product, and have established a structure for promptly reporting initial responses from each business department and corporate site to management. For fiscal 2020, we will adopt a structure for issuing prediction information on worsening indicators across business departments.

▶ Complaint Processing Flow



When a complaint or process abnormality occurs, an employee enters the information into the QPiT21 system.
This information is sent to all staff members in charge, and the relevant business units investigate the complaint or process abnormality, and provide an emergency response, carry out analysis, implement measures to prevent recurrences and other similar occurrences, report back to customers, etc.

Internal Quality Auditing and Daily Inspection/Review

For the quality audit for fiscal 2019, we continued to carry out the 'Monozukuri' Audits (see below), a system launched in 2017, which is conducted jointly for the three departments of quality, EHS, and SBPS within the Corporate Production Management and Engineering Division.
The Corporate Quality Assurance Promotion Department inspects and examines operations daily from customers' perspectives through support of R&D activities at research departments (participation in DR, cooperation with FMEA, etc.) and support of production activities at each business department (change control, FEMA, FTA, Why-Why Analysis and Further Investigation, participation in quality meetings and DR, maintaining/managing quality information and quality data, and checking the appropriateness of complaint countermeasures, etc.). It also carries out activities to raise awareness about quality improvement.

'Monozukuri' Audits

Purpose and method of the 'Monozukuri' Audits

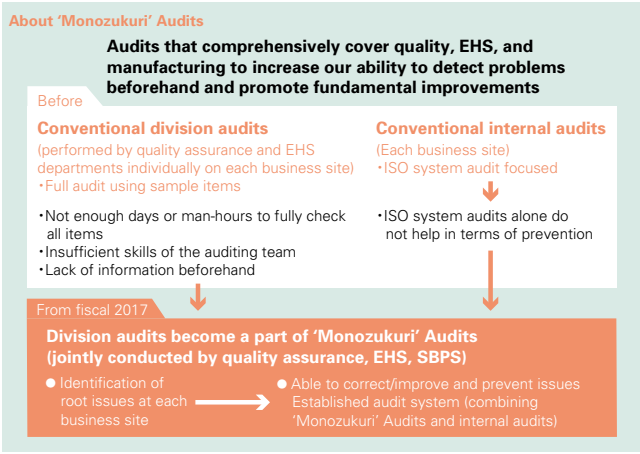
Conventional audits that have been conducted for quality, environment, and safety for each business site made it difficult for us to identify the root issues each business site is faced with, due to factors such as insufficient man-hours spent on the audits, inadequate skills of the auditors, and a lack 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 2019, we began preparing educational manuals and having provide instructions from our head office in order to strengthen education for internal auditors as part of our efforts to enhance internal audits at our business sites.

Results of 'Monozukuri' Audits

In fiscal 2019, 'Monozukuri' Audits were conducted on four directly managed business sites (Shizuoka Plant, Kanuma Plant, Amagasaki Plant, and Utsunomiya Plant) and two subsidiaries companies (Kyushu Sumitomo Bakelite Co., Ltd. and Akita Sumitomo Bakelite Co., Ltd.) in Japan, while overseas said audits were carried out at three business sites in Europe and four business sites in China and Southeast Asia. In addition, education and instruction (including accompanying auditors onsite where necessary) were provided as a way to foster internal auditor leaders at business sites within Japan in order to strengthen our internal audits.
The findings from internal audits and 'Monozukuri' Audits consist of essential issues and items that could lead to essential issues. We have largely succeeded in achieving the functionality to deduce these essential issues. What is more, we have disclosed the findings from other business sites to ten of the audited business sites, had each of them perform self-inspections on their own sites, and make corrections and improvements where needed in order to roll out risk reductions laterally.
For fiscal 2020, we will continue working to improve the skills of auditors by training them as a way to enhance "combining 'Monozukuri' Audits and internal audits," thereby aiming to further improve the effectiveness of our audits.




A scene from a 'Monozukuri' Audit at Indopherin Jaya


A scene from a 'Monozukuri' Audit at the Kanuma Plant

Enhancing Customer Satisfaction (CS)

CS Promotion System

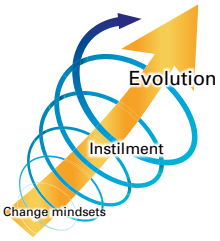
Our Company has established a basic policy on the promotion of CS though the CS*1 Promotion Committee. In accordance with this basic policy, divisions and Group companies work together to share the voice (needs) of the customers and improve business processes based on this.

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 newsletter to convey our philosophy toward CS activities to employees.

*1 See the glossary on page 108.

▶ CS Promotion System

▶ Spiraling up of CS activities

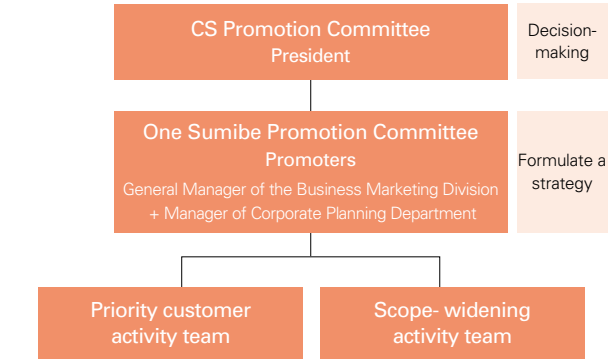


Promoting One Sumibe Activities

With customer satisfaction (CS) 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.

For fiscal 2019 we increased the involvement of the General Manager of the Business Marketing Division and deepened examinations of areas that ought to be focused on in working to evolve these to activities that are adapted to the actual business conditions. We also instituted education via e-learning in order to further instill the "One Sumibe" mentality in employees. We are also considering using the company's newsletter for this. We will continue to share and discuss information among the teams that were started in fiscal 2018 and hold sessions to present the outcomes from this, while also providing information to our overseas locations. In fiscal 2020 we arranged our customers from each segment and will continue to widen the scope of customers we target with our activities.

▶ One Sumibe activity structure



Utilizing QPiT Information to Enhance CS

We are utilizing various kinds of information accumulated in the QPiT, our Group's system for managing quality-related information such as complaints and customer requests, to enhance CS. There are common threads within complaints and customer requests and such information can be useful for other divisions. By analyzing the content and trends of such information and implementing measures to address the issues while building a framework to improve these and sharing these internally, a wide range of divisions can work to achieve the aim of improving CS.

In fiscal 2019 we added in a mechanism whereby an alarm would sound when multiple complaints or requests related to the same customer or the same product were registered with QPiT. This has promoted the prompt sharing of information with the management team regarding initial responses to complaints and requests.

Link Page 56 The QPiT system for processing complaints relating to quality

Dissemination of Corporate Information

In order to help stakeholders gain a better understanding of the Group's diverse activities, we strive to ensure that all our communications comply with applicable laws, regulations and inhouse rules, and use honest, appropriate, and easy to understand display methods and expressions.

Besides the disclosure of corporate information as mandated by law, we use diverse media to disseminate information, such as press releases, advertising in newspapers and magazines, booklets, as well as advertisements in airports, train stations, Shinkansen carriages, and baseball stadiums, signage, along with our website. We made our corporate website compatible with smartphone viewing (Japanese, English and Chinese language versions).

In addition, we display finished products and digital signage that use our products as components or materials at exhibition corners at our business sites and at some product expositions to help customers and business partners understand our products better.

From March 2020 Advertisement displayed on the left outfield fence at Meiji Jingu Stadium

Fujieda MYFC uniforms located in the display corner at our head office (with the company name displayed on the back)

Exhibition corner at the head office

Corner with digital signage displaying products at our head office

Recruiting and Employment

The Group's business activities would not be possible without its employees.
Recruiting and employment is an important aspect underpinning the continuity of our business operations. We carry out recruitment under a policy for the fair selection of talent with an eye on employee diversity. The Responsible Care Committee monitors, reviews and makes changes to our recruitment practices.

Number of Group Employees and Executive Officer

Number of Employees in Japan and Overseas (as of March 31, 2020)

	Directors	Executive officers	Employees	Temporary employees*1	Total
Sumitomo Bakelite Co., Ltd.	10	11	1,624	216	1,861
Subsidiaries in Japan	22	–	797	229	1,048
Overseas subsidiaries	22	–	3,504	255	3,781
Total	54	11	5,925	700	6,690

* The number of employees (consolidated) on page 30 includes our company employees who serve as directors of subsidiaries.
* The numbers of directors of subsidiaries in Japan and overseas represent the number of full-time directors including our company employees who serve as directors of subsidiaries, but excluding those serving concurrently as directors of our company.
*1 Part-time and casual workers

Breakdown of employees by region, by age, and by gender (as of March 31, 2020)

	Male			Female			Total			Total
	Age 29 or younger	Age 30 to 49	Age 50 or older	Age 29 or younger	Age 30 to 49	Age 50 or older	Age 29 or younger	Age 30 to 49	Age 50 or older	
Japan	143	1,229	749	35	184	81	178	1,413	830	2,421
East Asia	136	648	60	118	483	23	254	1,131	83	1,468
Southeast Asia	80	344	77	24	63	16	104	407	93	604
North America	107	292	346	45	149	144	152	441	490	1,083
Europe	35	170	98	0	32	14	35	202	112	349
Total	501	2,683	1,330	222	911	278	723	3,594	1,608	5,925

*Numbers for Japan are the total for Sumitomo Bakelite and its domestic subsidiaries.

Breakdown of the number of temporary employees by gender (as of March 31, 2020)

	Male	Female	Total
Number of temporary employees	361	339	700

Breakdown of the number of newly recruited employees in fiscal 2019 by gender, by age, and by region

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	499	379	878	407	375	96	878
Ratio of employees as of March 31, 2020	11%	27%	15%	56%	10%	6%	15%

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of persons	62	411	93	284	28	878
Ratio of employees as of March 31, 2020	3%	28%	15%	26%	8%	15%

*Numbers for Japan are the total for Sumitomo Bakelite and its domestic subsidiaries.

Breakdown of the number of temporary employees by gender (as of March 31, 2020)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (planned)
Number of temporary employees	38	34	30	40	41	44
Male	31	31	21	33	33	–
Female	7	3	9	7	8	–

* Does not include persons forwarded from other companies or employees reassigned from subsidiaries or affiliates in Japan.
* Includes temporary employees who are not post-retirement hires.
* Since employee recruitment is gender-neutral, the gender composition of the planned intake of new employees for fiscal 2020 is unknown.

Breakdown of the number of newly recruited employees in fiscal 2019 (by gender and by age)

	Age 29 or younger	Age 30 to 49	Age 50 or older
Number of Newly Recruited Employees in Fiscal 2019	37	3	1
Male	31	1	1
Female	6	2	0

* Figure for Sumitomo Bakelite (non-consolidated basis).
* Counted based on the person's age when they were hired.

Retention of newly graduated recruits (within three years of being hired)

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of men hired	27	21	13
Number of women hired	6	3	6
Number of men retained	25	19	11
Number women retained	6	3	5
Male	92.6%	90.5%	84.6%
Female	100.0%	100.0%	83.3%
Total	93.9%	91.7%	84.2%

* The numbers in the table represent the rate among newly graduated recruits with at least a bachelor's degree.
* For fiscal 2017, this indicates the percentage of employees hired on April 1, 2017 who were still employed with the company on March 31, 2020.

Employee Turnover and Turnover Rate in Fiscal 2019 (by gender and by age)

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	42	7	49	7	20	22	49
Ratio of employees as of March 31, 2020	3.0%	3.4%	3.0%	5.2%	2.1%	4.1%	3.0%

* Figure for Sumitomo Bakelite (non-consolidated basis).
* Counted based on the person's age when they left the company.

Continued employment beyond the age of retirement

Following the passing of the Act on Stabilization of Employment of Elderly Persons, we established a system to enable personnel who have reached the mandatory retirement age of 60 to continue working as contract employees.
By facilitating post-retirement hiring, this initiative harnesses the knowledge, technical skills, and knowhow that employees have accumulated over the course of their careers.

Continued employment after retirement

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Number of retirement-age employees	43	18	18	23	17
Number of post-retirement rehires	31	16	13	20	16
Rehiring ratio	72%	89%	72%	87%	94%

* For the rehiring ratio, the first decimal place was rounded to the nearest whole number.

Regarding Retirement Benefit Obligations

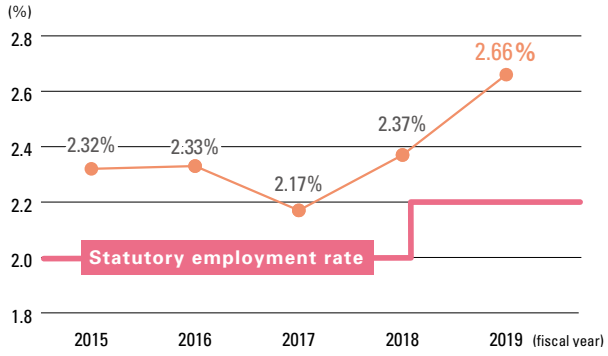
Regarding retirement benefit systems, the Company employs a defined-benefit system in Japan. Overseas, some consolidated subsidiaries concurrently use defined-contribution and defined benefit systems. The consolidated retirement benefit obligations for fiscal 2019 totaled ¥32.7 billion, ¥31 billion of which was for pension funds.

Link → Securities Report (Yuka Shoken Hokokusho (Japanese only))

Employment of People with Disabilities

Our company considers 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. We are also making continuous efforts to employ new graduates with disabilities by, for example, accepting students with disabilities for internships so as to provide them with opportunities that suit their conditions and workstyle needs. These initiatives are approved, monitored, reviewed and modified by our Responsible Care Committee.

Employment Rate of People with Disabilities over the Past Five Years (As of March 31, 2020)

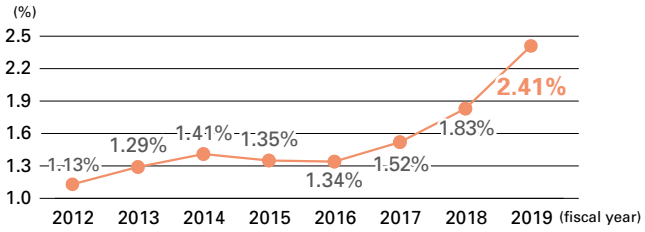


Initiatives to Promote the Advancement of Women

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 2020, there was a 0.58-point increase in the number of female management staff compared to the previous fiscal year to 2.41%. By April 2020 we had reached more than 30 female managers, thus achieving our target. 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.

▶ Trends in the proportion of female management staff



* "Management staff" refers to Sumitomo Bakelite Co. Ltd. employees at or above the level of superintendent and engineer, excluding executive officers.
* Includes those seconded to other companies with qualifications as managerial staff.
* The ratios are values for the end of each fiscal year.

Work-Life Balance

Our Position on Work-Life Balance

We promote the creation of workplaces conducive to successful work-life balance of employees.
In 2008, we formed its Work-Life Balance Labor Study Group to consider the options, formulate policies and commence their implementation. The objectives are:

1. To promote flexible approaches to work, while also reducing overtime hours and promoting the full use of annual leave entitlements, and encourage employees to devote the additional time available to worthwhile non-work activities, such as educational pursuits and activities related to family and communities.
2. To offer a greater diversity of working styles that benefit employees who must deal with major life events, such as marriage, childbirth, and child rearing, and thus contribute to nurturing the next generation.

In 2013, we expanded the application requirements to allow use for participation in volunteer activities and use in half-day increments to make it easier to use accumulated annual paid vacation. In 2014, we increased the number of days of leave for those attending the birth of their child from three days to five days. In 2016, we eliminated the number of days of accumulated annual paid vacation attached to family care leave and in 2017 we introduced a half-day leave system for days off in lieu.
In 2018, we began to allow employees to apply accumulated annual paid vacation in one-day increments for infertility treatment and cancer treatment. As for annual paid vacation, in 2011 we expanded the number of days of accumulated annual paid vacation (annual unused paid vacation days accrued) that may be carried over from 30 to 40 days, before further expanding this to 60 days in January 2020. We also adopted a system for annual time off based on hourly increments in January 2020.
We will continue to implement such initiatives as part of efforts to further promote better work-life balance.

Number of Overtime Hours Worked and Days of Paid Leave Taken by Regular Employees

	2015	2016	2017	2018	2019
Average number of overtime hours (per annum)	124.5	93.6	146.6	157.7	131.0
Average number of days of paid leave used	13.3	14.3	12.1	13.4	14.4

* "Regular employees" means our company (non-consolidated basis) personnel working during daytime hours, excluding managerial personnel.

Employee Support for Various Life Events

We are focusing on creating an environment in which our employees can achieve their goals for both work and life events (such as childbirth and childcare). We are also encouraging employees to proactively utilize various programs provided by our Group to help them deal with important life events, and since the implementation of childcare leave and nursing care leave programs, the proportion of employees returning to work after taking childcare or nursing leave has been almost 100%. The number of people who took childcare leave in fiscal 2019 came to five women and two men, while nobody took nursing care leave.

Next-generation Certification Mark: "Kurumin"

Programs Relating to Childbirth and Childcare

Items	Details
Childcare Leave Program	Childcare leave can be taken until children reach the age of two (until the day before a child's second birthday)
Altering work start times for workers caring for children	Employees with children in the sixth grade at elementary school or lower are able to shift their work start time in 30 minute increments up to either one hour forward or one hour back with the provision that there is no change to the length of their set work day.
Reduced work hours for the purpose of childcare	Employees with children in the sixth grade at elementary school or lower may, if they wish, reduce the length of their work days by up to two hours.
Child nursing care leave	Employees with children in the third grade at elementary school or lower who have been employed at the Company for six months or more can take child nursing care leave in addition to annual paid leave or missing work due to nursing care when any of the following applies. 1. A child is injured or is infected with a contagious disease 2. A child requires a vaccination or a checkup ・The number of days of child nursing care leave is up to five days per year for one child and up to 10 days per year for two or more children ・Child nursing care leave can be taken in half day increments ・Wages will not be paid during leave, but annual paid leave can be used
Childbirth leave	Female employees are granted six weeks' leave prior to giving birth (14 weeks in case of multiple pregnancy) and eight weeks' leave after giving birth.
Outpatient leave	・Pregnant employees can take leave during pregnancy and after giving birth for receiving health guidance from a health professional or receiving postnatal checkups. ・Wages will not be paid during leave, but annual paid leave can be used
Exemption from overtime work	Eligibility: Employees with a child under the age of three who request it Details: Exempted from overtime work
Limitation on overtime work	Eligibility: Employees with a pre-school age child who request it Details: Cannot be ordered to work more than 24 hours of overtime per one month or over 150 hours per year
Limitations on night work	Eligibility: Employees with a pre-school age child who request it Details: Cannot be ordered to work late at night

Programs Relating to Nursing

Items	Details
Nursing leave programs	Employees are able to split leave up to three separate occasions for each situation where a family member requires care Total period of leave: 1 year
Change of work start time	Employees are able to shift their work start time in 30 minute increments up to either one hour forward or one hour back with the provison that there is no change to the length of their set work day
Nursing leave	・Nursing leave can be taken in half day increments up to five days per year when there is one family member requiring care or up to 10 days when there are two or more family members requiring care ・Wages will not be paid during leave, but annual paid leave can be used
Limitations on overtime work	Eligibility: Employees with a family member requiring care Details: Cannot be ordered to work more than 24 hours of overtime per one month or over 150 hours per year
Exemption from overtime wor	Eligibility: Employees with a family member requiring care who request it Details: Exempted from overtime work
Limitations on late night work	Eligibility: Employees with a family member requiring care who request it Details: Cannot be ordered to work late at night

Feedback from a user of our system

I took childcare leave after the birth of our third child to support my wife

After the birth of our first son (our third child), I was able to take approximately one month of childcare leave starting from January 2020. When our first and second daughters were born it was still uncommon for men to take childcare leave, and the thought that I could even do so never occurred to me. Yet now the fact that even men can take childcare leave at Sumitomo Bakelite is no longer a rarity. This time around, my wife had been worried about caring for our three children right after giving birth even from when she was pregnant with our third child, so I decided to take time off, even if it was just for a month. Fortunately, my boss and coworkers understood, and while I was away on childcare leave I was able to soundly support my family without having to worry about work. During this period of childcare leave I realized that up until now I had only been able to help with childcare in a superficial sense, so this has been an excellent opportunity to think about my work-life balance moving forward.

Films & Sheets Research Laboratory
Research Department
Hiroyuki Otsuka

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. We have established a policy on human resources development and actively offer education so that employees can take action toward their own personal and professional growth. The Responsible Care Committee monitors and reviews these initiatives.

The type of personnel we look for

Our company seeks to hire and foster people who will share and commit to its 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."
Furthermore, we need people who will embrace the Company's mission to become an excellent global enterprise that helps enhance customer value through its products and services, creating plastics with more sophisticated functions, and can achieve sustainable growth in the advanced chemical products sector.
Specifically we seek personnel with the four characteristics listed on the right.

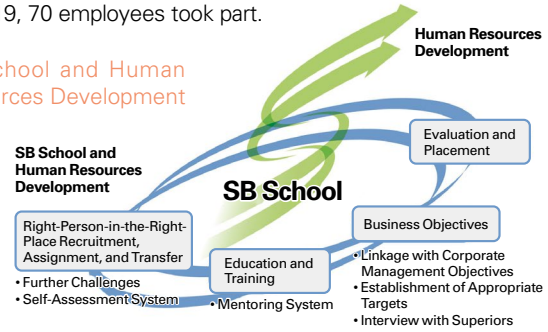
Key characteristics of the autonomously motivated personnel Sumitomo Bakelite seeks

1. People who are growth-oriented
   and have the drive to acquire new skills and knowledge necessary for their jobs;
2. People with a pro-reform stance
   who are not satisfied with the status quo, but are always looking for ways to do a better job;
3. People with a team-oriented approach
   who can combine their individual strengths with the strengths of those around them to deliver better results; and
4. People with professionalism
   who possess outstanding skills and know-how and can produce results through their work anywhere in the world

The Group's in-house training institute, "SB School"

In September 2007, we opened the Sumitomo Bakelite School (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 2019 through March 2020, the cumulative participation in SB School courses was about 27,000 employees, and the number of hours of education provided was approximately 16,000. 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 2019, 70 employees took part.

SB School and Human Resources Development



Education and Training Structure of SB School

	All-employee education	Training by corporate departments	Special purpose training	Education for each employee grade	Self-development support
Executive officers	Basic policies/compliance, Safety, Quality, Environment, CS (enhancing customer satisfaction), Human rights in the workplace	<Specialist Education> CS and legal affairs, labor, accounting, IT, intellectual property, environment, safety, quality, SBPS, manufacturing technology, R&D	- Writing emails in English (basic/advanced) - Logical thinking - Presentations (preparation/delivery) - Strategic scenario know-how/do-how - Marketing - Negotiating skills enhancement	Education for executive officers	Self-development/English conversation training, Correspondence courses
Management staff				Education for management staff	
Department managers				Education for line managers (advanced) Education for line managers (basic)	
Section chiefs				Education for newly appointed section chiefs	
Supervisors/engineers				Education for newly appointed management staff	
Leaders (team leaders)				Education for site leaders Statutory education for superintendents	
Sixth year				Education for mid-career employees	
Second year				Education for employees in their third year in the company	
New recruits				Follow-up education for new recruits Education for new recruits	


Education for employees in their third year in the company


Education for newly appointed section chiefs


Team-building education

SB School Course Participation (fiscal 2019)

Unit: Persons

Type of course	Number of participants
Education for line managers (basic)	17
Education for newly appointed section chiefs	29
Education for newly appointed management staff	29
Education for team leaders	20
Education for mid-career staff	24

Type of course	Number of participants
Education for employees in their third year in the company	26
Follow-up education for new employees	30
Education for new employees	30
Life plan education	70
Total	275

TOPIC

Manufacturing-oriented SBPS Education

SBPS activities originally began as an offshoot of on-site kaizen (improvement) activities but are now implemented throughout the Company in order to generate the values demanded by customers and society.
The activities are aimed at securing the revenue and safety (personnel, facilities, environmental, and quality) that our company requires to achieve sustainable development. The activities involve setting specific targets (financial, quantitative, and delivery), planning who needs to achieve each of these targets by when, and implementing these plans without delay, meaning the activities are just the same as the daily work tasks carried out by employees.
We believe that, through the ages, technical capabilities, knowledge, experience, and tireless will that each individual has who promotes these activities will always bring about our required results.
Based on this idea, we have organized education programs targeting each employee grade and level as part of the SB School system. The planning and operation of the education is in principle carried out by employees themselves.
Attendees are required to submit reports, and the emphasis is placed on putting what they have learnt into practice in their own departments. Regular followups are carried out to track their progress.
Our training course for foremen is one example of our employee grade-based education. We began offering courses designed to foster future workplace leaders back in 2017. More than 70 people have attended these as of March 2020, and are now working to boost the safety and profitability of their respective workplaces.

Training course for foremen

Quality Control Skill Enhancement

We offer 30 quality-training programs at our SB School to increase our employees' awareness of quality, to prevent quality problems, and to improve quality techniques. November every year is designated as "quality month," and quality education via e-learning is provided for all employees.
We provide education for second-year employees in the engineering track through the Sumitomo Bakelite educational system by offering easy-to-understand lectures and practical training in areas such as the company's quality policy and approach to quality, regulations, quality management systems, problem-solving methods (FTA, FMEA, Why-Why Analysis, and Further Investigation), and statistical methods from the early stages of the career of employees assigned to the research and production engineering departments. Administrative employees were also included in the eligible group for receiving education in areas such as quality in general, regulations, and management systems.
In fiscal 2019, we gave everyone throughout the company a test of their quality control knowledge to enhance the level of our future quality control managers, and selected those who ranked highly on the test as member candidates to lead the next generation at each business site. In fiscal 2020 we will offer our training course for quality management representative as a form of leader education in aiming to raise the bar.

Environmental Education

Our laboratories and plants handle a wide range of chemical substances. We conduct periodic group education programs for employees, including new employees, with the objective of protecting the environment in the vicinity of our business sites and ensuring that employees work in safety. These programs are designed to enhance employees' understanding of the properties of chemical substances and the content of relevant laws and regulations, thus enabling them to handle chemical substances appropriately.
In addition to group education programs, environmental education by e-learning is conducted every year for all employees in June, a month dedicated to enhancement of environmental protection. This helps our employees learn and gain an in-depth understanding about the various activities that the company is undertaking, including Responsible Care.

An image of employees receiving environmental education by computer

R&D and Tech Day Held

On November 7, 2019 we held the "R&D and Tech day 2019" to share information about technology across the boundaries of the various departments and businesses that we operate with the aim of enhancing our overall Group-wide technological capabilities. More than 260 staff members from Japan and overseas, primarily from research departments, manufacturing-related departments, marketing, and sales participated in the meeting. The presentation was live streamed to eight business sites in Japan via the Internet, and viewed by more than 130 people.

Presentation of the top award to the best department at the R&D and Tech day 2019

'Gemba Kaizen' Activity Presentation Meeting Held

On May 16, 2019, we held 'Gemba Kaizen' Activity Presentation Meeting 2019 as a venue for presenting successful outcomes of daily improvements at each business location. More than 110 employees, mainly those in production-related departments, attended. Just like with Tech Day, this was live-streamed to eight of our business sites in Japan via the internet, where it was viewed by 210 employees. Video of and materials from the presentation session were released over the intranet in the aim of laterally deploying examples of improvements.

Presentation of the top award to the best department at the 2019 "Gemba Kaizen" Activity Presentation Meeting

Human Rights Education

Our company prohibits discrimination and harassment within Our Code of Conduct and other regulations, with this including at our group companies as well. We offer education related to our Code of Conduct when employees join the company, and promote awareness of human rights. We give consideration to and practically implement education to raise awareness of human rights that we as a company ought to address, and encourage each and every one of our employees to adopt a proper understanding when it comes to discrimination and various types of harassment out in society at large.

Every year, we provide education to all of our employees via e-learning to coincide with Human Rights Week in December. This deepens employees' understanding of typical types of harassment, including power harassment, sexual harassment, and maternity harassment, which are social problems, and teaches them points to be aware of to ensure that they do not perpetrate harassment. It has been designed to be a specific, easy-to-understand educational program that introduces employees to case studies and contact points to consult with in the event that they are harassed.

We recognize that the problem of harassment is a risk that is always liable to occur, regardless of the size of the workplace. But we will move ahead in creating spirited workplaces where it is easy to work and in which employees respect one another's individual character and human rights.

Employees receiving computer-based human rights education

Health Management

Our company strives to create workplaces conducive to the maintenance of employees' good health, both physical and mental. Our employee health management activities are primarily based on the results of regularly scheduled health checks. In particular, employees over 30 years old are entitled to receive cancer screening (stomach and colon) and those over 40 years old can receive abdominal ultrasonography as well. We offered health guidance to employees to help prevent lifestyle diseases such as diabetes, hypertension and dyslipidemia. By ensuring that employees properly understand the results of health checks and receive timely diagnoses and guidance from in-house and external industrial physicians and other medical staff, the Company is contributing to the prevention or amelioration of lifestyle diseases.

In addition, employees engaged in work that involves use of organic solvents and specified chemical substances receive special health checkups twice a year for early detection and prevention of health problems attributable to occupational diseases. We also provide opportunities for employees to receive health consultations at their own discretion with industrial medical staff who offer advice on physical and mental health issues. In order to promote health, we are strengthening employee education based on the understanding that it is important for individual employees to be aware of prevention. With regard to mental health, for which detection at an early stage is deemed as important, education is provided to all employees and proves useful in the acquisition and enhancement of their knowledge. Furthermore, consultations with physicians are arranged once a year for employees who wish to undergo a stress check. The necessary measures are implemented based on the results of the examination, and efforts are made to improve the workplace environment based on the results of a group analysis. For employees suffering from mental health issues, measures are put in place in line with a support program designed to help them return to work and to prevent relapses through the concerted effort of their superiors, people in charge of labor affairs, industrial physicians, and healthcare staff.

We set up a special feature page in our company newsletter authored by our head industrial physician that provides seasonal and event-based health information useful for employees and their families to maintain and improve their health. The special feature on infectious diseases (influenza and norovirus) covered how to prevent them and what to do if an employee actually caught one to make this important information known to all employees.

TOPIC

Health Instruction with the Head Industrial Physician

As a part of the Data Health Plan, health classes are conducted with the aim of preventing serious illnesses, and to raise awareness among employees about health and improving their lifestyle habits. Employees performed exercises to release the physical stiffness in their bodies that occurs while working, such as aerobics and myofascial release through the use of stretch balls, at each business site. In addition, the employees were able to check on their own current physical condition through the introduction of sphygmomanometers and measurements of advanced glycation end products (AGES) in their bodies. A total of 285 employees across the entire company attended these classes, and many opinions were received from the participants to the effect that they would like to continue working on this.

Health Class

Labor-Management Relations

We recognize that pleasant and satisfying working environments contribute to the development of the company, and therefore, good labor-management relations and the collaboration they engender are essential ingredients of such working environments. Currently, 100% of general employees from Sumitomo Bakelite and its domestic group companies are members of the Sumitomo Bakelite Union (hereafter, "the Union"). 54.1% of all employees are covered by the company's collective bargaining agreement.

Corporate-level meetings of the company's senior executives and representatives of the Union are held twice a year at the head office. These meetings are valuable opportunities to cultivate favorable labor-management relationships by sharing frank views on the business environment and the Company's operations. Major business sites also hold monthly labor-management meetings at which information about conditions in each department is shared. As for health and safety, we aim for creating safe and comfortable workplaces through labor-management collaboration based on the provisions of the labor agreement. As part of this effort, we hold annual labor-management meetings on occupational health and safety by bringing the persons in charge of safety from the Union across Japan, to deepen mutual understanding through a frank exchange of opinions. We also recognize that occupational health and safety is an important theme to monitor between labor and management. At Sumitomo Bakelite along with its subsidiaries and affiliates with a labor union, provisions on health and safety are included in the labor agreements that establishes a formal agreement between the company and its labor union.

We are also putting effort into developing good labor-management relations at our overseas business sites. Currently, 15 out of 25 overseas business sites have labor unions; of these, 17 have concluded labor agreements, while 14 have established arrangements on safety and health.

Relationships with Shareholders and Investors

Basic Policy on Profit Distribution

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.

Out of consideration for the above basic policy, our business performance in the fiscal year, and the impact of the COVID-19, we paid dividends for the year ended March 31, 2020, of 75 yen per share. The amount of the annual dividend will be the same as that of the previous fiscal year, taking into account the effect of the share consolidation conducted on October 1, 2018.

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, after announcements of quarterly financial results we host presentations on financial results and offer explanations of these results via telephone conferences, and organize individual meetings. Our Representative Director or Director Overseeing Accounting visits 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.

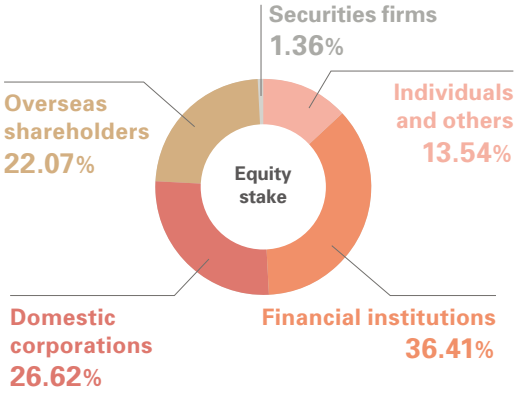
Business Report

Encouraging Exercise of Voting Rights at Shareholders' Meetings

Through such initiatives as enabling shareholders to vote by electronic means, sending early and posting on our website convening notices for general shareholders' meetings, we are working to create an environment that makes it easier for shareholders to exercise their voting rights.

▶ Shareholder Information and Equity Stake (as of March 31, 2020) ☑

Total number of shares issued: 49,590,478
Total number of shareholders: 11,084



Relations with Local Communities

Environment-Related Initiatives

Biodiversity Conservation Initiatives

Our company's business activities rely on nature's bounty. 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.
These initiatives are approved, monitored, reviewed and modified by our Responsible Care Committee.

TOPIC

Biotope Initiatives

The results of an investigation into the relationship between the business sites of our group worldwide and protected areas where biodiversity is considered important indicated that none of our business sites were located in these areas. Although not a protected area, the results of an ecosystem survey conducted in fiscal 2011 at the site of our Shizuoka Plant located in Fujieda City, Shizuoka Prefecture, confirmed the presence of Japanese killifish, an IA-rated endangered species. After determining the strong need for preserving the biodiversity of this site, we decided to create a company biotope. The creation and maintenance of the biotope were completed in March 2017. The biotope, which occupies about 5% of the Shizuoka Plant's 287,000m^2 site, is habitat for a wide variety of fauna and flora, including ancient Oga lotus and jewel beetles, among others, in addition to Japanese killifish.
We continue to engage in communication with local communities, such as by spreading the word on the significance of our biotope for biodiversity to the community and supplying some of the Japanese killifish that have taken root and multiplied within our biotope to neighboring locations.

The biotope received a total of 520 visitors in 2019. As a result of actively holding dialogues with neighboring elementary schools, particularly since 2018, we have expanded their understanding of our biotope. People visiting for school events and the like accounted for half of the visitors in 2019. Information about these internal and external initiatives is shared and managed at regular meetings of the Biotope Committee, comprising members from departments at the production plants and head office. In addition, our CSR activities centered on "Ikoi no Mori" (Comfort Forest) won the Chairperson's Encouragement Award of the Japan Greenery Research and Development Center at the National Award for Factory Greening, which is sponsored by the Japan Greenery Research and Development Center (with the backing of the Ministry of Economy, Trade and Industry and other ministries and agencies).
Our goal for the future is to use this to contribute to the community, such as by making this a place for raising environmental awareness by having people who visit it get a firsthand feel for the importance of biodiversity, as well as a place for environmental education.

Irodori no Oka (hill)


Japanese killifish (Oryzias latipes)


Educational field trip

Outside commendation

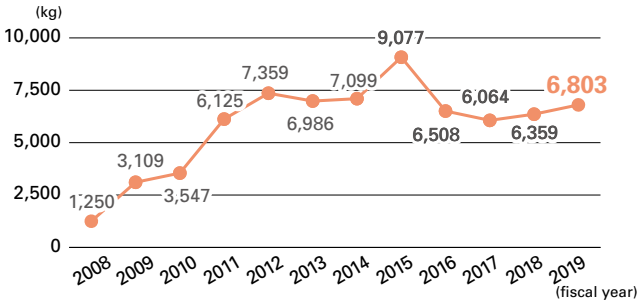
Initiative to Protect Forest Ecosystems

Our company contributes to conservation of biodiversity by protecting forest environments through supporting forest thinning projects and afforestation activities. Our company has 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 70.3 tons, which corresponds to the thinning of 4.55 hectares.

Our business site in Indonesia engages in afforestation activities for growing mangrove forests that protect various species of marine organisms, and is also carrying out a biopori hole campaign to mitigate climate change. Going forward, we will continue to conserve biodiversity tailored to the environment surrounding each of our business sites.

森の町内会
間伐に寄与する紙
www.mori-cho.org

▶ Amount of Paper Products that Contribute to Wood Thinning Efforts Used by Sumitomo Bakelite



Indopherin Jaya
BIOPORI hole campaign to mitigate climate change

Environmental Conservation and Beautification Activities in the Surroundings of Plants

We are working to conserve and beautify the areas surrounding each of our production plants by cooperating with local environmental conservation activities and campaigns against illegal dumping of waste as well as cleaning and beautification events organized by local communities.

Durez Corporation (Kenton Plant)
Took part in environmental beautification activities at a park in the vicinity around the plant

Shizuoka Plant
Took part in river cleanup and beautification activities in the local community

Amagasaki Plant
Conducted a water sprinkling campaign to mitigate the heat island effect at the request of Amagasaki City

Hokkai Taiyo Plastic
Participated in a cleanup campaign at the Ishikari Bay New Port area, and collected illegally dumped waste in the industrial park

Initiatives in Society

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.

We continued on with our partnership agreements in fiscal 2019, and provided support for the Japan Powerchair Football Championship 2019 that was held in November. Going forward, we will continue to support this activity that broadly seeks to build a society in which people can intermingle and coexist through soccer regardless of their disabilities as an official partner.

*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 respect's each person's uniqueness through the benefits of sports and soccer regardless of disability.

JIFF logo

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 2019, we deployed employees out on research investigations to the East Japan Green Restoration Monitoring Project (which monitors and surveys the ecosystems of the regions affected by the Great East Japan Earthquake), a survey on tidal flats carried out in the tidal flats of Idoura in Sendai City and Hiroura in Natori City, Miyagi Prefecture in June.

Living creatures found in the tidal flats


Hiroura tidal flats

Comment from an Employee who Participated

Participating in a survey on tidal flats

Through this survey, I was able to actually come into contact with living creatures that I have little contact with in my ordinary, everyday life, such as endangered species of shellfish, and was thus able to learn about the diversity of the living creatures that inhabit tidal flats and other ecosystems, as well as the significance of their presence. What is more, I also had exchanges with the participants over the course of the two-day program, and was able to talk to people who had witnessed the earthquake and how the reconstruction has been going. I feel that it was an experience unlike any I'd had before.
The results of this survey showed that the tidal flats had been restored to a condition that compares favorably with how things were before the earthquake occurred. But for me, this reaffirmed the need for Sumitomo Bakelite to keep working on activities that are conducive to achieving the goals of the SDGs in order to ensure this sort of biodiversity.

Sumitomo Bakelite
Employee Relations & Welfare Department, Personnel Division
Hiroya Tsutsui

Message from Earthwatch Japan

Recently, large-scale disasters have been occurring as a result of abnormal weather phenomena even in places that are near at hand. There are a wide range of challenges we must deal with, such as climate change and the increasing fragility of our social infrastructure. Companies are being called upon more so than ever before to take part in activities that are conducive to solving these challenges.
Sumitomo Bakelite has been taking part in these survey activities in an ongoing manner for five years. We feel that these foster awareness grounded in science research and study, as well as understanding and interest in environmental conservation by harnessing this. Our hope is that this will give rise to a structure whereby employees who have taken part convey everything from their experiences to their feelings to others around them, thereby conveying this more broadly out to society.

NPO Earthwatch Institute
Executive Director
Tomoko Nunoi

Donations

Under the Sumitomo Bakelite Group's business philosophy (Company Policy), we cooperate on cultural and academic activities such as symphony orchestras, environmental conservation activities such as the Keidanren Committee on Nature Conservation that works to actively protect nature and conserve biodiversity, and international events such as the International Chemistry Olympiads (Details: URL on the right) in which senior high school students compete against one another to demonstrate their chemistry capabilities. We also donate directly to specific groups across a wide range of fields including schools and education, social welfare, academic promotion, R&D, regional development, international exchange, and sports for people with disabilities. Through these donations, we are helping to create a better environment and support the development of the next generation.
Looking ahead, we will continue this support to create a brighter future for all people.

国際化学オリンピック日本大会を応援しています
IChO 2021 JAPAN
53rd International Chemistry Olympiad
Kindai University, Osaka Japan July 24 - Aug 2, 2021

Link → The International Chemistry Olympiads

Official Partnership Agreement with Fujieda MYFC

Since fiscal 2018, we have been in an official partnership agreement with Fujieda MYFC, a professional soccer club in a J League J3. The team's home town is the Haibara District of Fujieda City, Shizuoka Prefecture, where our Shizuoka Plant is located. Therefore, we provide our support to the team as a partner with the goal of lending our cooperation to Fujieda City, which promotes revitalization of the town through soccer, and also to contribute to the community and boost the motivation of our employees.

Fujieda MYFC log

Relations with Local Residents and Participation in Local Events

We are working to enhance the welfare of local communities by proactively interacting with local residents and participating in local events to deepen our ties with them, as well as engaging in volunteer activities and making donations.

Sumitomo Bakelite Europe (Barcelona)

Offering cooperation (donations) to local events (a musical theater in Montornes)

Durez Corporation (Kenton Plant)

Took part as a judge in a regional tournament for a nationwide future city award that local high schools take part in

Akita Sumitomo Bakelite

Donated to neighborhood associations and the executive committee associated with the local Tsuchizaki Shinmeisha Shrine Annual Celebration and Float Festival

SBP Indonesia

Invited children to a breakfast session to break their fast held for Muslim religious reasons

TOPIC

Donating face shields

The Sumitomo Bakelite Group has begun manufacturing face shields in order to curb the spread of infections from the coronavirus. The first round of face shields we manufactured were donated to medical institutions in the Tokyo Metropolitan Region and Kanagawa Prefecture at the request of the Ministry of Health, Labour and Welfare in order to support facilities engaged in medical care that lacked devices to guard against infection. Following this, we began donating these to the governmental agencies in different regions in order for them to be put to use as safety measures for local communities by local municipalities where we have locations from the middle of May 2020.
These were donated to the cities of Fujieda, Amagasaki, and Nogata in May 2020, then to the cities of Akita, Utsunomiya, and Kanuma in June, where they were put to use in medical settings and health care centers in each of these regions.

Kazumi Inamura, Mayor of Amagasaki (left), and Utsunomiya Plant Manager Fumita

Receiving a certificate of appreciation from Eiichi Sato, Mayor of Utsunomiya

TOPIC

Volunteer Activities by Promerus LLC

As part of its volunteer activities, Promerus lent its support to activities to provide food, sanitary supplies, cleaning supplies, and more to people living in poverty in northeastern Ohio, through which it collected 9,563 meals worth of food and provided them to a foodbank together with cleaning supplies. The foodbank then distributed this food, which would ordinarily have gone to waste, to where it was needed. This is consistent with "reducing food loss," which is called for as part of Goal 12 of the SDGs.

Initiatives Relating to Fostering the Next Generation

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.

In January 2020, the 11th Fujieda City Science Education Support Project was held at Kaken Pharmaceutical Co., Ltd.'s Shizuoka Plant. 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. Kaken Pharmaceutical introduced participants to the agrochemicals that are one major pillar of its business by combining together accurate information and practical demonstrations concerning their roles, effects, risks, and safety.

The principal in charge offered the comment, "Coming into contact with cutting-edge subject matter has a major impact on the subjects we highlight in class."

Scene of a lecture conducted in the conference room

An experiment

Welcoming Next Generation Internships and Factory Visits

In order to support the growth of the next generation of students we proactively accept student interns and also welcome students to company briefings and site visit events (factory tours) to aid their understanding of our business and the work carried out at our production plants.

S.B. Techno Plastics (Head Office Plant)

Accepted two interns from Kodamahakuyo High School

Sumitomo Bakelite Europe

Accepted high school interns for quality control at its laboratory

Corporate Governance

Basic Approach to 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

Board of Directors

We are a company with a Board of Corporate Auditors. As of June 24, 2020, ten Directors (of which two 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 Chairman, Representative Director.
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 thorough discussions are 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.

Board of Corporate Auditors

The Board of Corporate Auditors is comprised of two Standing Corporate Auditors and two Outside Corporate Auditors who serve part-time and maintain their independence. This is supplemented by one assistant of auditors who serves in another position concurrently that assists with the activities of the Board of Corporate Advisors and the Corporate Auditors. Meetings of this board are held on a monthly basis ahead of meetings of the Board of Directors, and also on an extraordinary basis as needed (they are held for a length of approximately one hour on average). In addition, the Board of Corporate Auditors considers hypothetical risks, and then decides upon auditing policies, rules, criteria, annual audit plans, and so forth on the basis of this. It also receives reports from each Corporate Auditor on the status of audits with respect to priority matters for the audits.
What is more, the Board of Corporate Auditors and KPMG AZSA LLC consult with one another and exchange information over the annual audit plans, risk assessments, points at issue with the audits, the progress of the audits, and other such matters. Standing Corporate Auditors work to deepen reciprocal partnerships and ensure the reliability of accounting audits through efforts like reviewing the audits of business sites and the like subject to accounting audits, being present for onsite audits, and more.
In addition, Standing Corporate Auditors perform audit reviews on internal audits, are present for onsite audits, and exchange information and opinions with one another at regular meetings (held quarterly), and also report the circumstances of these to the Board of Corporate Auditors where appropriate. In addition, the Board of Corporate Auditors maintains close coordination with the Internal Audit Department, such as by holding sessions to exchange information with said department, which performs internal audits with the involvement of Outside Corporate Auditors.

Executive Officer Structure and Executive Officers' Meeting

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, 2020, 16 Executive Officers (including six who serve concurrently as Directors) had been appointed.
Executive Officers' meetings, which are comprised of Directors, Executive Officers, and Corporate Auditors are held once a month. Here, notification is provided of 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.
As of June 24, 2020, all 24 of our officers, who are Directors, Corporate Auditors, and Executive Officers, were over the age of 50, and included 23 men and one woman, with a female board member ratio of 4%.

Outside Directors and Outside Corporate Auditors

Regarding the appointment of Outside Directors and Outside Corporate Auditors, we request that these positions be taken up by people who can be expected to offer valuable advice based on their opinions and experience as third parties as a result of their having managed companies or their practical experience, expert knowledge, and so forth.

Outside Director Hiroyuki Abe has expertise, considerable experience and wide range of insight as a university professor and has provided appropriate opinions and valuable advice from an objective standpoint as Outside director.

Outside Director Kazuo Matsuda has considerable experience and wide range of insight that he cultivated at a financial institution as well as business companies as a management executive and has provided appropriate opinions and valuable advice from an objective standpoint as Outside director.

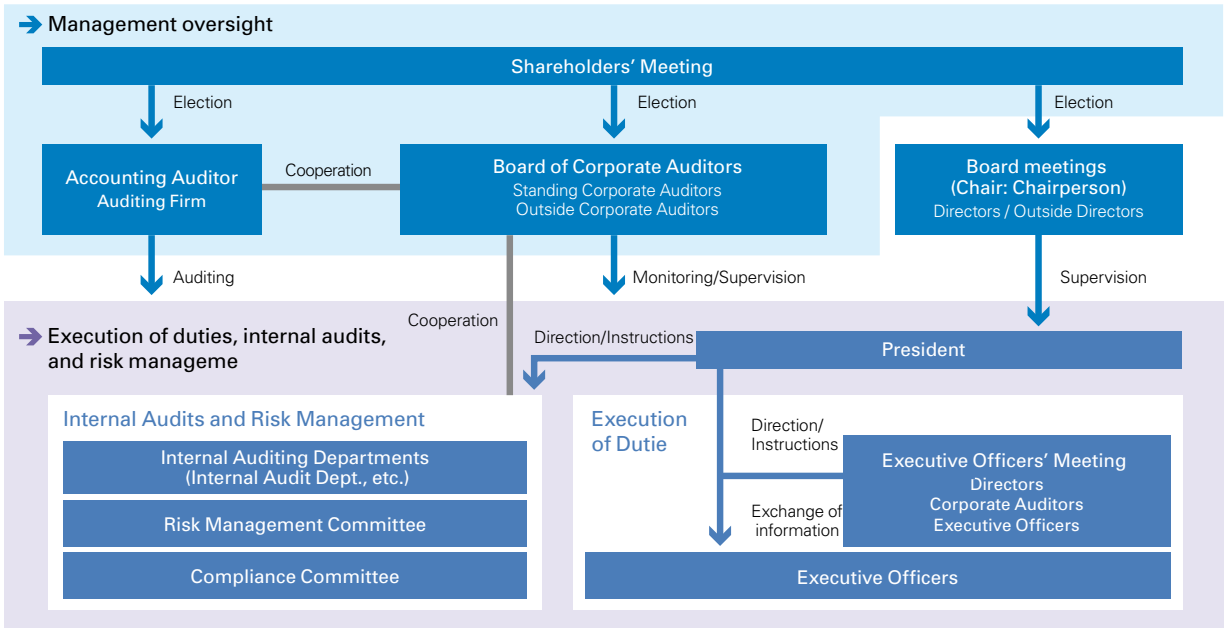
Outside Corporate Auditor Kazuhiko Yamagishi has an expert viewpoint as a lawyer and wide-ranging views related to management, which he brings to bear in auditing our company.

Outside Corporate Auditor Etsuko Nagashima has an expert viewpoint as a Certified Public Accountant and wide-ranging views related to financial matters and accounting, which she brings to bear in auditing our company.

We have established the Criteria for Independence of Directors and Corporate Auditors through a resolution of the Board of Directors, and has determined that the aforementioned Outside Directors and Outside Corporate Auditors are independent pursuant to said criteria. In addition, they have been submitted as independent officers as stipulated by the Tokyo Stock Exchange.

We have also established the Outside Officer's Meeting which consists of Outside Directors, Outside Corporate Auditors, the Director Overseeing the Corporate General Affairs Division, and Standing Corporate Auditors. At the Outside Officers' Meeting account settlement information on the company is shared, introductions to the company's businesses are provided from the executive officers in charge of each segment, and advance explanations of agenda items for meetings of the Board of Directors are provided. This is done in an effort to share information and awareness concerning the company between Outside Directors and Outside Corporate Auditors.

▶ Structure of Corporate Governance (as of June 24, 2020)



Appointment and Remuneration Advisory Committee

The Appointment and Remuneration Advisory Committee has been established to take part in making decisions regarding the appointment of Directors and the amount of their remuneration. It is a voluntary committee that consists of Independent Outside Directors (this refers to those Outside Directors 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 of Director submitted by the Representative Director, as well as the total annual amount and individual amount and indivisual amount of monthly remuneration and bonuses paid to Directors. It then reports its findings to the Board of Directors based on the results of these deliberations. As of June 24, 2020, the Committee was chaired by Representative Director Shigeru Hayashi, and its members included Representative Director Kazuhiko Fujiwara and Independent Outside Directors Hiroyuki Abe and Kazuo Matsuda.

Executive Remuneration

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. The individual amounts of monthly remuneration paid to each position of Representative Director / Chairperson, as well as President, Senior Managing Executive Officer, Managing Executive Officer, and Executive Officer serving concurrently as Directors are set. Decisions on the amount of monthly remuneration paid to each individual Director are entrusted to the Representative Directors at the Board of Directors, with said decisions being based on the aforementioned payment criteria. The net amount to be paid for bonuses is calculated by multiplying a fixed multiplier against business profits, and the amount paid to each individual is calculated by multiplying a fixed multiplier determined according to the person's title. The net amount to be paid for bonuses is determined by the Board of Directors, allocations are entrusted to the Representative Directors, and decisions on these are made in accordance with the aforementioned payment criteria. Non-executive Outside Directors are only paid monthly base pay.

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.

Remuneration for executive officers in fiscal 2019 comprised a total of ¥370 million (base pay of ¥300 million and bonus of ¥70 million) for seven Directors (excluding Outside Directors), a total of ¥54 million (base pay of ¥54 million) for three Corporate Auditors (excluding Outside Corporate Auditors), and a total of ¥58 million (base pay of ¥58 million) for six Outside Officers.

Analyzing and Evaluating the Effectiveness of the Board of Directors

We conduct questionnaires regarding matters like the management of the Board of Directors on each Director and Corporate Auditor, then analyze and evaluate the effectiveness of the Board of Directors based on the results of these questionnaires.

The results of the questionnaires are discussed by the Management Committee comprised of standing Directors, as well as the Board of Outside Executive Officers, with summaries provided to the Board of Directors.

In fiscal 2019, a questionnaire was conducted from February to March 2020 on opinions regarding the contents of the reports for the Board of Directors raised in the evaluations from the previous fiscal year, as well as other matters deemed to be in need of improvement. Based on the opinions submitted through this questionnaire, we have resolved to continue considering and implementing measures to improve the effectiveness of the Board of Directors in order to invigorate the discussions held there in an ongoing manner.

Internal Control

We have systems in place for ensuring appropriate operations in accordance with our Business Philosophy. In accordance with our 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 our 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 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, 2020 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.

Link → Basic Policy on Internal Control Systems

Executives (as of June 24, 2020)

Directors and Corporate Auditors

Chairman, Representative Director

Shigeru Hayashi

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

President, Representative Director

Kazuhiko Fujiwara

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

Director, Senior Managing Executive Officer

Masayuki Inagaki

General Manager of Corporate Production Management & Engineering Div.; In charge of Corporate Research & Development Div., Advanced Materials Research Laboratory, Corporate Engineering Center and Circuitry with Optical Interconnection Business Development Dept.

Apr 1982 Entered the Company
Jun 2009 Executive Officer of the Company Plant Manager of Utsunomiya Plant of the Company
Apr 2013 Managing Executive Officer of the Company
Apr 2014 General Manager of Corporate Production Management & Engineering Div. of the Company (to the present)
General Manager of Corporate Engineering Center of the Company
Apr 2015 Plant Manager of Shizuoka Plant of the Company
Jun 2015 Director of the Company (to the present)
Apr 2017 Senior Managing Executive Officer of the Company (to the present)
Jun 2018 General Manager of Corporate Research & Development Div. of the Company

Director, Senior Managing Executive Officer

Sumitoshi Asakuma

Overseeing Semiconductor Materials segment

Apr 1985 Entered the Company
Jun 2008 General Manager of Kobe Fundamental Research Laboratory of the Company
Jun 2010 Executive Officer of the Company
Oct 2013 General Manager of Corporate Research & Development Div. of the Company
Apr 2014 Managing Executive Officer of the Company
Jun 2015 Director of the Company (to the present)
Jan 2016 General Manager of Information & Telecommunication Materials Div. of the Company
Apr 2018 Senior Managing Executive Officer of the Company (to the present)
Jun 2018 Representative Director of Sumitomo Bakelite (Taiwan) Co., Ltd. (to the present)

Director, Senior Managing Executive Officer

Takashi Nakamura

Overseeing Personnel Div., Osaka Office and Nagoya Office; In charge of Corporate General Affairs Div., Corporate Finance & Planning Div., Corporate Planning Dept., Information Systems & Data Processing Dept. and Global Procurement Div.

Apr 1979 Entered Sumitomo Chemical Co., Ltd.
Apr 2015 Executive Officer of the Company
Oct 2015 Manager of Corporate Planning Dept. of the Company
Apr 2016 Managing Executive Officer of the Company (to the present)
Jun 2018 Director of the Company (to the present)
Oct 2018 Representative Director of SB Bioscience Co., Ltd. (to the present)
Apr 2020 Senior Managing Executive Officer of the Company (to the present)
Apr 2020 Representative Director of S.B. Information System Co., Ltd. (to the present)

Director, Managing Executive Officer

Goichiro Kuwaki

Overseeing High Performance Plastics segment

Apr 1985 Entered the Company
Jun 2010 Plant Manager of Shizuoka Plant of the Company
Apr 2013 Executive Officer of the Company
Apr 2015 Deputy General Manager of High Performance Plastic Products Business Unit of the Company
Apr 2017 Managing Executive Officer of the Company (to the present)
Apr 2018 Manager of Global Management & Planning Dept. of High Performance Plastic Products Business Unit of the Company
Jun 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 Kobayasi

Overseeing Quality of Life Products segment

Apr 1987 Entered the Company
Apr 2013 Executive Officer of the Company
Deputy General Manager of High Performance Plastic Products Business Unit of the Company
Apr 2017 Managing Executive Officer of the Company (to the present)
Jun 2018 Director of the Company (to the present)
Jun 2019 Director of Kawasumi Laboratories, Inc. (to the present)

Director

Toshihisa Deguchi

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

Outside Director

Hiroyuki Abe

Oct 1977	Professor, School of Engineering, Tohoku University
Apr 1993	Dean, Undergraduate School of Engineering / Graduate School of Engineering, Tohoku University
Apr 1996	President of the Japan Society of Mechanical Engineers
Nov 1996	President of Tohoku University
Nov 2002	Professor Emeritus of Tohoku University (to the present)
Jan 2003	Member of the Council for Science and Technology
Jan 2007	Advisor at the Japan Science and Technology Agency
Jun 2007	Outside Corporate Auditor of the Company
Jun 2015	Outside Director of the Company (to the present)
May 2016	President of the Engineering Academy of Japan

Outside Director

Kazuo Matsuda

Apr 1971	Entered The Fuji Bank Limited (currently Mizuho Bank, Ltd.)
Apr 2000	Senior Managing Executive Officer of Fuji Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.)
Oct 2000	Managing Executive Officer of Mizuho Securities Co., Ltd.
Jun 2009	Director, Representative Executive Vice President of NSK Ltd.
Jun 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)
Jun 2015	Outside Corporate Auditor of the Company
Jun 2016	Outside Director of the Company (to the present)

Standing Corporate Auditor

Tsuneo Terasawa

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

Standing Corporate Auditor

Katsushige Aoki

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

Outside Corporate Auditor

Kazuhiko Yamagishi

Apr 1984	Lawyer registration
Sep 1995	New York State attorney registration
Mar 1998	Partner of Asahi Law Offices (to the present)
Jun 2015	Outside Corporate Auditor of New Cosmos Electric Co., Ltd. (to the present)
Jun 2019	Outside Corporate Auditor of the Company (to the present)

Outside Corporate Auditor

Etsuko Nagashima

Oct 1978	Entered Deloitte Touche Tohmatsu LLC
Jul 1980	Entered Tsukeshiba CPA Accounting Office
Oct 1982	Certified Public Accountant registration
Jun 1988	Established Nagashima CPA Accounting Office (to the present)
Apr 2008	Representative Partner of Veritas Audit Firm
Jun 2015	Outside Corporate Auditor of BULL-DOG SAUCE CO., LTD.
Jun 2016	Outside Director (Audit & Supervisory Board Member) of BULL-DOG SAUCE CO., LTD. (to the present)
Jun 2019	Outside Corporate Auditor of the Company (to the present)
Jun 2020	Outside Corporate Auditor of FALCO HOLDINGS Co., Ltd. (to the present)

Executive Officers

Managing Executive Officers

Keisuke Kurachi
Atsushi Suzuki
Masaya Fumita

Executive Officers

Yoshikazu Takezaki
Seiji Suzuki
Nobuyuki Sashida
Makoto Suzuki
Alex Geskens
Norihisa Fujimura
Shinichi Kajiya

Interview with Independent Outside Directors

Evolving Governance to Become a Company that Can Succeed Globally

Outside Director
Hiroyuki Abe

Role of outside directors and evolution of corporate governance

Abe: Each of our Outside Directors have different career trajectories. I was involved in science and technology-related fields for many years at a university and in government. Whereas conversely Director Matsuda came here after being involved in managing financial institutions and the manufacturing industry over many years. My view is that being able to advise the Company from our respective perspectives based on our entirely different careers is one of our essential roles.

Matsuda: That's exactly right. I believe that one important point when it comes to governance is making it possible for the company's management team, or its executive team, to hold open discussions on various challenges and targets from top to bottom. The member's opinions from their different perspectives provides the backdrop to such discussions. The same holds true at the Board of Directors, which constitutes the top of the company's management. It is here that I want to use my career to be of service.

Abe: Prior to holding meetings of its Board of Directors, the Company holds meetings of its Outside Officer's Meeting. At these, we receive explanations regarding the pressing challenges faced by the Company and themes that ought to be addressed, which last a considerably long time. Only after satisfactory understanding has been reached by those of us who are outside executives is the matter taken up by the Board of Directors, and so I feel that the Company has set in place a structure that allows for meaningful discussions. Yet in reality there is still little in the way of discussions by the Board of Directors. My hope is that the Directors within the Company will proactively offer their remarks.

Matsuda: The Company could currently be said to be at the stage where it is exploring how it ought to handle corporate governance. Some time has passed since Japanese companies began grappling with corporate governance. In this period the Company has differed from the Western model in that it has built up its own infrastructure for corporate governance suited to itself. The Outside Officer's Meeting is one example of this. Moving forward, I feel that we should continue to evolve this infrastructure while keeping an eye on developments in the wider world. The next step in this evolution would be invigorating our discussions.

Abe: The Company has inherited the Business Philosophy of the Sumitomo Group, and has set forth its Company Policy as being to live up to the enormous trust placed in it by society and engage in sound management without getting overly caught up in short-term profits. This approach of inheriting outstanding elements created by our predecessors and paving the way to the future by improving upon them step by step is truly amazing.

Matsuda: In order to further boost the transparency and effectiveness of the Board of Directors, I would like to see the executives more clearly convey their decision-making process. I would even be happy if they just did this for their process for important matters. I have already consulted with the Chairman and the President over this quite a bit, which has led to steady improvements over a number of years.

Abe: This is extremely important. In particular, this point becomes problematic when significant changes are encountered. Since taking up my position as an Outside Director, as a result of all of our daily efforts, there have not been any scandals or similar incidents that rattled management. If such a situation were to arise, the Outside Directors would be held responsible. We simply cannot plead ignorance of such matters.

Matsuda: To be sure, information sharing is something I would like for us to promote more as a means of risk management for governance. Doing so would allow us to more forcefully play the role required of us as Outside Directors in terms of acting as a check on management.

Strengths and Weaknesses of the Company

Matsuda: As Director Abe just mentioned, I also feel that the fact that we have inherited the heritage of the Sumitomo Group is one of the Company's major strengths. The mentality that "Our company places prime importance on trust and sureness" is widespread among the employees, every one of whom are outstanding people. Yet while this is a strength, at the same time it can also pose a weakness.

Abe: Exactly. The fact that steady management has been carried out thus far in partnership with the employees is an extremely significant positive factor. I feel that the management team absolutely cherishes the employees. At the same time, nobody knows just what might occur amidst such turbulent globalism. Groups with the advantage of being well organized tend to not stick out. So for this reason, while both Director Matsuda, who is cut from a different cloth, and myself both bear heavy responsibility, my (Abe's) competence would be called into question.

Matsuda: We must respond to globalism from a governance dimension as well. The scope of the Company's overseas businesses is enormous, and we engage in M&A as well. It is relatively easy to build a consensus within Japan due to the lack of language and cultural barriers, but this is not the case overseas. Yet at the same time, our partnerships with overseas employees and business partners present us the opportunity to incorporate a diverse array of values. I feel that setting in place a global governance structure is the next challenge that the Company should tackle. At any rate, Japanese companies have a tendency to dedicate both time and resources to setting targets. "Setting targets" could result in "achieving targets", and then the plan-do-check-action (PDCA) cycle does not work well. Therefore, recently the plan at the Company has been to try to navigate this via OODA.[*1] I feel that performing monitoring to ensure that we can take the helm of a flexible style of management suited to these challenging times and environmental changes in response to changes and discontinuities is an important role of us Outside Directors.

Abe: In our capacity as Outside Directors, both of us will continue working to resolve such challenges.

*1 A theory for engaging in decision-making via a loop of: observe, orient, decide, and act. The theory was originally proposed for military movements. It was theorized based on decision-making processes for responding in an ad-hoc manner, quickly and appropriately under uncertain and unpredictable conditions.

Outside Director
Kazuo Matsuda

Risk Management

Risk Management Structure

Our risk management structure is described below.

● Risk Management Committee

The Committee identifies major risks that could have a serious impact on our business performance, confirms the validity of response measures to major risks, and gives instructions on what additional measure should be considered to our departments that oversee risk and each department. In fiscal 2019, the Risk Management Committee convened on five occasions to take up matters such as identifying major risks, measures against quality complaints, and measures to enhance our culture of safety.

● Departments that oversee risk

When it comes to risk oversight, the departments that oversee risk draft and promote response measures for our Group as a whole by coordinating with our various departments. These departments that oversee risk include the Corporate General Affairs Division, Personnel Division, Corporate Finance & Planning Division, Corporate Production Management & Engineering Division, Corporate Research & Development Division, Information Systems & Data Processing Department, Global Procurement Division, and more.

● Each operating department

Each operating department, which includes the sales departments, plants, research and development departments, and more at our Company and our group companies, take various different measures to properly manage risks that arise in the course of performing the duties of their sections and their company as part of their essential duties.

Business Continuity Plans (BCPs)

Of the foreseeable disasters and accidents that could occur, we regard earthquakes; explosions, fires, and leaks; storm and flood damage, and pandemics as major emergencies. We prepare BCPs designed to ensure the continuity of business when such emergencies occur, and shares these with our clients as needed. What is more, we have also taken measures such as ensuring adequate inventories of products and raw materials, ensuring redundancy with our production systems, augmenting our supplies of spare parts, and systematizing our restoration structures.

We recognize that the frequency with which disasters and incidents that we regard as major emergencies occur, as well as the magnitude and extent of their impacts, is changing every year as a result of advances in science and technology and the effects of climate change. As such, every year we verify the adequacy of our BCPs based on the latest information. Moving forward, we will continue to reassess our BCPs and provide training.

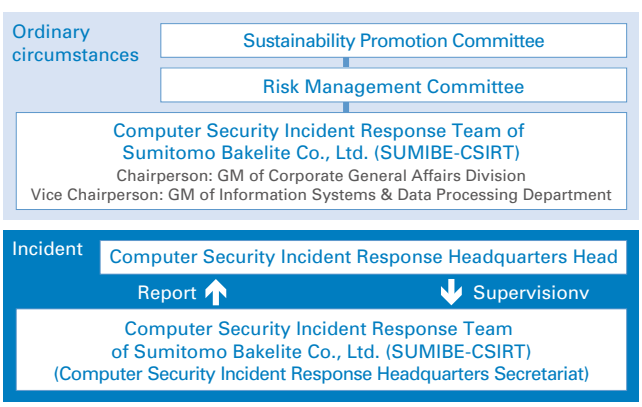
Information Security

We retain an extensive array of personal information on customers, shareholders, employees, and others. In addition to personal information, we also retain trade secrets and other confidential information relating to our business partners. All of this information in our possession is important and must be protected. Therefore, we are committed to ensuring that this information is never leaked.

We also have measures in place to address computer security incidents (cyber attacks, phishing sites, illegal access, malware infections, and others) in order to prevent information leakages and improve the security of the information systems we operate. In order to strengthen our countermeasures against cyber attacks, in fiscal 2019 we upgraded the OS software on our in-house computers from an older version to the newest version. We also enhanced checks on unauthorized sites when browsing outside websites and strengthened measures against irregularities when work is performed by outsourcing contractors. In addition, to improve employee awareness of information security, we sent out information security trends and alerts, handed out additional information security handbooks, and offered security education, among other efforts.

We have established the Computer Security Incident Response Team of Sumitomo Bakelite Co., Ltd. (SUMIBE-CSIRT). Under both normal circumstances and when incidents arise, SUMIBE-CSIRT works together with the Corporate General Affairs Division, Information Systems & Data Processing Department, Personnel Division, Intellectual Property Department, and other relevant departments to respond to information security incidents.

▶ System for Addressing Information Security Incidents

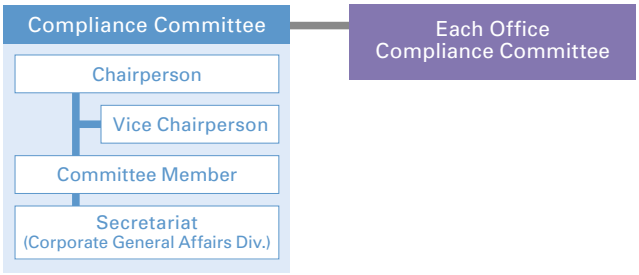


Compliance

Compliance System

We emphasize compliance because we recognize that adherence to laws and corporate ethics is integral to the conduct of business.
We established the Compliance Committee to minimize the risks of compliance violations at our Group, promote the creation of structures for compliance, and to promote activities to raise awareness of compliance.
In fiscal 2019 the Compliance Committee was convened three times, where it took up matters such as security trade controls and our internal whistleblower system.

▶ Compliance System



Code of Conduct for Employees

We make efforts to inform our employees of our Business Philosophy in which our business principal is shown, and Our Group's Code of Business Ethics and Conduct, such as by offering e-learning on a regular basis or having employees read this aloud from pamphlets in their workplace. Our Group's Code of Business Ethics and Conduct is consist of specific standards of conduct and explanations for Our Code of Conduct, which was enacted to serve as standards of conduct that our officers and employees must adhere to when carrying out their duties.
The current version of Our Group's Code of Business Ethics and Conduct was revamped in October 2017, taking into account our measures for CS promotion, SBPS, quality control, health and safety, as well as the latest worldwide trends in legal compliance. It has also been translated into seven languages.

The booklet on Our Group's Code of Business Ethics and Conduct

Articles for Emphasis in Compliance

Workplaces in each department apply compliance to daily operations, decide on the key items for compliance and each prepare Articles for Emphasis in Compliance. Although the Articles differ among workplaces, they are displayed prominently and confirmed with all employees periodically by having them read aloud in unison. Our group companies, in Japan and overseas, also undertake similar activities.

Compliance Education Using Cartoons

Every month, our internal publication contains a fourframe cartoon about compliance under the title "The Way to Become a Compliance Master." This cartoon explains compliance in an easy-to-follow style. Past cartoons have been compiled into two booklets, which were distributed to employees to raise awareness of compliance.

Mamoru-kun joined the company 18 years ago. He's a very active mid-level employee, and everyone relies on him. Mamoru-kun is able to offer appropriate advice throughout the company as a compliance master, which is especially appreciated given the spate of corporate scandals hitting Japan recently.

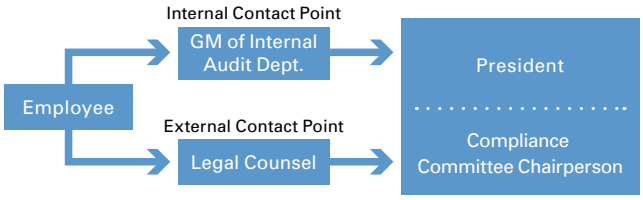
Internal Whistleblower System

We have established an internal whistleblower system (which has been designated the "Compliance Whistleblower System" at our Group). Under this system, employees can report to an internal contact point (GM of the Internal Audit Department) or an external contact point (Legal Counsel) when they have discovered a compliance violation or suspect there may have been such a violation, in an effort to promptly detect and preemptively prevent compliance violations. 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 2019 there were two cases reported to the Compliance Whistleblower System. The results of our investigations revealed that there were no major violations to laws and ordinances, such as violations to laws against child labor, forced labor, accounting fraud, bribery or corruption, or the Antitrust Act, nor were there any cases that could have a significant negative impact on society. Both cases were dealt with appropriately.

Moreover, some of our group companies have established their own unique internal whistleblower systems, which are distinct from our shared Compliance Whistleblower System, by taking into consideration factors such as the legal requirements of the country in which they are located, their company size, and so forth. In fiscal 2019 there were 120 cases reported to these unique internal whistleblower systems at these group companies. The results of investigations revealed that there were no major violations to laws and ordinances, such as violations to laws against child labor, forced labor, accounting fraud, bribery or corruption, or antitrust laws, nor were there any cases that could have a significant negative impact on society. All of these cases were dealt with appropriately.

▶ Flow of the Whistleblower System



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, 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 the Company and its our group 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 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 2019, 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.

Procurement Initiatives

Basic Approach

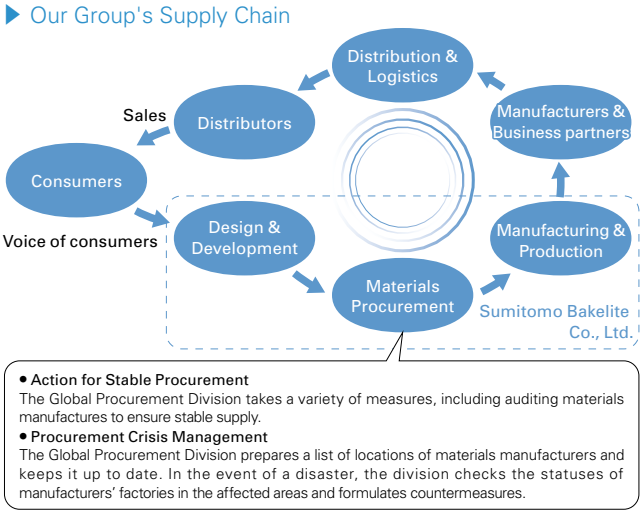
We strive to ensure compliance with the laws, regulations, and social norms of Japan and the other countries and regions in which it operates. We also require our business partners to observe these standards of fulfilling their social responsibilities given the changing social expectations placed in companies. In principle, we conclude a basic contract with each business partner we purchase from, which requires the contracting parties to fulfill their corporate social responsibilities (CSR). Our criteria for selecting business partners include their CSR and environmental impact reduction initiatives.

The Global Procurement Division is in overall charge of the purchasing of raw materials, fuel, and equipment for use at our Company's plants and our Group companies worldwide. Our procurement policy and Green Procurement Guidelines are posted on the Company's website. The procurement policy is now published in Japanese, English, and Chinese. Given the standards of the Responsible Business Alliance (RBA)[*1] Code of Conduct (formerly the EICC Code of Conduct) and changing frameworks for general business dealings, we are working to observe this policy in our procurement activities, and we require our business partners to do the same, too.

*1 See the glossary on page 108.

Link → Procurement Policy

▶ Our Group's Supply Chain



- **Action for Stable Procurement**
  The Global Procurement Division takes a variety of measures, including auditing materials manufactures to ensure stable supply.
- **Procurement Crisis Management**
  The Global Procurement Division prepares a list of locations of materials manufacturers and keeps it up to date. In the event of a disaster, the division checks the statuses of manufacturers' factories in the affected areas and formulates countermeasures.

CSR Survey of Suppliers

We conduct CSR surveys on our suppliers. In fiscal 2019, we conducted a BCP survey related to the risks of disasters to major raw materials on 96 of our domestic suppliers. The results of the survey indicated that we have 22 suppliers operating in high-risk regions based on hazard maps that have not formulated BCPs. In fiscal 2020, for these 22 suppliers we plan to confirm their BCP measures, including their responses to the social impact that could potentially arise during typhoons and flooding, and will consult with them over their response measures if these are found to be inadequate. In addition, we conducted surveys on the status of initiatives to reduce CO_2 emissions of 36 of our main domestic suppliers. Based on the results of these surveys, we had seven companies that did not calculate their CO_2 emissions and eight companies that did not set reduction targets for said emissions. To promote reductions of CO_2 emissions in partnership with our suppliers, for fiscal 2020 we will continue to strengthen said partnerships, particularly with these suppliers, based on the results of this survey. We will also continue to expand similar initiatives out to our overseas business sites and suppliers.

Selection of Business Partners

When selecting new business partners, the decision to commence transactions is made based on fair and impartial judgment after applying the criteria established by the Global Procurement Division. When commencing transactions, we check whether the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors applies and if it does, we commence the transaction in accordance with this law and the relevant company rules. If we find that this law applies to existing transactions, we immediately take measures to ensure the legality of these transactions under this law.

We have established company rules requiring that we check whether new raw materials comply with chemical substance controls both domestically and internationally, and new raw materials are not adopted unless they conform to these controls. Relevant departments internally work closely together to investigate and make sure that the Company does not violate chemical substance controls.

We are convinced that it is important to establish a relationship of equals based on trust with every business partner and that the transactions should be beneficial to both parties.

Data

Corporate Data (as of March 31, 2020)

Name	Sumitomo Bakelite Co., Ltd.
Head Office	5-8 Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan
President	Kazuhiko Fujiwara
Established	January 25, 1932
Capital	¥37.1 billion
Number of Shareholders	11,084
Stock Listing	Tokyo Stock Exchange, First Section
Number of Employees	1,624 (non-consolidated) 5,969 (consolidated)
Net Sales / Revenue	¥89.1 billion (non-consolidated) ¥206.6 billion (consolidated)

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)	4,645	9.87
Japan Trustee Services Bank, Ltd. (Trust Account)	3,048	6.48
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,303	4.89
Japan Trustee Services Bank, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank)	873	1.86
Sumitomo Mitsui Banking Corporation	872	1.85
Japan Post Insurance Co., Ltd.	765	1.63
Government of Norway	657	1.40
Japan Trustee Services Bank, Ltd. (Trust Account 5)	630	1.34
JP Morgan Chase Bank 385151	594	1.26

(Notes)1. The Company holds 2,531 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.

Major Products by Segment

Semiconductor Materials

- Epoxy molding compounds for encapsulation of semiconductor devices
- Photosensitive coating resins for semiconductor wafers
- Liquid resins for semiconductor devices
- Substrate materials for semiconductor packages

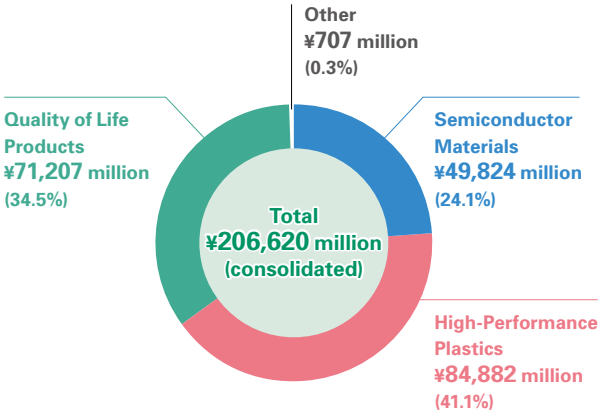
High-Performance Plastics

- 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

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

Fiscal 2019 Sales Composition by Segment (Consolidated)



Relationships with Stakeholders

Our stakeholders are the same as those defined in the Corporate Governance Code, complying with the Corporate Governance Code of the Tokyo Stock Exchange, as resolved by the Board of Directors. There have not been any major concerns up to this point; we value our relationship with all our stakeholders, and we promote our business while engaging with them. Those stakeholders with whom we engage are those linked to our materiality items (p.38).

Customers

Main Responsibilities

We work in good faith to live up to its responsibilities related to such issues as product quality, delivery dates, and prices as well as to quickly respond to customer needs. To achieve this, we have established the CS Committee, which continuously endeavors to enhance customer satisfaction.

Main Methods of Communication

- Communication through the conduct of daily business
- Quality assurance support
- Exchange of information through trade shows, etc.
- Provision of information through our website and customer support.

Shareholders

Main Responsibilities

We are committed to distributing appropriate dividends and is taking steps to disclose all relevant information. To attain these goals, we are increasing the rigor of corporate governance, and ensuring the timely disclosure of relevant information.

Main Methods of Communication

- Shareholders' meeting
- Presentation of financial results and business outlook
- Media response
- Publishing of Annual Report and business reports for shareholders
- Information disclosure via the website

Local Communities

Main Responsibilities

Operating as a member of local communities, we seek to contribute to the regions in which it operates while giving careful consideration to environmental protection issues.

We disclose information to local residents by organizing factory tours and proactively participating in local events.

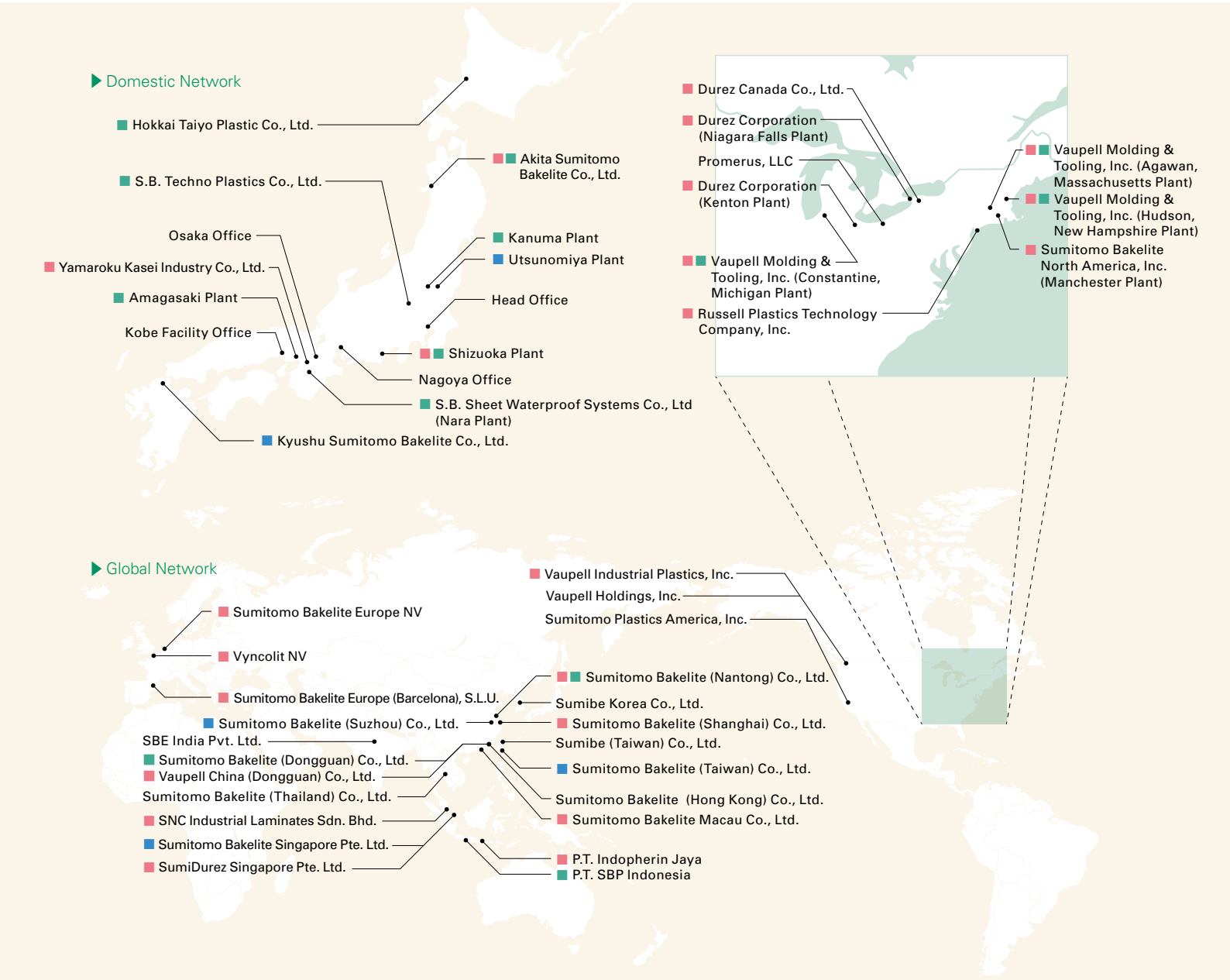
Main Methods of Communication

- Relations with local residents and mutual engagement
- Participation in local events
- Acceptance of next generation internships and site visits
- Participation in the conservation of the local environment and beautification events
- Activities via economic and industry organizations

Group Companies

We operate in 15 countries and regions, including Japan.
Production sites are color-coded according to the category of products manufactured.

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



Government Entities

Main Responsibilities

Besides maintaining rigorous compliance with relevant laws and regulations, we endeavor to make information publicly available and engage in two-way communication with local government entities. For this purpose, we are establishing internal mechanisms for monitoring the revision and enactment of laws.

Main Methods of Communication

- Engagement with local and regional governments
- Activities and engagement through economic and industry organizations
- Reply to surveys and questionnaires
- Submission of notifications

Business Partners

Main Responsibilities

We engage in impartial and fair business transactions and cooperates with our business partners to realize CSR procurement objectives. Accordingly, we maintain day-to-day dialog with business partners to confirm the propriety of transactions and clarify the terms of contracts.

Main Methods of Communication

- Engagement through purchasing and procurement activities
- Engagement through surveys and questionnaires
- Disclosure of information on our website

Employees

Main Responsibilities

We strive to create safe and pleasant working environments and provide employees with meaningful and satisfying careers. We are endeavoring to reduce workplace risks by implementing diverse risk assessments, and we are providing all employees with educational opportunities through the SB School.

Main Methods of Communication

- Training of all employees through the SB School
- Perform a variety of human resources development and training
- Corporate-level meetings, labor-management meetings, occupational safety meetings
- Sharing of information through publication of a monthly newsletter
- President's homepage and intranet
- Whistleblower system, consultation contact point

Group of Sumitomo Bakelite Co., Ltd. (as of March 31, 2020)

Consolidated subsidiaries (42)

Akita Sumitomo Bakelite Co., Ltd.
Kyushu Sumitomo Bakelite Co., Ltd.
S.B. Techno Plastics Co., Ltd.
Hokkai Taiyo Plastic Co., Ltd.
Yamaroku Kasei Industry Co., Ltd.
S.B Research Co., Ltd.
S.B. Sheet Waterpoof Systems Co., Ltd.
Softec Co., Ltd.
- Seibu Jushi Co., Ld.

Sunbake Co., Ltd.
Tsutsunaka Kosan Co., Ltd.
SB Bioscience Co., Ltd.[*1]
Sumitomo Bakelite Singapore Pte. Ltd.
- Sumitomo Bakelite (Suzhou) Co., Ltd.
- Sumitomo Bakelite (Thailand) Co., Ltd.

SumiDurez Singapore Pte. Ltd.
SNC Industrial Laminates Sdn. Bhd.
P.T. Indopherin Jaya
P.T. SBP Indonesia
Sumitomo Bakelite (Taiwan) Co., Ltd.
Sumitomo Bakelite (Shanghai) Co., Ltd.
Sumitomo Bakelite (Nantong) Co., Ltd.
Sumitomo Bakelite Hong Kong Co., Ltd.
Sumitomo Bakelite (Dongguan) Co., Ltd.
Sumitomo Bakelite Macau Co., Ltd.
Sumitomo Bakelite North America Holding, Inc.
- Sumitomo Plastics America, Inc.
- Durez Corporation
- Durez Canada Co., Ltd.
- Promerus LLC
- Sumitomo Bakelite North America, Inc.
- H.I.G. Vaupell Holdings, LLC
  - Vaupell Holdings, Inc.
    - Vaupell Molding & Tooling, Inc.
    - Russell Plastics Technology Company, Inc.
    - Vaupell Industrial Plastics, Inc.
      - Vaupell Rong Feng Holdings, LLC
        - Rong Feng (H.K.) Industries Ltd.[*1]
          - Vaupell China (Dongguan) Co., Ltd.[*1]

Sumitomo Bakelite Europe NV
- Vyncolit NV
- Sumi Bakelite Europe (Barcelona), S.L.U.

Non-consolidated subsidiaries (9)

S.B Information System Co., Ltd.
Sumibe Service Co., Ltd.
S.B. Recycle Co., Ltd.
SB Holland B.V.
Sumibe Korea Co., Ltd.
SBE India Pvt. Ltd.
Sumibe (Taiwan) Co., Ltd.
Rong Chang Sheng Plastics Mould (Shen Zhen) Co., Ltd.
Vaupell Europe GmbH

Affiliated companies accounted for using equity method (2)

P.T. Pamolite Adhesive Industry
Kawasumi Laboratories, Inc.[*2]

Affiliated companies not accounted for using equity method (6)

Otomo Chemical Co., Ltd.
Green Chemicals Co., Ltd.
Akita EV Bus LLP
Changchun SB (Changshu) Co., Ltd.
Tsu-Kong Co., Ltd.
S&G Biotech Inc.

	Consolidated	Equity method	Non-consolidated	Other	Total
Japan	12	1	3	3	19
Overseas	30	1	6	3	40
Total	42	2	9	6	59

*1 SB Bioscience Co., Ltd., Rong Feng (H.K.) Industries Ltd. and Vaupell China (Dongguan) Co., Ltd. have all become consolidated subsidiaries since the first quarter of fiscal 2019.

*2 Kawasumi Laboratories, Inc. was added to the above table as an affiliated company accounted for using equity method at the end of fiscal 2018.

Financial Data

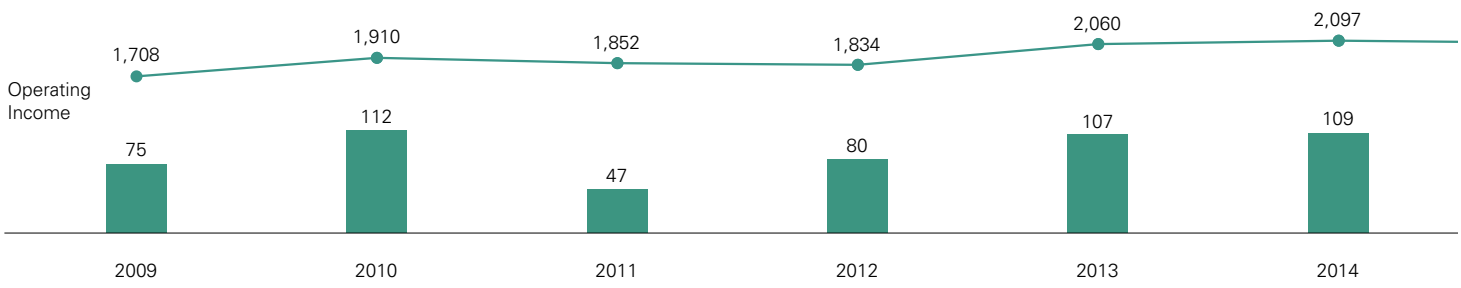
Financial Summary

	Japanese GAAP (Fiscal 2009 to 2016)					
Fiscal year	2009	2010	2011	2012	2013	2014
Financial results						
Net sales	170,843	190,971	185,237	183,362	206,047	209,659
Operating income	7,540	11,181	4,726	7,956	10,702	10,904
Ordinary income	8,643	12,507	5,931	8,551	11,498	11,263
Income before income taxes and non-controlling interests	4,013	8,321	3,689	6,532	10,540	11,344
Profit attributable to owners of parent	3,306	5,154	2,525	3,443	6,493	7,113
Financial position						
Total assets	207,258	205,090	201,315	213,826	236,825	285,927
Equity	127,453	120,933	117,997	130,044	148,936	169,215
Interest-bearing debt	22,510	27,658	27,433	29,553	35,063	61,066
Cash flows						
Cash flows from operating activities	15,337	16,292	6,730	16,644	17,852	15,672
Cash flows from investing activities	(7,582)	(10,691)	(13,340)	(13,088)	(15,220)	(36,353)
Free cash flows	7,755	5,601	(6,609)	3,556	2,632	(20,681)
Cash flows from financing activities	(13,927)	2,151	(3,942)	(642)	2,722	23,467
Per-share data (Yen)						
Net assets per share	528.96	501.95	489.78	539.81	618.28	702.53
Earnings per share	13.72	21.39	10.48	14.29	26.96	29.53
Cash dividends per share	10.00	15.00	12.50	10.00	10.00	10.00
Financial indicators (%)						
Return on Equity (ROE)	2.6	4.2	2.1	2.8	4.7	4.5
Return on Assets (ROA)	4.1	6.1	2.9	4.1	5.1	4.3
Ratio of operating income to net sales	4.4	5.9	2.6	4.3	5.2	5.2
Equity ratio	61.5	59.0	58.6	60.8	62.9	59.2
Debt/equity ratio (D/E) (times)	17.7	22.9	23.2	22.7	23.5	36.1
Price earnings ratio (PER) (times)	39.1	23.9	41.6	27.4	14.7	18.1
Price book value ratio (PBR) (times)	1.0	1.0	0.9	0.7	0.6	0.8
Dividend payout ratio	72.9	70.1	119.3	70.0	37.1	33.9
Others						
Capital expenditure	9,261	10,656	14,565	17,588	13,263	11,812
Depreciation and amortization	11,967	11,014	10,465	10,393	10,969	9,256
Research and development expenses	12,568	12,440	13,047	12,325	11,881	10,253
Number of employees (persons)	7,537	7,724	6,997	5,215	5,262	6,747

Operating Performance (Hundred million yen)

Japanese GAAP (Fiscal 2008 to 2016)

Net Sales

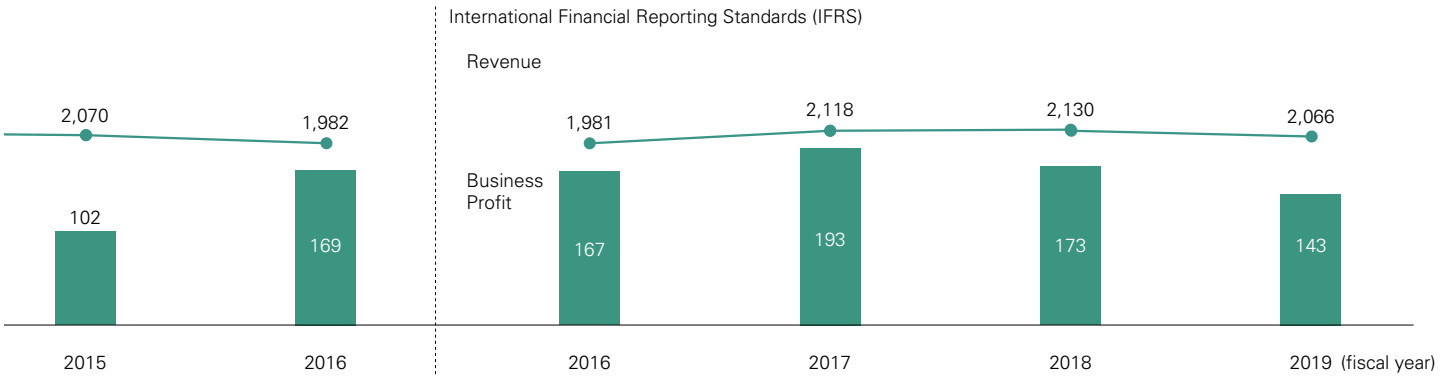


*1 "Business profit" is calculated by deducting "cost of sales" and "selling, general and administrative expenses" from "revenue".
*2 As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, "equity attributable to owners of parent per share" 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 2019)

(Millions of yen)

2015	2016	Fiscal year	2016	2017	2018	2019
		Financial results				
206,956	198,199	Revenue	198,100	211,819	212,952	206,620
10,241	16,879	Business profit*1	16,658	19,251	17,293	14,346
10,598	17,324	Operating profit	12,061	18,598	13,587	10,285
7,410	14,466	Profit before tax	12,715	19,495	19,548	11,499
3,828	10,622	Profit attributable to owners of parent	9,521	15,078	15,084	8,986
		Financial position				
260,122	263,742	Total assets	253,763	272,247	284,898	283,322
157,319	165,353	Total equity attributable to owners of parent	154,222	168,450	178,818	177,138
50,898	43,133	Interest-bearing liabilities	40,007	43,694	45,401	48,607
		Cash flows				
19,233	23,427	Cash flows from operating activities	23,538	22,054	20,191	22,206
(6,962)	(7,987)	Cash flows from investing activities	(8,098)	(11,745)	(15,616)	(10,377)
12,271	15,440	Free cash flows	15,440	10,310	4,575	11,829
(15,530)	(10,245)	Cash flows from financing activities	(10,245)	(2,453)	(2,224)	(4,041)
		Per-share data (Yen)*2				
668.44	702.63	Equity attributable to owners of parent per share	655.32	3,579.19	3,799.77	3,764.17
16.01	45.14	Basic earnings per share	40.45	320.36	320.51	190.96
10.00	10.00	Cash dividends per share	10.00	12.00	75.00	75.00
		Financial indicators (%)				
2.3	6.6	Profit to equity attributable to owners of parent ratio (ROE)	6.3	9.3	8.7	5.0
3.9	6.6	Profit before tax to total assets ratio (ROA)	5.0	7.4	7.0	4.0
4.9	8.5	Business profit to revenue ratio	8.4	9.1	8.1	6.9
60.5	62.7	Ratio of equity attributable to owners of parent	60.8	61.9	62.8	62.5
32.4	26.1	Debt equity ratio (D/E) (times)	28.5	26.0	25.4	27.4
27.5	14.8	Price earnings ratio (PER) (times)	16.6	14.7	12.4	12.0
0.7	1.0	Price book value ratio (PBR) (times)	1.0	1.3	1.0	0.6
62.5	22.2	Dividend payout ratio	24.7	18.7	23.4	39.3
		Others				
9,697	10,341	Capital expenditures	10,426	11,024	11,346	10,773
10,843	10,003	Depreciation and amortization	9,905	9,793	10,152	11,278
10,448	9,659	Research and development expenses	9,659	10,053	10,235	10,338
6,358	5,958	Number of employees (persons)	5,958	5,708	5,898	5,969



Consolidated Statements of Financial Position

(Millions of yen)

	March 31, 2019	March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	59,640	65,771
Trade and other receivables	47,858	44,828
Other financial assets	1,174	38
Inventories	34,825	36,478
Other current assets	3,274	3,417
Total current assets	146,771	150,533
Non-current assets		
Property, plant and equipment	95,488	90,388
Right-of-use assets	—	3,944
Goodwill	2,557	2,205
Other intangible assets	1,489	2,534
Investments accounted for using equity method	8,829	9,203
Other financial assets	26,059	21,264
Retirement benefit asset	1,175	1,094
Deferred tax assets	1,085	1,553
Other non-current assets	1,444	604
Total non-current assets	138,126	132,790
Total assets	284,898	283,322

(Millions of yen)

	March 31, 2019	March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	18,499	24,368
Trade and other payables	45,492	42,892
Other financial liabilities	60	1,013
Income taxes payable	1,739	1,710
Provisions	1,114	1,008
Other current liabilities	351	689
Total current liabilities	67,256	71,680
Non-current liabilities		
Borrowings	26,902	21,256
Other financial liabilities	102	2,026
Retirement benefit liability	2,774	2,719
Provisions	566	550
Deferred tax liabilities	6,433	5,726
Other non-current liabilities	230	212
Total non-current liabilities	37,006	32,489
Total liabilities	104,263	104,168
Equity		
Share capital	37,143	37,143
Capital surplus	35,359	35,359
Treasury shares	(6,775)	(6,780)
Other components of equity	6,692	449
Retained earnings	106,399	110,967
Total equity attributable to owners of parent	178,818	177,138
Non-controlling interests	1,816	2,016
Total equity	180,635	179,154
Total liabilities and equity	284,898	283,322

Consolidated Statements of Income

(Millions of yen)

	The year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	The year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Revenue	212,952	206,620
Cost of sales	(149,273)	(145,984)
Gross profit	63,679	60,636
Selling, general and administrative expenses	(46,386)	(46,290)
Business profit	17,293	14,346
Other income	333	352
Other expenses	(4,040)	(4,414)
Operating profit	13,587	10,285
Finance income	1,304	1,418
Finance costs	(256)	(522)
Share of profit of investments accounted for using equity method	4,914	318
Profit before tax	19,548	11,499
Income tax expenses	(4,298)	(2,530)
Profit	15,251	8,969
Profit attributable to:		
Owners of parent	15,084	8,986
Non-controlling interests	167	(17)
Profit	15,251	8,969
Earnings per share		
Basic earnings per share (Yen)	320.51	190.96
Diluted earnings per share (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of yen)

	The year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	The year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Profit	15,251	8,969
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(2,075)	(2,751)
Remeasurements of defined benefit plans	(341)	(76)
Share of other comprehensive income of investments accounted for using equity method	(1)	151
Total items that will not be reclassified to profit or loss	(2,416)	(2,676)
Items that may be reclassified to profit or loss		
Cash flow hedges	3	36
Exchange differences on translation of foreign operations	916	(4,123)
Share of other comprehensive income of investments accounted for using equity method	(34)	(27)
Total items that may be reclassified to profit or loss	885	(4,114)
Other comprehensive income, net of tax	(1,531)	(6,790)
Comprehensive income	13,719	2,180
Comprehensive income attributable to:		
Owners of parent	13,561	2,207
Non-controlling interests	158	(28)
Comprehensive income	13,719	2,180

Consolidated Statements of Changes in Equity

(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
					Other components of equity						
	Share capital	Capital surplus	Treasury shares	Retained earnings	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	—	—	—	—	—	—	—	—	—	—	—
Balance at end of current period 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

(Millions of yen)

For the year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

	Total equity attributable to owners of parent									Non-controlling interests	Total equity
					Other components of equity						
	Share capital	Capital surplus	Treasury shares	Retained earnings	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	35,359	(6,775)	106,399	9,362	—	(239)	(2,431)	6,692	1,816	180,635
Profit	—	—	—	8,986	—	—	—	—	—	(17)	8,969
Other comprehensive income	—	—	—	—	(2,615)	(61)	36	(4,139)	(6,779)	(11)	(6,790)
Comprehensive income	—	—	—	8,986	(2,615)	(61)	36	(4,139)	(6,779)	(28)	2,180
Dividends from surplus	—	—	—	(3,882)	—	—	—	—	—	(125)	(4,007)
Purchase of treasury shares	—	—	(6)	—	—	—	—	—	—	—	(6)
Disposal of treasury shares	—	0	0	—	—	—	—	—	—	—	0
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	—	—	—	352	352
Balance at end of current period earnings	—	—	—	(535)	475	61	—	—	535	—	—
Total transactions with owners	—	0	(5)	(4,418)	475	61	—	—	535	227	(3,660)
Balance at end of current period	37,143	35,359	(6,780)	110,967	7,222	—	(203)	(6,570)	449	2,016	179,154

Consolidated Statements of Cash Flows

(Millions of yen)

	The year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	The year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before tax	19,548	11,499
Depreciation and amortization	10,152	11,278
Impairment losses	2,305	2,523
Interest and dividend income	(1,304)	(1,418)
Interest expenses	235	336
Share of profit of investments accounted for using equity method	(4,914)	(318)
Decrease (increase) in trade and other receivables	962	2,868
Increase (decrease) in trade and other payables	(792)	(2,053)
Decrease (increase) in inventories	(3,712)	(1,174)
Others, net	449	829
Subtotal	22,929	24,370
Interest received	736	829
Dividends received	562	671
Interest paid	(234)	(329)
Income taxes paid	(3,801)	(3,336)
Net cash provided by (used in) operating activities	20,191	22,206
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,755)	(9,916)
Proceeds from sale of property, plant and equipment	194	176
Purchase of investment securities	(1,244)	(121)
Proceed from sale of investment securities	645	220
Purchase of investments accounted for using equity method	(3,545)	–
Others, net	(911)	(736)
Net cash provided by (used in) investing activities	(15,616)	(10,377)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	140	(644)
Increase (decrease) in commercial papers	1,500	8,000
Repayment of long-term borrowings	(483)	(6,666)
Repayments of lease obligations	—	(718)
Dividends paid	(3,177)	(3,882)
Dividends paid to non-controlling interests	(154)	(125)
Others, net	(50)	(5)
Net cash provided by (used in) financing activities	(2,224)	(4,041)
Effect of exchange rate changes on cash and cash equivalents	729	(1,657)
Net increase (decrease) in cash and cash equivalents	3,081	6,131
Cash and cash equivalents at beginning of period	56,559	59,640
Cash and cash equivalents at end of period	59,640	65,771

Site Report

Below you will find summary information about each business site and subsidiary company.

* Air and water quality conservation: "No problems" indicates no particular environmental impacts were detected during the period from April 2019 to March 2020 in measurements and assessments on air and water quality in the form of values exceeding the regulated threshold to be complied with (prefectural ordinances, regional agreements, our own standards, etc.). Data for certain business sites covers the period from January to December 2019.

Japan

Kobe Facility Office

Director
Masaya Fumita

We are working hard to reduce our environmental impact, such as through our activities to conserve energy through solar power, in order to contribute to achieving the society aimed for by the Sustainable Development Goals (SDGs). As a research laboratory, we work to develop products that are both environmentally-friendly and people-friendly from the design stage onward.
We are committed to giving back to the community, while promoting engagement and disclosure of information needed for the community to develop a correct understanding of our operations.

Address	1-1-5 Murotani, Nishi-ku, Kobe-shi, Hyogo
Number of employees	41
Commencement of operations	1991
Total site area	16,530㎡
Principal R&D themes	High-performance plastics and bio-related products research and development of product technology.
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Shizuoka Plant

Plant Manager
Toshihide Kanazawa

We are pursuing initiatives to reduce the environmental burden of all our processes (including conserving energy and reducing MFCA, etc.). The biotope opened to the general public for the three year and welcomed 520 visitors, an increase over the number of visitors from the previous year, thereby contributing to both biodiversity preservation and environmental education. In fiscal 2020, we will continue to promote SDG-contributing products and LCA for standard products, and to advance our efforts to be an environmentally-friendly plant.

Address	2100 Takayanagi, Fujieda-shi, Shizuoka
Number of employees	561
Commencement of operations	1962
Total site area	287,000㎡
Principal Products	Epoxy resin copper-clad laminates, epoxy resin coating powder, phenolic resins, thermoset molding compounds, melamine resin decorative laminates, formalin, molded products and dies, substrate materials for semiconductor packages
Air and water quality conservation	<Air> No problems <Water> No problems

Kanuma Plant

Plant Manager
Haruhisa Toda

We aim to be a plant that is trusted by customers and the local community through our products featuring a variety of functions and designs that cater to everyday living and industrial use. Our activities this fiscal year featured a particular focus on energy conservation in reducing environmental impacts and reducing MFC by half. Our entire staff is committed to occupational health and safety with the cooperation of those both inside and outside the plant. We will continue to focus on product development and manufacturing with an emphasis on the SDGs (Sumitomo Spirit).

Address	7-1 Satsuki-cho, Kanuma-shi, Tochigi
Number of employees	322
Commencement of operations	1970
Total site area	75,878㎡
Principal Products	Thermoplastic resin sheets such as Polycarbonate, Polyvinyl chloride. Waterproof member using waterproof steel plate
Air and water quality conservation	<Air> No problems <Water> No problems

Utsunomiya Plant

Plant Manager
Keisuke Kurachi

We are pursuing initiatives whereby all of our employees work on occupational health and safety activities and environmental impact reduction activities in the hopes of contributing to realizing the society that the SDGs aim to achieve. When it comes to occupational health and safety, through our activities based on our Safety Principles: Prioritizing Safety in Everything We Do and our three principles for safe conduct, we will continue to ensure zero accidents and injuries, conserve energy as a means of promoting a reduction of our environmental impact, and institute systematic mitigations through MFCA. By doing these activities, we aspire to be a plant that is trusted by both customers and the local community.

Address	20-7, Kiyohara Kogyo Danchi, Utsunomiya-shi, Tochigi
Number of employees	198
Commencement of operations	1984
Total site area	99,000㎡
Principal Products	Paste for die bonding, liquid resins for encapsulation of semiconductors, substrate materials for semiconductor packages
Air and water quality conservation	<Air> No problems <Water> No problems

Amagasaki Plant

Plant Manager
Masaya Fumita

Everyone at this plant takes part in addressing activities to lessen our environmental impact across our various processes, spanning from the development of products through to their disposal, in order to contribute to achieving the society aimed for by the SDGs. Continuing on, our aim is to ensure transparency in our activities and to be a business site that is trusted by our customers and the local community.

Address	2-3-47, Higashi-Tsukaguchi-cho, Amagasaki-shi, Hyogo
Number of employees	418
Commencement of operations	1938
Total site area	46,000㎡
Principal Products	Multilayered films for food packaging, PTP materials for pharmaceuticals, tapes for mounting electronic components
Air and water quality conservation	<Air> No problems <Water> No problems

Subsidiary Companies in Japan

S.B. Sheet Waterproof Systems Co., Ltd. (Nara Plant)

Plant Manager
Masamori Miura

At this plant, we are working to achieve equipment safety and to develop a culture of safety in order to achieve a work environment where our employees can work safely. Furthermore, we are promoting MFCA reductions and energy conservation activities in aiming to be a factory that is environmentally-friendly. We also aspire to contribute to achieving the society aimed for by the SDGs, and to be a plant that is trusted by the local community.

Address	1-2 Techno Park, Nara Kogyo Danchi, Sugawa-cho, Gojo-shi, Nara
Number of employees	47
Commencement of operations	1991
Total site area	20,357㎡
Principal Products	Waterproof sheets
Air and water quality conservation	<Air> No problems <Water> No problems

Kyushu Sumitomo Bakelite Co., Ltd.

Plant Manager
Shigehisa Ueda

We produce environmentally conscious epoxy encapsulation resins, and recently we have also been producing environmentally-friendly, in-vehicle products for HVs and EVs as well as wafer coating resins for the memory device. We are promoting a safety-conscious culture in which every employee considers and stays cautious about safety. We are now working to contribute to enhancing the corporate value of customers through the evolution of initiatives that are mindful of the environment, such as MFC reduction and energy conservation activities, and to society and the local environment.

Address	40-1 Oaza-Kamizakai Aza-Mizumachi, Nogata-shi, Fukuoka
Number of employees	299
Commencement of operations	1972
Total site area	50,000㎡
Principal Products	Epoxy molding compounds for encapsulation of semiconductor devices, liquid photosensitive coating resins for semiconductor wafers
Air and water quality conservation	<Air> No problems <Water> No problems

Yamaroku Kasei Industry Co., Ltd.

President and Representative Director
Tamotsu Ishida

Every year, we work in a systematic and ongoing manner to reduce our energy consumption, including fuel and electricity through the use of MFCA as key management standards, as well as to reduce our use of substances that impact the environment by curbing CO_2 emissions and reducing waste. In addition, we proactively engage in efforts geared towards achieving the society aimed for by the SDGs through a variety of activities, including social activities like clean-up campaigns in the local community.

Address	19-10 Katayama-cho, Kashiwara-shi, Osaka
Number of employees	49
Commencement of operations	1948
Total site area	5,411㎡
Principal Products	Phenolic molding compounds, melamine phenolic resin molding compounds
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

S.B. Techno Plastics Co., Ltd. (Head Office Plant)

Address	300-2, Motohara Kamikawa-cho, Kodama-gun, Saitama
Number of employees	34
Commencement of operations	1964
Total site area	13,000㎡
Principal Products	Plastic sheets, plastic chopping boards, molds made in polyethylene
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

S.B. Techno Plastics Co., Ltd. (Kitsuregawa Plant)

Address	560-1, Saotome, Sakurashi, Tochigi
Number of employees	12
Commencement of operations	2002
Total site area	3,638㎡
Principal Products	Industrial helmets, injection molding products
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

President and Representative Director
Shunichi Kuribara

We work to address a number of activities to lessen our environmental impact in order to contribute to achieving the society aimed for by the SDGs. Chief among which is our chopping board recycling system, which is the only initiative of its kind. We also did a complete overhaul of the design for the recycling bags packaged together with our products this fiscal year to make them easier for customers to understand. We will continue with such initiatives in aiming to be an environmentally-friendly company.

Akita Sumitomo Bakelite Co., Ltd.

President and Representative Director
Haruhisa Toda

We carry out all-hands-on-deck activities for both occupational health and safety as well as to reduce our environmental impact. Our safety principles and action guidelines form the basis of our occupational health and safety, and we will continue working to maintain and enhance awareness of safety through practical initiatives like KY activities that reflect actual work and behavior. When it comes to reducing our environmental impact, we are making greater strides towards conserving energy, MFCA, and preventing harm from natural disasters due to earthquakes and abnormal weather, and will continue contributing to achieving the society aimed for by the SDGs.

Address	27-4, Aza Nakashima-shita, Souzen-machi, Tsuchizakiminato, Akita-shi, Akita
Number of employees	215
Commencement of operations	October 1970
Total site area	255,568㎡
Principal Products	Medical products and bio-equipment, phenolic resins, formalin and adhesives
Air and water quality conservation	<Air> No problems <Water> No problems

Hokkai Taiyo Plastic Co., Ltd.

President and Representative Director
Syuichi Tsukamoto

Our company produces and sells polyethylene films for home use and pipes for use in water supply and sewage. We conduct a variety of risk assessments, including chemical risk assessments and leak risk assessments, and also address sustainability activities like conserving energy and reducing MFC in our manufacturing processes for these products. We will continue to engage in business activities with integrity and passion in order to pass down the verdant natural surroundings here in Hokkaido to future generations.

Address	2-763-7, Shinko-Chuo, Ishikari-shi, Hokkaido
Number of employees	29
Commencement of operations	1964
Total site area	13,650㎡
Principal Products	Polyethylene pipes, polyethylene films
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Overseas: China, Macau, and Taiwan

Sumitomo Bakelite (Suzhou) Co., Ltd.

President
Hiroshi Fujita

In 2019, we were able to obtain a Class II grade from a review of our safety standardization by Jiangsu Province. While we had been working towards acquiring this certification and reaching the record of one million hours without an accident, unfortunately in March 2020 we suffered an occupational accident resulting in lost workdays at our manufacturing site. Each workplace, together with our departmental general managers and other managers, will work to establish safe workplaces in order to preemptively prevent accidents from occurring in the future by clarifying the nature of this accident.

Address	140 Zhongxin Avenue West, Suzhou Industrial Park, Suzhou, Jiangsu, 215021, P.R. China
Number of employees	207
Commencement of operations	1997
Total site area	30,000㎡
Principal Products	Epoxy molding compounds for encapsulation of semiconductors, die attach pastes
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Sumitomo Bakelite (Shanghai) Co., Ltd.

President
Yasuhiro Takenaka

We produce molded parts made of phenolic resins for use in automobiles. We continue to promote activities to reduce sprues and runners along with defects that occur during molding in aiming to expand production. In addition, all of our employees work together to reduce our environmental impact, such as by conserving energy and cutting down on waste, as we aim to be a company that is both community- and environmentally-friendly.

Address	No. 88, Aidu Road, China (Shanghai) Pilot Free Trade Zone, Shanghai 200131 P.R. China
Number of employees	141
Commencement of operations	2000
Total site area	8,698㎡
Principal Products	Molded products for automotive applications (plastic mechanical and structural parts)
Air and water quality conservation	<Air> No problems <Water> No problems

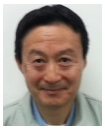
Sumitomo Bakelite (Nantong) Co., Ltd.

President
Yoshihisa Fujimura

We produce and sell the four products of phenolic resin, phenolic resin molding materials, liquid epoxy resin, and co-extruded film sheets. As our plant is one that deals in dangerous chemicals, we are promoting EHS activities in order to satisfy the stringent level of safety and environmental controls required in China as we aim to be a company that is mindful of the environment and safety.

Address	No. 81, Tongda Road, Port Industrial Park 3, Economic Technological Development Area, Nantong, Jiangsu, 226017 P.R. China
Number of employees	250
Commencement of operations	2009
Total site area	100,000㎡
Principal Products	Phenolic resins, phenolic molding compounds, liquid epoxy resins, coextruded multilayered films and sheets for food packaging, tapes for electronic components
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite (Dongguan) Co., Ltd.



President
Hiroshi Hiraoka

We manufacture medical devices. In October 2019, we achieved the record of zero injuries for three years equalling four million work hours. In 2019 we also achieved a 5% reduction in our energy costs versus the previous year. For 2020, we will raise awareness of safety among our employees by thoroughly notifying them of the Guidelines for Safe Conduct enacted by the Sumitomo Bakelite Group in aiming to set a new record for time spent without any injuries, while also actively carrying out energy conservation activities.

Address	No. 2 Qiao Lin Road, Ling Tou Industrial District, Qiao Tou Town, Dongguan, Guangdong, P.R. China
Number of employees	418
Commencement of operations	1994
Total site area	32,930㎡
Principal Products	Medical products
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite Macau Co., Ltd.

Managing Director
Tomoyoshi Honjoya

We produce and sell epoxy resin Copper-clad laminates. While we use large boilers and handle organic solvents, we are promoting environmental improvements to comply with the environmental regulations in Macau, a major tourist destination. As the regulations on waste disposal are strict, we aim to become a company that is environmentally friendly and trusted by the local community through promoting MFCA activities.

Address	Zona Ind. do Aterro Sanitario de Seac Pai Van Lote A, junto a Estrada de Seac, Pai Van, Coloane, Macau
Number of employees	152
Commencement of operations	2003
Total site area	27,513㎡
Principal Products	Epoxy resin copper-clad laminates
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite (Taiwan) Co., Ltd.

President
Seiji Shima

We develop products adapted to be environmentally responsive, and in fiscal 2019 we switched all of our products over to halogen-free materials. As for energy conservation, we made further progress in reducing energy consumption by improving thermal efficiency by replacing our chillers in fiscal 2019. For safety, we have established a culture of safety through Stop & Fix activities, and have extended our record of zero accidents up to approximately 700,000 hours. We are working hard to achieve our target of 1 million hours.

Address	No. 1, Hwa Syi Road, Ta Fa Industries District, Ta Liao 831, Kaohsiung, Taiwan, R.O.C
Number of employees	119
Commencement of operations	1998
Total site area	22,334㎡
Principal Products	Epoxy molding compounds for encapsulation of semiconductor devices
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Vaupell China (Dongguan) Co., Ltd.

Plant Manager
Jake Ge

In line with overall goals of Sumitomo Bakelite, Vaupell China continiously improve EHS by reducing waste and contributing to saving the energy / environment. Conduct all kinds of EHS activities so that keep us a world-class in EHS.

Address	No. 2 Qiao Lin Road, Ling Tou Industrial District, Qiao Tou Town, Dongguan, Guangdong, P.R. China
Number of employees	199
Commencement of operations	2007
Total site area	Located at Sumitomo Bakelite (Dongguan) Co., Ltd.
Principal Products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Overseas: Southeast Asia

SNC Industrial Laminates Sdn. Bhd.

Plant General Manager
Yong Kwee

Our plant was designed with bulk production of CCL back in 1990s. It is very tough to reduce env. impact (energy & MFCA) as minimum CCL order. With supports from CEC & HQ, we have started again energy conservation project in 2019 and we look forward to optimize CCL production & stocks in FY2020. Diversification into aero panels & resins businesses are in progress but it remain challenging ahead amid of global pandemic. Safety is still our first priority.

Address	PLO 38, Jalan Keluli Satu, Pasir Gudang, Industrial Estate, 81700 Pasir Gundang, Johor, Malaysia
Number of employees	123
Commencement of operations	1992
Total site area	60,000㎡
Principal Products	Phenolic resin copper-clad laminates, phenolic resin laminates, aluminum-based copper-clad laminates
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite Singapore Pte. Ltd.

Managing Director
Yukihiro Okabe

While operating in a safe & environmentally responsible workplace is key to the success of SBS operations, safety remains the top priority. SBS staff will work diligently towards meeting all legal compliances and zero incidents through constant Anzen training & inculcating the 'Stop & Fix' mindset.

Address	1 Senoko South Road, Singapore 758069, Singapore
Number of employees	206
Commencement of operations	1989
Total site area	22,276㎡
Principal Products	Epoxy molding compounds for encapsulation of semiconductors, paste for die bonding, liquid resins for encapsulation of semiconductors
Air and water quality conservation	<Air> No problems <Water> No problems

SumiDurez Singapore Pte. Ltd.

Senior Plant Manager
Tomoyuki Saito

We manufacture and sell phenolic molding compounds. We had been working on activities to improve our productivity since before, and had been promoting initiatives aimed at raising awareness of safety among our employees in particular in order to continue our record of zero accidents and disasters. Moving forward, we will continue with these efforts in aiming to make our plant even safer.

Address	9 Tanjong Penjuru Crescent Singapore 608972, Singapore
Number of employees	57
Commencement of operations	1989
Total site area	18,000㎡
Principal Products	Phenolic resin molding compounds
Air and water quality conservation	<Air> No problems <Water> No problems

P.T. Indopherin Jaya

Vice President Director
Toru Kamata

We develop, manufacture and sell phenolic resins. In fiscal 2019 we promoted maintenance on our aging and deteriorated facilities, which contributed to a reduction in energy loss, improvement in productivity, and ensuring the safety of our employees. For fiscal 2020 we will continue with these measures and develop products that are environmentally-friendly, such as by reducing the odors generated when resins are used and through the use of bio-materials. We aspire to be a plant that is safe and secure, and trusted by both our customers and the local community.

Address	JL. Brantas No.1, Probolinggo, East Java, Indonesia
Number of employees	122
Commencement of operations	1996
Total site area	18,000㎡
Principal Products	Phenolic resins
Air and water quality conservation	<Air> No problems <Water> No relevant facilities

P.T. SBP Indonesia

President Director
Takahiro Kitakoji

We manufacture and sell extruded polycarbonate sheets. In fiscal 2019 we performed inspections and maintenance on sections suffering both air and water leaks in order to boost the efficiency of our compressors. We also made progress switching devices consuming large quantities of energy, such as our air conditioning system, over to inverters. We will continue to be an environmentally-friendly company that forges ahead with contributing to society.

Address	Kawasan Industri MM2100, JL. Irian Blok NN-1-1, Kec,Cikarang Barat, Bekasi, 17520, Indonesia
Number of employees	92
Commencement of operations	1996
Total site area	30,000㎡
Principal Products	Polycarbonate extruded resin sheets (for signage and construction applications)
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Overseas: North America

Sumitomo Bakelite North America, Inc. (Manchester Plant)

Plant Manager
Barbara Olson

The Manchester organization's focus continues to be accident prevention. We have updated our hourly employee safety incentive program to promote participation in our safety program and to reward the desired behaviors. Our key environmental improvement target for 2020 is the reduction of landfill waste through product yield improvement activities.

Address	24 Mill Street, Manchester, Connecticut 06042, USA
Number of employees	65
Commencement of operations	1920
Total site area	14,000㎡
Principal Products	Thermoset composites
Air and water quality conservation	<Air> No problems <Water> No problems

Durez Corporation (Kenton Plant)

Plant Manager
Scott Franks

The last few years we have been focused on observing behaviors and small actions to foster ownership in the safety and quality culture within the plant. This year we will continue our movement from observing and reporting to observing, quick action and long term action by asking all of our employees to complete a project to reduce waste, costs and improve safety and quality in the Kenton factility. This project will continue our push for everyone in the plant to take personal ownership of safety and quality. As we expand our focus we will continue to maintain a safe and environmentally friendly plant and a responsible partner in our community.

Address	13717 U.S. Route 68 South Kenton, Ohio 43326, USA
Number of employees	58
Commencement of operations	1955
Total site area	263,100㎡
Principal Products	Phenolic resins
Air and water quality conservation	<Air> No problems <Water> The capacity of cleaning equipment using biological processing remains unstable. Ways to drastically increase wastewater processing capacity are now being considered. In addition, our readings for E. coli bacteria have increased as a result of backflows of wastewater due to the torrential downpours, and we have instituted disinfection and other countermeasures against this.

Durez Corporation (Niagara Falls Plant)

Plant Manager
Barbara Pilmore

Safety remains a top priority for the Niagara Falls site at 2020, with a continued emphasis on job observations and ergonomic improvements. We continue to look for ways to minimize waste generation for the site and reduce the environmental impact on our community. Our focus on quality will continue with emphais on procedure updates and employee training.

Address	5000 Packard Road, Niagara Falls, NY 14304, USA
Number of employees	74
Commencement of operations	1930
Total site area	18,960㎡
Principal Products	Phenolic resins
Air and water quality conservation	<Air> No relevant facilities <Water> Due to a malfunction in our coolant circulation controls, the content of suspended solid matter in our wastewater emitted as sewage temporarily rose, but repairing the equipment for this brought it back to normal.

Durez Canada Co., Ltd.

Plant Manager
Robert Hunt

Safety continues to be a main focus for the plant. We had three recordable injuries in FY2019 which is unacceptable. North America corporate-wide we are looking to establish a "Safety First" cultural shift. Safety is top priority.Waste generation remains a challenge. We did however do some work and our air emissions are now within government regulations.

Address	100 Dunlop Street, Fort Erie, Ontario L2A 4H9, Canada
Number of employees	69
Commencement of operations	1970
Total site area	93,000㎡
Principal Products	Phenolic resin and molding compounds
Air and water quality conservation	<Air> No problems <Water> No problems

Promerus LLC

General Manager
Larry Rhodes

2019 has been a year of transition for Promerus. We have been preparing for our exit from our current facility in Brecksville and for a move to our new facility in Akron. The exit from Brecksville has required us to undertake many non-routine activities including the demolition of our pilot plant. This has required a sharper focus on reviews for non-routine work. We are also reviewing and revising safety policies that will be used in Akron. In 2019, there were no safety incidents or environmental releases.

Address	9921 Brecksville Road, Brecksville, Ohio 44141-3247, USA
Number of employees	31
Commencement of operations	2001
Total site area	3,875㎡
Principal R&D themes	Functional polynorbornenes
Air and water quality conservation	<Air> No problems <Water> No relevant facilities

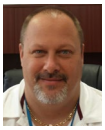
Vaupell Industrial Plastics, Inc.

Plant Manager
Jeff Brown

Vaupell Northwest continues to refine standards and practices to ensure that we act in a socially responsible fashion. With renewed emphasis on the safety and wellbeing of our employees and our neighbors we are committed to the highest standards of performance. Further, we are committed to ensuring that these standards perpetually remain fundamental to our business.

Address	1144 N.W. 53rd Seattle, Washington, 98107, USA
Number of employees	344
Commencement of operations	1947
Total site area	10,219㎡
Principal Products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Vaupell Molding & Tooling, Inc. (Agawan, Massachusetts Plant)



Plant Manager
John Sulikowski

We remain committed to "safety first" throughout the facility and is tracking towrads our first ever 1,000,000 accident free hours with 300,000 hours currently achieved. And, we have a very active Safety committee and participates in the semi-annual Plant Manager Safety Meetings with SBHPP. We contnue to re-cycle over 80% of our plastics and cardboard. In FY19, we converted it's entire facility to LED lighting with activity sensors to reduce energy consumption by over 462, 000 kW hours per year.

Address	101 HP Almgren Dr. Agawam, Massachusetts 01001, USA
Number of employees	91
Commencement of operations	2005
Total site area	9,290㎡
Principal Products	Medical device parts
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Vaupell Molding & Tooling, Inc. (Constantine, Michigan Plant)

Plant Manager
Keith Bridgford

We have made significant progress in reducing hydraulic oil leaks from our primary proceesig equipment.
We have also improved our storm water management.

Address	485 Florence Road Constantine, Michigan 49042, USA
Number of employees	168
Commencement of operations	1969
Total site area	7,525 ㎡
Principal Products	Medical device parts
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Vaupell Molding & Tooling, Inc. (Hudson, New Hampshire Plant)

Plant Manager
Roger Spurrell

We implemented many projects in the EHS area including, reduced dust particulates in our SLA area; upgrade of electricals thorugh out the plant; modification of electrical and water supply lines to the IMM machines; and upgraded austhetics and material organization through out the plant utilizing 5S. The COVID-19 virus exposure potential reguired many changes thorugh out the plant to protect the health and wellbeing of our employees.

Address	20 Executive Drive Hudson, New Hampshire 03051-4917, USA
Number of employees	56
Commencement of operations	1995
Total site area	3,500㎡
Principal Products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Russell Plastics Technology Company, Inc.

Plant Manager
Richard Spero

We embrace the notion of "safety first" by being environmentally responsible to our neighbors and citizens of the community as well as being responsible to our employees by providing a safe and environmentally friendly workplace. We recognize our obligation to proactively manage our processes to ensure no harm, or negative impact, to our employees or surrounding community.

Address	521 W. Hoffman Ave Lindenhurst, New York 11757, USA
Number of employees	86
Commencement of operations	1951
Total site area	5,575㎡
Principal Products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Overseas: Europe

Sumitomo Bakelite Europe NV

General Manager Jan Schreurs

Sustainability, ergonomics and cost-efficiency were headliners in the FY 2019. On sustainability, further developments have been made to provide customers with safe and environmental friendly products in line with the SDGs. Internally, necessary steps were taken to enable the start up of the phenol recovery unit in September 2020 and a major program was launched to replace packed solvents by bulk - supply with direct transfer to production, resulting in reduced waste and improved ergonomics. These programs have of course been running with a continuous focus on safety, health, environment and energy conservation. But at the end of FY2019, when the COVID-19 crisis took over normal life, we learned that correct daily discipline and efficient safety behaviour are inevitable to guarantee operations.

Address	Henry Fordlaan 80, B-3600 Genk, Belgium
Number of employees	148
Commencement of operations	1967
Total site area	110,000㎡
Principal Products	Phenolic resins, polyester resins
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite Europe (Barcelona), S.L.U.

Site Manager José Miralles

In 2019, a very important target has been the new ERP implementation (SAP), which has started to get the desired fruits. To remark also the implementation of ISO 45001 (replacement OHSAS 18001). Along 2019 the automotive crisis has touched all the levels of the supply chain, but the most critical crisis started ending FY 2019, COVID-19, which is going to change the live style worldwide and is re-affirming that Safety is absolutely First.

Address	Gran Vial, 4 Montornes del Valles (Barcelona) 08170, Spain
Number of employees	80
Commencement of operations	1949
Total site area	19,856㎡
Principal Products	Phenolic resins, friction particles, adhesives
Air and water quality conservation	<Air> No problems <Water> The introduction of phenol recovery equipment altered the ratio of components found within our wastewater, causing a collapse in the biological treatment balance of our wastewater. This caused a decline in the quality of our wastewater due to an increase in the concentration of substances such as COD and ammonia. We are currently moving ahead with analyzing the obstructive factors, and are also making progress with improving this by installing more oxygen aeration devices.

Vyncolit NV

Plant Manager Vincent Singelé

In FY2020 safety and housekeeping remains our top priorities. The LMRA is embedded now in the organisation, but unfortunately we had 3 LTA's that despite the injuries were not critical. The cokes line was upgraded which gave a positive boost in the uptime. VNV put also a lot of energy into management of direct operator cost, which ended up almost in target.

Address	Wiedauwkaai 6, B-9000 Gent, Belgium
Number of employees	129
Commencement of operations	1992
Total site area	22,683㎡
Principal Products	Thermoset molding compounds
Air and water quality conservation	<Air> We discovered that since the plumbing for discharging phenols was not properly installed, some of this was being discharged without passing through the filters. We are currently in the process of repairing our facilities. <Water> No relevant facilities

Management System Certification Status[*1]

Business site		Certification status		
		Quality	Environmental	Occupational Health and Safety
Kobe Facility Office		—	ISO 14001	ISO 45001
Shizuoka Plant		ISO 9001	ISO 14001	ISO 45001
		IATF 16949		
	ACM	JIS Q 9100		
Kanuma Plant		ISO 9001	ISO 14001	ISO 45001
Utsunomiya Plant		ISO 9001	ISO 14001	ISO 45001
	CRM、LαZ	IATF 16949		
Amagasaki Plant	Films and sheets, Cover tape	ISO 9001	ISO 14001	ISO 45001
	Food safety	FSSC22000		
	Primary packaging materials for medicinal products	ISO 15378		
	Medical devices product warehouse	ISO 13485		
S.B. Sheet Waterproof Systems Co., Ltd.	Head Office	ISO 9001	ISO 14001	—
	Kanuma Plant		ISO 14001[*2]	ISO 45001[*2]
	Nara Plant		ISO 14001	OHSAS 18001
Kyushu Sumitomo Bakelite Co., Ltd.		ISO 9001	ISO 14001	ISO 45001
		IATF 16949		
Yamaroku Kasei Industry Co., Ltd.		ISO 9001	ISO 14001	—
Akita Sumitomo Bakelite Co., Ltd.	Medical	ISO 13485	ISO 14001	ISO 45001
	Bio	—		
	Resins	ISO 9001		
Hokkai Taiyo Plastic Co., Ltd.		—	ISO 14001	—
S.B Research Co., Ltd.		ISO 9001	—	—
Sumitomo Bakelite (Suzhou) Co., Ltd.: EME, CRM		ISO 9001	ISO 14001	ISO 45001
		IATF 16949		
Sumitomo Bakelite (Shanghai) Co., Ltd.		ISO 9001	ISO 14001	—
		IATF 16949		
Sumitomo Bakelite (Nantong) Co., Ltd.	PM、PR,ECR	ISO 9001	ISO 14001	—
		IATF 16949		
	Films and sheets	ISO 22000		
		FSSC22000		
Sumitomo Bakelite (Dongguan) Co., Ltd.		ISO 13485	ISO 14001	ISO 45001
Sumitomo Bakelite Macau Co., Ltd.		ISO 9001	ISO 14001	—
Sumitomo Bakelite (Taiwan) Co., Ltd.		ISO 9001	ISO 14001	OHSAS 18001
		IATF 16949		
SNC Industrial Laminates Sdn. Bhd. (SNC)		ISO 9001	ISO 14001	OHSAS 18001
		AS 9100		
Sumitomo Bakelite Singapore Pte. Ltd. (SBS)		ISO 9001	ISO 14001	OHSAS 18001
		IATF 16949		
SumiDurez Singapore Pte. Ltd. (SDS)		ISO 9001	ISO 14001	OHSAS 18001
		IATF 16949		
PT. Indopherin Jaya (IPJ)		ISO 9001	ISO 14001	ISO 45001
P.T. SBP Indonesia (SBPI)		ISO 9001	ISO 14001	OHSAS 18001
Sumitomo Bakelite North America, Inc. (Manchester)		ISO 9001	ISO 14001	OHSAS 18001
		IATF 16949		
Durez Corporation (Kenton)		ISO 9001	—	OHSAS 18001
Durez Corporation (Niagara Falls)		ISO 9001	—	OHSAS 18001
		AS 9100		
Durez Canada Co., Ltd. (Fort Erie)		ISO 9001	—	OHSAS 18001
Promerus, LLC		ISO 9001	—	—
Sumitomo Bakelite Europe NV (SBE)		ISO 9001	ISO 14001	ISO 45001
Sumitomo Bakelite Europe (Barcelona), S.L.U. (SBEB)		ISO 9001	ISO 14001	ISO 45001
Vyncolit NV (VNV)		ISO 9001	ISO 14001	ISO 45001
Vaupell Industrial Plastics, Inc. (Ballard&Everett Plant)		ISO 9001	—	—
		AS 9100		
Vaupell Molding & Tooling, Inc. (Agawam Plant)		ISO 9001	—	—
		ISO 13485		
		AS 9100		
Vaupell Molding & Tooling, Inc. (Constantine Plant)		ISO 9001	—	—
		ISO 13485		
		AS 9100		
Vaupell Molding & Tooling, Inc. (Hudson Plant)		ISO 9001	—	—
		ISO 13485		
Russell Plastics Technology Company, Inc.(Lindenhurst)		ISO 9001	—	—
		AS 9100		
Vaupell China (Dongguan) Co., Ltd. (VCD)		ISO 9001	—	—
		EN 9100		

*1 We have received assurance that the certifications for the aforementioned management system at each business site are valid covering fiscal 2019 (from April 2019 to March 2020; when certification was newly acquired in April 2019 or thereafter, from the registration date to March 2020).
*2 Acquired in an integrated manner with Sumitomo Bakelite's Kanuma Plant.

Detailed Data related to Sustainability

Trends in Environmental Performance

Business Sites in Japan ☑

Item			Unit	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Plan)	2030 (Target)
CO_2 emissions			t-CO_2	137,961	103,165	104,556	101,790	97,238	89,667	83,986	83,077	75,169	78,814	75,037
		Scope1	t-CO_2	–	49,306	47,117	46,545	43,956	40,906	41,903	39,279	38,034	36,648	–
		Scope2	t-CO_2	–	53,859	57,439	55,245	53,282	48,761	42,083	43,798	37,135	42,166	–
Energy usage			Crude oil equivalent (kL)	74,370	52,320	50,276	48,845	47,199	45,115	44,051	41,999	41,814	41,039	–
			(thousand GJ)	2,883	2,028	1,949	1,893	1,829	1,749	1,721	1,659	1,621	1,591	–
Material loss	Waste generated	Landfill	ton	605	18	13	16	53	62	56	55	103	94	30
		External intermediate processing	ton	342	5	5	7	45	56	2	6	12	10	2
		Internal intermediate processing	ton	0.5	0	0	0	0	0	0	0	0	0	0
		External recycling	ton	10,495	7,794	7,477	7,987	7,665	6,090	6,402	6,706	7,605	7,386	5,118
	Total waste generated		ton	11,444	7,817	7,494	8,010	7,762	6,207	6,459	6,767	7,720	7,491	5,150
	Valuable materials		ton	9,501	7,930	8,633	8,326	8,008	7,762	7,508	7,186	6,764	6,365	5,323
Total material loss			ton	20,945	15,748	16,127	16,337	15,770	13,970	13,967	13,953	14,483	13,856	10,473
Chemical substance emissions			ton	512	230	268	202	171	139	167	173	120	106	77
Emissions of substances subject to the PRTR Act			ton	81	12	15	15	13	8	13	11	6	3	–

Overseas Business Sites ☑

Item			Unit	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Plan)	2030 (Target)
CO_2 emissions			t-CO_2	163,259	141,491	144,508	142,830	151,698	151,272	152,526	149,618	137,123	136,159	109,509
		Scope1	t-CO_2	–	49,137	49,305	43,228	45,871	44,367	48,740	45,015	43,140	41,147	–
		Scope2	t-CO_2	–	92,354	95,203	99,602	105,827	106,904	103,786	104,603	93,983	95,012	–
Energy usage			Crude oil equivalent (kL)	82,906	71,013	68,231	66,466	70,874	70,710	72,111	71,045	68,374	69,477	–
			(thousand GJ)	3,213	2,752	2,567	2,576	2,747	2,741	2,795	2,754	2,650	2,693	–
Material loss	Waste generated	Landfill	ton	6,586	3,138	3,027	2,873	3,066	3,455	3,471	3,107	2,989	3,154	–
		External intermediate processing	ton	3,547	3,885	4,122	3,580	3,637	3,737	3,848	3,459	3,268	2,556	–
		Internal intermediate processing	ton	8,196	3,217	2,869	3,105	2,833	2,671	3,701	152	109	247	–
		External recycling	ton	1,564	2,540	3,034	4,387	3,712	2,919	3,018	3,798	3,160	2,316	–
	Total waste generated		ton	20,163	12,780	13,053	13,945	13,247	12,782	14,038	10,515	9,525	8,274	9,000
	Valuable materials		ton	8,695	3,609	2,956	2,800	4,522	3,065	3,309	2,588	2,720	2,991	2,600
Total material loss			ton	28,858	16,389	16,009	16,746	17,770	15,847	17,347	13,104	12,244	11,265	11,600
Chemical substance emissions			ton	—	245	204	164	147	126	148	137	132	112	110

* See the business sites listed on page 3 about the boundary.

Definitions/Calculation Method

CO_2 emissions and energy consumption (crude oil equivalent)

The calculation of CO_2 emissions and energy consumption covers energy (fuel, heat, electricity, etc.) associated with all business activities. CO_2 emissions are calculated based on the Manual for Calculating and Reporting Greenhouse Gas Emissions (Ministry of the Environment and Ministry of Economy, Trade and Industry; April 2019). For city gas and electricity, the coefficient for each business released by each company is used. Energy consumption is calculated as a crude oil equivalent based on the Act on the Rational Use of Energy.

Overseas business locations use the applicable domestic laws of each country. In the calculation of CO_2 emissions, the latest conversion coefficient at the start of the fiscal year of each Natural gas and electricity provider supplying each business site is used for city gas and electricity. In case the emissions coefficient of the electricity provider is unknown, the coefficient as of the start of each fiscal year for which data is released by the International Energy Agency is used.

In addition, Our company does not emit any greenhouse gases (CH_4, H_2O, HFC, SF_6, NF_3) other than CO_2 that meet the reporting requirements of Act on Promotion of Global Warning Countermeasures.

Waste generated

Total of aggregate volume of industrial and general waste from business sites. Definitions of each type of waste are as follows.

(1) Landfill: waste disposed of in landfills by the Company or outsourced contractors
(2) External intermediate processing: waste incinerated or treated by other means by outsourced contractors (without energy recovery)
(3) Internal intermediate processing: waste incinerated or treated by other means in-house (without energy recovery)
(4) External recycling (expenses paid): waste recycled with payment made to cover processing costs (including energy recovery)

Valuable materials

The volume of valuable materials that are generated at business sites and sold and that are neither products nor raw materials.

Material loss

Total of the volume of waste generated and the volume of valuable materials. Waste generated owing to the retirement of facilities, repairs, building demolition (in-house demolition work), etc., is not included in the scope of waste, nor is dismantling scrap material of value sold, facilities resold, or construction material waste (for which a manifest is issued by the Company).

Chemical substance emissions

Total emissions into the air, bodies of water, and the ground (aggregate volume) of chemical substances targeted by the Japan Chemical Industry Association (JCIA)'s Pollutant Release and Transfer Register (PRTR) assessments (including substances subject to the reporting requirements of "The Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof" of Japan [PRTR system]). The emissions calculation method used is based on the latest Manual for Calculating PRTR Emissions (Ministry of the Environment and Ministry of Economy, Trade and Industry). JCIA changed the chemical substances subject to survey in fiscal 2013 and the Group reflected the change in the overall results from fiscal 2014 onward. Major substances that were excluded from the scope of calculation include ammonia and sulfuric acid.

Response to Act on the Rational Use of Energy/Promotion of Global Warming

		Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Sumitomo Bakelite	CO_2 emissions	t-CO_2	81,541	81,471	79,822	76,989	70,764	66,915	66,124	66,706
	Energy usage	Crude oil equivalent (kL)	42,314	40,661	39,747	38,600	36,567	35,974	34,609	33,717
	Year-on-year intensity of energy usage	%	92.1	96.5	96.4	100.5	100.2	91.0	94.8	93.1
	Average change in intensity over 5 years	%	–	96.6	96.5	96.3	98.4	96.9	96.5	94.8
Kyushu Sumitomo Bakelite	CO_2 emissions	t-CO_2	7,470	8,038	7,835	7,037	6,365	5,802	6,080	4,188
	Energy usage	Crude oil equivalent (kL)	3,437	3,247	3,159	2,957	3,008	3,012	2,944	2,833
	Year-on-year intensity of energy usage	%	97.9	94.3	93.3	98.1	98.4	90.9	96.1	100.4
	Average change in intensity over 5 years	%	–	97.3	96.6	95.9	96.0	95.1	95.8	96.4
Akita Sumitomo Bakelite	CO_2 emissions	t-CO_2	6,776	6,429	6,016	5,176	5,079	4,797	4,896	4,993
	Energy usage	Crude oil equivalent (kL)	2,806	2,547	2,393	2,070	2,095	2,018	2,055	2,081
	Year-on-year intensity of energy usage	%	121.8	86.1	88.0	98.0	95.4	93.3	94.1	101.1
	Average change in intensity over 5 years	%	–	104.0	95.6	97.5	91.8	93.6	95.2	96.0
S.B. Sheet Waterproof Systems (started reporting from FY2012)	CO_2 emissions	t-CO_2	3,645	4,285	4,098	3,865	3,397	3,220	2,923	2,566
	Energy usage	Crude oil equivalent (kL)	1,941	2,017	1,913	1,807	1,683	1,683	1,567	1,506
	Year-on-year intensity of energy usage	%	–	96.4	97.8	94.8	95.4	93.8	96.9	93.4
	Average change in intensity over 5 years	%	–	–	–	–	96.1	95.4	95.2	94.9

Distribution-Related Energy Conservation Measures*

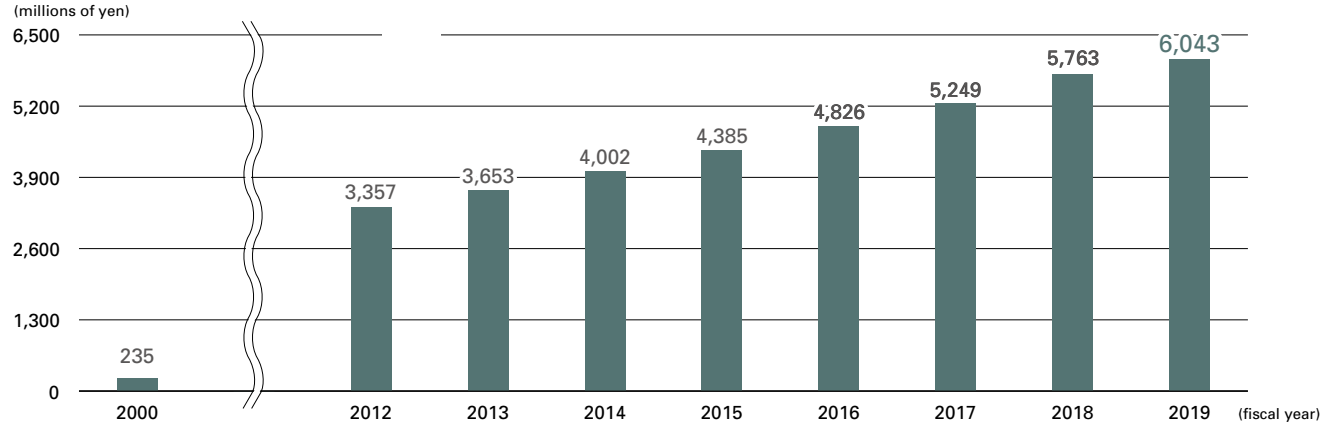
	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Transportation ton-kilometer	thousand t-km	39,328	39,715	40,959	40,467	40,449	37,467
CO_2 emissions	t-CO_2	5,656	5,662	5,816	5,863	5,839	5,400
Energy usage	Crude oil equivalent (kL)	2,128	2,135	2,195	2,214	2,205	2,041
Year-on-year intensity of energy usage	%	–	99.4%	99.6%	102.1%	99.6%	99.9%
Average change in intensity over 5 years	%	–	–	–	–	100.2%	100.3%

* The report covers Sumitomo Bakelite on a non-consolidated basis. Per the 2019 revisions to the Act on the Rational Use of Energy, those consigned shipments by our subsidiaries for which "matters like the shipping method for cargo were substantively decided by our head office" have been included in the report as shipments by secondary shippers.

Fiscal Year and Accumulated Investments for Environmental Protection

	Unit	FY2000		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Fiscal year	millions of yen	235		335	355	296	350	383	441	423	514	281
Cumulative total	millions of yen	235		3,002	3,357	3,653	4,002	4,385	4,826	5,249	5,763	6,043

Accumulated Investments for Environmental Protection



Transfer and Release of Substances Subject to the PRTR Act (Fiscal 2019 Performance) ☑

The amounts of the 35 substances subject to the PRTR Act (PRTR system[*1]) released and transferred by the Group's business sites in Japan are presented in the table below.

(tons/year)

Government order number	Substance	Amount used	Release			Transfer	
		(manufactured)	Into air	Into water	Into soil	As waste material	As sewage
1	Zinc compounds (water-soluble)	16.6					
18	Aniline	169.1				0.2	
31	Antimony and its compounds	38.5				1.4	
37	Bisphenol A	267.8				0.1	
51	2-ethylhexanoic acid	1.8				0.1	
53	Ethyl benzene	30.7				5.3	
56	Ethylene oxide	0.8					
57	Ethylene glycol monoethyl ether	4.3					
78	2,4-xylenol	10.8					
79	2,6-xylenol	10.8					
80	Xylene	42.7				11.4	
82	Silver and its water-soluble compounds	9.6					
86	Cresol	1,714.5				1.0	
207	2,6-di-tert-butyl-4-cresol	1.8				0.1	
218	Dimethylamine	1.4					
232	N, N-dimethyl formamide	294.6	1.5			10.3	
239	Organic tin compounds	18.5				1.7	
258	Hexamethylenetetramine	908.5				19.6	
265	Tetrahydromethylphthalic anhydride	116.4					
277	Triethylamine	1.6					
278	Triethylenetetramine	1.4					
296	1,2,4-trimethylbenzene	1.1					
300	Toluene	131.3	2.3			9.5	
302	Naphthalene	1.9					
309	Nickel compounds	1.3		0.2			
320	Nonylphenol	3.7				0.3	
330	Bis (1-methyl-1-phenylethyl) = peroxide	4.6					
349	Phenol	21,309.6	0.2	0.1		31.1	
352	Diallyl phthalate	4.7					
375	Bis (2-ethylhexyl) phthalate	1.3					
392	n-hexane	1.7					
401	1,2,4-benzene tricarboxylic acid 1,2-anhydride	9.7				0.8	
405	Boron and its compounds	7.9		0.2		1.1	
411	Formaldehyde	8,417.2	0.5	0.2		4.5	
		(10,851)	0.3				
438	Methylnaphthalene	20.5	0.1				

☐ Specific Class 1 designated chemical substances *1 See the glossary on page 108.

Memberships in Leading Organizations (Classifications of Organizations Have Been Omitted)

Organization	Role of Sumitomo Bakelite
Keidanren (Japan Business Federation)	Participates in task forces such as the Nature Protection Deliberation Council and the 1% (One Percent) Club. Participates in Committee on Population Issues, Committee on Innovation, Committee on Intellectual Property, Committee on National Resilience, Committee on Trade and Investment and Committee on Environment and Safety/Subcommittee on Environmental Risk Management.
Japan Thermosetting Plastics Industry Association	Participates in the phenol resin/aminoParticipates in the phenol resin/amino resin extrusion materials subcommittee, laminated panel subcommittee, phenol resin subcommittee, adhesives subcommittee, melamine resin decorative panel subcommittee, electronics materials subcommittee, and environment/recycling research subcommittee. resin extrusion materials subcommittee, laminated panel subcommittee, phenol resin subcommittee, adhesives subcommittee, melamine resin decorative panel subcommittee, electronics materials subcommittee, and environment/recycling research subcommittee.
Japan Chemical Industry Association	Serves in the General Affairs Department, Technical Affairs Committee, Environmental Safety Committee, Responsible Care Committee, Chemicals Management Committee,Council of Human Reaource Fostering Program in Chemistry and SDG Subcommittee.
The Japan Plastics Industry Federation	Participates in Administration/Environment Group and the chemicals management committee.
Japan Plastic Sheet Association	Participates in Hard vinyl chloride plate Committee, Polycarbonate plate Committee and Environmental Regulation committee.
Japan Electronics Packaging and Circuits Association	
Medical Technology Association of Japan	Participates in the raw materials committee, regulatory affairs committee, distribution committee, microbe reduction committee, and other committees
Japan Chemical Exports and Imports Association	Participates in the chemical substance safety, environmental committee
Japan Environmental Management Association for Industry (JEMAI)	Requested dispatch of LCA education lecturer, Purchased a database for LCA, participates in LCA Japan Forum
Japan Industrial Safety & Health Association	Requested dispatch of instructors to in-house training seminars on occupational safety and health, and participated in seminars organized by the association.
Japan Association for Chemical Innovation (JACI)	Participates in the Planning & Management Council as a member on the board of directors. Participates in several committees and subcommittees, including Strategy Committee, Strategic Planning Subcommittee, and Frontier Coordination Committee, and assists in information collection and events.
Japan Initiative for Marine Environment (JaIME)	
Japan Clean Ocean Material Alliance (CLOMA)	Participation in Technology WG

Environmental Activities

Year	Sumitomo Bakelite Group's Initiatives	Social developments
1969	● Pollution countermeasures secretariat established	
1973	● Environmental Management Division established ● Environmental auditing of domestic business sites commenced	
1974	● Environmental management departments established for all business sites	
1978	● Environmental auditing of domestic subsidiaries commenced	
1987		● Montreal Protocol on Substances that Deplete the Ozone Layer adopted
1990	● Environmental Issue Action Committee established. Appointment of director in charge	
1991	● Recycling Technology Action Office established	● Law Promoting the Use of Recycled Resources enacted
1992	● S.B. Recycle established	● United Nations Conference on Environment and Development (UNCED or Earth Summit) results in the "Rio Declaration on Environment and Development", "Agenda 21", etc.
1993	● Environment and Safety Voluntary Plan drafted ● Environment and safety management regulations established ● Environmental audits of overseas subsidiaries commenced	● The Basic Environment Law enacted
1994	● Use of certain CFCs and 1,1,1-trichloroethane ceases	
1995	● Responsible Care Committee established ● The Company joins the Japan Responsible Care Council as a founding member	● Japan Responsible Care Council (JRCC) established ● Law for Promotion of Sorted Collection and Recycling of Containers and Packaging enacted
1997	● Corporate Policies for Safety, Health, and the Environment revised, and Utsunomiya Plant and Sumitomo Bakelite Singapore obtain ISO 14001 certification	● Kyoto Protocol adopted by the Third Conference of the Parties of the United Nations Framework Convention on Climate Change (COP3)
1998	● First Environmental Activities Report issued	
1999	● All Sumitomo Bakelite plants obtain ISO14001 certification	● Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management enacted ● Law Concerning Special Measures against Dioxins enacted
2000	● Environmental accounting implemented	● Basic Law for Establishing the Recycling-Based Society enacted
2001	● Environmental Report issued (independent reviews conducted)	● Law Concerning Special Measures against PCB Waste enacted
2002	● Scope of Environmental Report expanded to include subsidiaries in Japan ● Tokyo Kakohin receives an award for promoting a "3R" policy of reduce, reuse, and recycle ● Risk Management Committee established	● Soil Contamination Countermeasures Act enacted ● Japan adopts COP3 Kyoto Protocol ● World Summit on Sustainable Development adopts Johannesburg Declaration on Sustainable Development
2003	● Yamaroku Kasei Industry certified as the Company's first zero waste emissions plant ● Compliance Committee established	● Building Code revised to resolve "sick building" syndrome
2004	● Shizuoka Plant commences operations of a cogeneration system	● Air Pollution Prevention Law revised to reduce volatile organic compound (VOC) emissions
2005	● Title of annual Environmental Report changed to Environmental & Social Report to reflect broader coverage of social initiatives ● Sumitomo Bakelite (Taiwan) recognized as the Sumitomo Bakelite Group's first overseas zero emissions production business site	● Kyoto Protocol goes into effect ● Ordinance on Prevention of Health Impairment due to Asbestos
2007		● The new EU Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) comes into force
2008	● Thirty of the business sites of the Sumitomo Bakelite Group in Japan and overseas obtained ISO14001 certification (as of July) ● Start of soil and groundwater pollution remediation measures at a site owned by Sano Plastic following the dismantling of a factory building there (February) ● The company signs Responsible Care Global Charter (November) ● Start of mechanical equipment risk assessment	● G8 Hokkaido Toyako Summit
2009	● Inauguration of multilingual Material Safety Data Sheet (MSDS) system ● Begins participating as a partner in the Declaration of Biodiversity of the Japan Business Federation (Nippon Keidanren)	● Revised Act on the Rational Use of Energy takes effect ● The 15th Conference of the Parties (COP15) held with the United Nations Climate Change Conference
2010	● Establishment of the Environmental Impact Reduction Committee ● The Sumitomo Bakelite Group begins leakage risk assessments at its business sites in Japan and overseas	● The 10th Conference of the Parties (COP10) to the Convention on Biological Diversity
2011	● Presentation to Tochigi Prefectural Government of the report on the remediation construction work conducted at the Sano Plastic site (July) ● Standards for preparation of the Environmental & Social Report changed to conform with the GRI guidelines	● The 17th Conference of Parties (COP17) to the United Nations Framework Convention on Climate Change ● The Great East Japan Earthquake
2012	● The biotope project starts at the Shizuoka Plant ● Work to excavate and remove contaminated soil and to purify contaminated groundwater in the premises of the Totsuka Office after its closure ● Zero emissions achieved at all domestic plants ● Start of chemical materials risk assessment	● The 18th Conference of Parties (COP18) to the United Nations Framework Convention on Climate Change and the 8th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP8) ● Following the accident at the Fukushima Daiichi Nuclear Power Plant of Tokyo Electric Power Company caused by the Great East Japan Earthquake, operation of all 54 commercial nuclear reactors in Japan suspended. Of the 54, only two at the Oi Nuclear Power Plant of Kansai Electric Power Company resumed operation
2013	● Completion of decontamination at the former Totsuka Plant reported to Yokohama City	● The 19th Conference of Parties (COP19) to the United Nations Framework Convention on Climate Change and the 9th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP9)
2014	● The Company signs the revised Responsible Care Global Charter ● Environmental rating by the Development Bank of Japan (DBJ environmental rating): Gained A ● Compilation of certain Scope 3 data starts at business sites in Japan ● Start of risk assessment for fire by explosion	● Revision to the Responsible Care Global Charter (6th element) ● Revision to the Industrial Safety and Health Act starts requiring businesses to perform risk assessments of chemical substances
2015	● Revised the Company's Environment and Safety management guidelines, and established a new Responsible Care Activity Guideline in accordance to the Responsible Care Global Charter revised in 2014.	● ISO 14001 Revised ● Implementation of the amended Law Concerning the Discharge and Control of Fluorocarbons ● Revision to the Water Pollution Control Act (revised wastewater standards) ● Revision to the Soil Contamination Countermeasures Act (amended specified toxic substances)
2016	● Changed the name of the Environment and Social Report to the CSR Report and prepared it in compliance with the GRI Guidelines (Ver. 4)	● Revisions to Japan's Industrial Safety and Health Law (concerning chemical substance risk assessment) take effect ● Revisions made to Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes (requiring systematic disposal prior to treatment expiration)
2017	● Opened the biotope at Shizuoka Plant to the general public	
2018	● CSR Report 2018: Prepared report based on the report preparation standards compliance with the "Core" option of the GRI Guideline/Standard. ● Established the SDG Promotion and Preparation Project Team, presented in specific detail the areas of SDGs that the Company will focus on, and promoted the necessary measures on a company-wide scale.	● Ocean Plastics Charter announced at the G7 Summit (not signed by Japan and the United States) ● Climate Change Adaptation Act enacted (Alongside with "alleviation," which mainly aims to reduce the emission of greenhouse gases, this act provides for a certain degree of "adaptation" to climate change)
2019	● CSustainability Promotion Committee launched, committee related to promoting sustainability activities organized, and the position and roles of each committee clarified ● Responded to the CDP climate change program	● Clean Ocean Material Alliance (CLOMA) launched to promote initiatives to resolve the problem of marine plastics

•Blue letters are the movement of the world.

Glossary

<Glossary of Environmental Terms>

■ CDP (pages 43 and 107)
A project that promotes the disclosure of information related to the environment, such as global warming measures and support for water strategies and forests by corporations, with the approval of institutional investors (preceded by the Carbon Disclosure Project). It is currently one of the sets of data that is most frequently used in the world as a reference for ESG investment.

■ COD (pages 45, 48 and 102)
Chemical oxygen demand (COD) is a measure used in water quality analysis, indicating the amount of oxygen consumed by potassium permanganate to oxidize organic compounds in water. Overseas, potassium dichromate is often used as an oxidizing agent, and results are different, so we compiled separately in Japan and overseas.

■ MFCA (pages 43, 46, 48, 96, 97, 98 and 99)
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. Our Group utilizes this method as an analysis tool.

■ NOx (pages 45 and 48)
Nitrogen Oxide

■ Pollutant Release and Transfer Register (PRTR) system (page 104 and 106)
Japan's PRTR Act requires companies using harmful chemical substances to gather data on the amount of harmful chemical substances released into the environment and other data as a means of promoting autonomous efforts by those companies to improve their management of such substances and preventing the pollution of the environment by such substances.

■ SOx (pages 45 and 48)
Sulfur Oxide

■ Scope 3 (pages 47 and 107)
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.

■ Soot and dust (pages 45 and 48)
Solid particulate matter found in smoke including dust and cinders.

<Glossary of Chemical SubstanceTerms>

■ 44/M-DAG/PER/9 (page 54)
Rules on Indonesia's chemical substance regulation.

■ CLASS regulations (page 54)
The Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013. Malaysia's GHS regulation.

■ CLP (page 54)
Regulation on the classification, labelling and packaging of chemical products based on GHS with the purpose of mainly communicating hazards in the EU.

■ CNS15030 Z1051 (page 54)
National standard for classification and labelling of chemicals in Taiwan.

■ DIW notification (page 54)
Notification of the Department of Industrial Works of Thailand.

■ GB/T 16483 (page 54)
China's state standard for SDS (Safety Data Sheet for chemicals).

■ GHS (page 54)
Acronym for the Globally Harmonized System of Classification and Labelling of Chemicals.

■ HCS (page 54)
Acronym for Hazard Communication Standard. Regulation on workplaces handling dangerous and hazardous chemical substances in the United States.

■ JIS Z 7253 (page 54)
Integrated version of JIS Z7250 and Z7251 for consistency with GHS.

■ MSDgen (pages 54)
A multilingual SDS publishing system introduced in 2008.

■ NOM (page 54)
Official Mexican Standards prepared by the General Directorate of Standards. They contain the absolute minimum requirements that must be met for preventing workplace dangers.

■ Prop 65 (page 54)
An abbreviation for Proposition 65, a California law, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986.

■ SDS (page 54)
Acronym for Safety Data Sheet. This sheet contains the safety information regarding chemical substances, and is attached with products on their delivery to other businesses.

■ TT-BCT (page 54)
Circular notice on regulation for classification and labelling of chemical substances of Vietnam.

■ WSSD (page 54)
Acronym for World Summit on Sustainable Development.

■ European REACH (page 54)
European Union regulation to protect the health of people and the environment during the handling of chemical substances.

■ Occupational Safety and Health Act (page 54)
The Occupational Safety and Health Act for Chemical substance of South Korea.

<Glossary of Sustainability Terms, Others>

■ CS (pages 4, 6, 8, 30, 31, 34, 35, 37, 55, 58, 59, 65, 83 and 87)
Acronym for customer satisfaction.

■ CSR (pages 3, 8, 38 39, 42, 70, 85, 88 and 107)
Acronym for Corporate Social Responsibility. CSR collectively refers to activities carried out within the scope of a company's operations not only geared toward generating profits, but also for fulfilling a company's responsibilities to society and growing together with society while emphasizing the correlation with all stakeholders.

■ ESG (pages 3, 7, 8 and 37)
Acronym that stands for environmental, social, and governance; used as an indicator to determine whether a company can grow sustainably.

■ GRI (pages 3, 38, 86 and 107)
Acronym for Global Reporting Initiative, an international NGO. The organization publishes the GRI Sustainability Reporting Guideline.

■ ISO 26000 (page 38)
International standard developed in October 2010 to help organizations address social responsibility issues. This is the first international standard created through a multi-stakeholder process, which involved experts representing a multitude of sectors in the deliberation.

■ QOL (pages 34 and 55)
Acronym for quality of life. A concept of satisfaction in all aspects of life, which includes not only material wealth possession but also emotional fulfillment, and self actualization.

■ RBA Code of Conduct (pages 85)
The Electronic Industry Citizenship Coalition (EICC) Code of Conduct establishes standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

■ Stakeholders (pages 3, 7, 9, 10, 13, 22, 23, 38, 39, 42, 59, 75 and 87)
Persons and organizations concerned. People who have an interest in any decisions made or activities conducted by an organization.

■ Materiality (pages 3, 37, 38 and 87)
In the context of CSR, "materiality" refers to significant items that need to be worked on. Materiality items are selected in terms of how they reflect significant effects that an organization has on the economy, environment, and society, and how they have an actual impact on evaluations and decisions made by stakeholders.

■ Responsible Care
(pages 7, 8, 38, 39, 40, 44, 51, 54, 60, 61, 62, 64, 66, 70, 106 and 107)
Activity that assures environmental safety and health in all stages of a chemical material's existence from development to manufacturing, distribution, utilization, final consumption, disposal, and recycling; publishes process results; and promotes dialogue and communication with the public. (Japan Chemical Industry Association)

GRI Standards Comparison Table

This report is compliant with the Core of the Global Reporting Initiative's (GRI) Sustainability Reporting Standards.

General Disclosures

GRI Standard – General Disclosures		Page number (title)
1. Organizational profile		
102-1	Name of the organization	P87: Corporate Data Website: Overview https://www.sumibe.co.jp/english/company/outline/index.html
102-2	Activities, brands, products, and services	P30-35: Business Overview by Segment P87: Corporate Data / Major Products by Division Securities Report P6-7/139: Business Description Website: Products https://www.sumibe.co.jp/english/product/index.html
102-3	Location of headquarters	P87: Corporate Data Website: Overview https://www.sumibe.co.jp/english/company/outline/index.html
102-4	Location of operations	P88: Group Companies P65-72: Business Sites, Subsidiaries and Affiliates in Japan and Overseas P89: Sumitomo Bakelite Group Website: Group Companies (Overseas) https://www.sumibe.co.jp/english/company/overseas/index.html
102-5	Ownership and legal form	P87: Corporate Data P75: Corporate Governance
102-6	Markets served	P88: Group Companies Securities Report P6-7/139: Business Description
102-7	Scale of the organization	P60: Number of Group Employees and Executive Officer P87: Corporate Data P88-89: Group Companies P90-91: Financial Data Securities Report P2-3/139: Overview of Company P11/139: Employees P31-32/139: Major Shareholders Website: Overview https://www.sumibe.co.jp/english/company/outline/index.html
102-8	Information on employees and other workers	P60: Breakdown of employees by region, by age, and by gender Securities Report P26-27/139: Main Facilities (Number of Employees at Each Plant and Company at Right) (Reason for omission) It is difficult to obtain information on temporary employees classified by gender and region. Going forward, effort will be made to disclose this information by obtaining information for one or two years.
102-9	Supply chain	P85: Procurement Initiatives> Basic Approach
102-10	Significant changes to the organization and its supply chain	None
102-11	Precautionary Principle or approach	P82: Risk Management P43-44: Environmental Management P56: Reducing Risk Relating to New Business
102-12	External initiatives	P107: Environmental Protection Activities
102-13	Membership of associations	P106: Memberships in Leading Organizations
2. Strategy		
102-14	Statement from senior decision-maker	P4-7: Message from the President
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	P4-7: Message from the President P2：Business Policy of the Sumitomo Bakelite Group, and Sustainability Promotion Structure P83: Code of Conduct for Employees P85: Procurement Initiatives> Basic Approach P55: Basic Quality Management Policy for Fiscal 2020 P69: Basic Policy on Profit Distribution Website: Guiding Principles https://www.sumibe.co.jp/english/company/philosophy/index.html Website: Material Procurement>Procurement Policy https://www.sumibe.co.jp/english/company/purchasing/index.html
4. Governance		
102-18	Governance structure	P39-40: Sustainability Promotion Structure P75-77: Corporate Governance P43-44: Environmental Management Securities Report P37-42/139: Corporate Governance

GRI Standard – General Disclosures		Page number (title)
5. Stakeholder engagement		
102-40	List of stakeholder groups	P87-88: Relationship with Stakeholders
102-41	Collective bargaining agreements	P68: Labor-Management Relations Securities Report P11/139: Labor Unions
102-42	Identifying and selecting stakeholders	P38: Materiality in Promoting Sustainability P87-88: Stakeholder Engagement
102-43	Approach to stakeholder engagement	P87-88: Stakeholder Engagement
102-44	Key topics and concerns raised	P87: Stakeholder Engagement
6. Reporting practice		
102-45	Entities included in the consolidated financial statements	P3: Boundary P89: Consolidated subsidiaries (42 companies) Securities Report P9-10/139: Affiliated Companies
102-46	Defining report content and topic Boundaries	P3: Editorial Policy P38: Sumitomo Bakelite's Materiality P109: Basis to disclose topics identified as material
102-47	List of material topics	P38: Sumitomo Bakelite's Materiality P109: Basis to disclose topics identified as material
102-48	Restatements of information	P3: Boundary
102-49	Changes in reporting	None
102-50	Reporting period	P3: Period
102-51	Date of most recent report	P3: Published
102-52	Reporting cycle	P3: Published
102-53	Contact points for questions regarding the report	Back cover: Inquiries
102-54	Claims of presorting in accordance with the GRI Standards	P3: Editorial Policy P109-110: GRI Standards Comparison Table
102-55	GRI content index	P3: Editorial Policy P109-110: GRI Standards Comparison Table P111: Independent Assurance Report
102-56	External assurance	P3: Editorial Policy P111: Independent Assurance Report

Basis of to disclose topics identified as material

Identified materiality items	Related GRI Standard Aspects
● Mitigate environmental impacts	Materials/Emissions/Effluents and Waste
● Resource and energy conservation	Energy
● Safety and security	Environment-Overall/Occupational Health and Safety
● Chemical substances	Occupational Health and Safety
● Product liability	Customer Health and Safety
● Biodiversity	Biodiversity
● Improving stakeholder satisfaction	Customer Health and Safety
● Human resources development	Training and Education/Employment
● Diversity and work-life balance	Diversity and Equal Opportunity
● CSR procurement	Supplier social assessment
● Compliance	Socioeconomic compliance/Environmental Compliance

Topics determined to be material

GRI Standard – Specific Disclosures		Page number (title)
GRI 300 Series (Environmental Standards)		
GRI 301 Materials		
103-1	Explanation of reporting the material topic and its Boundary	P46: Medium- to Long-term Environmental Targets and Results P48: Reducing Material Loss
103-2	The management approach and its components	P46: Medium- to Long-term Environmental Targets and Results P48: Reducing Material Loss
103-3	Evaluation of the management approach	P46: Medium- to Long-term Environmental Targets and Results P48: Reducing Material Loss
301-1	Materials used by weight or volume	P45: Material Flows and Investments in Environmental Protection

GRI Standard – Specific Disclosures		Page number (title)
GRI 302 Energy		
103-1	Explanation of reporting the material topic and its Boundary	P43-44: Environmental Management P45: Material Flows and Investments in Environmental Protectio
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P43-44: Environmental Management"
103-3	Evaluation of the management approach	P43-44: Environmental Management
302-3	Energy intensity	P47: Environmental Performance P104: Definitions/Calculation Method
302-4	Reduction of energy consumption	P43-44: Environmental Management
GRI 304 Biodiversity		
103-1	Explanation of reporting the material topic and its Boundary	P70: Biodiversity Conservation Initiatives P72: Environmental and Social Contribution Activities
103-2	The management approach and its components	P70: Biodiversity Conservation Initiatives P72: Environmental and Social Contribution Activities
103-3	Evaluation of the management approach	P70: Biodiversity Conservation Initiatives P72: Message from Earthwatch Japan
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P70: Biotope Initiatives
GRI 305 Emissions		
103-1	Explanation of reporting the material topic and its Boundary	P43-44: Environmental Management P45: Material Flows and Investments in Environmental Protection
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P43-44: Environmental Management
103-3	Evaluation of the management approach	P43-44: Environmental Management
305-1	Direct (Scope 1) GHG emissions	P3: Editorial Policy P45: Material Flows and Investments in Environmental Protection P104: Trends in Environmental Performance P104: Definitions/Calculation Method ・Offsetting not used until fiscal 2019.
305-3	Other indirect (Scope 3) GHG emissions	P47: Environmental Performance
305-4	GHG emissions intensity	P47: Environmental Performance
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	P45: Material Flows P48: Air Emission
GRI 306 Effluents and Waste		
103-1	Explanation of reporting the material topic and its Boundary	P43-44: Environmental Management
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P43-44: Environmental Management
103-3	Evaluation of the management approach	P44: Activities of the Environmental Impact Reduction Committee
306-2	Waste by type and disposal method	P45: Material Flows P103: Trends in Environmental Performance
306-3	Significant spills	P50: Soil/Underground Water Pollution Countermeasures (None)
GRI 307 Environmental Compliance		
103-1	Explanation of reporting the material topic and its Boundary	P83-84: Compliance P43-44: Environmental Management
103-2	The management approach and its components	P83-84: Compliance P43-44: Environmental Management
103-3	Evaluation of the management approach	P83-84: Compliance P43-44: Environmental Management
307-1	Non-compliance with environmental laws and regulations	P84: Monitoring
GRI 308 Supplier Environmental Assessment		
103-1	Explanation of reporting the material topic and its Boundary	P85: Procurement Initiatives
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P85: Procurement Initiatives
103-3	Evaluation of the management approach	P85: Procurement Initiatives
308-2	Negative environmental impacts in the supply chain and actions taken	P85: CSR Survey of Suppliers
GRI 400 Series (Social Standards)		
GRI 401 Employment		
103-1	Explanation of reporting the material topic and its Boundary	P60: Recruiting and Employment P64: Human Resources Development
103-2	The management approach and its components	P60: Recruiting and Employment (The items for which policies are to be set are stated.)
103-3	Evaluation of the management approach	P60: Recruiting and Employment

GRI Standard – Specific Disclosures		Page number (title)
401-1	New employee hires and employee turnover	P60: Number of Group Employees and Executive Officers (Reason for omission) Given the circumstances, it is difficult to obtain information on group tallies and region-specific breakdowns for employee turnover. We are considering ways to ensure that said information can be determined and disclosed with a view to one to two years in the future.
GRI 403 Occupational Health and Safety		
103-1	Explanation of reporting the material topic and its Boundary	P51: Safety and Security
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P51: Safety and Security
103-3	Evaluation of the management approach	P51: Safety and Security P41-42: Highlights of Fiscal 2019 Activities P51: Machinery and Equipment Risk Reduction Activities, Risk Reduction Activities relating to Chemical Substances
403-2	Hazard identification, risk assessment, and incident investigation	P52: Occupational Accident Figures
403-4	Worker participation, consultation, and communication on occupational health and safety	P68: Labor-Management Relations
GRI 404 Training and Education		
103-1	Explanation of reporting the material topic and its Boundary	P64: Human Resources Development
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P64: Human Resources Development P65: The Group's in-house training institute, "SB School"
103-3	Evaluation of the management approach	P64: Human Resources Development
404-2	Programs for upgrading employee skills and transition assistance programs	P65: The Group's in-house training institute, "SB School"
GRI 405 Diversity and Equal Opportunity		
103-1	Explanation of reporting the material topic and its Boundary	P61: Employment of People with Disabilities P62: Initiatives to Promote the Advancement of Women P63: Work-Life Balance
103-2	The management approach and its components	P61: Employment of People with Disabilities P62: Initiatives to Promote the Advancement of Women P63: Work-Life Balance
103-3	Evaluation of the management approach	P61: Employment of People with Disabilities P62: Initiatives to Promote the Advancement of Women P63: Work-Life Balance
405-1	Diversity of governance bodies and employees	P75: Management System P60: Number of Group Employees and Executive Officers P61: Employment of People with Disabilities P62: Initiatives to Promote the Advancement of Women
GRI414 Supplier Social Assessment		
103-1	Explanation of reporting the material topic and its Boundary	P85: Procurement Initiatives
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P85: Procurement Initiatives
103-3	Evaluation of the management approach	P85: Procurement Initiatives
414-2	Negative social impacts in the supply chain and actions taken	P85: CSR Survey of Suppliers
GRI 416 Customer Health and Safety		
103-1	Explanation of reporting the material topic and its Boundary	P55: The Group's Basic Policy and System for Quality Assurance
103-2	The management approach and its components	P55: The Group's Basic Policy and System for Quality Assurance
103-3	Evaluation of the management approach	P55: The Group's Basic Policy and System for Quality Assurance
416-1	Assessment of the health and safety impacts of product and service categories	P54: Chemical Substance Management P55-57: Product Liability
GRI 419 Socioeconomic Compliance		
103-1	Explanation of reporting the material topic and its Boundary	P83: Compliance
103-2	The management approach and its components	P41-42: Highlights of Fiscal 2019 Activities P83: Compliance
103-3	Evaluation of the management approach	P84: Whistleblower System P84: Monitoring
419-1	Non-compliance with laws and regulations in the social and economic area	P84: Monitoring

KPMG

Independent Assurance Report

To the President and Representative Director of Sumitomo Bakelite Co., Ltd.

We were engaged by Sumitomo Bakelite Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators and environmental accounting indicators marked with ☑ (the "Indicators") for the period from April 1, 2019 to March 31, 2020 included in its Integrated Report 2020 (the "Report") for the fiscal year ended March 31, 2020, and the Company's self-declaration that the Report is prepared in accordance with the Global Sustainability Standards Board's GRI Sustainability Reporting Standards 2016 ("GRI Standards") at a core level.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, and for self-declaring that the Report is prepared in accordance with the criteria stipulated in the GRI Standards.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Shizuoka Plant selected on the basis of a risk analysis.
- Evaluating the Company's self-declaration that the Report is prepared in accordance with the GRI Standards at a core level against the criteria stipulated in the GRI Standards.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report, and the Company's self-declaration that the Report is prepared in accordance with the GRI Standards at a core level does not conform to the criteria stipulated in the GRI Standards.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 21, 2020

Onsite plant audit carried out by KPMG AZSA Sustainability

Shizuoka Plant

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Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

The illustration on the cover depicts children playing in Donguri Woods (acorn trees) found in "Ikoi no Mori" (Comfort Forest), the biotope at our Shizuoka Plant. Kingfisher and other waterfowl visit the adjacent lagoon, which visitors can view from a deck over the water.

Published: October 2020