

ANNUAL REPORT 2018



Greetings from the President

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

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 and developed, and they continue to develop and advance as an essential material for a wide variety of uses, including everyday items, transport equipment, medical equipment, semiconductors, and the aerospace industry.

As a “pioneer in plastics” originating from Japan’s first plastic manufacturer, we firmly believe that the Company’s exact mission is to create sophisticated functions of plastics and contribute to social development and people’s lives through the creation of customer value under the CS (customer satisfaction) first policy.

Our Company aims to be a company that can make your dreams for the future a reality for all stakeholders through our businesses.



President and Representative Director



Fiscal 2017 Highlights

Revenue

¥211,819 million
(Up 6.9% year on year ↑)

Business profit

¥19,251 million
(Up 15.6% year on year ↑)

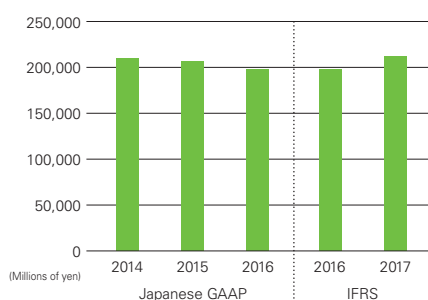
Operating profit

¥18,598 million
(Up 54.2% year on year ↑)

Profit attributable to owners of parent

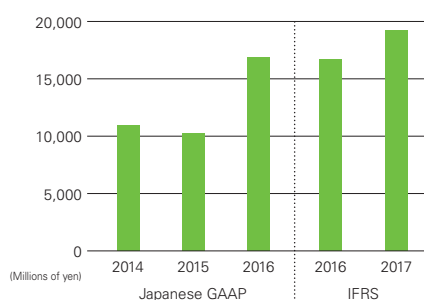
¥15,078 million
(Up 58.4% year on year ↑)

Net sales/Revenue

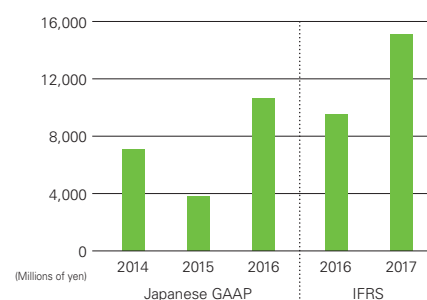


Operating profit/Business profit*

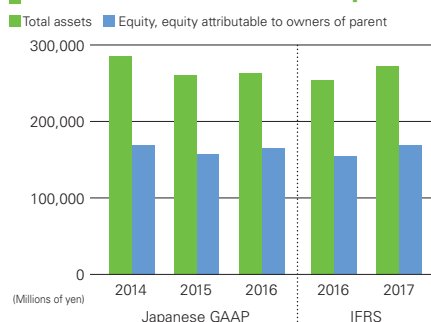
*Business profit is calculated by deducting “Cost of sales” and “Selling, general and administrative expenses” from “Revenue.”



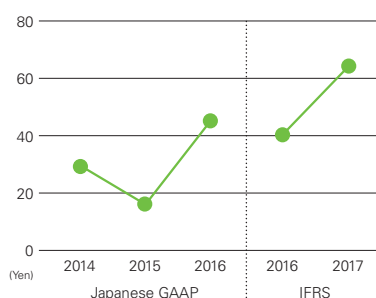
Profit attributable to owners of parent



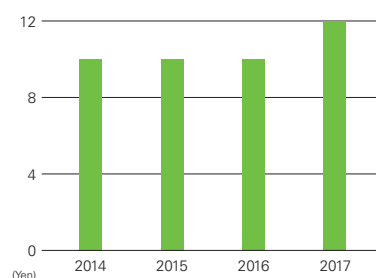
Total assets/Equity, equity attributable to owners of parent



Basic earnings per share

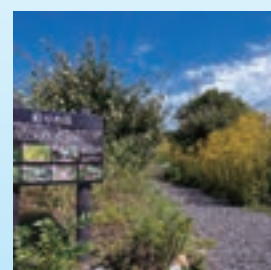
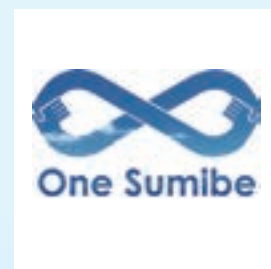
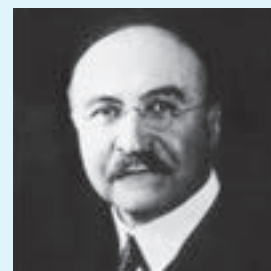


Cash dividends per share



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History

Our Company is not only Japan's first plastic manufacturer with a long, proud history, but also has always been a pioneer that leads the generation. Our Company has accomplished numerous innovations with its advanced technological capabilities fostered over its long history, as well as through its cutting-edge facilities, creating wider use of plastic on a global basis.

Nippon Bakelite Co., Ltd.

1907

- Dr. L. H. Baekeland, an American of Belgian ancestry, developed the oldest plastic, known as phenolic resin and he named that synthetic resin "Bakelite".



Dr. L. H. Baekeland

1911

- Sankyo Company (currently Daiichi Sankyo Co., Ltd.) was assigned the rights to execute the patents in Japan through the good offices of Dr. Jokichi Takamine, a close friend of Dr. Baekeland. Trial production of phenolic resin was started at the Shinagawa Plant of Sankyo Company.



Dr. Jokichi Takamine

1932

- The phenolic resin business of Sankyo Co., Ltd. was separated and formed Nippon Bakelite Co., Ltd.

1949

- Listed on Tokyo Stock Exchange and Osaka Stock Exchange.

Sumitomo Bakelite Co., Ltd.

1955

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



1959

- Started manufacture of phenolic resin copper-clad laminates, "SUMILITE" PLC with domestic made copper foil.



1962

- Shizuoka Plant was opened.



- Developed epoxy resin copper-clad laminates, "SUMILITE" ELC.



- Started sales of rigid PVC sheet "SUMILITE" VSS for various packaging needs.



Sumitomo Synthetic Resin Industries, Ltd.

1938

- Founding of Gosei Jushi Kogyosho K.K.

1944

- Renamed as Sumitomo Synthetic Resin Industries, Ltd.

1968

- Developed epoxy molding compound, "SUMIKON" EME, for encapsulation of semiconductor devices.



1900 - 1920

1930 - 1940

1950 - 1960

History of Sumitomo Bakelite Co., Ltd.

1972

- Established Kyushu Bakelite Industry Co., Ltd. (currently Kyushu Sumitomo Bakelite Co., Ltd.)



1981

- Started sales of various kind of medical devices.



1973

- Established Akita Bakelite Co., Ltd. (currently Akita Sumitomo Bakelite Co., Ltd.)



1982

- Established Sumitomo Bakelite Singapore Pte. Ltd.



1976

- Started sales of co-extruded multilayered films and sheets, "SUMILITE" CEL.



1984

- Utsunomiya Plant was opened.



1991

- Kobe Fundamental Research Laboratory was opened (currently Kobe Facility Office).



1995

- Established Sumitomo Bakelite (Suzhou) Co., Ltd. in China.



1998

- Established Sumitomo Bakelite (Taiwan) Co., Ltd.



1999

- Established Bakelite Precision Molding (Shanghai) Co., Ltd. (currently Sumitomo Bakelite (Shanghai) Co., Ltd.).

2000

- Acquired phenolic resin related business of Occidental Chemical Corporation in North America and Belgium.

2001

- Established Sumitomo Bakelite Macau Co., Ltd.



2003

- Acquired Fers Resins, S.A. and its subsidiaries (Fers Group) in Spain (currently Sumitomo Bakelite Europe (Barcelona), S.L.U.)

2005

- Acquired Vyncolit NV in Belgium and Vyncolit North America, Inc. in USA from Perstorp AB of Sweden.



- Established Sumitomo Bakelite (Thailand) Co., Ltd.

2007

- Established Sumitomo Bakelite (Nantong) Co., Ltd. in China.



- Tsutsunaka Plastic Industry Co., Ltd. was merged into Sumitomo Bakelite Co., Ltd.
- SNC Industrial Laminates Sdn. Bhd. in Malaysia became a wholly owned subsidiary of Sumitomo Bakelite Co., Ltd.

2008

- Sunbake Co., Ltd. became a wholly-owned subsidiary of Sumitomo Bakelite Co., Ltd.

2014

- Acquired Vaupell Holdings, Inc. in USA. Launched aircraft material business.



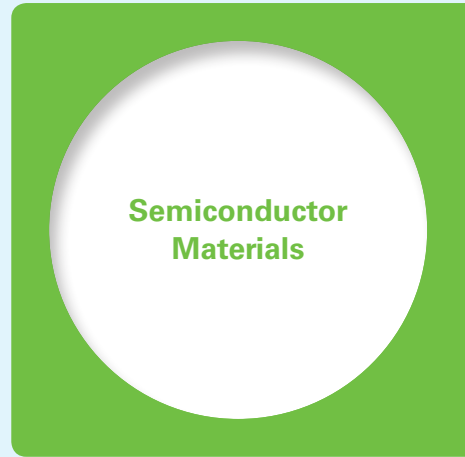
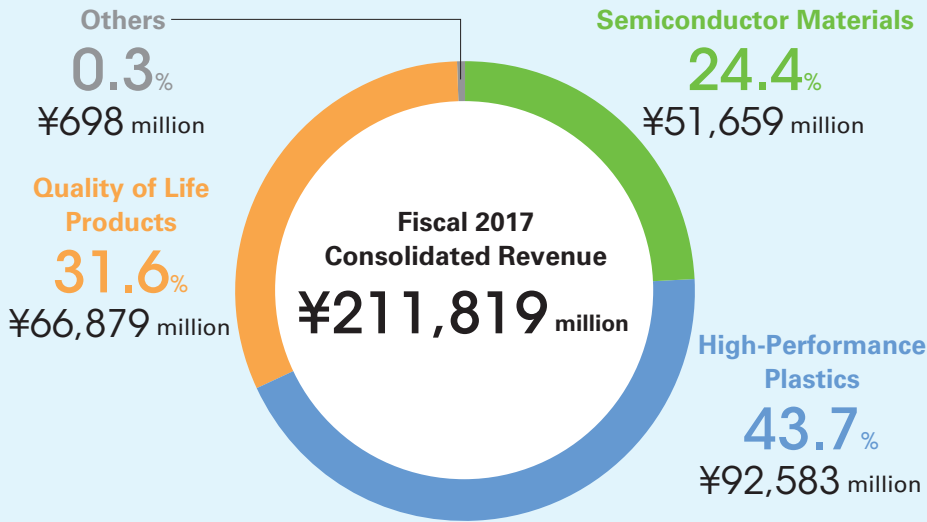
1970 - 1980

1990 -

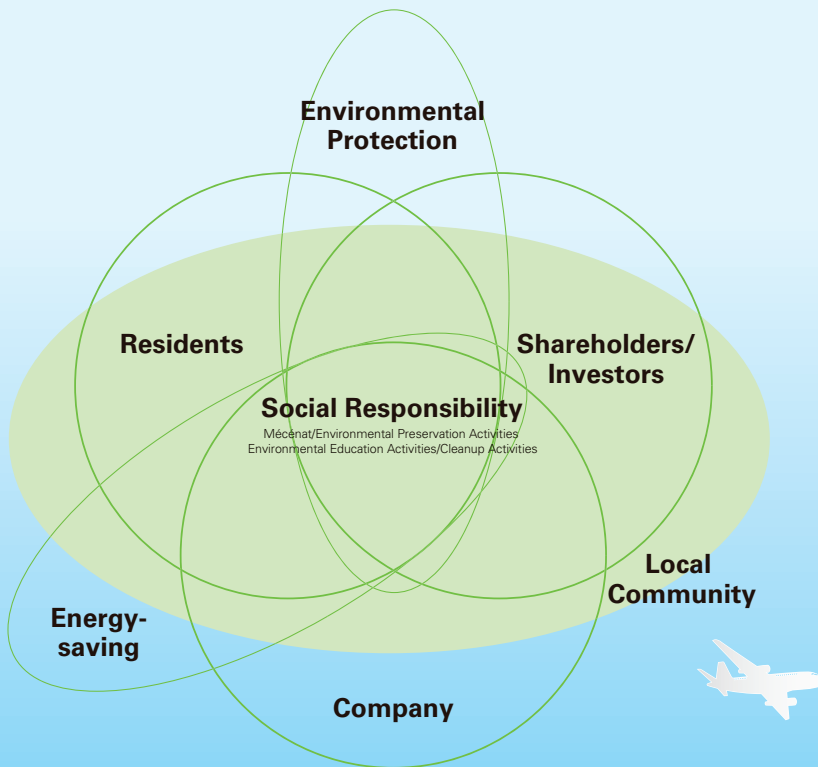
Business Areas and Strengths

We offer the world products with a variety of

Revenue Composition by Segment



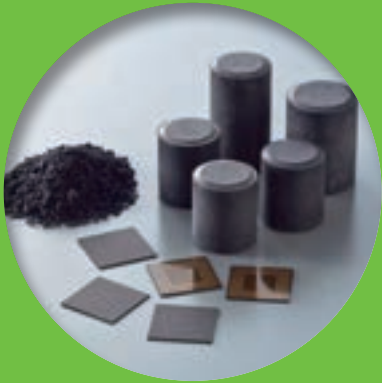
How We Undertake Corporate Social Responsibility (CSR)



potential functions that will create new value.

We fully leverage our proven achievements and advanced technological capabilities as a leading company to offer cutting-edge solutions.

Our Company is committed to always being a leading company in the area of semiconductor materials, including epoxy resin molding compounds for encapsulation of semiconductor devices that have been highly regarded by customers. What enables us to do so is our high aspirations to always be one step ahead of the generation, innovation achieved through excellent technological capabilities and a global production structure that enables seamless supply around the world.



We have established competitive advantages through our globally-optimized manufacturing while staying ahead of customer needs with a series of products that have achieved highly-advanced specifications.

Our Company offers a number of high-performance plastic products around the world that have superior properties represented by, among other factors, heat resistance, dimensional stability, electrical properties, mechanical properties and abrasion resistance, including phenolic resin used as automotive friction material. We deploy production sites in the United States, Europe, Asia and Japan for further breakthroughs.



We continuously create products with unique characteristics by leveraging our core advantage of excellent technological capabilities to contribute to realizing an even better living environment.

Our Company has launched plastic with various functions and properties by responding to the exact needs of customers. As a pioneer in plastics, we contribute to realizing an even better living environment and advancing industry by actively trying and realizing cutting-edge technologies, in addition to the technological capabilities fostered so far.



Message from the President

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

Introduction

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 and developed, and they continue to develop and advance as an essential material for a wide variety of uses, including everyday items, transport equipment, medical equipment, semiconductors, and the aerospace industry.

As a true pioneer of these plastics, we have pursued the potential of plastics amidst rapid social change, 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.

As part of our advancement into global business, we comply with the laws and regulations of other countries and strive to understand their diverse cultures, enhancing and strengthening our corporate governance. Moreover, as a chemical company, we also intend to fulfill our social responsibility by incorporating environmental safety in our operations and working toward realizing a sustainable society. Until now, our business activities have prioritized CS, in line with customers’ perspectives, but in October 2017, this moved on, and we have begun One Sumibe Activities for the first time. We are carrying out these activities as a whole company, transcending our organizational framework and aiming for further growth.

Emphasizing Environmentally and Socially Responsible Management

We emphasize environmentally and socially responsible management as a top-priority management issue, based on our Business Philosophy, “Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its business activities.” This is the business spirit ever-flowing throughout Sumitomo, and we firmly believe that business management along these lines offers a guarantee of safety, security, and trust to the world and society.

We have also established materiality (priority items) in order to recognize social issues that need to be solved, and to respond to stakeholders’ expectations and requests. Materiality is reviewed when appropriate, and matches the SDGs of each area.

In order to realize even better manufacturing, we are developing original SBPS (Sumitomo Bakelite Production System) activities based on those of the Toyota Production System, and focusing on

President and Representative Director

H. Fujiwara



reforms, including quality improvement, production innovation, and reduced lead-time. Strengthening our manufacturing capability through the SBPS is an important activity to reliably link demand creation from our customers’ perspective to our revenue. It is also connected to the eradication of quality-related complaints, and energy and resource conservation. In addition, we thoroughly control chemical substances, and are carrying out initiatives that consider the environment, safety, and health on each level from development to disposal.

Occupational health and safety is at the heart of our business activities, and we promote activities that create a working environment where we can ensure the safety and health of employees throughout the company. We will continue to strive to create even safer working environments in the future.

Thoroughness of Compliance

Compliance with laws, regulations, and corporate ethics is our duty as a member of society. All of our employees strive to carry out their duties following “Our Code of Conduct,” the standard of conduct set down by our company, and we have established a Compliance Committee aiming to be even more thorough in our compliance.

Finally

As a pioneer in plastics, our company contributes to the creation of customer value through the development and provision of new functions of plastics, aiming to grow and become “a company that makes your dreams for the future a reality” through our One Sumibe Activities. Today, we have operations in 15 countries and regions around the world. I feel it is important to fulfill our social responsibilities by making efforts to comply with local laws and understand the culture, enhancing and reinforcing corporate governance, and giving consideration to environmental safety as a chemical company.

We will continue to focus on fulfilling our social responsibility as a member of the chemical industry, supporting and implementing the Responsible Care Global Charter.

The One Sumibe Activities logo



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

The Origin of the Logo

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

Interview with the President

Recognizing Social Change and Issues as Business Opportunities, and Connecting Them with Continuous Growth and Contributions to Society



Freelance Newscaster

Keiko Yashio

President and
Representative Director

Kazuhiko Fujiwara

Aiming for a Niche and Top Share in Functional Chemical Products

Yashio Nowadays, plastics have become as indispensable as air or water. What is the history of a company such as yours, a pioneer in plastics?

Fujiwara It hasn't been all that long since plastics were created – 111 years. The oldest plastics were phenol resin, discovered by Dr. Baekeland, a Belgian American in 1907. These were given the trade name “Bakelite,” which is the origin of our company's name. We are proud to say that we originated from the first company to produce and sell phenol resin, and contributed to the development of global society and people's everyday lives by creating plastics with even higher functionality, and so it can be said that we are pioneers.

Yashio And you're at the top of a company with such history. You took up this position this year. Congratulations! What are your ambitions?

Fujiwara It is an extremely heavy responsibility to steer our management, and from now on, I want to push towards continuous growth. Under our previous president, who originally

came from sales, we prioritized customer satisfaction, expanded business in existing areas, and promoted reforms of various business structures. In so doing, we strengthened our revenue base, and were able to become a profitable company. From now on, I must first follow our current Business Philosophy and basic strategies in order to achieve continuous growth. Within these, the creation and commercialization of new products is an issue that is both important and indispensable. I come from a technical background. As a technician, I believe that my mission is to create a system that can quickly establish an ultimate goal, that is to say research and development with an eye to commercialization, as the cornerstone of our growth trajectory. If we are able to promote this, I am sure that we will realize both a niche and top share in functional chemical products, and become a company with a robust global presence.

Yashio So you're not talking about development for development's sake, and technology for technology's sake. I imagine that by carrying out research and development with an eye to an ultimate goal, the motivation of your staff will also change.

Fujiwara Yes, that's right. I hope that if we develop along these

Interview with the President

lines, they will gain the motivation to be able to contribute to society in this way.

Discovering Customers' Underlying Needs with a Company-wide System, and Building a Stronger Relationship of Trust.

Yashio To continue, I'd like to ask about your mid-term business plan from 2016 to 2018. What progress have you made?

Fujiwara The mid-term business plan involves making use of the proprietary plastics technology that is our foundation, actively cultivating key customers and working with coordination and cooperation inside and outside of the company with a Business Philosophy that aims to build an even greater added-value business, based on prioritizing customer satisfaction. We have three basic strategies. The first is quickly launching and creating new products. The second is improving profitability in growth areas. The third is regenerating existing business. Fiscal 2018 is the final year of the plan, in which we are aiming to increase operating profits by 20 billion yen; although up until fiscal 2017, we had fallen short of some of our targets in sales, we were able to achieve good results, exceeding our targets in terms of operating profits. We expect to achieve our goals in fiscal 2018.

Yashio So there has been a lot of favorable change. Are there any initiatives for further growth?

Fujiwara Since October 2017, our business activities prioritizing customer satisfaction have evolved, and we have begun One Sumibe Activities for the first time. These activities move away from the boundaries of "each product" or "each business," providing value across the whole company. Conventionally, we carried out most business vertically, but we have constructed a system that allows us to introduce products to customers from the company as a whole, creating a group that functions laterally. One Sumibe Activities are whole-company activities that promote stronger, trust-based relationships with customers, with everyone from the top management down to entry-level employees working together, aiming to expand business through discovering our customers' underlying needs.

Yashio You handle a wide range of products, and you also have a large number of business locations both in Japan and overseas; I would guess that functioning laterally will be extremely difficult for you. Is that why you have these One Sumibe Activities?

Fujiwara For example, when a representative from our semiconductor materials business visits a customer as a point of contact representing our company, they are not only responsible for semiconductor materials, but also they keep in mind our company's various products and solutions, and identify the needs of the company overall rather than just those of the customer's individual business or department. We then respond to these needs as a whole organization. I expect One Sumibe Activities to expand globally in the future. As you say, our group has a lot of bases overseas. Expanding our business overseas is our strength, but in order to make this into an even stronger weapon, it is important for our employees around the world to be of one mind approaching one goal so that we all move straight ahead. The One Sumibe Activities are the key to this.

Yashio When it comes to plastics, Sumitomo Bakelite Co., Ltd. really does provide a one-stop solution where people can discuss anything with you. In which business areas do you expect to see particular growth?

Fujiwara At the moment, our company has established three fields as areas where we expect growth: automobiles and aircraft, highly integrated devices centered on semiconductors,



President and
Representative Director
Kazuhiko Fujiwara

He joined Sumitomo Bakelite Co., Ltd. in 1980. He became Team Leader of Biotechnology-related Product Development Project in 2003, Department Manager of S-Bio Development in 2007, Executive Officer and General Manager of S-Bio Business Division in June 2009, Managing Executive Officer in 2013, Director in 2014, and President in 2018.

and healthcare. Each of these three fields are linked to social changes and issues. Highly integrated devices are essential to the development of the IoT (Internet of Things). We are contributing to the improved reliability, and reduced size and weight of materials for components such as automotive ECU bulk encapsulation, as well as materials for simple devices. Furthermore, we are promoting the practical use of honeycomb panels and parts for seating (low smoke PVC) to meet needs such as more effective fuel efficiency and reduced costs even in aircraft components, the market for which we entered fully with our takeover in 2014. When it comes to automobiles, we regulate CO₂ as a way to combat global warming. We perceive this kind of issue as a business opportunity. I believe that anticipating and responding to social and customer needs through business activities will lead to continued growth and contribute to society.

Yashio When it comes to automobiles, environmentally-friendly models such as electric and hydrogen-fueled vehicles are being released one after another. Are the components produced by your company used in these automobiles, regardless of type, as they are in conventional gasoline cars?

Fujiwara There are of course cases where parts that were necessary in conventional vehicles are no longer needed. However, the need for lighter weight is without a doubt common to all types of vehicles, and is greatly emphasized for electric and hydrogen vehicles. In order to make automobiles lighter (and reduce CO₂), we have promoted research and development of metal alternatives that can replace metals with plastics or combinations of metals and plastics.

Yashio If these alternatives and combinations make automobiles lighter, we will be able to have vehicles that are more environmentally-friendly. Is that right?

Fujiwara This has already been put into practice with mechanical components such as brake pistons. Lately, the creation of engines with resin has attracted attention, and our company is carrying out joint research with the Fraunhofer ICT, a world-leading German research institution. We have had success with demonstration experiments, coming so far as to say, "This might work."



She joined TV Tokyo after graduating from the Faculty of Law in Sophia University in 1993. After working as a reporter in the economics department, she was transferred to the announce room. She began working as a freelance newscaster in 2003. She specialized in marketing in Hosei Business School from 2002, completing her course in 2004 (DBA Doctor of Business Administration), and was an Associate Professor of Kwansei Gakuin University's School of Business Administration from 2006 to 2009. She was a special guest professor at Gakushuin University's Faculty of Economics, Department of Management from 2009 to 2016, and currently teaches as an Associate Professor at Toyo Gakuen University's Faculty of Business Administration.

Yashio I also like traveling by automobile, but I believe that while many consumers are aware of exhaust fumes, they do not know about measures to reduce them, or that there is great significance in reducing the size of components. They'd be surprised if they asked specifically about this. What about the field of healthcare? This is also an area that has a very close link to our everyday lives.

Fujiwara Our medical-related business has over 40 years of history. We predict that from now on, operations and treatments will be carried out without opening up large holes in patients' bodies with scalpels, and that these minimally invasive treatments that will lead to reduced hospital stays will increase; we are focusing on developing devices that can be used for these treatments. We are strengthening our product lineup and expanding the scope of its application with items such as a steerable microcatheter with a tip that can move freely and an SB knife for endoscopic equipment. In addition, in terms of products that are closely linked to people's everyday lives, we are offering film and sheet products. Our freshness-preserving film "P-Plus" allows users to keep plant or plant-like products, such as vegetables and fruits, fresh.

Yashio I heard that "P-Plus" is being used by convenience stores and supermarkets to package their cut vegetables. Cut vegetables used to go bad very quickly, and I had the impression that when you opened the bag there would be a pungent odor, but recently that hasn't happened very often. I didn't know that was thanks to the plastic packaging. Since you can also store normal vegetables in a bag in the fridge and they will last longer, it is incredibly reassuring to families that like to cook.

Fujiwara If shelf-lives improve, then we can also export overseas. On top of that, we can contribute to society in the sense that we will be reducing food waste, and so-called food loss.

Promoting Activities Around the World that Contribute to Solving Global Issues

Yashio Food loss is an issue attracting a lot of attention all over the world. Another worldwide issue that's been attracting attention is

the Sustainable Development Goals (SDGs) proposed by the UN. What initiatives are you putting in place in relation to these?

Fujiwara Our CSR activities and business are completely focused on the SDGs, and we're promoting activities that will contribute to solutions. Our Responsible Care Committee is at the heart of these activities, and we're also scheduled to link our next mid-term business plan, which will begin in 2019, to the SDGs. It's important that these activities range across the whole company, rather than just one part. Internally, we've started spreading information through our intranet and holding study sessions, and in the future, we hope that our activities will expand worldwide across our whole group.

Yashio This is also in the SDGs, but there have also been strong demands for companies to facilitate diversity and women's employment. What about these areas?

Fujiwara These are really important points. Humans do the jobs that cannot be done by AI (artificial intelligence) and robots. They say that people, goods, and money are necessary to a company's success. I believe that people are the most important of these. I like the phrase "people power," and I use it a lot. People power is the multiplication of motivation, abilities, personalities and characters. Education is essential for us to increase this power. There are a total of 220,000 employees attending classes in our SB School, established in 2007, and we are carrying out an initiative whereby young employees are sent overseas for around two years after they have worked with us for three years or more, allowing them to cultivate a sense of the world. Moving forwards while fostering talent is promoting diversity. We also understand that we should be especially proactive in promoting women's employment, and we are putting efforts into recruiting female employees.

Yashio I see. I was under the impression that there are not many women in science and engineering.

Fujiwara Previously, the numbers were certainly low. However, there are actually a lot of women who excel in science and math. Gender does not matter in office work or in research. However, if we want female employees to work with us for a long time and excel in management roles, we need to give support to enable them to have a work-life balance, including for childbirth and childrearing. We already have a system in place and are actively offering support, and are proud to say that we have mostly developed an environment where it is easy for women to work.

Yashio I've already asked you about a variety of topics, but I was really surprised by the number of functions of plastic. You've also really impressed me with the size of your contributions and your support in a variety of areas such as medicine, food, and environmental protection with the different functions of plastics. Finally, could you tell me how you will be steering the company in the future?

Fujiwara Firstly, I want this to be a global company. To accomplish that, we're actively working to be the first to catch social trends and issues in different areas of the world. As I said earlier, we have a profitable base. Next is a stage of further growth for our company. However, growth isn't just chasing profits. The importance of our duties, including social contributions and environmental concerns, will increase. This is not anything new to us as a company. By carrying out our Business Philosophy, "Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities," as we always have done, we naturally enhance value for all our stakeholders, including our customers. I believe that this will lead to further social contribution.

Mid-term Business Plan 2018

According to the basic policy of “Leverage fundamental plastics technologies to build more value-added business structure” under the Mid-term Business Plan covering the three years from 2016, we set as our goals for fiscal 2018 operating income of ¥20 billion (Japanese GAAP) and a return on equity (ROE) of 8%, and undertake initiatives on a group-wide basis based on the following three basic strategies.

In the final year of the Mid-term Business Plan, we will undertake “One Sumibe Activities” that further drive activities based on the “CS First” business policy we have worked on so far, further deepen our relationship with customers, and pursue active in-house cooperation and outside collaboration, thereby aiming at achieving the plan.



Shift from Product Out to “Needs Pull & Seeds Push”
Deepen its relationship with priority customers (B to B)
under the “CS First” policy and pursue active in-house and outside cooperation/ collaboration

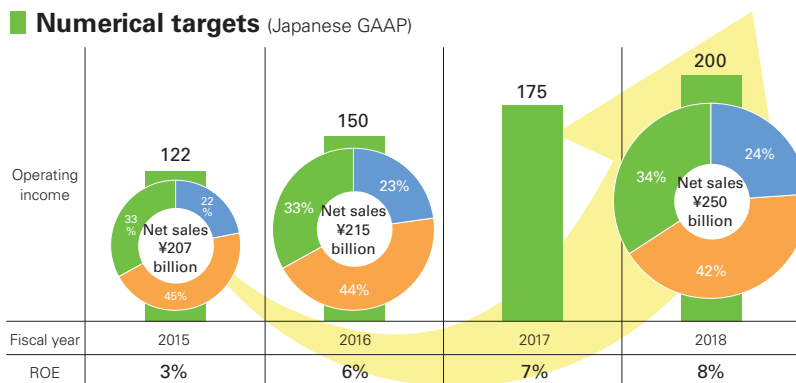
Basic Policy

Leverage fundamental plastics technologies to build more value-added business structure

Basic Strategies

- New business start-ups and creation
- Increase in profitability and scale of growing areas
- New growth in existing businesses and change of business model

Numerical targets (Japanese GAAP)



Numerical targets for Mid-term Business Plan (Fiscal 2018): operating income of ¥20 billion; ROE of 8%

Sustainability

SDG (Sustainable Development Goals) Initiatives in our Group

“SDGs” is an abbreviation for “Sustainable Development Goals.” These are international goals, consisting of 17 goals in different areas and 169 targets (concrete objectives), adopted by a UN Summit in September 2015, to be fulfilled in the 15 years between 2016 and 2030.

Our group considers initiatives that improve social as well as economic values to be indispensable to solving social issues and realizing sustainable growth and value creation. All of our business activities carry out “development and manufacturing” based on the principles of our Business Philosophy (company policy)*, and we are focused on contributing to the creation of a sustainable society.

We are currently promoting the coordination of “social issues represented by SDGs,” “our business activities (value provided),” and “our company vision.” In terms of business that we are concentrating on, we wish to contribute to the SDGs set out by the UN by steadily promoting our activities, and connect this with increased company value.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



*Please see page 23 for more details about the Business Policy of our Group (company policy).

Semiconductor Materials

- **Increase market share by joining forces for manufacturing, sales and R&D**
 - ▶ **Undertake measures to improve both “volume” and “quality”**
 - Improve CS functions at each business site (e.g., establish and enhance sales network in Chinese market; newly launch open laboratory in Taiwan)
 - Expand business volume in growing areas (e.g., drive differentiation by promoting zero defects for automotive applications; develop materials for IoT)
- **Promote sales of high value-added products**
 - Expand sales of mold underfill materials/granule type encapsulation materials for compression molding
 - Enhance production capabilities for coating resin for semiconductor wafer
 - Ensure thorough implementation of “One-Stop Package Solution” strategy through the combination of epoxy resin molding compounds for encapsulation of semiconductor devices and semiconductor thin package substrate

High-Performance Plastics

- **Make strong products even stronger to increase market share**
 - Enhance competitiveness of three global strategic products (resin for tires, resin for friction material, and molding compounds for brake pistons)
 - Increase market share of products with unique strengths in each region and deploy such products horizontally to other regions
- **Expand businesses in growing areas (aircraft materials)**
 - Deepen relationships with customers of existing products and develop/increase customer base globally
 - Expand business areas by leveraging material technologies of Sumitomo Bakelite Co., Ltd.
- **Replace large-volume/heavy-weight automotive components with resin components**
 - Promote collaboration with external institutions including Fraunhofer Institute (Germany)

Quality of Life Products

- **Healthcare**
 - Actively deploy into growing area of minimally invasive treatment such as endovascular treatment and endoscopic treatment
 - Pursue global business expansion through external cooperation/collaboration
 - Pursue business expansion in the area of advanced medical care through M&As
- **Film sheet**
 - Increase market share for functional use and promote overseas sales
- **Functional materials for industrial use**
 - Promote business shift to “B to B” business and deploy into high-performance area

Our Group is contributing to the fulfillment of SDGs with development and manufacturing based on the principles of our “Business Philosophy” (company policy)*, and wish to contribute to the creation of a sustainable society.

Manufacturing Contributing to the SDGs

The Business Philosophy of our Group (Company Policy): The Sumitomo 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.

Sustainable Development Goals

Worldwide shared goals made up of 17 goals and 169 targets, to be fulfilled by 2030 → **are the ultimate underlying needs, and our company policy is in agreement with making them a reality.**

We promote research and development linked to the expansion of existing products and the creation of new products in “Three Creation Areas” through carrying out “One Sumibe” activities based on the SDGs.

Thermoset Products to Support Eco-friendly Vehicles of the Future



7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Our initiatives to develop and produce eco-friendly automobile technology are linked with economic development and global environmental protection, contributing to development goals 7, 8, 9, 11, and 13 of the SDGs.

Combustion test of an engine with phenolic cylinder housing made by our company (Photograph: Fraunhofer ICT)

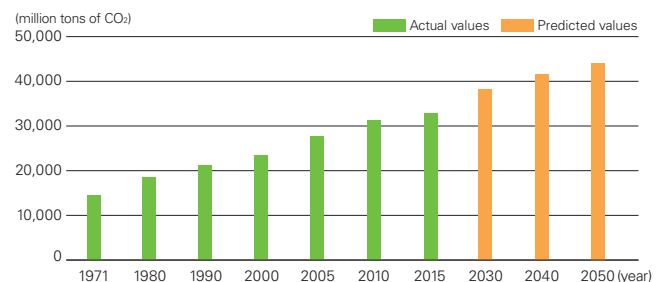
Towards environmental friendliness for automobiles desired all over the world

Climate change caused by global warming is impacting our lives in various ways, including abnormal weather in different parts of the world and rising sea levels. Reducing CO₂ emissions (Graph 1), which are one of the causes of global warming, is included in the Paris Agreement and SDGs (Sustainable Development Goals) as a shared issue that must be urgently addressed by each country's government and companies. Notably, there is intense attention on making automobiles, which are a major source of CO₂ emissions, environmentally friendly (Graph 2).

The IEA's EPT 2012 2°C Scenario (2DS) (Graph 3) includes estimations of the future around the world based on different powertrains*¹. It is predicted that if by 2040 we do not ensure that 80% of vehicles are electric, which includes simple electric vehicles (EV), fuel cell electric vehicles (FCEV), hybrid vehicles with internal combustion engines (HV), and plug-in hybrid vehicles (PHV), the worldwide temperature will rise more than 2°C. Further, by 2050 CO₂ emissions from personal vehicles (Graph 2) are predicted to exceed 9.5 billion tons, and it is expected that this will greatly exceed the 1.7 billion tons that is the COP21 goal. It is calculated that, because countries around the world cannot meet their targets in terms of strengthening emission regulations by 5% each year from 2020, stronger regulations of 8% per year will be necessary. Meanwhile, according to the statistical data (Graph 3), there are many issues with respect to EV, including infrastructure and battery improvement, and it

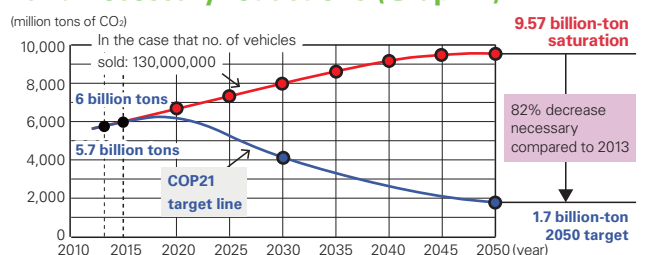
is predicted that, in 2035, the status of vehicles with internal combustion engines, such as those which use gasoline or diesel, will not differ much from that of today. We must once again recognize that we are in a situation

Worldwide CO₂ emissions trends (Graph 1)



Source: "EDMC Handbook of Japan's & World Energy & Economic Statistics 2018;" The Energy Conservation Center, Japan

CO₂ emissions from personal vehicles by 2050 and necessary reductions (Graph 2)



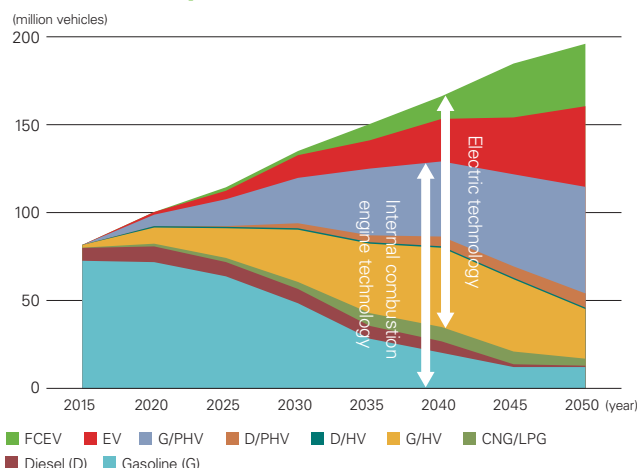
Source: Toshio Fujimura, Guest Professor at the Aichi Institute of Technology

where CO₂ reduction policies concerning automobiles are now or never.

In these circumstances, the move towards electric vehicles has accelerated in China, which is urgently passing measures against serious air pollution, and in Europe due to the impact of the diesel fuel consumption fraud. The environment surrounding automobiles has begun to turn to eco-friendly cars in a big way, with the UK and France announcing that sales of vehicles with internal combustion engines will end in 2040, China introducing the NEV rules*² in 2019, and the ZEV regulation*³ of California in the US. Looking 30 or 40 years into the future, eco-friendly automobiles such as electric vehicles, fuel-cell electric vehicles, and vehicles with highly efficient internal combustion engines will surely be mainstream all over the world.

Our Company is responsible for the research, development, production, and sales of a great variety of materials for automotive components, and is responding to these trends with a global system.

Predicted no. of sales by vehicle (global) / case of 2DS (Graph 3)



Source: Excerpt from 2016.11 documents from the Automobile Division, Manufacturing Industries Bureau

*1 Powertrain: General term for a device that efficiently sends the rotational energy produced by the engine to the driving wheels

*2 NEV rules: Stands for New Energy Vehicle; these rules promote new energy vehicles in China

*3 ZEV regulation: Stands for Zero Emission Vehicle; exhaust gas regulation in the state of California

Reducing body weight and improving fuel economy through thermoset resins

Initiatives by automobile and component manufacturers regarding eco-friendly vehicles have at their foundation CO₂ emission reductions, both direct and indirect. Automobile manufacturers have previously engaged in reducing the weight of vehicle bodies and improving the fuel efficiency of the engine, and the need for this has further increased in recent years with the development of electric cars and exhaust gas regulations. For example, the weight of electric vehicles has increased compared to that of vehicles with conventional internal combustion engines due to the inclusion of a large battery. Moreover, a higher-power, long-life battery is needed to increase mileage, and the reality is that with our current technology we must use a large battery. For this reason, discussions about improving battery performance, such as that of solid-state batteries, are moving forward, but on the other hand we also need to reduce the weight of the vehicle body. Using plastic components as alternatives for metal

components in automobiles began in the 1980s, and by around 2010 all possible components that could be made of resin, including those around the engine under the hood and in the vicinity of the brakes, had been replaced. We have a track record in making appropriate use of phenolic resin, notably with thermal-load components and components requiring dimensional accuracy. We are currently promoting metal alternatives for parts relating to the bodies of powertrains in eco-friendly vehicles, and for parts that are conventionally required to be metal due to its strength and heat resistance. In order to accomplish this, we have set up "sbDRIVE™"; a metal alternative concept for the vehicles of the future, through the development of our original new materials and processing techniques that make use of the advantages of thermoset resins such as phenolic resin and epoxy resin, and are providing various solutions from materials to proposals for resin components.

The history of the use of phenolic resin in automobiles



*4 The weight of phenol within the total weight of an automobile

The “sbDRIVE™” Concept Developed in Europe Promotes a Reduction in CO₂ from the Automobile Society



Vyncolit NV (Group company of Sumitomo Bakelite Co., Ltd.)

Vyncolit NV
Managing Director
Peter Vanderstraeteu

Vyncolit NV
Chief Innovation Officer
Hendrik de Keyser



The phenolic materials that we produce help to substantially reduce the weight of automobiles, contributing to a cleaner society. Taking the example of internal combustion engine technology, we can make automobiles lighter by combining large, functional components associated with the engine.

We have created the concept of “sbDRIVE™”. This is a marketing concept that proposes a resin solution for large, heavy automobile components such as engines, electric powertrains, and brake systems, aiming to develop strategic technology in the automobile industry. In addition to our core business of materials development, our sbDRIVE Demo Center has been established at Vyncolit NV (Belgium), where we are focusing our efforts on developing production solutions for commercialization, prototypes, and components.

In the sbDRIVE Demo Center, you can create components of up to 3 kg in one go as well as seeing the manufacturing process, completely automated with a robotic function. Customers are able to understand with one glance how we are able to construct a safe production line and provide metal alternatives for larger automobile parts at the sbDRIVE Demo Center.

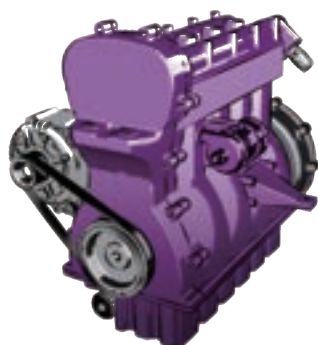
We also carry out jointly developed product prototyping (creating prototypes for testing), useful for smooth cooperation and communication with customers.

In recent years the electrification of powertrains has

been promoted, and “sbDRIVE™” offers further market opportunities and provides new solutions for electric motor housing using sealing technologies for electronic components. We are also in the process of developing a composite solution for brake systems. Composite brake pads could reduce the weight of a single vehicle by over 1 kg. The commonalities of all of our “sbDRIVE™” activities are that they combine knowledge of materials, prototyping, and developing a completely automated production system, and these are developed in cooperation with the automotive industry. We believe that having a development activity “brand” is important for building the identity of our Group as a solution provider.



Weighing 500 tons, one of the world's largest machines for thermoset injection molding (sbDRIVE Demo Center)



The TM2 Concept, an engine concept made from thermoset resin conceived by Vyncolit NV

The “sbDRIVE™” concept was established a few years ago to create long-term sustainable growth for us through technology development, along with major automobile manufacturers and component manufacturers in the automotive industry. It is important that we make value creation for our end customers and society the goal of our technology development.

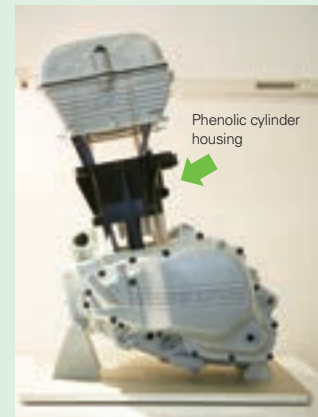
By starting this initiative, we are making our development abilities in the automotive industry well known, and differentiating ourselves from conventional application development.

Example of joint development Development of a plastic motorcycle engine

We have developed a plastic motorcycle engine with Fraunhofer ICT.

It uses a cylinder housing made of glass-fiber reinforced phenolic molding compounds, resistant against loads, wear, fuel, and coolant, which will be implemented as part of a single-cylinder motorcycle engine from BMW. The results of performance experiments offer proof that this engine is not inferior to conventional aluminum engines in terms of performance. In addition, it is around 20% lighter, noise and heat are suppressed, and the manufacturing costs are lower.

Our Company and the Fraunhofer ICT exchanged a comprehensive tie-up agreement relating to the creation of resin automobile components in 2017. Based on the agreement, a variety of research and development teams are being started, including those at Vyncolit NV. In the future, we will promote research in order to develop and make use of materials that can demonstrate excellent functionality in terms of the environmental friendliness, with a focus on electric vehicles.



BMW single-cylinder engine for a motorcycle

Comment from our collaborator



Fraunhofer Institute for Chemical Technology (ICT)
New Drivetrain Project Group
Hybrid Drive and Electric Mobility Area Manager
Doctor of Engineering

Lars Fredrik Berg

Q What do you think about phenolic materials as materials for engines?

We believe that introducing thermoset materials such as phenolic resins for components that are exposed to high heat underneath the hood of a car is the key to expanding the use of resin composite materials.

This is because phenolic composite materials can meet the levels of mechanical strength, heat resistance, and chemical resistance needed for the components of an automotive engine. It is also suited for producing large-capacity components, and is cost competitive when compared to light-weight alloys.

Q Why are you cooperating with Vyncolit NV ?

Fraunhofer is always seeking partners with whom to carry out innovative research and development activities.

In 2012, we had a plan where we officially announced resin engine blocks. At that time, people in the automotive industry thought that it was impossible to realize this, but Vyncolit NV alone clearly demonstrated the possibility, and so we decided to work with them.

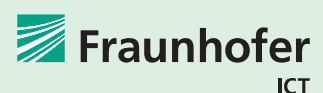
Q What do you think about Vyncolit NV as a partner?

Our cooperation with Vyncolit NV has been ideal when it comes to furthering our core competence (competitive advantage).

Having made Vyncolit NV our partner, we have been able to jointly cover the whole development chain, from developing materials to evaluating components while approaching potential customers, and we know that this partnership is beneficial to us.

Fraunhofer ICT

This organization has 72 institutes and independent research units in Germany, and is the largest organization for applied research in Europe. Research of practical utility is at the heart of the practical research carried out by the Fraunhofer ICT in a variety of scientific and technology fields.



Contributing to the Promotion of Eco-friendly Cars with a Global Research and Development Network



High Performance Plastic Technology Development Laboratory

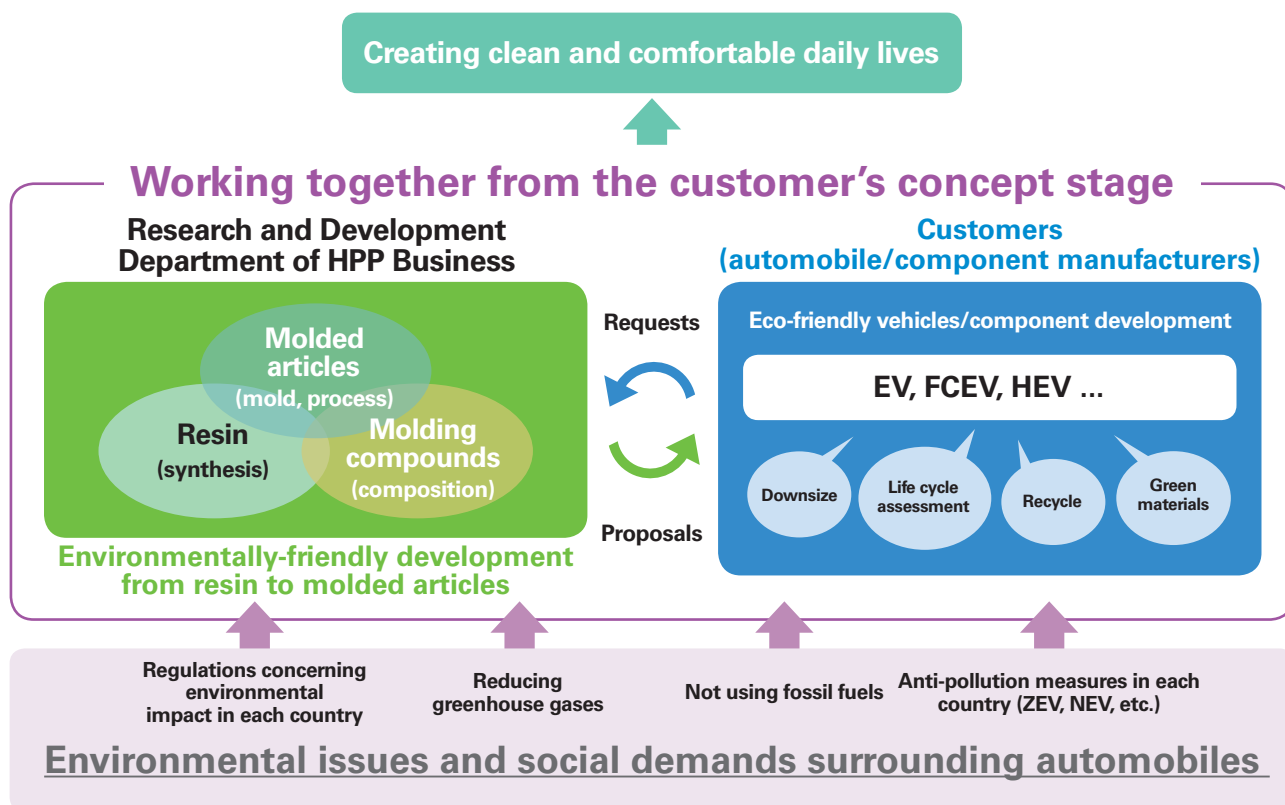


High Performance Plastic Technology Development Laboratory
Deputy Director
Hidemi Yazawa

With initiatives and rising demands for global environmental friendliness in the background, various countries and automobile manufacturers have rapidly advanced the development of eco-friendly vehicles in recent years. In these circumstances, we are carrying out technology development, mainly centered on Japanese research, that will contribute to environmental friendliness in the near future by sharing information and coordinating technologies with bases around the world. Notably, in Europe, which is leading the development of electric cars, we are verifying the practical use of the potential of a next-generation resin engine made by Vyncolit NV, part of our Group, with cooperation from the Fraunhofer ICT.

In addition to demonstrating the high potential of realizing a substantial weight reduction and improving fuel efficiency, we have also proven that this engine is wonderfully quiet. The results of this verification have had repercussions all over the world. We are also exploring this at the High Performance Plastic (HPP) Technology Development Laboratory in Japan, and Japanese automobile manufacturers have expressed very keen interest in the proposed technologies that will reduce weight and improve fuel efficiency. The technology of the next-generation resin engine is not only being applied to engines; there is also the potential to use it for new powertrains such as the electric motors indispensable to electric cars, inverters,

Initiatives for environmental friendliness in the Research and Development Department of HPP Business

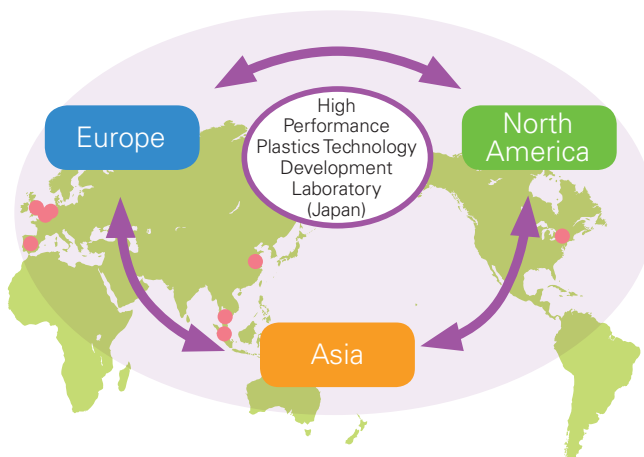


and the steps to modularize these. Our thermoset materials are useful as a reduced weight technology that makes use of the electrical insulation properties unique to resin. We are spreading information from Japan to the world about the alternative uses of these accumulated technologies in electric vehicles, and are promoting its use in next-generation eco-friendly vehicles. We believe that, many years in the future, eco-friendly vehicles that use reduced weight technologies will be in active use the world over.

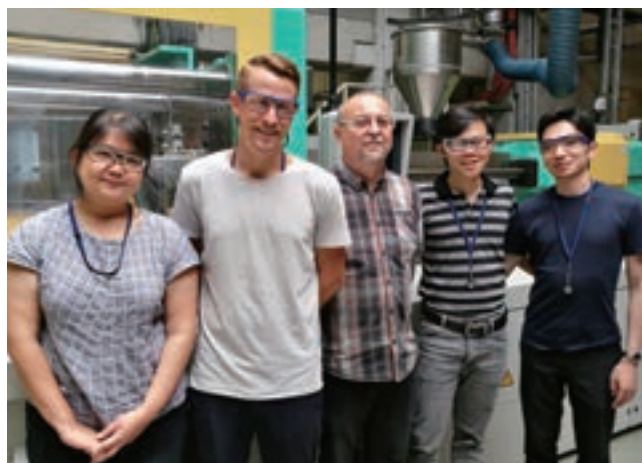
In terms of the development of conventional automotive components, as resin manufacturers, we are developing efficient materials that are requested by our customers, with most of these limited to supply. However, the most recent need for reduced weight means that there are many components that are difficult to simply exchange for other materials.

We have advanced technology development and expertise with an established track record in phenolic resin, molding compounds, and molded parts. This expertise is applied and used to its full extent, making it possible to come up with new solutions. By taking part from the concept stage of the development of the customer's product, we are able to develop the most appropriate resin and compounds; we are also able to propose new solutions, from suggestions for shapes that fully make use of the resin materials to processing methods, from the unique perspective of a resin manufacturer with expertise in metal alternatives gathered over a long period of time, and are creating metal alternatives in cooperation with customers. We will continue to make use of our global support system while meeting the expectations of customers and markets in each of our research laboratories around the world, striving to create products that will contribute to the wider environment and society, including the automotive industry.

HPP Business Research and Development Department's Global Network



Our global network is formed with technology developed and disseminated by Japanese R&D at its core



Electric automobile motor development engineers and marketing members

Our Future Mission for the Environment

As we stated above, there is a tendency for electric vehicles to have increased weight when compared to vehicles with conventional internal combustion engines, due to the increased number of electronic components and battery. In order to offset this, we are implementing a proposal to increase the number of components made of metal alternatives. Up until now, many of the components that are made of resin and have reduced weight are palm-sized, and phenolic resin components inside an automobile weigh around 0.5 kg to 2 kg. We are aiming to increase this to 20 kg to 50 kg, contributing to the reduction of CO₂ and increased fuel efficiency by reducing the weight of automobiles.

In Europe, we have been able to develop technologies that we would not have been able to achieve alone by joining consortiums in different fields. We have also been able to discover the potential of applying resin materials to

components that were lumps of metal, for example engines, electric motors, transmissions, brake systems, power control units, and inverters. Our Group is playing a part in environmentally-friendly automobile manufacturing, along with automotive and component manufacturers in not only Japan but also in Europe, America, and China.



Helping to Maintain the Freshness of Produce and Reduce Environmental Impacts with "P-Plus"



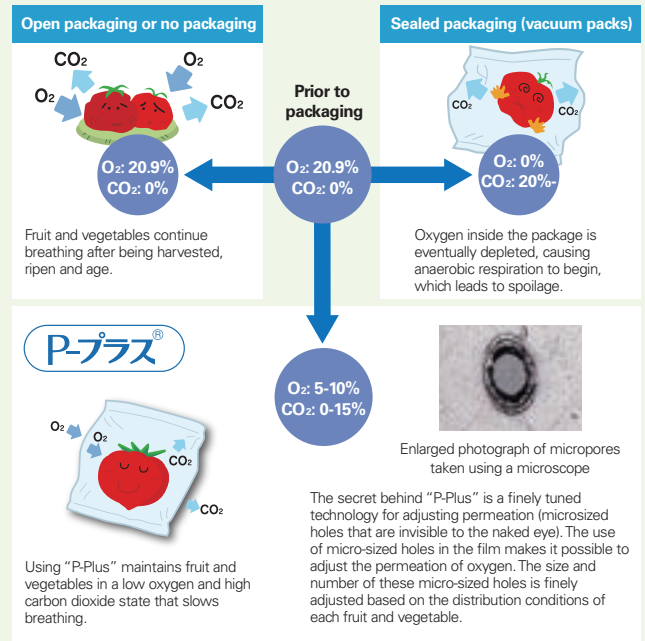
We contribute to the SDGs through the reduction of food-waste, increasing the added value of agricultural products, preserving necessary nutrients, making impossible imports and exports possible, increasing agricultural productivity, and ensuring safety by preventing corruption.

Our company's freshness-preserving film "P-Plus" 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 products can be switched from styrene foam packaging 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 and containers, contributing to the reduction of environmental burdens in terms of the lifecycle of fruits and vegetables.

"P-Plus" is not only used in areas across Japan to transport their typical 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.



Cut vegetables

Zipper bags for home use



P-Plus is being used to ship fruits and vegetables grown in every corner of Japan

Wakayama Prefecture Tanabe Chuo Seika

Nanko Plums



Tanabe Chuo Seika has continued to use "P-Plus" for more than 20 years, since it was first sold. Plums begin to lose their freshness from the moment they are harvested, meaning that if you ship them in regular OPP anti-fog bags they turn yellow before you know it. With "P-Plus", in addition to keeping their green color, the quality of the fruit can also be maintained.

Saga Prefecture Earth Mind Ima-ri

Paprika



Earth Mind Ima-ri uses "P-Plus" because these are fully ripe Japan-grown paprika, and they want to deliver them to consumers having preserved their rich nutrients and characteristic sweetness and juiciness. To maintain the quality of these paprika, grown using exacting farming methods, "P-Plus" is indispensable.

Akita Prefecture JA Akita-Obako Edamame Group

Edamame



Edamame is an important crop that everyone involved in farming in Akita Prefecture is focused on together. However, they don't keep well, and they must be transported over long distances to reach the metropolitan areas, their main market, creating a problem with deterioration. When "P-Plus" was introduced, the period for which they maintain their freshness increased a great deal, and JA Akita-Obako is now able to deliver delicious edamame.



New product mascot called P-Plus Man was created. He makes vegetables fresh.



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 P-Plus produce" page.

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

Topics

Advertisement at Baseball Stadium

The Company has placed advertisements via various forms of media, including electronic signboard advertisements in the Shinkansen, for enhancing brand recognition and increasing fans of the Company.

As part of this advertisement strategy, the Company has placed corporate identity advertisements at Jingu Stadium since March 2018. These advertisements are also expected to raise our brand recognition because of the home stadium for the Tokyo Yakult Swallows professional baseball team and especially among students as the Stadium is a mecca for student baseball including the Tokyo Big6 Baseball League which is an intercollegiate baseball league that features six prominent universities in Tokyo.



Company advertisement at Jingu Stadium



"Ikoi no Mori" biotope at Shizuoka Plant



Presentation at "Biotope Award" ceremony

"Biotope Award" for Biotope at Shizuoka Plant

The Company is engaged in initiatives to preserve biodiversity, as it recognizes that while it depends on nature's bounties for the procurement of the raw materials necessary for its business activities and for the supply of water and energy, it is also directly and indirectly affecting the natural environment through waste and chemical substances, the emission of CO₂ and waste water, among others. The Company participated in the "Japan Business Federation's (Keidanren) Declaration of Biodiversity as a Promotion Partner" in 2010 and has undertaken initiatives in accordance with the Declaration. Moreover, the Company has created "Ikoi no Mori," a biotope on the premises of the Shizuoka Plant as an initiative based on the Declaration under the instruction of Professor Tatsumi Yamada of Tokoha University, and has opened the biotope to the public from April 2017 and continues to invite customers and local residents.

In fiscal 2017, our biodiversity conservation activities centered on "Ikoi no Mori" were recognized with the "Green Partner Award" by Bridgestone Corporation as well as the "Biotope Award (Biotope First Prize)" by the Japan Biotope Association. The Company aims to contribute to the local community by enabling visitors to touch upon the importance of biodiversity and thereby utilizing it as a venue for enhancing environmental awareness and for environmental education.

Partnership Agreement with Japan Inclusive Football Federation

Corporate social responsibility (CSR) has become increasingly important for corporations in recent years. The Company also promotes tangible activities, including the annual issuance of CSR reports. The Company, as a new initiative, entered into a partnership agreement with the Japan Inclusive Football Federation (JIFF) especially from the perspective of respect for diversity and contributing to the realization of a society where everyone can live in harmony.

The JIFF aims to remove the wall between the handicapped and non-handicapped through inclusive football. We identify with the philosophy of the JIFF which is committed to creating a vibrant society that respects each person's uniqueness through the benefits of sports and soccer regardless of disability, and thus support the JIFF's activities.



Photograph courtesy of the Japan Blind Football Association



OSAKA-KANSAI/JAPAN
EXPO2025

Japan World Expo 2025

Osaka Prefecture is vying to host the World Expo scheduled to take place in 2025. The bid committee mainly established by the Kansai Economic Federation for the World Expo is planning various programs to secure Osaka Prefecture's bid ahead of the official announcement in November 2018. The Company supports the bid and is cooperating in various ways.

Business Overview/Segment Overview

We have adopted International Financial Reporting Standards (IFRS), switching from the former Japanese GAAP, since the full-year account closing at the end of fiscal 2017. Accordingly, comparable figures of the previous fiscal year are presented in accordance with IFRS. The group has adopted a profit item named “business profit” as one of the material indicators to be managed for promoting sustainable growth. “Business profit” is calculated by deducting “Cost of sales” and “Selling, general and administrative expenses” from “Revenue.”

As for the global economy during the fiscal year under review, the United States saw a recovery in personal consumption driven by the improved employment environment, and the European economy also showed moderate economic growth. China showed growth in exports and a solid trend in consumption. The Japanese economy also marked a continuous recovery based on steady domestic and overseas demand.

In terms of the management environment surrounding our Group, demand for semiconductor materials remained strong in automotive, IoT and industrial use, respectively. For automotive, sales in the United States slowed slightly due to decreased demand for passenger vehicles, although demand for light trucks increased, whereas demand in Europe grew mainly in Southern European countries and China also showed steady growth. In Japan, solid growth continued partly due to the effect of the launch of new vehicles. Domestic housing starts shifted from a flat to a weak trend.


Given the aforementioned management environment, we are exploring deepening its relationship with customers by newly undertaking One Sumibe Activities, as well as actively pursuing in-house and outside cooperation/collaboration under the “CS First” policy. Furthermore, the group has taken initiatives to grow its corporate value in the mid to long term under the following three basic strategies.

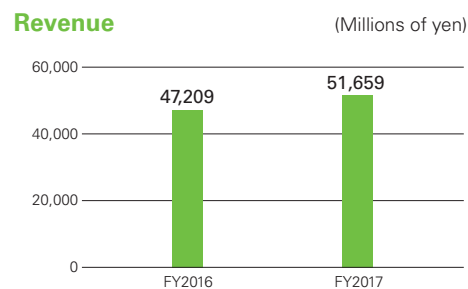
- (i) New business start-ups and creation**
- (ii) Increase in profitability and scale of growing areas**
- (iii) New growth in existing businesses and change of business model**

Consequently, revenue during the fiscal year under review resulted in ¥211,819 million, up 6.9% year on year, mainly due to increased sales volume. On the earnings front, business profit reached ¥19,251 million, up 15.6% year on year, mainly driven by increased sales volume in each segment despite the price hike in raw materials, whereas operating profit increased by 54.2% year on year to ¥18,598 million due to a decrease in impairment loss and cost of business restructuring. Profit attributable to owners of parent increased by 58.4% year on year to ¥15,078 million.

Semiconductor Materials


Revenue **¥51,659** million

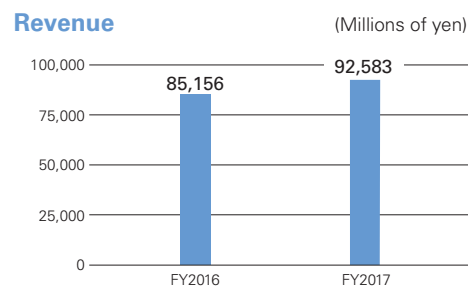
Up **9.4%** year on year 



High-Performance Plastics


Revenue **¥92,583** million

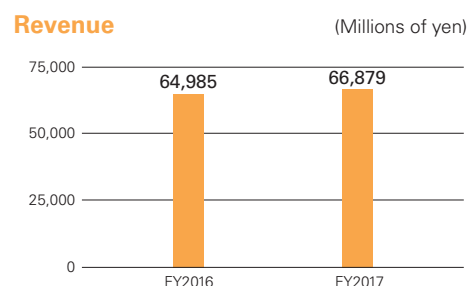
Up **8.7%** year on year 



Quality of Life Products

Revenue **¥66,879** million

Up **2.9%** year on year 



We saw revenue growth in epoxy resin molding compounds for encapsulation of semiconductor devices due to increased sales volume. Overall demand remained strong including sales expansion for automotive use. Revenue from pastes for die bonding also increased mainly driven by an increase in sales volume.

While revenue from "LαZ" substrate materials for semiconductor packages decreased, we deploy "One Stop Solution" activities to offer solutions for customers of semiconductor thin package substrates in combination with epoxy resin molding compounds for encapsulation of semiconductor devices.



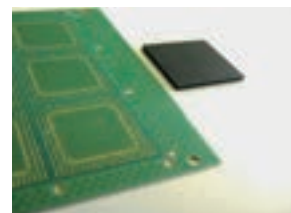
Epoxy resin molding compounds for encapsulation of semiconductor devices



Pastes for die bonding



Photosensitive coating resins for semiconductor wafers



"LαZ" substrate materials for semiconductor packages

Revenue from phenolic molding compounds increased due to increased sales volume. Long fiber materials showed strong growth especially for drilling parts used for shale oil wells in North America in addition to solid demand for automotive components in the United States and Europe and for electronic components in China. Revenue from phenolic resins for industrial use increased due to increased sales volume mainly for automotive use in the United States and Europe and for construction materials in Europe, and in addition, sales price revisions following the price hike in raw materials further drove this revenue growth.

Revenue from aircraft interior components decreased because of customer inventory adjustment. Cost improvement of molded products for automotive parts advanced following the completion of production site integration in China despite a decline in revenue. Revenue from copper-clad laminates increased due to favorable growth in automotive use.



Phenolic molding compounds



Phenolic resins for industrial use



Aircraft interior components

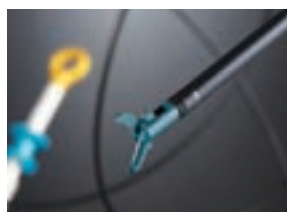


Copper-clad laminates

Revenue from medical device products increased due to the recovery in demand for existing products. New products for minimally invasive treatment, our focus area, also contributed to revenue growth, including the "Steerable Microcatheter" endovascular treatment device.

We saw revenue growth in vinyl resin sheets and multi-layer sheets. Cover tapes, dicing films and release films for industrial use showed steady growth while medical packaging use declined due to customer inventory adjustment. Revenue from "P-Plus" freshness preserving films, increased due to increased adoption in items for farm-fresh vegetables and pre-cut vegetables.

We saw increased revenue from plate products, consisting of polycarbonate resin plates and polyvinyl chloride plates. The demand for polarizing sheets for sunglasses and insulation films, as well as for construction material, increased despite a decline in sign display use. Revenue from Decola products increased as a result of our focus on high-performance/high value-added areas including interiors of railway vehicles and "Decola Innovair" non-flammable melamine sheets. Revenue from waterproofing products remained flat due to slowed demand for renovation use, although demand for new housing, including housing complexes, increased.



Medical device products



Films and sheets



"P-Plus" freshness preserving films



Plate products

Business Policy and CSR

The Sumitomo Business Philosophy and Our Group Business Philosophy

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 character-building 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 → [Sumitomo Group Public Affairs Committee
https://www.sumitomo.gr.jp/english/](https://www.sumitomo.gr.jp/english/)

Business Philosophy of Our Group (Company Policy)

The Business Philosophy of our Group, demonstrating our management principles, is as follows:

Business Philosophy

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

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

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

Link → [Guiding Principles
https://www.sumibe.co.jp/english/company/
philosophy/index.html](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

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.

Policy on Responsible Care Activities*¹

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 of a 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;

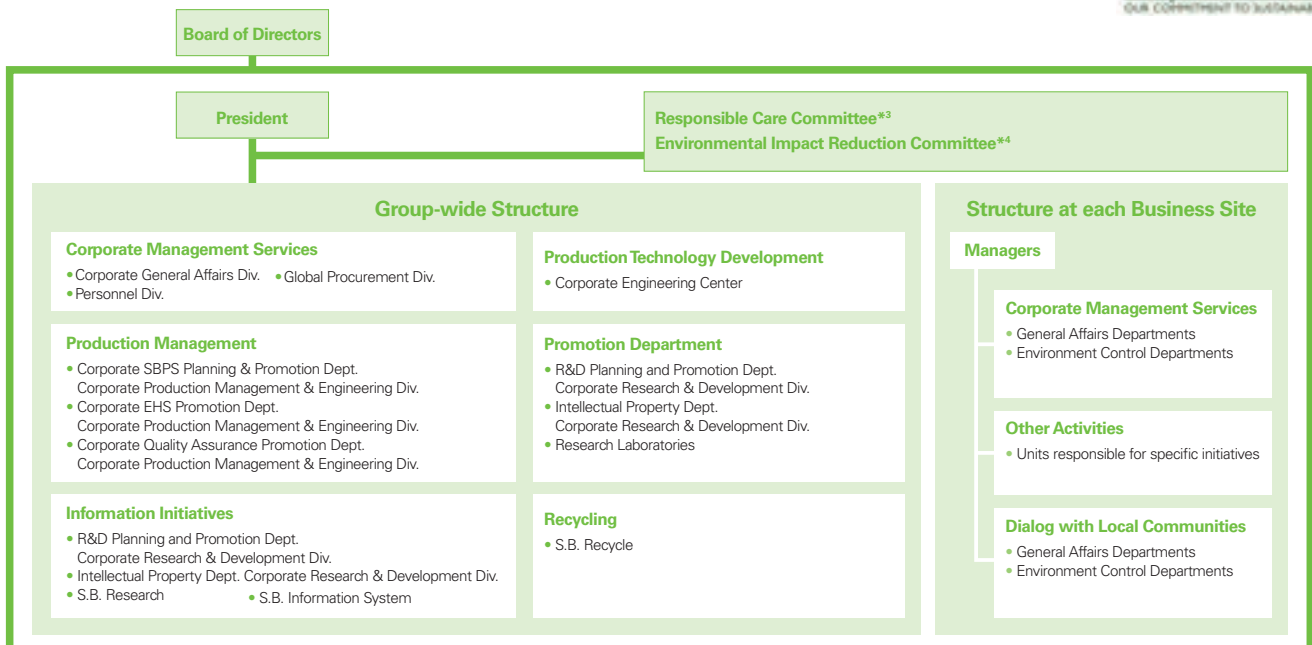
5. Work to ensure and improve the safety of raw materials, products, transportation operations and process safety, and provide product safety information to employees, customers, and others;
6. Promote continuous improvement in security over facilities, processes and technologies, and implement operational 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.

*1 Established in August 2015. These policies were newly established by revising the Corporate Policies for Safety and the Environment in line with the amendment of the Responsible Care Global Charter.

CSR Promotion Structure

Our company's structure for promoting CSR activities centers on the Responsible Care*² concept. Centered on activities of the Responsible Care Committee and Environmental Impact Reduction Committee, it engages 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.



*2 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)

*3 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.

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

Materiality

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

Materiality determination process (Initiatives for Fiscal 2015)

1 Identification

We selected issues, referencing international guidelines such as G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and ISO 26000, based on our previous efforts in various fields of CSR including the environment, safety and peace of mind, professional motivation, and society, which form part of our fiscal year plan.



2 Prioritization

We assessed the impacts that the identified issues have on the company and on stakeholders. After internal discussions based on the results of this assessment, we selected 14 items with particularly high priority.



3 Confirmation of Validity

Further discussions were held with each business division on these 14 priority items. Next, we narrowed the items down to 11 to focus our efforts based on the results of these discussions. On top of this, we asked outside professionals to review and provide comments on these 11 items. Simultaneously, the Responsible Care Committee confirmed the validity of these items.



Responsible Care Committee



4 Review

We will now implement CSR activities based on the materiality of these 11 items as well as conduct a review led by outside professionals and employees about the nature of these activities. The results of this review will be utilized for corporate social responsibility reports and subsequent years as well as for activity planning.

Initiatives for Fiscal 2016 and Beyond

In fiscal 2016, we conducted an annual review of each business division and made changes to next year's targets based on the identified materiality items. In fiscal 2017 and subsequent years, we have been implementing and will continue to implement the PDCA ("plan, do, check, action") cycle based on these materiality items. We are also promoting the organization and internal dissemination of the relationship between materiality, business activities (providing value), and the 17 goals and 169 targets of the SDGs (Sustainable Development Goals). Furthermore, as we move from the G4 to the GRI Standards, due to the requirements of conformance being clearly defined, we are carrying out a gap analysis in light of the requirements of these GRI Standards.

Materiality Items Identified

Materiality items identified using the process outlined on page 25 are as follows. We compared each category of materiality items with the SDG goals, and reviewed this in fiscal 2017.

Our group will now work on initiatives for materiality items that were identified so as to contribute to the fulfillment of the SDGs.

Field	Materiality item	Related stakeholders	Page number* ¹
Issues related to ensuring harmony with environment Related SDGs → 3 GOOD HEALTH AND WELL-BEING, 7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION	Mitigate environmental impacts	<ul style="list-style-type: none"> Local communities Business partners 	Full online version pages 36 to 43
	Resource and energy conservation	<ul style="list-style-type: none"> Business partners Employees 	Full online version pages 36 to 43
Issues related to providing safety and peace of mind Related SDGs → 8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Safety and security	<ul style="list-style-type: none"> Local communities Governments Business partners Employees 	Full online version pages 44 to 46
	Management of chemical substances	<ul style="list-style-type: none"> Business partners Governments Employees 	Full online version page 47
	Product liability	<ul style="list-style-type: none"> Customers 	Full online version pages 48 to 50
Issues impacting society Related SDGs → 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Biodiversity conservation	<ul style="list-style-type: none"> Local communities 	Full online version page 61
	Improving stakeholder satisfaction	<ul style="list-style-type: none"> Customers Shareholders Local communities Governments Business partners Employees 	Full online version pages 51 to 65
	Human resource development	<ul style="list-style-type: none"> Employees 	Full online version pages 55 to 58
	Diversity, Work-life balance	<ul style="list-style-type: none"> Employees 	Full online version page 53 to 55
Issues representing the foundation of business activities Related SDGs → 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	CSR procurement	<ul style="list-style-type: none"> Business partners 	Full online version page 35
	Compliance	<ul style="list-style-type: none"> Employees 	Full online version pages 32 and 33

*¹ Page numbers described in the column of "Page number" refer to those within the "CSR Report 2018" (Full Online Version).

* Please see pages 27 to 28 for more details about our initiatives under each materiality item.

Outside opinion of materiality items

In the year before last (2016), we gave our opinions on materiality items. In the meantime, Sumitomo Bakelite Co., Ltd. has compared their materiality items with the SDGs (The UN's Sustainable Development Goals), and carried out further reviews. The SDGs require various organizations, such as governments, international organizations, NGOs, and corporations from around the world, to unite and address them in order to solve 17 issues on a global level by 2030, including poverty, sanitation, the environment, gender, and education. Their in-house stance towards materiality, whereby they compare it to SDGs and focus their efforts, has been evaluated as giving the Company a high level of awareness of participation in the SDGs.

However, the SDGs were adopted by the UN in 2015, and there have been new issues constantly arising around the world since then. For example, the issue of microplastics. The photograph of the treatment of a sea turtle whose nose had been pierced by a straw that had become marine litter shocked the world, and plastic litter has come to be regarded as an issue. Microplastics that float in the sea do not only originate from litter that consumers have used and

then thrown away; there are research results that suggest that pieces of plastic by riverbanks, from artificial turf and industrial products such as agricultural materials, are washed into rivers and pollute the seas as microplastics. We recommend that the Company makes further disclosure on the sustainability of plastics in entire value chains and information about the Company's initiatives, as the social responsibility of a company that handles plastics. This approach of active engagement towards an issue that is attracting worldwide attention will also contribute to raising the value of the company.



Makiko Akabane









Japan representative for CSR Asia. She has covered the CSR efforts of a number of multinational corporations from various sectors for more than a decade. She has given lectures throughout Japan and around the world, including at the Ministry of the Environment, International Christian University (ICU), Keio University, Seisen Jogakuin College, Rikkyo University, Meiji Gakuin University, the World Bank, APABIS, the British Council, and Toyo Keizai Inc.

Highlights of Fiscal 2017 Activities









We aim to deliver safety and reliability as well as achieve harmony with the environment and co-existence 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	Major items	Fiscal 2017 targets	Fiscal 2017 results	Fiscal 2018 plan	Achievement evaluation	Relevant SDGs	Related page*5
Themes related to the promotion of harmony with the environment							
1. Environmental initiatives	Reduction in CO ₂ emissions (compared with fiscal 2005)	In Japan: 38% reduction	In Japan: 39% reduction	In Japan: 39% reduction	○	  	39
		Overseas: 22% reduction	Overseas: 13% reduction	Overseas: 18% reduction	▼		39
	Reduction in material loss (compared with fiscal 2005)	In Japan: 38% reduction	In Japan: 33% reduction	In Japan: 37% reduction	▼		39
		Overseas: 50% reduction	Overseas: 42% reduction	Overseas: 46% reduction	▼		39
	Reduction in chemical substance emissions(In Japan: compared with fiscal 2005)(Overseas: compared with fiscal 2010)	In Japan: 74% reduction	In Japan: 67% reduction	In Japan: 68% reduction	▼		39
Overseas: 64% reduction	Overseas: 49% reduction	Overseas: 49% reduction	▼	39			
2. Resource conservation, energy saving	Energy saving activities	<ul style="list-style-type: none"> As in fiscal 2016, establish an energy conservation plan in Japan and overseas, and continue to roll out good practices. 	<ul style="list-style-type: none"> In Japan, reduced energy usage by 2,758 kL of crude oil equivalent after implementing specific proposals. Overseas, continued to roll out good practices 	<ul style="list-style-type: none"> As in fiscal 2017, establish an energy conservation plan in Japan and overseas, and continue to roll out good practices with cooperation from Japanese mother plants and secretariats. 	○		36
Themes for providing safety and reliability							
3. Safety and security	Prevention of industrial accidents	Number of lost-time accidents In Japan: 0	In Japan: 3	In Japan: 2	△		45
		Number of lost-time accidents Overseas: under 14	Overseas: 25	Overseas: 13	△		46
	Security and disaster prevention	<ul style="list-style-type: none"> Conduct systematic safety training and disaster prevention training 	<ul style="list-style-type: none"> Conducted rank-based safety training and disaster training at each business site 	<ul style="list-style-type: none"> Conduct systematic safety training and disaster prevention training 	○		44 46
4. Chemical Substance Management	Chemical Substance Management	<ul style="list-style-type: none"> Prepare SDS*¹ for legislation 	<ul style="list-style-type: none"> Complied with Mexican GHS*² Created new SDS formats for Myanmar, Slovakia, Denmark, and Sweden 	<ul style="list-style-type: none"> Prepare SDS*¹ for legislation 	○		47
5. Product liability	'Monozukuri' Audit	<ul style="list-style-type: none"> Carry out 'Monozukuri' Audit, combining SBPS*³, EHS and QA at major production bases inside and outside Japan 	In Japan: Carried out in six main business sites Overseas: Carried out in four business sites in North America	In Japan: Carry out in nine business sites under our direct control and belonging to affiliated companies Overseas: Specify priority business sites in China and South-east Asia	○		50
Themes that affect society							
6. Biodiversity	Conservation Biotope	<ul style="list-style-type: none"> Continue with self-led conservation activities Open to public and begin communicating externally 	<ul style="list-style-type: none"> Added business-site beautification to conventional maintenance as self-led conservation, implemented as whole-site activities Visited by 428 people when made open to public. Continued offering killifish externally and carried out experience-based learning 	<ul style="list-style-type: none"> Continue with self-led conservation activities Open to public and begin communicating externally 	○		61
	Initiatives to preserve forest ecosystems	<ul style="list-style-type: none"> 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)) 	<ul style="list-style-type: none"> Used 6,064 kg of Morino Chonai-Kai paper and contributed to promoting the thinning of 0.42 ha 	<ul style="list-style-type: none"> 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)) 	○		62

See "CSR Report 2018" (Full Online Version) for details of Highlights of Activities.
<https://www.sumibe.co.jp/english/csr/report/files/csr2018.pdf>

Area of activities	Major items	Fiscal 2017 targets	Fiscal 2017 results	Fiscal 2018 plan	Achievement evaluation	Relevant SDGs	Related page*5
7. Improvement of stakeholder satisfaction	Improvement of customer satisfaction	<ul style="list-style-type: none"> Carry out activities to strengthen ties with customers under the leadership of the companywide CS Promotion Committee Carry out activities to improve hospitality for customers at business sites 	<ul style="list-style-type: none"> Began One Sumibe Activities. Formed teams that carry out business laterally, deepened relationship with customers through marketing activities for company-wide products 	<ul style="list-style-type: none"> Implement education to spread the One Sumibe Activities internally, and disseminate them through the company 	○		51
	Communicating corporate information, advertising	<ul style="list-style-type: none"> Promote preparation of content that helps customers understand our products 	<ul style="list-style-type: none"> Installed a new advert at Jingu Stadium Approved for invitation to the Expo 2025 Made partnership agreement with the Japan Inclusive Football Federation 	<ul style="list-style-type: none"> Promote preparation of content that helps customers understand our products easier 	○		51
	Development of products that contribute to the environment	<ul style="list-style-type: none"> Continue to increase sales of environmentally friendly products Expand evaluations on the environmental contributions of existing products Promote development of R&D products with a large contribution to the environment 	<ul style="list-style-type: none"> Increased sales ratio: 41.3% to 43.7% 	<ul style="list-style-type: none"> Continue to increase sales of environmentally friendly products Expand evaluations on the environmental contributions of existing products Promote development of R&D products with a large contribution to the environment 	○		29 36
8. Human resource training	Internal human resource training	<ul style="list-style-type: none"> Continue to carry out employee training at SB School*4 	<ul style="list-style-type: none"> About 17,000 employees took part, representing about 26,000 hours of training 	<ul style="list-style-type: none"> Continue to carry out employee training at SB School*4 	○		55 56
	Women's empowerment	<ul style="list-style-type: none"> Expand and conduct training programs for female managers 	<ul style="list-style-type: none"> Sent three female managers to external seminars 	<ul style="list-style-type: none"> Continue training programs for female managers Conduct team-building programs that take diversity into account Conduct human rights education to prevent harassment 	○	 	53
9. Diversity, Work-life balance	Employment of people with disabilities	<ul style="list-style-type: none"> Employment rate of people with disabilities: 2.0% level 	<ul style="list-style-type: none"> Employment rate of people with disabilities: 2.17% 	<ul style="list-style-type: none"> Employment rate of people with disabilities: maintain at 2.2% level 	○		53
	Work style reform	<ul style="list-style-type: none"> Support so that staff can work and raise children/ provide nursing care 	<ul style="list-style-type: none"> A 100% rate of returning to work after taking childcare leave or nursing care leave (In fiscal 2017, people who took childcare leave: 6; people who took nursing care leave: 0) 	<ul style="list-style-type: none"> 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 	○	 	54
	Promoting employee health	<ul style="list-style-type: none"> Implement initiatives to prevent worsening of illnesses as part of the Data Health Plan 	<ul style="list-style-type: none"> Implemented Data Health Plan (preventing the worsening of illnesses) in our company and certain Japanese affiliated companies 	<ul style="list-style-type: none"> Continue implementing the Data Health Plan (preventing the worsening of illnesses) (in our company and certain Japanese affiliated companies) 	○		59
Fundamental Themes							
10. CSR procurement	Practice of CSR procurement	<ul style="list-style-type: none"> Request improvements to suppliers based on the results of the CSR survey 	<ul style="list-style-type: none"> Following results of the CSR survey, sent requests for improvements to two companies who are below standard, who complied with improvements 	<ul style="list-style-type: none"> Carry out the CSR survey on business partners who were not covered in the fiscal 2016 survey, carried each raw material used in products that make up more than 80% of sales, and special materials. Request improvements to business partners based on the results of the CSR survey 	○		35
11. Compliance	Practice of compliance	<ul style="list-style-type: none"> Publish revised version of the booklet "Our Group's Code of Business Ethics and Conduct" Promote activities that raise awareness about compliance 	<ul style="list-style-type: none"> Published revised version of "Our Group's Code of Business Ethics and Conduct" (in seven languages) Implemented activities that raised awareness of compliance during the month of emphasis 	<ul style="list-style-type: none"> Promote activities that raise awareness of compliance (including prevention of bribery and cartels, security export control, and protection of personal information) 	○		32 33

*1 Acronym for Safety Data Sheet. This sheet contains the safety information regarding chemical materials, and is attached with products on their delivery to other businesses.

*2 Acronym for the Globally Harmonized System of Classification and Labeling of Chemicals.

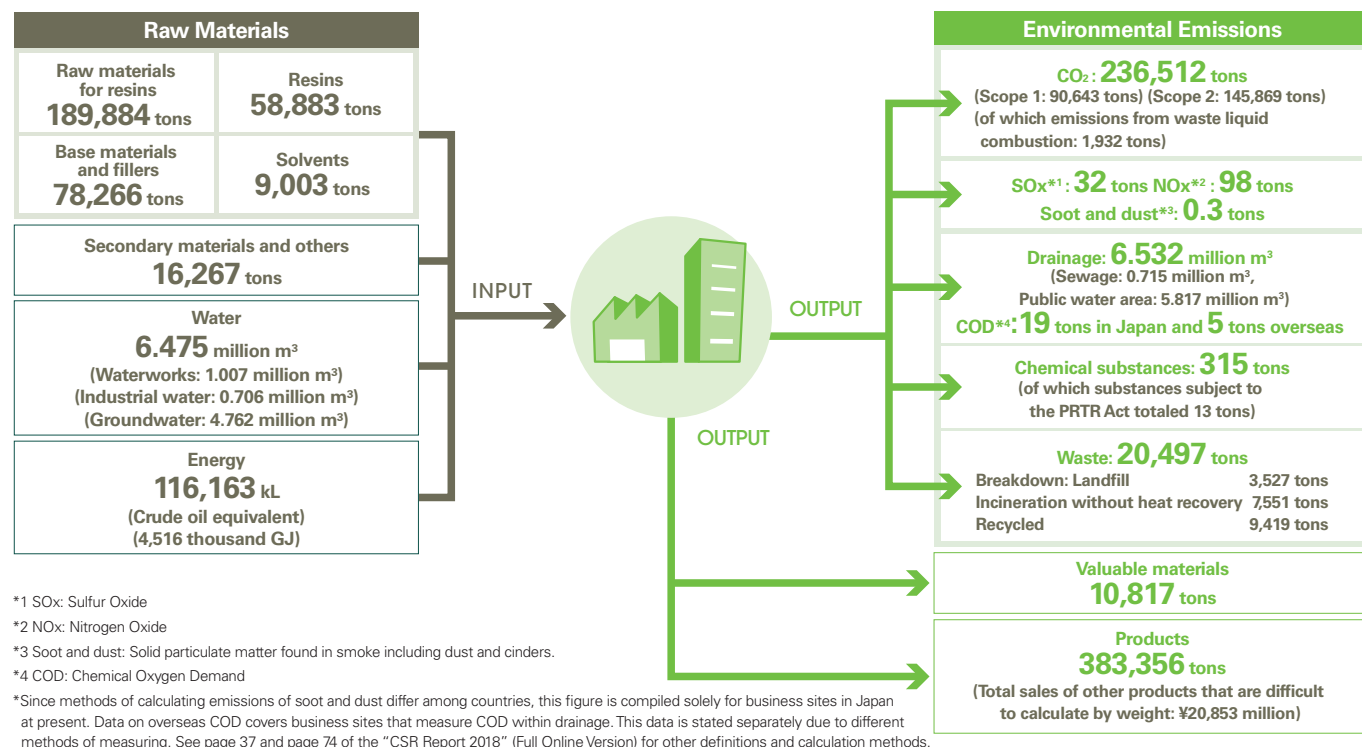
*3 SBPS is an acronym for "Sumitomo Bakelite Production System." These activities ensure the necessary revenue and safety (people, facilities, environment, quality) for our company's continued development. They are the same as our daily business: deciding upon a concrete aim (value, quantity, delivery time), planning who will complete each of these and by when, and carrying it out without delay.

*4 SB School is the name of an in-house training institute for all employees, from new hires to executive officers.

*5 Page numbers described in the column of "Related page" refer to those within the "CSR Report 2018" (Full Online Version).

Environment

Material Flow



Medium-term Environmental Targets and Review of Results

In fiscal 2009, we drew up and implemented a medium- to long-term environmental plan up to fiscal 2020. We have already met our CO₂ emissions target for Japan, and are working to reduce emissions even further; however, this is no longer enough to comply with the

Paris Agreement and SDGs. Consequently, we have reviewed the medium- to long-term environmental plan three years early to enable us to carry out more effective activities within a new framework.

Table of Business Sites in Japan

	Initiative	Units	Fiscal 2005 (base year) achievements* ¹	Fiscal 2017 achievements	Fiscal 2020 targets
Review of fiscal 2020 medium- to long-term targets	CO ₂ emissions	ton-CO ₂	137,961	83,986	103,471
		We have already met the values of our fiscal 2020 targets due to our energy conservation activities, and are promoting further reductions.			
	Material loss	ton	20,945	13,967	13,330
	Chemical substance emissions	We have promoted reductions by undertaking MFCA* ² , to the extent that we have been able to meet our medium- to long-term targets.			
		ton	512	167	102
We have made progress in reductions, but this has slowed slightly. We plan to promote reductions through our equipment measures.					

Table of Overseas Business Sites

	Initiative	Units	Fiscal 2005 (base year) achievements* ¹	Fiscal 2017 achievements	Fiscal 2020 targets
Review of fiscal 2020 medium- to long-term targets	CO ₂ emissions	ton-CO ₂	163,259	152,526	149,419
		We have developed proactive energy conservation activities, but our merger with the Vaupell Group has had an impact, and our reductions have slowed slightly.			
	Material loss	ton	28,858	17,347	17,473
		We have already met our target values for fiscal 2020 through the promotion of our MFCA.			
	Chemical substance emissions* ³	ton	278	148	144
		We have advanced with reductions to the level that we have met our medium-to-long-term targets.			

* Please see the organizations listed on page 3 of the "CSR Report 2018" (Full Online Version) as to those included in the calculation.

* For the definitions and calculation methods for CO₂ emissions, material loss, and chemical substance emissions, please see page 74 of the "CSR Report 2018" (Full Online Version).

*¹ The base year is the basis of the Japan Business Federation (Keidanren)'s Commitment to a Low Carbon Society.

*² MFCA: Acronym for Material Flow Cost Accounting

*³ The base year for chemical substance emissions from overseas business sites is fiscal 2010, when data collection began.

For more details regarding our environmental initiatives, please see pages 36 to 43 of the "CSR Report 2018" (Full Online Version).

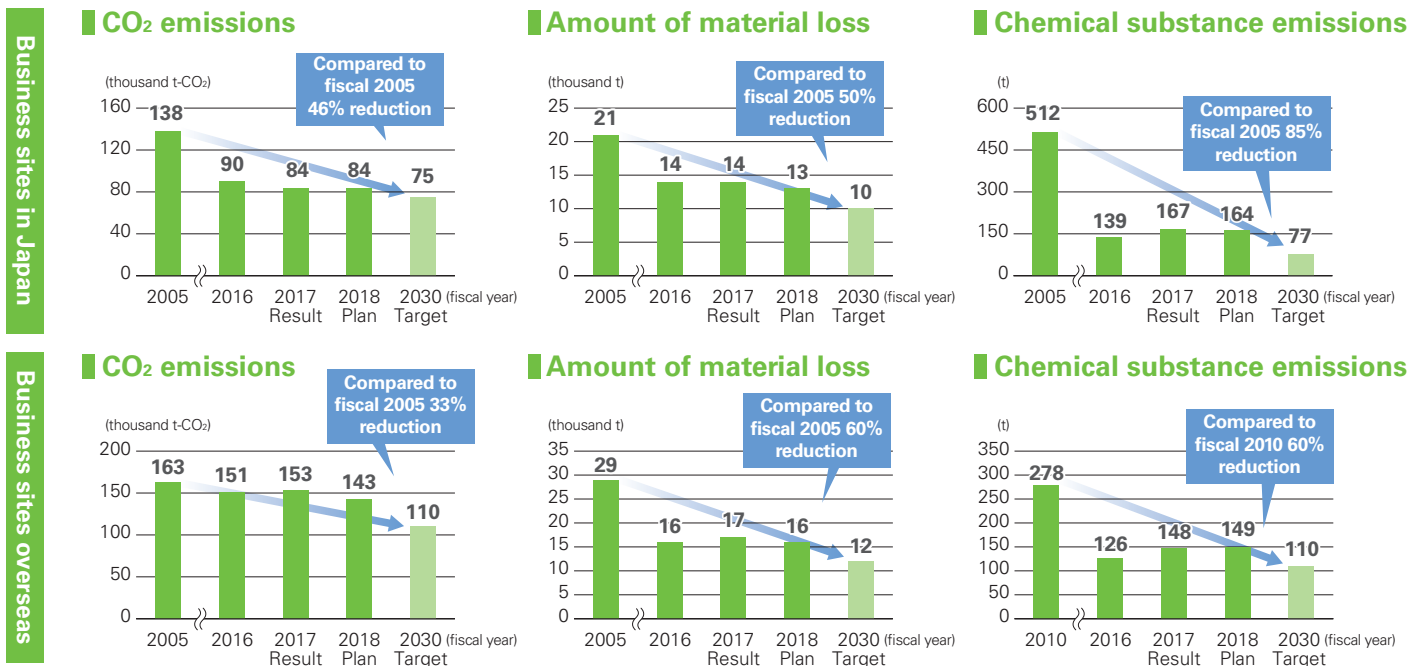
Establishment of New Medium-term Environmental Targets

Based on the summarized results of the medium-term environmental targets and the following trends in Japan and overseas, we have established a new medium- to long-term plan ending in fiscal 2030.

- Response to long-term development needs to be shared by the international community with 2030 as the target year established in the SDGs.
- Response to the greenhouse gas reduction target for fiscal 2030 indicated in the Japanese government's INDC (Intended Nationally Determined Contributions) in COP21.

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

We are also focusing our efforts on the reduction of greenhouse gases (CO₂ emissions), linked with the Japan Business Federation's Commitment to Low Carbon Society, have set targets for reducing material loss (waste and valuable materials) and chemical substance emissions, and are promoting initiatives to systematically reduce environmental impact.



* Please see the organizations listed on page 3 of the "CSR Report 2018" (Full Online Version) as to those included in the calculation.

* For the definitions and calculation methods for CO₂ emissions, material loss, and chemical substance emissions, please see page 74 of the "CSR Report 2018" (Full Online Version).

* The total of the 37 substances subject to the PRTR Act included in chemical substance emissions released by the Group's sites in Japan amounted to 13 tons and the total amount transferred amounted to 115 tons. For details of the transfer and release of substances subject to the PRTR Act, refer to page 76 of the "CSR Report 2018" (Full Online Version).

Disclosing Scope 3 Data

Due to the increasing importance of understanding CO₂ emissions from entire supply chains, we began calculating and disclosing scope 3 emissions from the supply chains of group business sites within Japan and overseas in fiscal 2015.

For fiscal 2017, similar to last year, we disclosed information about a total of eight categories, including Category 1, "Purchased goods and services." In addition, we likewise confirmed that three categories, including Category 8, "Upstream leased assets," were not applicable. Similar to fiscal 2016, Category 1 "Purchased goods and services" account for a large portion of CO₂ emissions.

Recycling

We promote recycling in order to make effective use of resources. As well as recovering and reusing phenol, and reusing molded article by-products (sprues and runners) after turning them back into raw materials for molding, we reuse compost (organic fertilizer) from the excess sludge from activated sludge wastewater treatment equipment.

When it comes to recycling phenol products, we are putting into place a chemical recycling process that reuses the phenol products as a high value-added chemical raw material.

Safety and Reliability

Occupational Health & Safety

We believe that providing a workplace where employees can healthily engage in their duties each day is essential in order to provide safe, high-quality products on time to our customers, and we are committed to occupational health and safety activities.

In 2009, our Group's plants and main domestic subsidiaries and affiliates in Japan began pursuing OHSAS18001 accreditation, followed by the Group's overseas subsidiaries and affiliates in 2010. Today, a total of 23 business sites have received accreditation, including five business sites and three affiliates in Japan and 15 affiliates overseas.

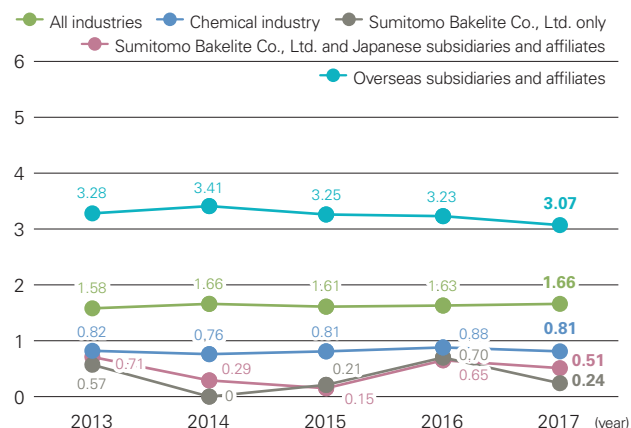
Reducing Risks of Chemicals Substances

In 2012, we introduced chemical substance risk assessment at plants in Japan, and subsidiaries and affiliates worldwide. Since then, we have periodically verified our evaluation results and reviewed our risk calculation methods, aiming to prevent adverse health effects on employee and accidents and disasters caused by explosions or fires.

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, "pointing and calling," and 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 conduct. They are able to improve their safety consciousness and learn hazard prediction skills and risk identification skills. We also conduct safety education at every level, with safety meetings for plant managers, dedicated safety education for managers, basic correspondence safety education for mid-level employees, and experience-based danger education for new employees.

Frequency Rate of Occupational Accidents at Sumitomo Bakelite Co., Ltd. and Subsidiaries and Affiliates Worldwide



* Frequency rate = (Deaths and injuries/total working hours) x 1,000,000
 Note: Data cover each calendar year.

Please see the organizations listed on page 3 of the "CSR Report 2018" (Full Online Version) as to those included in the calculation.



Experience-based Danger Education for New Employees

Disaster Prevention

Safety and disaster prevention are top priority issues on our business sites. Our Group's sites aim to create "business sites that offer safety and peace of mind," through which we earn trust from the local community, ensure the safety of our employees, and can consistently deliver our products to customers. To succeed in making all of our business sites accident-free and disaster-free, we have established an action plan and are continuing education and training. We are also implementing countermeasures and training in order to minimize harm in case of an emergency.



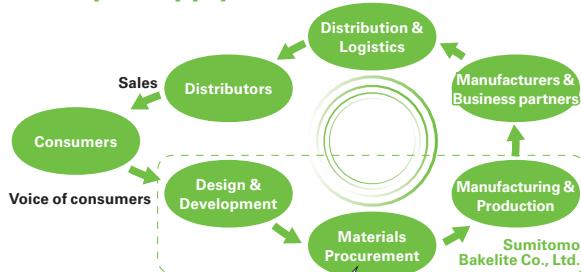
Sumitomo Bakelite Europa (Barcelona) Fire-fighting Training

For more details regarding our safety and reliability-related initiatives, please see pages 44 to 50 of the "CSR Report 2018" (Full Online Version).

CSR Procurement

We strive to ensure compliance with the laws, regulations, and social norms of Japan and other countries in which it operates. We also require our business partners to do the same, based on the idea that we should all fulfill our corporate social responsibilities (CSR). Our criteria for selecting business partners include their CSR and initiatives to reduce environmental impact.

Our Group's Supply Chain



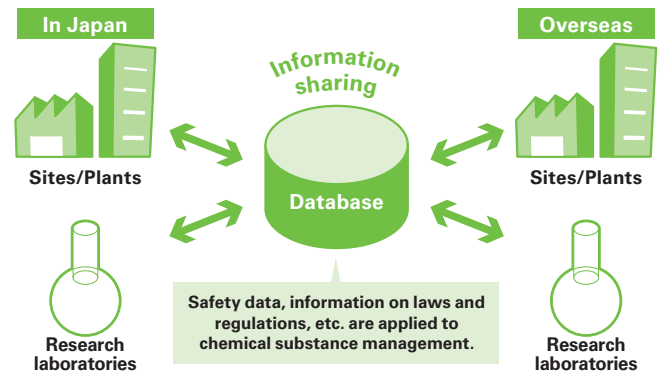
Audit for Stable Procurement
The Global Procurement Division audits materials manufacturers, focusing on their ability to ensure stable supply.

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.

Chemical Substance Management

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

Chemical Substance Management System



Product Liability

We have established quality management systems (QMS) based on ISO 9001 and is continuing to acquire relevant certifications (a total of 38 sites have been certified as of May 1, 2018). To provide products and services that customers can always feel satisfaction and peace of mind in using, we are coordinating all our processes, creating structures to improve product safety and quality maintenance, and carrying out appropriate implementation and management. We established our Quality Management Policy to ensure that every employee of our Group systematically implements product safety and quality assurance initiatives in accordance with QMS.

Quality Management Policy for FY2018

Basic Policy

In mind with Customer First and Quality First, we (all SB Group employees) shall contribute to increasing the company's profits by creating an efficient workflow of quality formation for fundamental improvements, and at the same time we shall contribute to the society in conformity with SDGs:

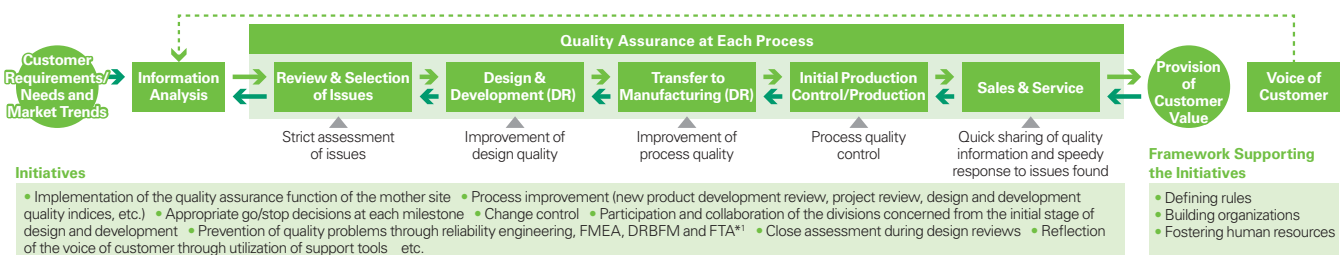
***** One Sumibe / Zero Defect / Proactive *****

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

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

Future State Vision of Appropriate

New-Product Development and Commercialization Processes of the Group



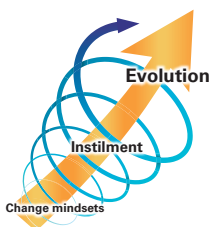
*1 FMEA: Failure Mode and Effects Analysis / DRBFM: Design Review Based on Failure Mode / FTA: Fault Tree Analysis

Society

Enhancing Customer Satisfaction (CS)

We have established a basic policy on the promotion of CS*¹ through the CS 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 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 CS: An acronym for customer satisfaction.

Relationships with Shareholders and Investors

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

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



Business report

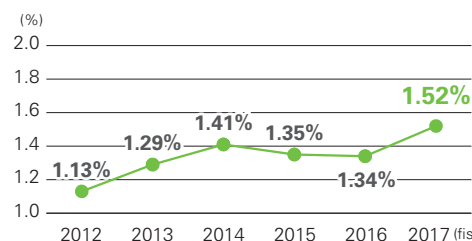
Relationship with Employees

Initiatives to Promote the Advancement of Women

We acknowledge that it is important for each of our employees to be able to play active 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.

We are carrying out initiatives following the action plan for the promotion of women's advancement that was decided in fiscal 2015. 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

Trends in the proportion of female management staff



*Refers to managers at or above the level of superintendents and engineers, excluding executive officers.
 *Includes seconded employees with manager qualifications.
 *The ratios are values for the end of each fiscal year.

Feedback from a user of our support system for various life events

I was able to spend a fulfilling time caring for my children

I took childcare leave for around three months from November 2017 when my eldest son (my second child) was born. My reason for taking childcare leave was because I wanted to lessen the burden on my wife a little by helping with the children, as we already had our eldest daughter (who was two years old), and my wife had given birth via C-section, as she did when our daughter was born. I explained the circumstances to my senior co-workers and my boss, and I was readily granted childcare leave.

I started my leave from the day my son was born, and I noticed several things in the time until it ended. I took my daughter to nursery school and picked her up again instead of my wife and I looked after my son, and perhaps because my wife was able to rest, she seemed to recover from her C-section faster than she did when our daughter was born, meaning we were able to focus on caring for our children properly together as a couple. Being able to spend time watching my son grow day by day was an incredibly valuable experience. Plus, my daughter hugged me more than she did before my leave, maybe because I was spending more time with her, and I felt the importance of spending time with my children.

By taking childcare leave, I understood the fun and difficulties of childcare and housework, and I was able to have a fulfilling time. I'm extremely thankful to my workplace and company for readily granting me childcare leave.



Corporate Production Engineering Department, Kanuma Plant

Akito Iemura

For more details regarding our social initiatives, please see pages 51 to 65 of the "CSR Report 2018" (Full Online Version).

management staff compared to the end of March 2014. At the end of March 2018, compared to the number of female management staff the previous year there was a 0.18% increase to 1.52%. 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.

Work Life Balance

We promote the creation of workplaces conducive to the successful work-life balance of employees. In 2017, we introduced a half-day leave system for days off in lieu.

Relations with Local Communities and Society

Biodiversity Initiatives



We recognize the importance of preserving biodiversity from the principles of our Policy on Responsible Care Activities, and this is reflected in our promotion of reduced environmental impact and in our procurement policy. We are also a promotion partner of the "Declaration of Biodiversity by Nippon Keidanren," and are implementing all possible measures following this declaration. (Photograph (left): The opening of our biotope; Photograph (right): Accepting the Biotope Award (Biotope First Prize))

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



We are undertaking activities to support the education of the next generation with cooperation from companies with factories based around the city of Fujieda. On January 19, 2018, the 9th Fujieda City Science Education Support Project meeting was held in the Meiji Tokai factory.

Welcoming Next Generation Internships and Factory Visits



We actively welcome students to company briefings and site visit events (factory tours) to support the growth of the young people who will lead the next generation. (Photograph: Accepting interns from University of Akron in Promerus)

Relations with Local Residents and Participation in Local Events



As well as actively interacting with local residents and participating in local events, we strive to improve the welfare of the community through volunteer activities and donations. (Photograph: Food donations from Indopherin Jaya to the foundation for orphanages)

Partnership with the Japanese Inclusive Football Federation



On March 1, 2018, we made a partnership agreement with the Japanese Inclusive Football Federation *1.

*1 The Japanese Inclusive Football Federation is an organization that brings together seven inclusive football sports associations.

Environmental and Social Contribution Activities

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



Hirourai, Natori City, and Idoura, Sendai City, in Miyagi Prefecture (monitoring the tidal flat ecosystem)

Message from Earthwatch Japan

People to whom "ecosystem" and "biodiversity" were just words are now considering them to be something of their own - this is the result obtained from participation in Earthwatch surveys. The staff who participated have told people around them about their experiences, and made their opinions known. This experience will also be used business initiatives.

We hope that Sumitomo Bakelite Co., Ltd. will work with us in planning survey programs for issues thought to be particularly important, and there will be more opportunities for staff participation.



NPO Earthwatch Institute
Executive Director

Tomoko Nunoi

Corporate Governance

Strengthening Corporate Governance

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

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

Management System

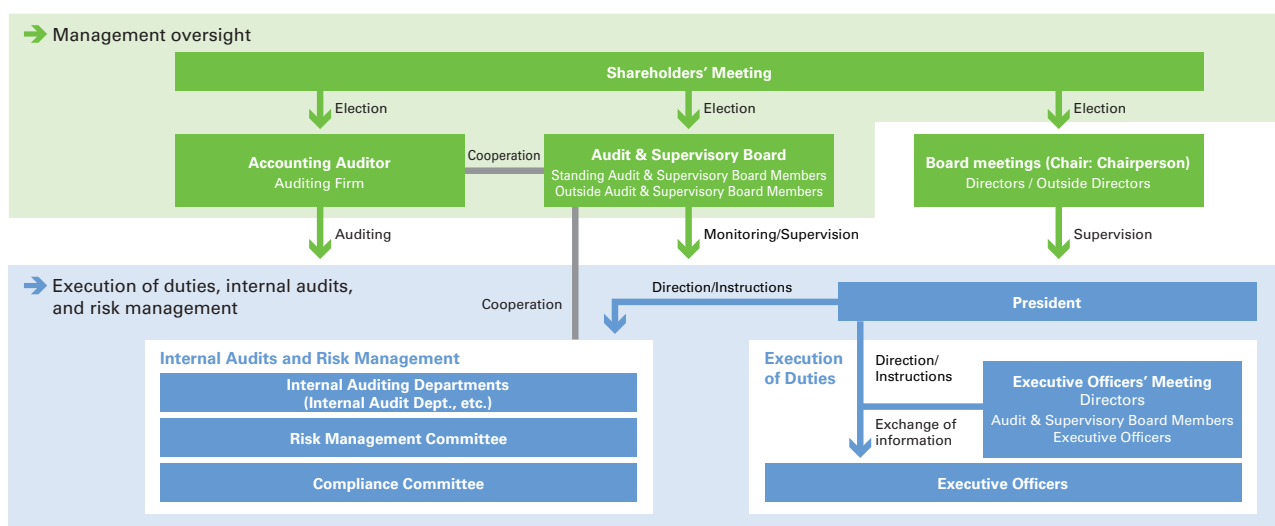
The Board of Directors, in accordance with laws and regulations, including the Regulations of the Board of Directors, makes decisions on the execution of important operational matters and monitors the progress of each director’s execution of operations based on reports on important issues concerning the performance of duties by each director. 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 so that the director in question will be excluded from participation in the decision-making process concerning the matter in question.

The Board of Directors deliberates on and selects candidates for the position of director from among appropriate persons in terms of business performance, knowledge and experience, personality, views, and motivation, among other factors, so that the right person is selected for the job. Based on this, directors are appointed by resolution of the Shareholders’ Meeting.

The remuneration of directors (excluding outside directors) comprises monthly base pay and a bonus. Monthly base pay is fixed based on the job title, while the amount of the bonus is determined according to our 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, while the amount paid to each individual director is approved by resolution of the Board of Directors and authorized by the representative director. Matters concerning the appointment and remuneration of directors are discussed by the Appointment and Remuneration Advisory Committee comprised of the representative director and independent outside directors to solicit the views of independent outside directors, with the findings of discussions reported to the Board of Directors. In addition, the Board appoints executive officers, and the executive officers are responsible for executing their assigned tasks under the direction of the president. As of June 22, 2018, the management structure includes 10 directors and 17 executive officers (including six who serve concurrently as directors). Of the directors, three are outside directors. We are a company with a Board of Corporate Auditors. There are four Corporate Auditors, of which two are Outside Corporate Auditors. Among our company board officers (director, auditor, executive officer), there are 24 male members and 1 female member, with a female board member ratio of 4%.

Structure of Corporate Governance (as of June 22, 2018)



Internal Control

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

With respect to internal control over financial reporting, based on the Company's Basic Rules and Regulations for Internal Control over Financial Reporting, we endeavor to enhance systems for ensuring the reliability of the Group's 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 the Group's financial reporting as of March 31, 2018 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
http://www.sumibe.co.jp/english/company/internal-control/index.html](http://www.sumibe.co.jp/english/company/internal-control/index.html)

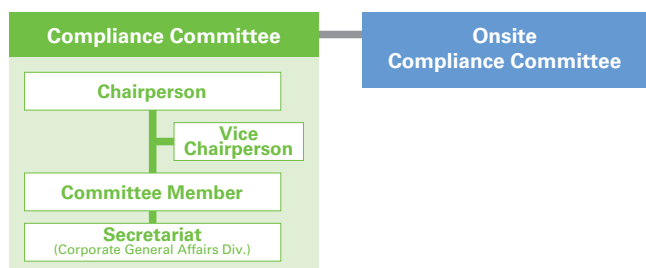
Compliance

Compliance System

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

As part of the framework to ensure the appropriate conduct of business by directors and employees, the Company has established the Compliance Committee. This committee is responsible for promoting compliance through assessments of compliance levels and, as necessary, undertaking related improvements as well as education and training.

Compliance System



Code of Conduct for Employees

Our Group's Code of Business Ethics and Conduct is a booklet that explains the fundamental policy in the Group's Business Philosophy along with Our Code of Conduct,

established as a set of standards guiding employees during their day-to-day work to ensure the Group engages in mistake-free business activities. This booklet is regularly used in e-learning sessions and read aloud at workplaces to make the information therein known to all.

The current version of Our Group's Code of Business Ethics and Conduct was revamped in October to 2017, taking into account the latest worldwide trends in customer satisfaction, SBPS, quality control, health and safety initiatives, as well as legal compliance. It has also been translated into 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 subsidiaries and affiliates, in Japan and overseas, also undertake similar activities.

Executives (as of June 22, 2018)

Directors and Corporate Auditors

Chairman, Representative Director



Shigeru Hayashi

April	1970	Entered the Company
June	2000	Director of the Company
June	2004	Managing Director, Managing Executive Officer of the Company
June	2006	Director, Senior Managing Executive Officer of the Company
June	2008	Representative Director, Executive Vice President of the Company
June	2010	President, Representative Director of the Company
June	2018	Chairman, Representative Director of the Company (to present)

President, Representative Director



Kazuhiko Fujiwara

April	1980	Entered the Company
June	2009	Executive Officer of the Company
April	2013	Managing Executive Officer of the Company
June	2014	Director of the Company
April	2016	Senior Managing Executive Officer of the Company
June	2018	President, Representative Director of the Company (to present)

Director, Senior Managing Executive Officer



Masayuki Inagaki

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

April	1982	Entered the Company
June	2009	Executive Officer of the Company
April	2013	Managing Executive Officer of the Company
June	2015	Director of the Company (to present)
April	2017	Senior Managing Executive Officer of the Company (to present)

Director, Senior Managing Executive Officer



Sumitoshi Asakuma

Overseeing Semiconductor Materials segment

April	1985	Entered the Company
June	2010	Executive Officer of the Company
April	2014	Managing Executive Officer of the Company
June	2015	Director of the Company (to present)
April	2018	Senior Managing Executive Officer of the Company (to present)

Director, Managing Executive Officer



Takashi Nakamura

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

April	1979	Entered Sumitomo Chemical Co., Ltd.
April	2015	Executive Officer of the Company
April	2016	Managing Executive Officer of the Company (to present)
June	2018	Director of the Company (to present)

Director, Managing Executive Officer



Goichiro Kuwaki

Overseeing High-Performance Plastics segment

April	1985	Entered the Company
April	2013	Executive Officer of the Company
April	2017	Managing Executive Officer of the Company (to present)
June	2018	Director of the Company (to present)

Director, Managing Executive Officer



Takashi Kobayashi

Overseeing Quality of Life Products segment

April	1987	Entered the Company
April	2013	Executive Officer of the Company
April	2017	Managing Executive Officer of the Company (to present)
June	2018	Director of the Company (to present)

Outside Director



Hiroyuki Abe

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

Outside Director



Kazuo Matsuda

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

Outside Director



Hiroshi Ueda

April	1982	Entered Sumitomo Chemical Co., Ltd.
April	2009	Executive officer of Sumitomo Chemical Co., Ltd.
April	2011	Managing Executive Officer of Sumitomo Chemical Co., Ltd.
April	2016	Senior Managing Executive Officer of Sumitomo Chemical Co., Ltd. (to present)
June	2016	Representative Director of Sumitomo Chemical Co., Ltd.
June	2018	Director of Sumitomo Chemical Co., Ltd. (to present) Outside Director of the Company (to present)

Standing Corporate Auditor



Tsuneo Terasawa

April	1974	Entered the Company
June	2002	Director of the Company
June	2004	Executive Officer of the Company
June	2006	Managing Executive Officer of the Company
June	2008	Director of the Company
June	2010	Senior Managing Executive Officer of the Company
April	2014	Executive Vice President of the Company
June	2015	Representative Director of the Company
June	2018	Standing Corporate Auditor of the Company (to present)

Standing Corporate Auditor



Takao Akasaka

April	1975	Entered Sumitomo Chemical Co., Ltd.
June	2009	Standing Corporate Auditor of Sumitomo Chemical Co., Ltd.
June	2015	Standing Corporate Auditor of the Company (to present)

Outside Corporate Auditor



Junji Tomita

April	1977	Attorney Registration Joined Nagano Law Office (to present)
September	2013	Outside Auditor of Mugen Estate Co., Ltd. (to present)
June	2015	Outside Corporate Auditor of the Company (to present)

Outside Corporate Auditor



Yoshiko Koizumi

April	1972	Attorney Registration
April	2009	Partner of City-Yuwa Partners (to present)
June	2015	Director of Dowa Holdings Co., Ltd. (to present) Director of Taiheiyo Cement Corporation (to present)
June	2016	Outside Corporate Auditor of the Company (to present)
September	2017	Audit & Supervisory Board Member (Outside) of Nippon Koei Co., Ltd. (to present)

Executive Officers

Managing Executive Officers

Henny Van Dijk
Keisuke Kurachi

Executive Officers

Atsushi Suzuki
Koji Choki
Masaya Fumita
Yoshikazu Takezaki
Seiji Suzuki

Nobuyuki Sashida
Makoto Suzuki
Alex Geskens
Noriyoshi Fujimura

Financial Summary

Japanese GAAP (Fiscal 2007 to 2016)

Full year

	2007	2008	2009	2010	2011	2012	2013
Financial results							
Net sales	225,252	212,409	170,843	190,971	185,237	183,362	206,047
Operating income	9,026	(1,639)	7,540	11,181	4,726	7,956	10,702
Ordinary income	9,739	490	8,643	12,507	5,931	8,551	11,498
Income before income taxes and non-controlling interests	1,107	(11,492)	4,013	8,321	3,689	6,532	10,540
Profit attributable to owners of parent	2,191	(7,907)	3,306	5,154	2,525	3,443	6,493
Financial position							
Total assets	267,421	215,852	207,258	205,090	201,315	213,826	236,825
Equity	163,835	124,573	127,453	120,933	117,997	130,044	148,936
Interest-bearing debt	26,972	37,722	22,510	27,658	27,433	29,553	35,063
Cash flows							
Cash flows from operating activities	18,223	20,577	15,337	16,292	6,730	16,644	17,852
Cash flows from investing activities	(14,747)	(13,229)	(7,582)	(10,691)	(13,340)	(13,088)	(15,220)
Free cash flows	3,476	7,348	7,755	5,601	(6,610)	3,556	2,632
Cash flows from financing activities	(13,818)	(5,839)	(13,927)	2,151	(3,942)	(642)	2,722
Per-share data (Yen)							
Net assets per share	634.46	516.97	528.96	501.95	489.78	539.81	618.28
Earnings per share	8.40	(31.78)	13.72	21.39	10.48	14.29	26.96
Cash dividends per share	15.00	15.00	10.00	15.00	12.50	10.00	10.00
Financial indicators (%)							
Return on Equity (ROE)	1.3	(5.5)	2.6	4.2	2.1	2.8	4.7
Return on Assets (ROA)	3.4	0.2	4.1	6.1	2.9	4.1	5.1
Ratio of operating income to net sales	4.0	(0.8)	4.4	5.9	2.6	4.3	5.2
Equity ratio	61.3	57.7	61.5	59.0	58.6	60.8	62.9
Debt/Equity ratio (D/E)	16.5	26.3	17.7	22.9	23.2	22.7	23.5
Price earnings ratio (PER)	60.1	—	39.1	23.9	41.6	27.4	14.7
Price book value ratio (PBR)	0.8	0.8	1.0	1.0	0.9	0.7	0.6
Dividend payout ratio	178.7	—	72.9	70.1	119.3	70.0	37.1
Others							
Capital expenditure	10,516	13,568	9,261	10,656	14,565	17,588	13,263
Depreciation and amortization	11,716	13,055	11,967	11,014	10,465	10,393	10,969
Research and development expenses	12,910	13,079	12,568	12,440	13,047	12,325	11,881
Number of employees at end of period (persons)	8,833	8,071	7,537	7,724	6,997	5,215	5,262

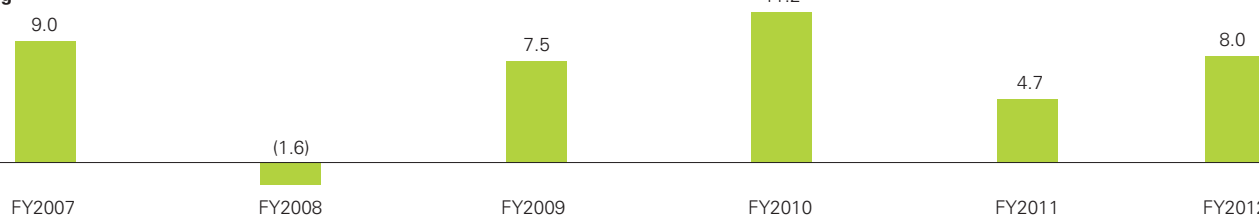
Operating Performance (Billions of yen)

Japanese GAAP

Net Sales



Operating Income



Japanese GAAP (Fiscal 2007 to 2016)

(Millions of yen)

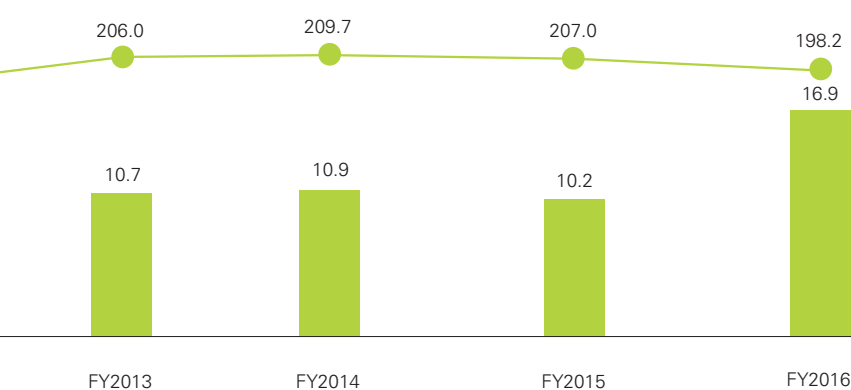
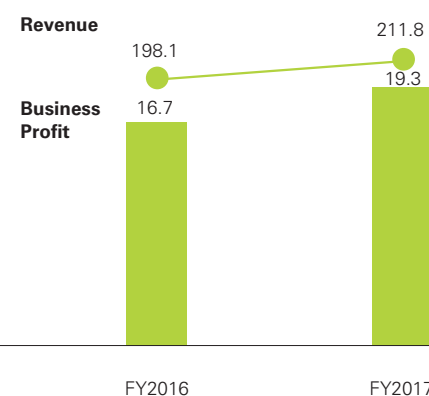
	2014	2015	2016
	209,659	206,956	198,199
	10,904	10,241	16,879
	11,263	10,598	17,324
	11,344	7,410	14,466
	7,113	3,828	10,622
	285,927	260,122	263,742
	169,215	157,319	165,353
	61,066	50,898	43,133
	15,672	19,233	23,427
	(36,353)	(6,962)	(7,987)
	(20,681)	12,271	15,440
	23,467	(15,530)	(10,245)
	702.53	668.44	702.63
	29.53	16.01	45.14
	10.00	10.00	10.00
	4.5	2.3	6.6
	4.3	3.9	6.6
	5.2	4.9	8.5
	59.2	60.5	62.7
	36.1	32.4	26.1
	18.1	27.5	14.8
	0.8	0.7	1.0
	33.9	62.5	22.2
	11,812	9,697	10,341
	9,256	10,843	10,003
	10,253	10,448	9,659
	6,747	6,358	5,958

International Financial Reporting Standards (IFRS; Fiscal 2016 to 2017)

(Millions of yen)

Full year	2016	2017
Financial results		
Revenue	198,100	211,819
Business profit*	16,658	19,251
Operating profit	12,061	18,598
Profit before tax	12,715	19,495
Profit attributable to owners of parent	9,521	15,078
Financial position		
Total assets	253,763	272,247
Total equity attributable to owners of parent	154,222	168,450
Interest-bearing liabilities	40,007	43,694
Cash flows		
Cash flows from operating activities	23,538	22,054
Cash flows from investing activities	(8,098)	(11,745)
Free cash flows	15,440	10,309
Cash flows from financing activities	(10,245)	(2,453)
Per-share data (Yen)		
Equity attributable to owners of parent per share	655.32	715.84
Basic earnings per share	40.45	64.07
Cash dividends per share	10.00	12.00
Financial indicators (%)		
Profit to equity attributable to owners of parent ratio (ROE)	6.3	9.3
Profit before tax to total assets ratio (ROA)	5.0	7.4
Business profit to revenue ratio	8.4	9.1
Ratio of equity attributable to owners of parent	60.8	61.9
Debt equity ratio (D/E)	28.5	26.0
Price earnings ratio (PER)	16.6	14.7
Price book value ratio (PBR)	1.0	1.3
Dividend payout ratio	24.7	18.7
Others		
Capital expenditures	10,426	11,024
Depreciation and amortization	9,905	9,793
Research and development expenses	9,659	10,053
Number of employees at end of period (persons)	5,958	5,708

*Business profit is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue."


International Financial Reporting Standards (IFRS)


Consolidated Statements of Financial Position

(Millions of yen)

	March 31, 2017	March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	49,498	56,559
Trade and other receivables	43,662	48,643
Other financial assets	280	579
Inventories	29,024	30,943
Other current assets	2,807	2,630
Total current assets	125,271	139,355
Non-current assets		
Property, plant and equipment	93,748	94,760
Goodwill	4,880	4,809
Other intangible assets	1,648	1,580
Investments accounted for using equity method	425	412
Other financial assets	25,141	27,272
Retirement benefit asset	419	1,633
Deferred tax assets	897	860
Other non-current assets	1,334	1,566
Total non-current assets	128,492	132,893
Total assets	253,763	272,247

(Millions of yen)

	March 31, 2017	March 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	9,596	10,408
Trade and other payables	42,222	45,494
Other financial liabilities	30	33
Income taxes payable	2,549	2,478
Provisions	162	—
Other current liabilities	1,053	613
Total current liabilities	55,612	59,027
Non-current liabilities		
Borrowings	34,411	33,286
Other financial liabilities	162	246
Retirement benefit liability	2,856	2,906
Provisions	586	568
Deferred tax liabilities	3,817	5,686
Other non-current liabilities	282	267
Total non-current liabilities	42,114	42,958
Total liabilities	97,726	101,985
Equity		
Share capital	37,143	37,143
Capital surplus	35,358	35,358
Treasury shares	(6,742)	(6,758)
Other components of equity	6,110	7,171
Retained earnings	82,352	95,536
Total equity attributable to owners of parent	154,222	168,450
Non-controlling interests	1,815	1,812
Total equity	156,037	170,262
Total liabilities and equity	253,763	272,247

Consolidated Statements of Income

(Millions of yen)

	The year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Revenue	198,100	211,819
Cost of sales	(135,697)	(145,961)
Gross profit	62,403	65,857
Selling, general and administrative expenses	(45,745)	(46,607)
Business profit	16,658	19,251
Other income	525	244
Other expenses	(5,123)	(896)
Operating profit	12,061	18,598
Finance income	731	1,080
Finance costs	(205)	(220)
Share of profit of investments accounted for using equity method	128	37
Profit before tax	12,715	19,495
Income tax expenses	(2,952)	(4,197)
Profit	9,763	15,298
Profit attributable to:		
Owners of parent	9,521	15,078
Non-controlling interests	242	220
Profit	9,763	15,298
Earnings per share		
Basic earnings per share (Yen)	40.45	64.07
Diluted earnings per share (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of yen)

	The year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Profit	9,763	15,298
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,262	1,640
Remeasurements of defined benefit plans	1,342	637
Share of other comprehensive income of investments accounted for using equity method	—	(12)
Total items that will not be reclassified to profit or loss	3,604	2,265
Items that may be reclassified to profit or loss		
Cash flow hedges	272	126
Exchange differences on translation of foreign operations	(2,612)	(658)
Share of other comprehensive income of investments accounted for using equity method	(1)	(15)
Total items that may be reclassified to profit or loss	(2,342)	(547)
Other comprehensive income, net of tax	1,262	1,718
Comprehensive income	11,025	17,016
Comprehensive income attributable to:		
Owners of parent	10,711	16,833
Non-controlling interests	314	183
Comprehensive income	11,025	17,016

Consolidated Statements of Changes in Equity

(Millions of yen)

For the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

	Total equity attributable to owners of parent									Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity						
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,358	(14,749)	81,853	6,906	—	(639)	—	6,267	1,591	147,464
Profit	—	—	—	9,521	—	—	—	—	—	242	9,763
Other comprehensive income	—	—	—	—	2,262	1,342	272	(2,685)	1,190	72	1,262
Comprehensive income	—	—	—	9,521	2,262	1,342	272	(2,685)	1,190	314	11,025
Dividends from surplus	—	—	—	(2,353)	—	—	—	—	—	(90)	(2,443)
Purchase of treasury shares	—	—	(9)	—	—	—	—	—	—	—	(9)
Disposal of treasury shares	—	(0)	8,016	(8,016)	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,347	(5)	(1,342)	—	—	(1,347)	—	—
Total transactions with owners	—	(0)	8,007	(9,022)	(5)	(1,342)	—	—	(1,347)	(90)	(2,452)
Balance at end of current period	37,143	35,358	(6,742)	82,352	9,164	—	(368)	(2,685)	6,110	1,815	156,037

(Millions of yen)

For the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

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

Consolidated Statements of Cash Flows

(Millions of yen)

	The year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before tax	12,715	19,495
Depreciation and amortization	9,905	9,793
Impairment losses	2,275	101
Interest and dividend income	(673)	(1,001)
Interest expenses	205	220
Decrease (increase) in trade and other receivables	(935)	(5,439)
Increase (decrease) in trade and other payables	2,237	3,129
Decrease (increase) in inventories	(371)	(2,075)
Others, net	832	264
Subtotal	26,192	24,487
Interest received	209	388
Dividends received	481	611
Interest paid	(198)	(220)
Income taxes paid	(3,146)	(3,211)
Net cash provided by (used in) operating activities	23,538	22,054
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,065)	(10,618)
Proceeds from sale of property, plant and equipment	272	620
Purchase of investment securities	(193)	(658)
Proceed from sale of investment securities	380	273
Collection of long-term loans receivable	1,440	30
Others, net	(932)	(1,392)
Net cash provided by (used in) investing activities	(8,098)	(11,745)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	690	(147)
Increase (decrease) in commercial papers	(8,000)	4,000
Proceeds from long-term borrowings	50	8
Repayment of long-term borrowings	(480)	(3,480)
Dividends paid	(2,353)	(2,589)
Dividends paid to non-controlling interests	(90)	(187)
Others, net	(62)	(58)
Net cash provided by (used in) financing activities	(10,245)	(2,453)
Effect of exchange rate changes on cash and cash equivalents	(565)	(795)
Net increase (decrease) in cash and cash equivalents	4,629	7,062
Cash and cash equivalents at beginning of period	44,869	49,498
Cash and cash equivalents at end of period	49,498	56,559

Corporate Information

Corporate Data (As of March 31, 2018)

Established	January 25, 1932
Capital	¥37,143,093,785
Employees	5,708 (Consolidated)
Major business operations	Manufacturing and sales of the following products Semiconductor Materials segment Epoxy resin molding compounds for encapsulation of semiconductor devices Positive-type photosensitive coating resins for semiconductor wafers Pastes for die bonding Semiconductor substrate materials High-Performance Plastics segment Phenolic molding compounds Phenolic resins for industrial use Molded parts Synthetic resin adhesives Epoxy resin copper-clad laminates Phenolic resin copper-clad laminates Aircraft interior components Quality of Life Products segment Medical devices Vinyl resin sheets and multi-layered sheets Melamine resin decorative laminates and sheets Polycarbonate resin plates Vinyl chloride resin plates Design and construction of sheet waterproof system Freshness preserving films Biotechnology related products

Board of Directors and Corporate Auditors (As of June 22, 2018)

Chairman*	Shigeru Hayashi	Outside Director	Hiroyuki Abe
President*	Kazuhiko Fujiwara	Outside Director	Kazuo Matsuda
Director	Masayuki Inagaki	Outside Director	Hiroshi Ueda
Director	Sumitoshi Asakuma	Standing Corporate Auditor	Tsuneo Terasawa
Director	Takashi Nakamura	Standing Corporate Auditor	Takao Akasaka
Director	Goichiro Kuwaki	Outside Corporate Auditor	Junji Tomita
Director	Takashi Kobayashi	Outside Corporate Auditor	Yoshiko Koizumi

(Note) *Representative Directors

Executive Officers (As of June 22, 2018)

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

Investor Information (As of March 31, 2018)

Common Stock

Stock trading unit	1,000 shares
Authorized	800,000,000 shares
Issued and outstanding	247,952,394 shares
Number of shareholders	11,674
(Number of share trading unit holders included in above)	7,561

Principal Shareholders

Name	Number of stocks held (thousands)	Percentage of total number of issued stocks (%)
Sumitomo Chemical Co., Ltd.	52,549	22.33
Japan Trustee Services Bank, Ltd. (Trust Account)	18,286	7.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,893	7.18
Japan Trustee Services Bank, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank)	4,366	1.86
Sumitomo Mitsui Banking Corporation	4,360	1.85
Government of Norway	3,625	1.54
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,236	1.38
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,100	1.32
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	2,982	1.27
RBC ISB A/C Lux Non Resident/ Domestic Rate-Ucits Clients Account	2,797	1.19

(Notes)

- The Company holds 12,633 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.
- Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

Domestic Network (As of March 31, 2018)



■ Osaka Office



▲ Amagasaki Plant



▲ Utsunomiya Plant



■ Nagoya Office



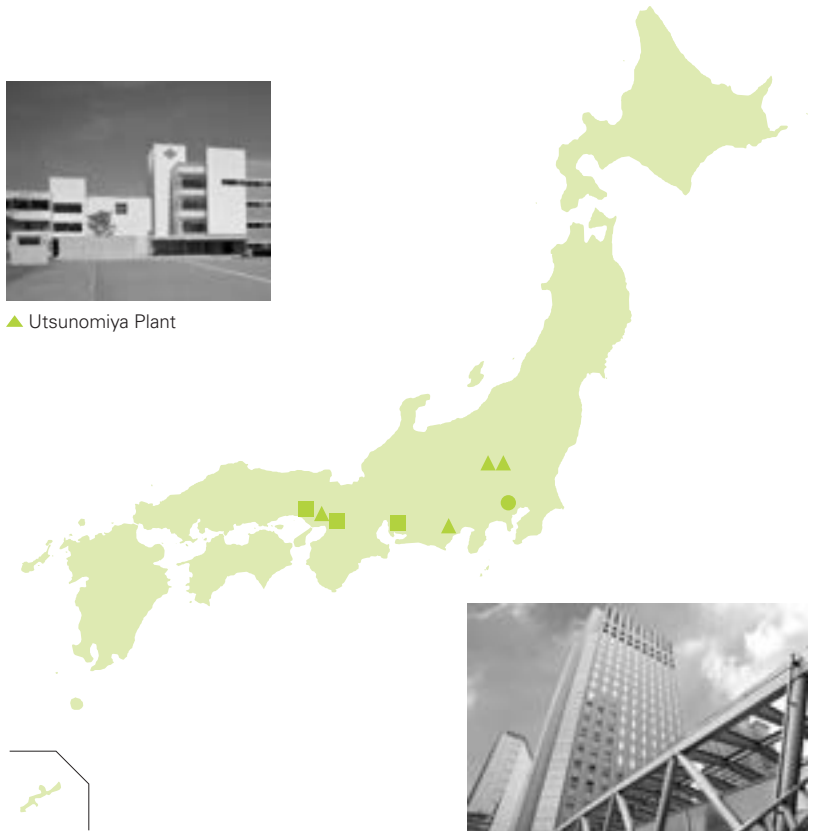
▲ Kanuma Plant



■ Kobe Facility Office



▲ Shizuoka Plant



● Head Office

Offices

Head Office

Tennoz Parkside Building,
2-5-8 Higashi-shinagawa, Shinagawa-ku,
Tokyo 140-0002, JAPAN
Phone: +81-(0)3-5462-4111 Facsimile: +81-(0)3-5462-4873

Osaka Office

The Sumitomo Bldg., No.2,
4-7-28 Kitahama, Chuo-ku, Osaka,
Osaka 541-0041, JAPAN
Phone: +81-(0)6-6232-5288 Facsimile: +81-(0)6-6232-5312

Nagoya Office

3-71 Hongo, Meito-ku, Nagoya,
Aichi 465-0024, JAPAN
Phone: +81-(0)52-726-8351 Facsimile: +81-(0)52-726-8398

Kobe Facility Office

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

Plants

Amagasaki Plant

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

Kanuma Plant

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

Shizuoka Plant

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

Utsunomiya Plant

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

Laboratories

Advanced Materials Research Laboratory

Kobe
Phone: +81-(0)78-992-3900 Facsimile: +81-(0)78-992-3919

Shizuoka

Phone: +81-(0)54-635-4095 Facsimile: +81-(0)54-635-2129

Utsunomiya

Phone: +81-(0)28-667-7454 Facsimile: +81-(0)28-667-7457

Corporate Engineering Center (Located at Shizuoka Plant)

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

Information & Telecommunication Materials Research Laboratory

Utsunomiya
Phone: +81-(0)28-612-7185 Facsimile: +81-(0)28-612-7186

Located at Kyushu Sumitomo Bakelite Co., Ltd.

Phone: +81-(0)949-23-1911 Facsimile: +81-(0)949-23-1915

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

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

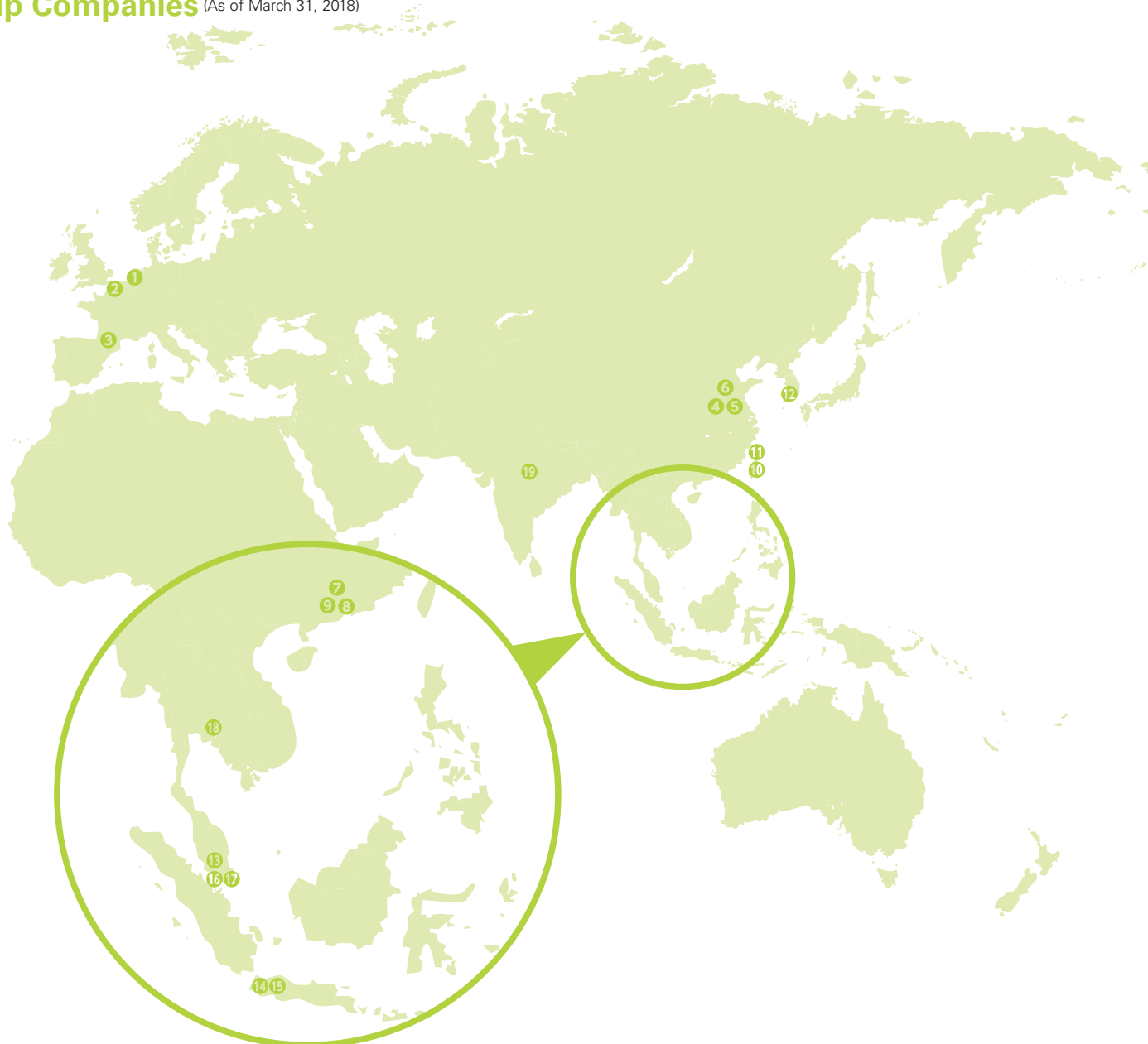
Films & Sheets Research Laboratory (Located at Amagasaki Plant)

Phone: +81-(0)6-6429-6944 Facsimile: +81-(0)6-6426-6463

Industrial Functional Materials Research Laboratory (Located at Kanuma Plant)

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

Group Companies (As of March 31, 2018)



OVERSEAS

Overseas

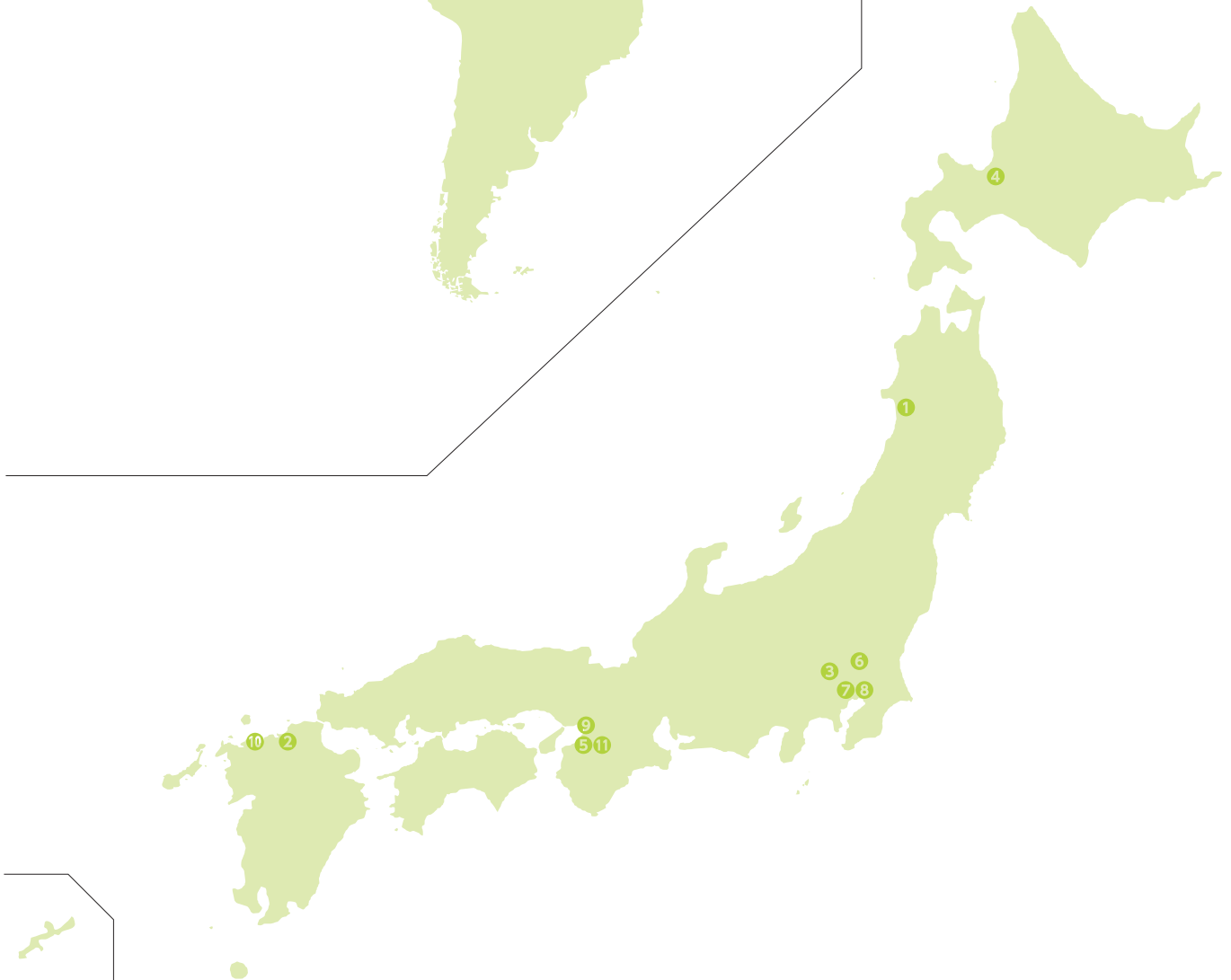
- | | |
|--|---|
| ① Sumitomo Bakelite Europe NV | ⑭ P.T. Indopherin Jaya |
| ② Vyncolit NV | ⑮ P.T. SBP Indonesia |
| ③ Sumitomo Bakelite Europe (Barcelona), S.L.U. | ⑯ Sumitomo Bakelite Singapore Pte. Ltd. |
| ④ Sumitomo Bakelite (Suzhou) Co., Ltd. | ⑰ Sumidurez Singapore Pte. Ltd. |
| ⑤ Sumitomo Bakelite (Shanghai) Co., Ltd. | ⑱ Sumitomo Bakelite (Thailand) Co., Ltd. |
| ⑥ Sumitomo Bakelite (Nantong) Co., Ltd. | ⑲ SBE India Pvt. Ltd. |
| ⑦ Sumitomo Bakelite (Dongguan) Co., Ltd. | ⑳ Sumitomo Bakelite North America Holding, Inc. |
| ⑧ Sumitomo Bakelite Hong Kong Co., Ltd. | ㉑ Sumitomo Plastics America, Inc. |
| ⑨ Sumitomo Bakelite Macau Co., Ltd. | ㉒ Durez Corporation |
| ⑩ Sumitomo Bakelite (Taiwan) Co., Ltd. | ㉓ Promerus, LLC |
| ⑪ Sumibe (Taiwan) Co., Ltd. | ㉔ Sumitomo Bakelite North America, Inc. |
| ⑫ Sumibe Korea Co., Ltd. | ㉕ Vaupell Holdings, Inc. |
| ⑬ SNC Industrial Laminates Sdn. Bhd. | ㉖ Durez Canada Co., Ltd. |



DOMESTIC

Domestic

- ① Akita Sumitomo Bakelite Co., Ltd.
- ② Kyushu Sumitomo Bakelite Co., Ltd.
- ③ S.B. Techno Plastics Co., Ltd.
- ④ Hokkai Taiyo Plastic Co., Ltd.
- ⑤ Yamaroku Kasei Industry Co., Ltd.
- ⑥ S.B. Research Co., Ltd.
- ⑦ Sunbake Co., Ltd.
- ⑧ S.B. Sheet Waterproof Systems Co., Ltd.
- ⑨ Softec Co., Ltd.
- ⑩ Seibu Jushi Co., Ltd.
- ⑪ Tsutsunaka Kosan Co., Ltd.



 **SUMITOMO BAKELITE CO., LTD.**

