

CSR and Compliance Promotion System

Sumitomo Chemical is further improving its CSR and compliance system in order to continue to fulfill its CSR and maintain the trust of society.

CSR History from the Foundation of the Company

Sumitomo Chemical's business dates back to 1913, when the Company sought to solve the problem of sulfur dioxide emissions from smelting operations at the Besshi Copper Mine in the Shikoku region of Japan. The Company got its start producing sulfuric acid and calcium super phosphate fertilizers using the emitted sulfur dioxide. This not only solved environmental problems by curbing the emission of pollutants, but also helped increase crop yields through the provision of useful fertilizers.

Since then, we have laid out and implemented policies in the areas of safety, the environment, product quality, risk management, and business conduct to ensure that we fulfill our responsibilities as a member of society.

CSR Milestones

- 1913 • Company founded.
- 1966 • Sumitomo's Business Principles established.
- 1974 • Pricing committee formed.
- 1979 • Environment and safety committee formed.
- 1994 • Corporate Policy on Product Quality, Safety and the Environment established.
- 1995 • Policy for Responsible Care Activities established.
- 1997 • Our Code of Conduct established.
- 1998 • Environment, Health and Safety Report first published.
- 2001 • Improved compliance with the Antimonopoly Act of Japan.
- 2002 • Risk crisis management committee formed.
- 2003 • Sumitomo Chemical Charter for Business Conduct established.
Compliance system enhanced.
- 2004 • CSR Report first published.
Basic CSR Policy established.
- 2005 • Participation in Global Compact
- 2007 • Internal control committee established.
- 2008 • Corporate Slogan and Statement created.
- 2009 • Sumitomo Chemical's Business Philosophy formulated.
- 2010 • CSR Department established.
Energy & Climate Change Office established.

Basic CSR Policy

Sumitomo Chemical established its Basic CSR Policy in November 2004 based on Sumitomo's Business Principles and the Sumitomo Chemical Charter for Business Conduct. Under the Policy, specific goals are set and CSR activities are implemented to achieve them. Subsequently, in January 2010, we established our CSR Department, which is devoted to the further enhancement and development of our CSR initiatives.

Basic CSR Policy

By continuously creating and providing useful new technologies and products that have never before existed, Sumitomo Chemical will increase corporate value while contributing to both the solution of problems facing our environment and society, and the betterment of people's lives.

In order to achieve this, the Company will work to achieve a balance between profitable business operations, safety, preservation of the environment, and product quality as well as social action. In addition, we will actively pursue and promote our CSR activities with consideration for the interests of all our stakeholders, including our shareholders, employees, business partners, and the local residents of all regions in which we conduct business. Through our endeavors in these areas, we hope to play a significant role in building a sustainable society, while continuing to grow to realize our goal of becoming a truly global chemical company in the 21st century.

and its Group companies in Japan. Furthermore, we actively and continually hold various kinds of seminars, including those on the basics of compliance as geared to the participants' job grades, years of employment or other conditions, and those handling individual compliance issues, as well as utilizing external educational resources such as participation in lectures or inviting lecturers from outside the Company.

We are also developing ways and means of sharing information about periodic changes in laws and regulations in Japan with domestic Group companies for use in their day-to-day operations. For example, we operate an electronic system by which information on the revision of laws and other developments related to compliance issues are disseminated to the companies automatically via the Internet.

UN Global Compact

In January 2005, Sumitomo Chemical became the first Japanese chemical company to announce its participation in the UN Global Compact* advocated by then UN Secretary-General Kofi Annan. Since then, we have been further promoting our CSR activities in compliance with the ten principles of the Global Compact, while networking with the United Nations and other institutions and reporting on the status of our efforts in our CSR Report.

Contributing to Society through Our Business

Sumitomo Chemical is committed to contributing to the sustainable development of society as the core of its CSR and believes it crucial to comply with international norms and cooperate with international organizations, NGOs, and other companies in meeting the challenges faced by society. The Global Compact initiative is fully consistent with the Company's conceptions.

Sumitomo Chemical conducts all its business activities with due consideration for the principles of the Global Compact regarding human rights, labor, the environment, and anti-corruption.

Initiative Taken by the Global Compact Working Group on the 10th Principle (Anti-Corruption)

In December 2008, Sumitomo Chemical became the first Japanese company to participate in the Global Compact Working Group on the 10th Principle (Anti-Corruption). This working group, which comprises companies, NGOs, and others with divergent interests, discusses companies' needs and their efforts in combatting corruption. As a member of the task force on supply chains, whose duty was to prepare a Guide for Customers and Suppliers, Sumitomo Chemical prepared parts of the draft. This guide was completed and announced at the general assembly of the Working Group on the 10th Principle held on June 23, 2010.

As a member of the global community, Sumitomo Chemical will continue to address the global challenge of

anti-corruption in cooperation with other organizations.

*UN Global Compact

The UN Global Compact is a United Nations initiative in which businesses demonstrate responsible and creative leadership and voluntarily participate in efforts to establish a worldwide framework that enables them to act as good corporate citizens and achieve sustainable growth.

The Global Compact's Ten Principles



Human Rights

- Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2:** make sure that they are not complicit in human rights abuses.

Labour

- Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4:** the elimination of all forms of forced and compulsory labour;
- Principle 5:** the effective abolition of child labour; and
- Principle 6:** the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

Hand in Hand with Business Partners

Sumitomo Chemical has started implementing its responsible procurement initiatives for the purchase of raw materials and packaging materials.

Sumitomo Chemical is committed to building sound mutual relations with business partners based on the Basic Procurement Principles. In addition to ensuring fairness, equitability, and transparency in our transactions, we are also promoting responsible procurement by purchasing preferentially from suppliers of raw materials and packaging materials that are committed to CSR.

Basics of Responsible Procurement

Clarifying regulations within the Company

Sumitomo Chemical clearly states the following basic principle of responsible procurement in its Basic Procurement Policies (*shown below*):

“4. In its procurement, the Procurement Section shall give preference to those suppliers that are active in CSR initiatives, with the aim of fulfilling its corporate social responsibilities and building sound relationships with suppliers.”

In addition, we clearly state our basic responsible procurement policy in the Group Business Standards of Procurement.

Basic Procurement Policies

1. The Procurement Section shall strive to conduct procurement transactions on the basis of fair, equitable, transparent and free competition without involving personal interests or arbitrary considerations.
2. The Procurement Section shall strive to select suppliers to transact with in accordance with the most appropriate and economically rational methods and shall pursue the maintenance of sound business relationships with suppliers, aiming for mutual growth and development.
3. The Procurement Section shall strive to provide corporate services globally throughout the entire Group.
4. In its procurement, the Procurement Section shall give preference to those suppliers that are active in CSR initiatives, with the aim of fulfilling its corporate social responsibilities and building sound relationships with suppliers.
5. The Procurement Section shall strive always to meet quality requirements of Sumitomo Chemical's internal sections that request purchase of Goods and Services.
6. In performing Procurement Operations, the highest priority shall be given to safe and stable operation in order to achieve zero-accident and zero-injury operations.
7. In performing Procurement Operations, the highest consideration shall be given to customer satisfaction.
8. The Procurement Section shall ensure the transparency of Procurement Operations.

curement, which apply to Group companies both in Japan and overseas.

Clarifying regulations within the Company

(1) Using the Sumitomo Chemical Supply-Chain CSR Deployment Check Sheet

Sumitomo Chemical has created the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook, which explains CSR items to be focused on by suppliers. Sumitomo Chemical aims to help its suppliers address their issues by monitoring and providing feedback on the results of their self evaluation using the Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets and helping them promote CSR activities by repeating the PDCA cycle. (See Figures 1 to 3)

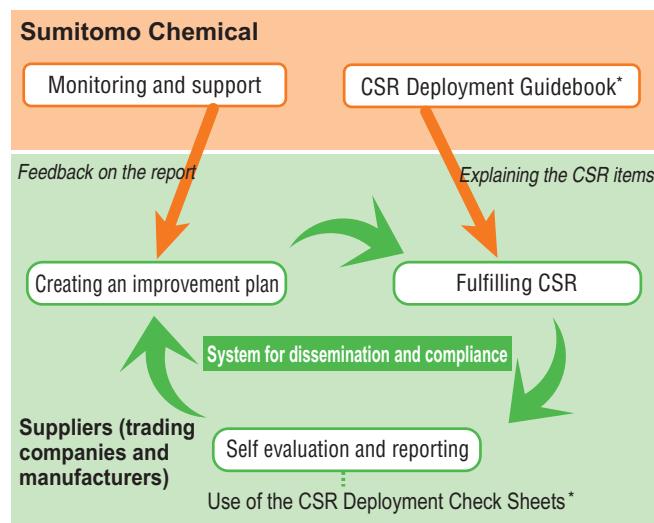
(2) Webpage on Procurement Information

Sumitomo Chemical has a CSR Procurement webpage on its Procurement Information website linked from the Company homepage in order to broadly inform its stakeholders about its CSR procurement initiatives. This CSR Procurement webpage allows suppliers to download the guidebook and check sheets and report the results of their self evaluation.

Procurement Information website:

☞ <http://www.sumitomo-chem.co.jp/english/purchase/index.html>

Figure 1 System for Responsible Procurement



* The guidebook and check sheets can be downloaded from the website.

Figure 2 Sumitomo Chemical Supply-Chain CSR Deployment Guidebook (Extract)

I. Compliance with Laws and Ethics

I – 1. Compliance with various business laws

Suppliers are requested to fully understand relevant business laws and comply with these laws, in carrying out business operations.

Business laws means are generally referred to as "business laws," which apply to certain businesses, and impose various duties upon relevant business enterprises, such as the submission of notifications or reports to, and the acquisition of permits or licenses from, government and municipal offices. You must understand the various business laws that regulate business activities, acquire or submit permits or licenses specified in the various business laws, and comply with the requirements specified in these laws, such as quality standards, markings, the submission of documents or periodical reports, and the preparation of transaction records.

I – 2. Prohibit impediments to free competition

Suppliers are requested not to impede fair, transparent, and free competition.

"Competition restrictive activities" mean ...

II. Human Rights and Labor

III. Prevent Accident and Occupational Health and Safety

IV. Environmental Preservation

V. Product Quality and Safety

Initiatives in Fiscal 2009

(1) Monitoring

Sumitomo Chemical distributed copies of the CSR Deployment Guidebook mainly to new domestic and overseas suppliers and launched the self evaluation system using the CSR Deployment Check Sheets.

(2) Introduction to Group companies and information exchange among domestic Group companies

The CSR Deployment Guidebook and Check Sheets were introduced to domestic Group companies and they were shown how we suggest they use them. We regard the promotion of responsible procurement activities with Group companies as one of our tasks for fiscal 2010.

(3) Exchange of responsible procurement information with competitors

To actively encourage responsible procurement, we exchanged information with procurement heads at other companies in the industry. Specifically, we checked Sumitomo Chemical's and other companies' ideas on and systems for responsible procurement and exchanged information on monitoring methods.

Fiscal 2010 Tasks for Responsible Procurement Initiatives

In fiscal 2010, Sumitomo Chemical will utilize its responsible procurement system in some specific overseas areas, mainly China, India, and Southeast Asia, and will monitor and provide feedback on CSR initiatives undertaken by local manufacturers to further promote respon-

Figure 3 Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets (Extract)

II. Human Rights and Labor

II – 2. Prohibit discrimination

Suppliers are requested to prohibit discrimination during the process of job offering and hiring, and to endeavor the equal opportunity and fairness of treatment.

A. Please self-check your actual status for the following questions.

A - 1. Do you practice appropriate controls to avoid discrimination in recruiting process or at employment?

(Pls. Select)

[Evaluation Guide] (Violation herein means not only legal violation but also deviation from social disciplines.)

(5) = No violation/problem is confirmed by periodical investigation and audit.

(3) = No violation is reported as far as we grasp, neither investigation nor audit were performed.

(1) = Big violation is identified or the actual condition/status is not grasped.

B. Please provide relevant information when your company corresponds to the cases below.

-Violation is identified in the past for 2 years if it is applied.

-Improving plan for CSR program.

(Pls. fill in)

sible procurement.

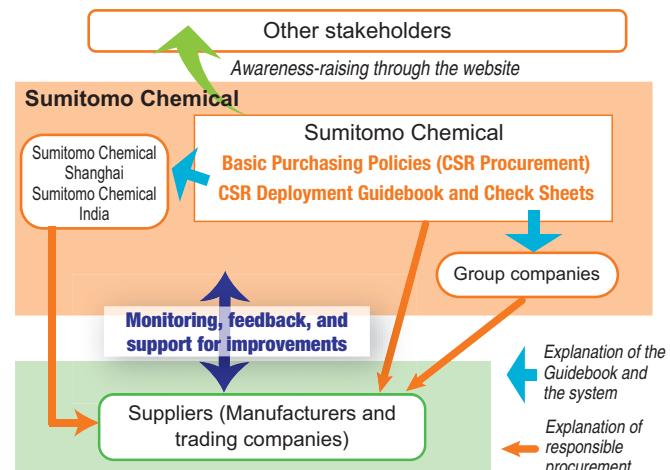
(1) Cooperation with Sumitomo Chemical Shanghai and Sumitomo Chemical India

We will monitor the self evaluation results for suppliers in China and India, including factory visits, through Sumitomo Chemical Shanghai and Sumitomo Chemical India.

(2) Deployment at both domestic and overseas Group companies

Sumitomo Chemical will propose activities for promoting responsible procurement to Group companies according to their actual status of implementation, including the joint use of the CSR Deployment Guidebook and Check Sheets (Figure 4).

Figure 4 Deployment of Responsible Procurement



Social Activities

(2) Managing Physical and Mental Health

Sumitomo Chemical has developed its comprehensive Sumika Health Improvement Plan (SHIP) to ensure that employees can remain both physically and mentally healthy. In January 2009, the Company assigned a chief occupational health physician to centrally manage the health of employees, and has been implementing a variety of measures to help employees manage and improve their health.

Mental Health

Employees can use the counseling services provided by the in-house mental health facilities and also by specialist external institutions. In fiscal 2009, seminars on caring for mental health were held for new employees and newly promoted employees.

In addition, in order to help employees who have been absent from work for extended periods due to mental



Mental health training

VOICE

Supporting Employees Both Physically and Mentally

At Sumitomo Chemical, internal occupational health physicians, health workers, and nurses cooperate with the HR department and workplace to prevent employees from becoming physically or mentally unwell and to improve their physical and mental health.

Employees are the company's main players in its global business operations, and we will support them in many different ways to enable them to lead both physically and mentally healthy lives, reviewing and improving these services as required.



Hiroaki Itatani
Chief occupational health physician

health problems return to work, we introduced a work rehabilitation system in April 2009. Under this system, an employee can work shorter hours or days and with reduced responsibilities for up to three months, and the on-site occupational health physician, HR staff member, and the employee's manager cooperate in helping the employee to start working again. In fiscal 2009, seven employees returned to work under this system.

Physical Health

By law, all employees and their dependents aged 40 or older are entitled to special health checks and guidance on preventing metabolic syndrome. Sumitomo Chemical works with its health insurance association to ensure that all employees undergo this special health check regardless of age and employees aged 35 or older receive guidance on early diagnosis and prevention of lifestyle-related diseases.

In fiscal 2009, the company sent its chief occupational health physician to provide medical counseling and evaluate the medical service environment to Saudi Arabia three times and to the United States and Singapore once each to provide support for employees working overseas and their families.

TOPIC

Holding Experiential Health Seminars

The Misawa Works has been holding experiential health seminars as part of its health management efforts. In fiscal 2009, the Works held a seminar on preserving physical and mental health, in which employees learned a relaxation method, listened to talks by external lecturers (a nationally registered dietitian and a health fitness instructor), ate a healthy lunch, and did stretches and walking exercises.

Through this seminar, employees learned about good nutrition, exercise, and rest, and how to use this knowledge to manage their health through delicious meals and pleasant exercise.



Health seminar

Social Activities

Labor-Management Relations

Maintaining and Improving Good Labor-Management Relations

Sumitomo Chemical and its labor union have been cooperating as good management partners to meet challenges and achieve targets based on long-term mutual understanding and trust.

Providing opportunities for exchanges, semi-annual central labor-management meetings and regional labor-management meetings are held at all worksites.

The Company and the labor union also hold meetings to discuss and formulate various programs for non-managerial employees to enable them to increase their morale and motivation at work.

Labor-Management Initiatives

Sumitomo Chemical has been cooperating with its labor union in combating global warming and in social contribution activities initiated by employees.

(1) Promoting CO₂ emissions reductions in the household

In cooperation with its labor union, Sumitomo Chemical is encouraging reductions in CO₂ emissions, not only in its factories and offices, but also in its employees' households.

Since fiscal 2008, the Company has been distributing its own "environmental accounting books" to all employees and encouraging them to identify the sources of CO₂ emissions in their homes. In fiscal 2009, we started a program to encourage employees to reduce CO₂ emissions at home and to commend those who achieve substantial reductions.

(2) Matching Gift Program

In fiscal 2007, Sumitomo Chemical started its Matching Gift program jointly with its labor union. In this program,

donations are solicited from employees and executives of Sumitomo Chemical Group companies, and the Company matches the amount collected. The total is then donated to the organizations selected as recipients of support.

In fiscal 2009, we donated to ASHINAGA* a private NPO, as part of our support for children's upbringing and education. We also made a donation to the Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA)[†] to support its tree-planting activities as part of our support for global environmental protection and the prevention of global warming. Amounts of 5798,733 yen and 6,390,633 yen were donated to ASHINAGA and OISCA respectively by employees and executives, and the Company matched the amounts.

Using part of the money donated to OISCA, we are helping them to plant mangrove trees in Ranong in the south of Thailand. (For details see "Highlights" on page 23.)



Donations to ASHINAGA (top) and OISCA (bottom)



Environmental accounting book

*ASHINAGA is a private NPO established to provide physical and mental support for children who have lost their parents because of illness, accidents or for other reasons. The money donated to this organization is used to provide a scholarship fund for these orphans.

[†]OISCA is a global NGO engaged in rural development and environmental protection mainly in the Asia-Pacific region. The money donated by Sumitomo Chemical to this organization is used for its Children's Forest Program and to plant mangrove trees in Ranong, Thailand.

Responsible Care Activities

Sumitomo Chemical is conducting Responsible Care* activities throughout the Sumitomo Chemical Group both in Japan and overseas, because it regards Responsible Care as one of its top management priorities, which it is developing globally.

Progress in the Fulfillment of the Eco-First Commitments



As a leading company in the chemical industry, Sumitomo Chemical is committed to fulfilling its Eco-First Commitments to the Japanese Minister of the Environ-

ment through the appropriate management of chemical substances while ensuring legal compliance and promoting RC activities. (For details, also refer to page 24.)

*Responsible Care (RC)

This is a voluntary initiative undertaken by the chemical industry to ensure safety, preserve the environment, protect health, and maintain product quality throughout the lifecycles of its products and to gain the trust of society through continuous dialogue.

Eco-First Commitments

1. We will manage chemical substances and promote risk communication in an appropriate and proactive manner.

- We will review the information on the safety of all our products manufactured or sold in annual amounts of one ton or more by fiscal 2016 in order that all members of society may use Sumitomo Chemical's products more safely and with peace of mind, and we will conduct the appropriate risk assessments based on the results by fiscal 2020.
- We will collaborate with chemical companies globally on voluntary projects for inspecting the safety of high production volume (HPV) chemicals and studies of the impact of chemical substances on human health and the environment (the Long-range Research Initiative : LRI) in order to improve the safety of chemical substances. We will complete the necessary work on the three HPV chemical substances for which Sumitomo Chemical is taking the lead responsibility by fiscal 2010.
- We will halve the total release into the air and water of chemical substances subject to the PRTR* Act relative to fiscal 2002 levels by fiscal 2010.
- All the offices and facilities at Sumitomo Chemical will communicate effectively with and voluntarily promote information disclosure to consumers and other stakeholders in creative ways that suit the local community.

2. We will actively promote initiatives to prevent global warming.

- We will work to improve unit energy consumption by 25% at all our Works and unit CO₂ emissions from the captive consumption of fossil fuels by 20% over fiscal 1990 levels by fiscal 2015.
- As a member of the Japan Petrochemical Industry Association, we are committed to the heat recovery technology (HEART) Project with a view to developing and commercializing innovative energy-saving technologies to recover low-temperature heat (130 degrees Centigrade and lower) generated by our petrochemical plants that has not been recycled and reuse it at our manufacturing plants by fiscal 2015.
- We will promote a modal shift in logistics and upsize transport containers to improve the efficiency of our logistics divisions, thereby improving their unit energy consumption by 1% annually.
- In cooperation with the labor union, we will implement measures to help prevent global warming through the reduction of household CO₂ emissions by encouraging employees to make continuous efforts to reduce CO₂ emissions at home.

3. We will actively promote initiatives for building a recycling-based society.

- We will endeavor to reduce waste and promote recycling, aiming at achieving a 90% reduction in industrial waste landfill relative to fiscal 1990 levels by fiscal 2010.
- We will reduce the ratio of landfill to total waste generated at all our Works to less than 3% by fiscal 2015.

*Pollutant release and transfer register (PRTR)

A system for recording emissions and movement of environmental pollutants. This system enables collection, totaling, and reporting of data from each source and also allows measurement of the extent to which a toxic chemical substance is emitted into the environment or carried out in waste from a site.

Responsible Care

In its efforts to realize sustainable chemistry, Sumitomo Chemical is promoting Responsible Care (RC) activities based on its Corporate Policy on Safety, the Environment and Product Quality and on the fundamental principle of Making Safety the Top Priority. We will continue to conduct active and systematic RC activities to ensure stable zero-accident, zero-disaster operations and to promote global environmental protection, chemical safety management, and communication with society. Thus, we seek to raise society's expectations of and trust in the Company and improve our competitiveness, while pursuing the development of a wide range of industries and helping people lead more fulfilling and comfortable lives and contributing to the sustainable development of society.

Promoting RC Activities Together with Group Companies

Corporate Policy on Safety, the Environment and Product Quality

Sumitomo Chemical has set forth safety, the environment, and product quality as top priorities for all phases of its business activities in its Corporate Policy on Safety, the Environment and Product Quality. This policy has been communicated to all employees of Sumitomo Chemical and its Group companies to ensure that each and every employee is fully aware of it.

Policy on Responsible Care Activities

Sumitomo Chemical has summarized its key Responsible Care initiatives in its Policy on Responsible Care Activities, which is incorporated into the specific activity targets and plans formulated annually by the Company and each workplace.

Corporate Policy on Safety, the Environment and Product Quality

Revised: November 1, 2005
(Established April 1, 1994)

In conformity with Sumitomo's Business Principles, our Company fulfills its responsibility to develop, manufacture and supply a variety of products that satisfy the fundamental necessities of human life and contribute to the growth of society. Under the concept of "Making Safety the First Priority," which is fundamental to all the Company's operations, Sumitomo Chemical has based management of its activities on the principles of (i) maintaining zero-accident and zero-injury operations, (ii) ensuring customer satisfaction, and (iii) promoting mutual prosperity with society.

Paying due respect to these principles, our Company is determined to conduct all activities, including production, R&D, marketing & sales and logistics, in accordance with the following policy related to safety, the environment and product quality.

1. Maintain zero-accident and zero-injury operations and the safety of neighboring communities and our employees.
2. Ascertain the safety of raw materials, intermediates and products, and prevent our employees, distributors, customers and consumers from being exposed to any possible hazard.
3. Supply high-quality products and services that satisfy customers' needs and ensure safety in their use.
4. Assess and reduce our environmental impact at all operational stages, from product development to disposal, and undertake all practical environmental protection measures.

All sections and employees of our Company shall be made fully aware of the significance of this policy, and shall constantly strive to improve operational performance, while at the same time abiding by all relevant laws, regulations and standards.

Hiroshi Hirose
President
Sumitomo Chemical Company, Limited

廣瀬 博

Policy on Responsible Care Activities

Revised: March 2, 2006
(Established: January 1995)
Responsible Care Committee

In accordance with the Corporate Policy on Safety, the Environment and Product Quality, Sumitomo Chemical will strive to promote Responsible Care activities in developing its business, and will also do its utmost to achieve sustainable development and earn the trust of society.

1. We will achieve our zero-accident, zero-disaster targets to ensure stable operations.
2. We will conduct risk management throughout the life cycle of our products, throughout the stages of development, manufacturing, transport and disposal, and strive to conserve the environment, and ensure the safety and health of our employees as well as that of the local community.
3. We will comply with all domestic and international laws and standards relating to safety and the environment, and strive to meet even stricter targets than those legally required.
4. We will promote both risk reduction and accident prevention from the perspectives of product safety and quality.
5. We will promote energy and resource conservation and seek to reduce our environmental impact.
6. We will implement the requisite education and training for our employees relating to safety, the environment and product quality, and will promote effective Responsible Care activities.
7. We will be mindful of the interests of both local residents and regulatory authorities in connection to safety, the environment and product quality, and will fulfill our responsibility to provide related information through dialogue.
8. We will evaluate the content of our activities and seek to implement improvements through Responsible Care audits pertaining to occupational health and safety, security and disaster prevention, environmental protection, chemical safety, product safety and quality assurance.
9. We will support the Responsible Care activities of Group companies, contractors and other business partners, including located overseas.

Environmental Protection Activities

Sumitomo Chemical has been working actively for the protection of the global environment and the creation of a recycling-based, low carbon society.

Sumitomo Chemical has chosen the following items as specific targets in the field of environmental protection and is strengthening measures to achieve them in order to make tangible improvements in its environmental performance. These items include promoting climate change prevention measures and energy-environment strategies, advancement and standardization of the environmental performance totaling system, improvements to the environmental efficiency indicator and improvements to and stable use of the environmental efficiency evaluation method, expanded use of the environmental accounting method, identifying the optimum mix of appropriate legal compliance measures and voluntary activities, and promotion of Group-wide environmental protection targets.

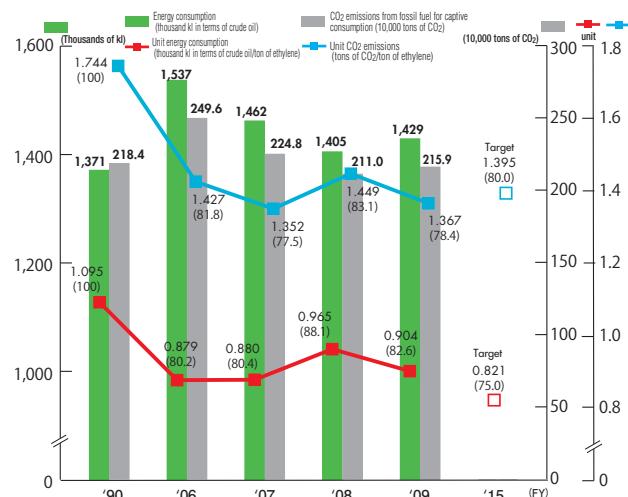
Target
Improve unit energy consumption by 25% relative to fiscal 1990 by fiscal 2015 (Former target: Improve unit energy consumption by 20% relative to fiscal 1990 by fiscal 2010)
Reduce unit CO ₂ emissions from fossil fuel for captive consumption by 20% relative to fiscal 1990 by fiscal 2015 (Former target: Reduce unit CO ₂ emissions from fossil fuel for captive consumption by 15% relative to fiscal 1990 by fiscal 2010)

Performance in Fiscal 2009
Improved by 17.4% from the fiscal 1990 level (6.3% improvement from the fiscal 2008 level)



Improved by 21.6% from the fiscal 1990 level (5.7% improvement from the fiscal 2008 level)

Energy Consumption, Unit Energy Consumption, CO₂ Emissions from Fossil Fuel for Captive Consumption, and Corresponding Unit Emissions



◆ Figures in parentheses are index values (fiscal 1990 = 100).

◆ In fiscal 2008, both unit energy consumption and unit CO₂ emissions increased due to a decrease in production volumes. In fiscal 2009, however, both decreased following a recovery in production.

Energy Conservation and the Prevention of Global Warming

Summary of Initiatives

We aim to achieve the world's highest level of energy efficiency, and are achieving definite results by improving our operating methods and the efficiency of our facilities and equipment while rationalizing our processes.

We are also studying proactive and effective forward-looking measures for responding to CO₂-related issues, and are leveraging our strengths in advanced technologies to develop processes and products that will contribute widely to reductions in CO₂ emissions.

Volume of CO₂ Emissions

FY	Total Emissions	Energy Origin		Environmental Treatment		Process
		Fossil Fuel Consumption	Purchased Electricity/Steam	Incineration	Effluent	
1990	368.7	218.4	103.8	28.2	2.2	16.1
2006	479.4	249.6	159.9	29.9	2.9	37.1
2007	471.1	224.8	176.9	28.2	2.7	38.5
2008	435.1	211.0	165.5	21.8	2.2	34.6
2009	436.4	215.9	162.8	20.0	1.8	35.9

Figures do not include emissions from fuel consumed for electricity or steam sold outside the Company.

◆ In fiscal 2008, total emissions decreased due to a decrease in production volumes. In fiscal 2009, total emissions increased slightly over levels the previous year due to production stoppage and adjustment at major plants.

VOICE

Reducing Power Consumption by Introducing Energy-Saving Equipment

At the Chiba Works, we are using the active sludge method to treat wastewater at the wastewater treatment facilities. This method consumes large quantities of electricity in driving the air blowers that pump air into the aeration tank and break down organic matter in the wastewater. To reduce the power used, we installed highly efficient aeration equipment, which diffuses air widely into every corner of the tank. As a result, we were able to reduce the use of air, which led to a reduction of roughly 30% in the power used to drive the air blowers. In fiscal 2009, we reduced our power consumption by approximately 1,000 MWH in total, which is equivalent to a reduction in energy use of 260 kl in terms of crude oil (corresponding to approximately 500 tons of CO₂ emissions).



Mr. Yamashita (far left) and his colleagues

Takuya Yamashita

No. 1 Manufacturing Department
Chiba Works

VOICE

Improving Equipment to Recover Heat from Boiler Exhaust Gas

At the Oita Works, exhaust gas from one of the main boilers was sent into the air preheater to recover heat from the gas through a heat exchange with the combustion air. The equipment, however, had become quite old and we replaced it with a feed-water preheater to achieve more effective heat recovery. The new equipment allows heat exchange between boiler exhaust gas and the boiler feed-water, and this has reduced use of the heavy oil C used as boiler fuel by approximately 4% (400 kl) annually. This replacement has also contributed to a reduction in atmospheric NOx emissions.



Main boiler with a feed-water preheater (top left)

Teruyuki Akimoto
Production Planning Department
Oita Works



Achieving Energy Conservation by Ensuring Optimal Boiler Operation

The Okayama Plant uses fuel (heavy oil A) and electrical energy to drive small one-through boilers to generate steam from water. The plant manufactures a diverse variety of pharmaceutical intermediates using the batch production method, and the volume of steam required by the entire plant varies greatly from day to day. To conserve energy by responding to changes in the demand for steam, it would be necessary to ensure operation of the optimal number of boilers and eliminate any waste. To achieve this, we have adopted a control method that operates the minimum number of boilers required in order to generate steam more efficiently, enabling us to achieve a reduction of approximately 4% in energy consumption per unit of steam production.



Takashi Tomita
Manufacturing Department
Okayama Plant

"Visualizing" Energy Use (Part 1) Effective Use of Simplified Watt-Hour Meters

The Osaka Works has been developing its energy conservation activities with the active participation of all employees since it started its energy conservation promotion system in 1998. In fiscal 2009, we actively promoted energy conservation through the effective use of simplified watt-hour meters. Specifically, we attached watt-hour meters (shown in the photo) to all the electric devices used in our workplaces, which enables us to identify power consumption, electricity charges, and CO₂ emissions all at a single glance. This "visualization" of the energy used is making each employee more energy-conscious and voluntarily committed to energy conservation, which is expected to bring about great results throughout the Works.



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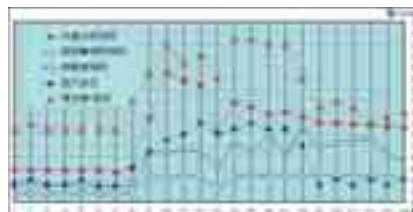
Keiko Asano
Environment & Safety Department
Osaka Works



"Visualizing" Energy Use (Part 2) Effective Use of Power Meters Equipped with a Communications Function

The Okayama Plant "visualizes" the hourly and monthly power consumption for its major manufacturing equipment and its office equipment by using power meters equipped with a communications function. The data transmitted from the meters to a PC installed in the meter room are totaled in graphs (shown below), and the data are sent to the individual departments, which consider how to reduce their power usage (by making year-on-year comparisons).

As a result, lunch-time power consumption in the office and other facilities has been reduced by about half, and we are now looking into establishing an online visualization system that allows us to constantly monitor power usage.



Hideki Kogami
Manufacturing Department
Okayama Plan



Responsible Care Activities

Initiatives to Reduce Overall Environmental Impact

Summary of Initiatives

For pollutants released into the environment, such as exhaust gases, wastewater, and solid waste, we are actively promoting multifaceted measures and strengthening management by widely adopting the concept of risk management in addition to complying with legal standards and meeting the criteria agreed on with local governments.

In addition, we are continually deepening communication with people living in the neighborhoods around our facilities by soliciting their ideas and opinions in order to make further environmental improvements.

Progress on Major Items

Prevention of Air and Water Pollution

Targets (top) and major challenge(s) (bottom)

- Continue to keep emissions of SO_x, NO_x, soot and dust, COD, nitrogen, and phosphorous at or below voluntary control standards
- Reduce unit water use in fiscal 2010 by 25% relative to fiscal 1990

- Stabilize wastewater treatment (including odor elimination measures) and reduce environmental impact

Performance in fiscal 2009

- Emissions were continuously kept at or below voluntary control standards (See pages 4 and 5 of the DATA BOOK)
- Reduced by 27.3% relative to fiscal 1990 (See page 6 of the DATA BOOK)

- Started full-scale operation of active sludge treatment facilities, strengthened measures to recover ammonia and control odors, and reconsidered method of accepting wastewater (See TOPIC on page 63 and page 19 of the DATA BOOK)

PRTR/VOC

Targets (top) and major challenge(s) (bottom)

- Reduce total release of substances subject to the PRTR Act by 50% relative to fiscal 2002 by fiscal 2010
- Reduce emissions of VOCs by 30% relative to fiscal 2000 by fiscal 2010

- Implement systematic medium- to long-term reduction project
- Assess the risks of substances newly subject to the PRTR Act
- Set medium- to long-term reduction targets for VOCs
- Improve the company-wide PRTR totaling system

Performance in fiscal 2009

- Reduced by 61.6% relative to fiscal 2002 (See Figure 1 on page 63)
- Reduced by 14.9% relative to fiscal 2000 (See page 11 of the DATA BOOK)

- Changed to tanks with inner floats and recovered wastewater
- Continued risk assessments (See page 58)
- Studied formulation of new judgment criteria (See page 58)
- Started full reconsideration of system for additional totaling of VOC data

Waste Reduction

Targets (top) and major challenge(s) (bottom)

- Reduce industrial waste landfill disposal volumes by 90% relative to fiscal 1990
- Stop sea dumping of red bauxite by fiscal 2015

- Actively reduce generation of industrial waste and encourage waste recycling
- Introduce an electronic manifest system

Performance in fiscal 2009

- Reduced by 83.3% relative to fiscal 1990 (See Figure 2 on page 63 and page 12 of the DATA BOOK)
- Discontinued use of bauxite as raw material for alumina, replaced with imported aluminum hydroxide in May 2010 (Studying cessation of sea dumping earlier than planned)

- Reduced generation of industrial waste in manufacturing processes, recycled incineration ash and waste plastic
- Electronic manifests accounted for 36% of manifests issued by all plants

PCB

Targets (top) and major challenge(s) (bottom)

- Recover and store PCB waste appropriately, complete treatment by March 2014

- Ensure appropriate management of low-density PCB waste

Performance in fiscal 2009

- New plan to treat all PCB waste at Oita Works and Okayama Plant (by end of fiscal 2010) (See page 13 of the DATA BOOK)

- Analyzed PCB concentrations in electrical devices and continued appropriate storage and control of devices containing PCBs

Soil and Groundwater Contamination

Target

- Keep hazardous substances within Company premises

- Keep Company premises under surveillance by conducting related investigations and remediation and implementing continuous monitoring

Performance in fiscal 2009

- Continued surveys and evaluations on soil contamination as well as remediation work
- Monitoring of groundwater near boundaries has confirmed that levels of hazardous materials are below those stipulated by environmental standards

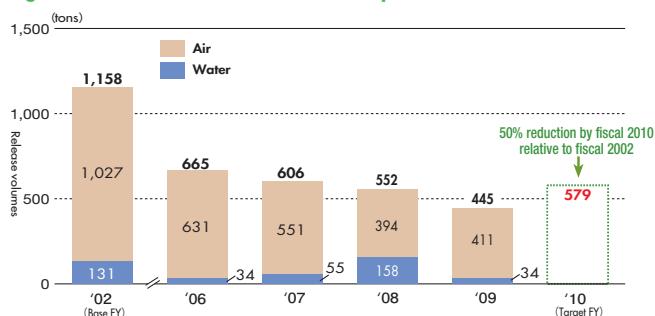
Specified CFCs

Target

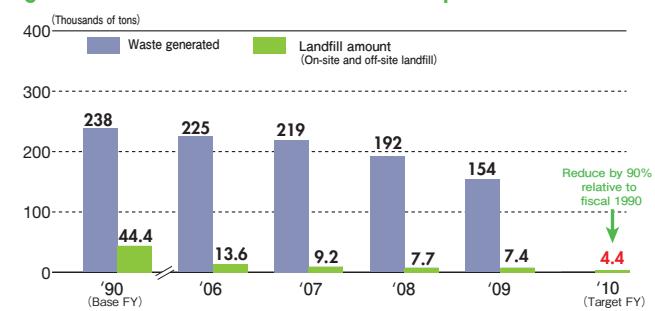
- Discontinue use of refrigeration units that use specified CFCs as coolants by fiscal 2025

Performance in fiscal 2009

- Continued replacement with units using alternative coolants according to plan (No coolant leakage) (See page 11 of the DATA BOOK)

Figure 1 Releases of Substances Subject to the PRTR Act

◆ As a result of implementing measures to recover and break down ε-caprolactam, release into water substantially decreased in fiscal 2009, while release into the air increased slightly from an increase in production volumes.

Figure 2 Generated Waste and Landfill Disposal Amount

Efforts to Stop the Sea Dumping of Red Bauxite

Red bauxite is the residue of natural bauxite from which aluminum hydroxide, the raw material for alumina products, has been extracted. This substance is composed of insoluble mineral constituents and saltwater. Sumitomo Chemical has been safely disposing of red bauxite in the sea in accordance with the relevant Japanese laws. In addition, the Company formulated a policy to switch to the use of imported aluminum hydroxide, which generates no red bauxite, with a view to stopping the dumping of red bauxite in the sea as early as possible while continuing its alumina products business. In May 2010, we completed the shift with the understanding of our major customers. Since then no red bauxite has been generated from the manufacture of alumina products, and we are currently treating the red bauxite that remains at our facilities. We will complete treatment as early as possible and discontinue sea dumping. Also, as one effective use of the red bauxite, we used approximately 2,100 tons as material in cement in cooperation with cement companies in fiscal 2009.

VOICE

Measures to Reduce Nitrogen in Wastewater Containing Ammonia

Due to increases in population and an increasing preference for poultry around the world, demand for methionine* has been expanding. Accordingly, our methionine manufacturing facilities at the Ehime Works continue to be in full operation. The methionine production process generates wastewater that contains ammonia. We studied measures to remove and recover ammonia from wastewater and installed the necessary equipment in October 2009, reducing nitrogen in wastewater by nearly 30% in the Niihama area.



Takao Mizuno
Niihama Second
Manufacturing
Department
Ehime Works

* Methionine

Methionine is a nutrient and one of the essential amino acids that cannot be synthesized by animals. It therefore needs to be ingested with feeds. Methionine is mainly used as a supplement and is mixed in with chicken feed.

Stabilizing Wastewater Treatment by Dividing Reception Tanks

The Misawa Works classifies wastewater from manufacturing processes according to various treatment methods and treats the stored wastewater by breaking it down with microorganisms (active sludge method) or by directly incinerating it (when the wastewater is not suitable for treatment using the active sludge method). In recent years, the number of different types of wastewater has increased but we were unable to classify these easily because the number of reception tanks was limited, which posed challenges such as inability to dispose of wastewater in a stable manner using the active sludge system and increases in the amount of wastewater being incinerated. In 2009, to solve these problems, we divided one of the reception tanks into five, improving and strengthening our wastewater management methods. This has helped to stabilize active sludge treatment, and by suspending the incineration of wastewater we were able to cut fuel consumption by 160 kJ in crude oil equivalent and also reduce CO₂ emissions by approximately 420 tons annually.



Masanori Sato
Manufacturing
Department
Misawa Works

TOPIC

Initiatives for Conserving Biodiversity

As an initiative for conserving biodiversity, Sumitomo Chemical has been committed to global environmental protection, as stated in the Sumitomo Chemical Charter for Business Conduct and in its Eco-First Commitments to the Japanese Minister of the Environment. Specifically, we are developing excellent energy- and resource-saving technologies and products, engaging in tree-planting activities using donations from the Matching Gift program, and ensuring responsible procurement by asking our suppliers to implement environmental protection measures. We conduct experiments in which we use genetically-modified organisms in a safe manner in line with our own safety control regulations. We will further strengthen our initiatives based on the Ministry of the Environment's Guidelines for Private Sector Engagement in Biodiversity and the Declaration of Biodiversity by Nippon Keidanren.

Safety Initiatives

Sumitomo Chemical is building a robust industrial safety and disaster prevention system making the safety of everyone first priority.

Safety Performances in Fiscal 2009

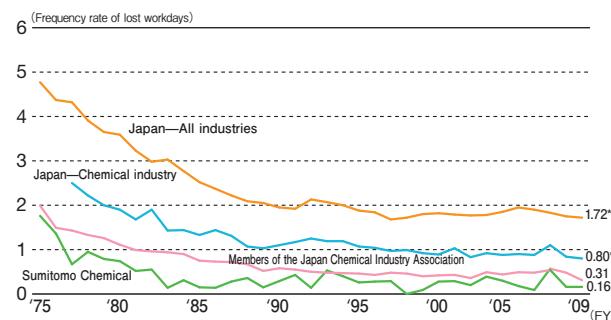
In fiscal 2009, two accidents resulted in lost workdays (accident frequency rate of lost-workday injuries: 0.16) with another three such accidents occurring at contractors (accident frequency rate of lost-workday injuries: 0.29).

The annual average for the frequency of lost-work day injuries during the 10 years from fiscal 2000 to 2009 was 2.9. Sumitomo Chemical has been aggressive in pursuing occupational safety and health activities to prevent labor accidents under the fundamental principle of Making Safety the First Priority. To this end we are repeating the PDCA cycle to identify all conspicuous and potential risks and hazards in each workplace and implementing a series of measures including making improvements based on the results of risk assessments. As a result of these efforts, all our sites have already acquired certification for their occupational safety and health management systems (OSHMSs). Unfortunately, however, we have not yet achieved our target of zero accidents. From this fiscal year, we will continue to promote a culture of safety throughout the company to ensure that all employees truly understand and practice our principle of Making Safety the First Priority to foster a corporate culture that will enable us to achieve and maintain our zero-accident target.

The number of accidents among contractors' employees has remained at the same level or has increased

slightly since fiscal 2001. In fiscal 2009, three accidents resulting in lost workdays occurred. Now we need to reconfirm the fundamental principle of "ensuring occupational health and safety through a concerted effort with contractors" to achieve zero accidents.

Frequency Rate of Lost Workdays



Note: Figures shown in the graph are for fiscal 2008, as the data for fiscal 2009 had not been published by the Ministry of Health, Labour and Welfare at the time of publication of this report.

Surveying Buildings Constructed Using Materials Containing Asbestos

Sumitomo Chemical surveyed all its buildings to determine whether they had been constructed with materials containing asbestos. Subsequently, asbestos was removed, enclosed or surrounded, in accordance with the Japanese Ministry of Health, Labour and Welfare's Regulations for the Prevention of Asbestos-related Disease. All such work was completed by December 2005.

TOPIC

Acquiring OSHMS Certifications at the Ohe Works and Sumika Assembly Techno

The RC activity plan for the Ohe Works, which was established in April 2009, and Sumika Assembly Techno (SAT) included the acquisition of JISHA certification for their occupational safety and health management systems (OSHMSs). In April 2009, the Works and SAT started jointly to create manuals, provide education, train internal auditors, and perform internal audits as preparatory work for the inspections that form part of the certification, and in February 2010, the Japan Industrial Safety & Health Association (JISHA) conducted onsite inspections and as a result presented certificates to both the Ohe Works and SAT in March of the same year. However, we have much more to do to improve our OSHMS and will implement further measures to establish truly safe workplaces.

Norihiro Miwa
General Affairs Department
(Environment & Safety)
Ohe Works



"YYY" Traffic Safety Campaign

For six months starting in October 2009, the Tsukuba Research Laboratory conducted a traffic safety campaign to educate employees on how to avoid causing traffic accidents while commuting. In this campaign, named the "YYY Campaign," employees (You) were urged to pay careful attention to driving slowly (Yukkuri) and comfortably (Yutori). The campaign achieved its target successfully through use of a voice navigation system and activities in small teams of four to five people.



Distributing campaign brochures and items to prevent traffic accidents

Yoshiki Kurotobi
Technical Office
Tsukuba Research Laboratory



Maintaining the Health of Former Employees of Sumitomo Chemical

If former employees who have handled materials containing asbestos while working at Sumitomo Chemical so request, we will arrange for them to have a physical examination and will discuss their concerns with them, regardless of the degree to which they handled the materials in question. So far we have organized physical examinations for 1,465 persons, 24 of whom have been deemed eligible for workers' compensation insurance benefits under the Workers' Accident Compensation Insurance Act, and 81 persons were issued a Health Check Note. Four persons have been deemed eligible for special bereaved family compensation under the Act on Asbestos Health Damage Relief (as of the end of March 2010).

Information on these physical examinations is also provided on the Sumitomo Chemical website (in Japanese only). URL http://www.sumitomo-chem.co.jp/japanese/20060112_1.pdf

Security and Disaster Prevention Management for Preventing Accidents at Plants and Assuring Safety

The foremost mission of disaster prevention management is to prevent unforeseen plant accidents by ensuring process safety and plant integrity. Plants must also be protected against natural disasters and terrorist attacks. Stringent risk assessments are therefore conducted, in addition to continuous safety improvement and comprehensive voluntary safety management.

Unfortunately, however, we had two serious accidents in

succession in April and May 2009. Learning lessons from these accidents, we have created error prevention manuals and checklists, enhanced our document management system to make effective use of the documents, clarified the judgment criteria for emergency measures and information communication, and established a fail-safe* system for the abatement tower equipment. These safety measures are helping us to promote safety management throughout the Company aimed at achieving our target of zero accidents.

We also conduct emergency drills including drills to provide emergency information to local communities.

Fire at SN Kasei Co., Ltd. (in the Ohe area at the Ehime Works)

On April 29, 2010, a fire broke out at SN Kasei, a subsidiary of Nippon A&L Inc. (a subsidiary of Sumitomo Chemical). This fire, which occurred in the Ohe area at Sumitomo Chemical's Ehime Works, inconvenienced and created anxiety for many people, including local residents, and we apologize sincerely for the incident.

The fire, which occurred in a resin processing process, did not cause any damage to persons and had no impact on the surrounding environment. Nonetheless Sumitomo Chemical regrets the fire and is determined to enhance its safety measures, review its reporting and notification methods, and provide more emergency education throughout the Sumitomo Chemical Group to raise safety awareness among all Group employees and reestablish trust between the company, local residents and all other stakeholders.

* Fail-safe system

A fail-safe system employs an apparatus or subsystem that ensures recovery to a safe state in the event of a system failure.

TOPIC

Fiscal 2010 Slogan for Occupational Safety and Health

"Look out for one another and predict risks, I must play a leading role in establishing a culture of safety"

This slogan is based on the following idea: workplace safety cannot be ensured unless employees predict risks to protect themselves and point out risks that they have identified to each other to protect their colleagues. All members of the company, including both top executives and onsite employees must play an active role in creating a culture of safety designed to achieve our zero-accident target by committing themselves to preventing accidents in their workplace.

Noboru Inoue
Technical Office
Tsukuba Research Laboratory



Fiscal 2010 Poster for Occupational Safety and Health

We designed the poster to show our commitment to achieving a sound workplace. Specifically, we will deepen our understanding of the fundamental principle of Making Safety the First Priority and make a concerted effort to advance our culture of safety as members of Sumitomo Chemical. The keys to achieving this target are (1) to look out for one another; (2) to thank each other; (3) to greet each other; (4) to inform each other; and (5) to be considerate of each other. The poster depicts pigeons, which symbolize peace, as the symbol for our commitment to enhancing our culture of safety.



Teruhisa Uemura
Manufacturing Department
Misawa Works



Responsible Care Activities

Process Safety Management from Research and Development to Plant Operation and Dismantling

In an effort to reduce environmental impact and achieve zero-accident and zero-disaster operations, Sumitomo Chemical performs safety assessments at each stage from new chemical process R&D to plant design, construction, operation, maintenance and dismantling.

Examination of Process Safety

The Process Safety Review Committee convenes at every step, from R&D through to industrial scale production processes, to oversee a system in which the safety of each stage is thoroughly verified before moving on to the next stage. The system is in use at Sumitomo Chemical, and all Group companies are instructed to adopt it.

R&D Safety Confirmation

At the R&D stage, materials safety data and other related data on the chemicals to be handled are examined and assessed in detail. These data are then used to select the safest chemicals and to assess the required amounts in order to ensure that the R&D will entail only fundamentally safe chemical processes.

The construction materials for new chemical plants are also examined and evaluated to select the optimum materials with lower life cycle costs.

Plant Safety Confirmation

While plant design and construction are based on legal

technical standards, processes are additionally subjected to hazard assessments in order to highlight potential dangers and incorporate, from the standpoint of self-administered management, more stringent safety precautions into the design and construction processes.

In addition, operational manuals are created and training is provided for operators. The Company also conducts process hazard evaluations regularly after the start of plant operations and any time there is a change in operating parameters in order to ensure plant safety.

Advanced Self-administered Safety Management

Aiming to achieve advanced self-administered management, Sumitomo Chemical's Process & Production Technology Center works to improve and effectively utilize the support system and tools obtained from various sources. Its mission is to support process security and disaster prevention management, prepare various security and disaster prevention guidelines, and compile a database of security information (technical information and accident information) and risks related to mixing of or contact with substances.

In fiscal 2009, we revised the guidelines on static electricity safety measures and on chemical process safety in the industrial safety and disaster prevention guidelines and are now using the revised versions as our guidelines for 2010. They have also been posted on the Company's intranet.

TOPIC

Conducting a Joint Emergency Drill in the Presence of Local Residents



In November 2009, the Ehime Works (in Kikumoto) conducted an emergency drill with the cooperation of the local Niihama fire department, inviting the directors of local resident associations from the neighborhood.

The drill is conducted regularly by the local joint fire prevention council comprising Sumitomo Group companies. This time, in addition to ordinary training to deal with a fire, we also introduced a scenario where a fire had generated poisonous gas and organized an emergency drill to broadcast the incident to the local communities surrounding the factory.



Seiji Nakashita
Environment & Safety Department
Ehime Works

Holding a Comprehensive Emergency Drill with the Local Fire Department and Fire Prevention Association



The Osaka Works has been implementing various measures to prevent plant accidents. In addition we conduct emergency drills to prepare for such accidents. In June 2009, we held a comprehensive emergency drill jointly with the local fire department in Konohana, Osaka and with the joint fire prevention association in the Osaka Hokuko district. The drill consisted of initial fire fighting, relief for victims, preventing the fire from spreading, and notifying the relevant agencies. We invited the directors of neighborhood local resident associations to the drill as observers. Their response included comments such as "The drill was very disciplined, making us feel more comfortable to be living near the factory." We will continue to improve the quality of our emergency drills.



Hirokazu Sawamoto
Environment & Safety Department
Osaka Works

Initiatives for Ensuring Quality, Safety, and Environmental Protection in Logistics Operations

The logistics divisions of Sumitomo Chemical uphold a basic policy of ensuring safety and quality, and reducing environmental impact in all of the Company's logistics operations. The divisions are making a concerted effort with partner logistics companies to implement this policy.

Initiatives for Improving Logistics Safety and Quality

(1) Ensuring logistics safety in cooperation with logistics companies

Our RC activities are designed to eliminate labor injuries and quality accidents in our logistics operations in close cooperation with partner logistics companies. Specifically, we conduct cross-organizational activities with the logistics companies in order to train one another and improve voluntary management levels and also find solutions to various challenges through the Sumitomo Chemical Logistics Partnership Council. We also provide individual instruction for each of the partner companies through logistics RC audits. These cross-organizational activities and RC audits form our two core RC logistics activities.

(2) Preventing logistics quality-related problems using IT technologies

We are working to prevent shipping and delivery errors through the use of barcodes and RFID* tags. The Osaka Works has developed a system that combines the use of barcodes to prevent shipping errors and the use of RFID tags to manage containers, while also using returnable containers to make our logistics operations more environmentally friendly.

Sumika Logistics, a Sumitomo Chemical Group company, has also introduced a system that uses QR codes for valve operations to prevent shipping errors.

Reducing the Environmental Impact of Our Logistics Operations

Sumitomo Chemical has been actively implementing a modal shift to rail and ship transportation. In our transportation quality improvement project with Japan Freight Railway, we formed a local solution team in Chiba and started joint transportation with companies working in different industries in 2009. As a result, in fiscal 2009 we improved the unit energy consumption of our logistics operations in Japan by 0.2% relative to fiscal 2008, achieving an average annual reduction rate of 2.7% since fiscal 2006. We also reduced CO₂ emissions by 5.5% from the fiscal 2008 level (by 17.8% from fiscal 2006).

Performance in Fiscal 2009

Energy consumption	32,800 kl in crude oil equivalent
Unit energy consumption	0.0105 kl/ton
CO ₂ emissions	86,700 tons

TOPIC

Activities of the Local Solutions Team in Chiba

As part of the company-wide efforts to encourage the shift to railway transportation and to upsize containers, the Chiba Works formed a solutions team to improve the quality of railway transportation jointly with JR Freight Railway and Keiyorinkai focusing on the bulk transportation of resin products. In December 2009, the Works started joint transportation with Toyobo Co, Ltd., the company to which it delivers its resin products. Products from the Chiba Works are transported in ISO containers by rail from Keiyo Kubota Station to Tsurugako Station, and then from this station film products from Toyobo are transported to the Kanto region (to Kumagaya Kamotsu Terminal Station). As a result of this roundtrip transportation method, CO₂ emissions can be reduced by a total of 1,060 tons annually. The Works is also expanding this modal shift for shipments to Nagoya, Nihamama and Mizushima.



Ceremony held by JR Freight Railway to celebrate the start of the joint transportation project

System for Preventing Shipping Errors Using QR Codes for Valve Operations

In filling tanks with a variety of products that flow through numerous valves, the risk of errors in the mixing process is high. To solve this problem, in November 2009, Sumika Logistics began assigning each valve its own QR code, which is then read to prevent mixing errors during the filling process.



* RFID

Radio frequency identification (RFID) tags: Generic term for technologies used to identify individual items using radio waves. Recently, however, identification through the combined use of non-contact communication using radio waves and IC chips is becoming a mainstream RFID technology, and so RFID is now often used to mean a non-contact identification technology using IC chips. RFID tags are therefore also called "IC tags."

Chemical Safety Management throughout the Life Cycle of Chemical Products

Increasing Global Requirements for Chemical Risk Reduction

In August 2002, the World Summit on Sustainable Development (WSSD) was held in Johannesburg, the Republic of South Africa. The Summit proposed targets for 2020, aiming to ensure that "chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment." This led to the adoption in February 2006 of the Strategic Approach to International Chemicals Management (SAICM), administered and inspected by the UN Environment Programme (UNEP), in the International Conference on Chemicals Management (ICCM). This has accelerated global initiatives toward reducing risk throughout the life cycle of chemical substances.

As a member of the chemical industry, Sumitomo Chemical is advancing initiatives for both regulatory compliance and voluntary measures to strengthen risk-based chemical management in our commitment to contribute to the implementation of SAICM.

Environmental Health Science Laboratory Playing a Central Role in Safety Research

At Sumitomo Chemical, the Environmental Health Science Laboratory plays a central role in a diverse variety of safety assessments for various products developed by the Sumitomo Chemical Group.

The Laboratory conducts sophisticated research in diverse fields ranging from genetics to environmental and ecological science on a global scale, making use of the latest scientific knowledge and advanced technologies as well as the Company's abundant expertise in chemical safety assessment developed over many years. In addition, as the core laboratory supporting the technological aspects of RC activities for chemical safety at Sumitomo Chemical, the Laboratory provides the entire Company with safety information and the results of risk assessments in order to ensure safety and protect the environment throughout the lifecycles of chemical products and is also implementing measures to improve its risk assessment level.

Building a New System in Line with Global Trends

With an increase in international awareness of the need for appropriate management of chemicals, it is becoming extremely important for chemical companies to collect and manage chemical safety information in order to be able to properly respond to chemical regulations that are becoming stricter every year and ensure chemical safety

based on risk assessments.

In a proactive response to these trends, Sumitomo Chemical launched a program for compiling existing findings and information on the safety management of chemical products in fiscal 2005. In order to properly manage all safety information, including that collected through this program, and utilize it effectively, Sumitomo Chemical has been building a new generation database system, the Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System (SuCCESS).

SuCCESS is a system that enables us to review information on safety, applicable laws, composition, and MSDS for

TOPIC

Risk-based Chemical Management

In risk assessment, the assessment of hazards is indispensable, and therefore, in fiscal 2005, we started a program to gather existing findings and evaluate information on hazards. We have continued this program while assessing the toxicity and properties of chemicals by proactively using a category approach, prediction models and databases, and encouraging the development and introduction of the cutting edge evaluation technologies such as alternative testing methods and omics analysis.

To assess exposure, another essential element of risk assessment, we have consolidated exposure scenarios for the lifecycles of our products while verifying and introducing a variety of exposure simulation models. Furthermore, we are actively introducing and developing refined models for specific exposure situations to ensure legal regulatory compliance and encourage the voluntary management of our products. By assessing the risks of chemicals promptly and precisely using various advanced technologies, we will further increase the effectiveness of our risk management and risk communication.



Risk Management throughout the Lifecycles of Chemical Substances

all chemicals handled by Sumitomo Chemical and use this information for risk management, while also making better use of the data accumulated by the Company over many years. The system came into full operation in 2009, and now all employees can access the system through the Company intranet.

Using cutting-edge technologies, Sumitomo Chemical is proactively assessing and managing chemical risk at each stage of the lifecycle, including development, manufacture, sale, use, and disposal. As part of these efforts, we have considered how best to respond to the start of full registration in 2010 under the EU's REACH legislation. We are assuming a variety of applications for our chemical products along the supply chain and verifying these by communicating with downstream customers and incorporating the information thus obtained into the risk assessments for our products.

Active Participation in Voluntary Initiatives in Japan and Overseas

Sumitomo Chemical plays a leading role in compiling reports on some of the target chemicals in the voluntary safety assessment program for high production volume (HPV) chemicals conducted by the ICCA. As a member of the chemical industry, the Company also provides data on other chemicals that it handles. Furthermore, we are actively involved with the Japan Challenge Program, a Japanese version of the HPV program by, for example, participating in data entry trials to create templates for organizing the collected data.

Sumitomo Chemical is also an active participant in and is providing continuous support for the Long-Range Research Initiatives (LRI) for research on the impact of chemicals on human health and the environment, which, like the HPV program, was initiated by the ICCA. This initiative is being implemented by chemical industry associations in Japan, the United States, and Europe.

Animal Welfare

In the process of developing useful chemical substances, a variety of safety assessments are required. Some of these assessments, however, cannot be completed without conducting experiments using laboratory animals. Sumitomo Chemical advocates humane treatment of laboratory animals and applies the 3Rs of animal use and animal welfare: replacement, reduction, and refinement. Beyond the standards specified by current laws and regulations on animal care and use issued by the Japanese Ministry of the Environment, the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare, and the Ministry of Agriculture, Forestry and Fisheries, we also have internal rules for

conducting animal experiments and have established the Animal Welfare Committee to verify compliance with these rules and to ensure that animal experiments are conducted properly and appropriately with due consideration for animal welfare.

We regularly monitor the care and use of animals as specified in the law as well as our internal regulations and ask external experts such as university professors specializing in the ethics of animal experiments to evaluate our animal experiments for further improvement.

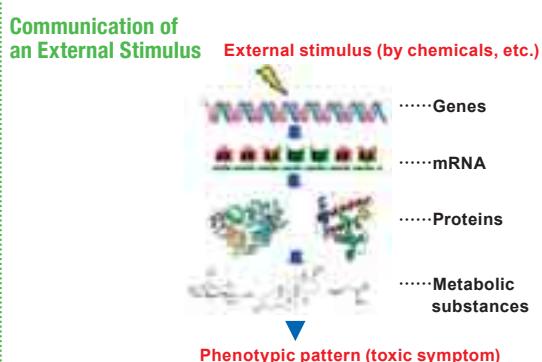
We have also been actively improving our system for educating those engaged in animal experiments and developing alternatives to animal experiments.

TOPIC

Elucidating Toxicity Mechanisms and Predicting Toxicity through Metabonomic Analysis

In recent years, metabonomic analysis has been attracting attention as a method to quantify a variety of internal metabolites such as amino acids, sugars, and fatty acids present in animals and plants. Concentrations of internal metabolites are maintained within a certain range in the body, but if given an external stimulus such as exposure to chemical substances, the information is communicated from genes to metabolic substances, and can cause changes in the concentrations of some internal metabolites.

Sumitomo Chemical is monitoring the new metabonomic analysis technologies using gas chromatography and mass spectrometry and is endeavoring to establish a method for assessing the toxicity of chemicals by identifying changes in the concentrations of internal metabolites brought about through exposure to chemicals. For example, we conducted metabonomic analysis of the blood and urine of rats to which we had administered hepatotoxic substances, and identified changes in the concentrations of specific internal metabolites to elucidate the mechanism of toxicity. (We reported the results at the 34th Annual Meeting of the Japanese Society for Biomedical Mass Spectrometry in 2009.) In addition, this research is expected to lead to the discovery of new toxicity biomarkers. Sumitomo Chemical is focusing its efforts on assessing the safety of various chemicals and agricultural pesticides and believes that metabonomic analysis will help us elucidate toxicity mechanisms and predict chemical toxicity more precisely.



Responsible Care (RC) Audits

We verify a wide range of items to make our Responsible Care activities more effective.

Responsible Care Auditing Framework and Overview

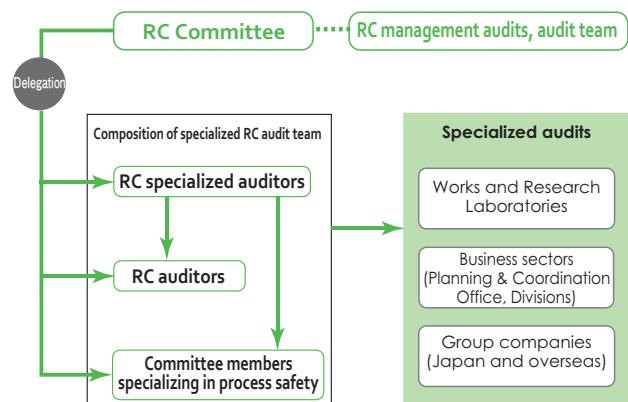
Sumitomo Chemical conducts RC audits to objectively evaluate whether RC activities are being conducted appropriately and whether the PDCA cycle is being executed properly.

Sumitomo Chemical's Works and Research Laboratories are subject to the following two types of RC audits:

- (1) *Specialized audits, in which specialists conduct audits on RC systems and their operation; and*
- (2) *Management audits involving Responsible Care Committee members led by the executive vice president in charge of Responsible Care.*

Specialized audits are also conducted for each of Sumitomo Chemical's business sectors as well as Group companies in Japan and overseas.

Responsible Care Auditing Framework



Responsible Care Auditing Flow (Overview)



Fiscal 2009 Responsible Care Audit Results

Responsible Care specialized audits and management audits were conducted at the Ehime, Chiba, Osaka, Oita, Misawa, and Ohe Works and at the Tsukuba Research Laboratory. In addition, a total of 43 audits were conducted on our business sectors and domestic and overseas Group companies. The results turned up no major issues of noncompliance with laws and regulations.

VOICE

Looking Back on RC Audits Performed in Fiscal 2009

RC audits help enhance corporate value by contributing to increasing the effectiveness of RC activities through verification of a wide range of activity items. In fiscal 2009, we thoroughly revised the checklist used in auditing Group companies for the first time since the list was created in fiscal 2001, thereby substantially raising the level of our RC activities. That year we were thus able to take the first steps toward achieving higher targets.



RC Audit Team
 (From the left on the front row)
 Toshiyuki Kokubo, Manager
 Masakazu Sagarai;
 (from the left on the back row)
 Naoyuki Sasaki and Jun Sato

Medium-term RC Audit Plan (Fiscal 2010 to 2012)

We plan to promote RC activities throughout the Sumitomo Chemical Group for three years starting in fiscal 2010 and to conduct RC audits on Group companies that are directly relevant to their management in order to help them improve their RC activities. Specific details are as follows.

-RC audits of global standards

RC audits based on the entire Group's RC activity standards

-Enhanced support for RC activities

Establishing a support system to promote and improve RC activities throughout the Group

-Development of human resources to support RC activities

Support for the training of RC staff throughout the Group

Corporate Business Plan (Fiscal 2010 to 2012)

Results of the Three-Year Corporate Business Plan for Fiscal 2007 to 2009

Sumitomo Chemical implemented a variety of measures under its the Three-Year Corporate Business Plan for fiscal 2007 to 2009. In particular, we were able to start operation of facilities as planned for the Rabigh Project, our top priority under the plan. We also acquired Sepracor Inc., a US pharmaceutical company, and actively invested in R&D for polymer organic LEDs (PLEDs) and energy-related technologies. We missed no opportunities to make steady investments for our future growth, and were thus able to continue with the globalization of our business.

However, we were unable to achieve our initial business performance targets for the fiscal year because of the rapid decrease in demand caused by the world economic downturn. Due to this and the aforementioned investments, our interest-bearing liabilities increased substantially.

Corporate Business Plan for Fiscal 2010 to 2012

Sumitomo Chemical is now implementing its Corporate Business Plan for fiscal 2010 to 2012. In formulating this new Corporate Business Plan, the Company first conceived its Corporate Vision based on the results of analysis of future trends in the world economy and business environment from a long-term perspective and the Company's business portfolio. We regard this new Corporate Business Plan as the first step toward achieving our Corporate Vision and are now implementing a variety of measures under the plan.

Corporate Vision

The Company's Corporate Vision comprises the following.

Corporate Vision

- I Achieve sustainable strong growth as a stronger, more innovative global company.
- II Help meet pressing global challenges and contribute to sustainable development of the global community.
- III Continuously enhance the value of the company.

In I, we will accelerate the global expansion of our business and meet continually changing market needs by making use of our advanced technologies. In II, we will make full use of our chemical technologies to meet global challenges, including improvements to people's living standards and health, solutions to issues related to energy and food, and the creation of a low carbon society. In III, we will continue to enhance and increase our profitability to meet the expectations of our shareholders.

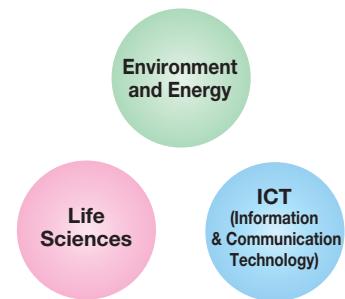
Three Strategies To Achieve Our Corporate Vision

In order to achieve our Corporate Vision, the Company will actively pursue its Technology Strategy, Climate Change Strategy, and Business Portfolio Strategy.

Technology Strategy

- Focus R&D resources on the three high-growth areas of Environment and Energy, Life Sciences, and Information & Communication Technology (ICT).

Business Areas with High-Growth Potential



-Practice Creative Hybrid Chemistry, combining key technologies in different areas to create new value by continually developing new technologies and products.

-Pursue Green Sustainable Chemistry to develop competitive products and technologies that contribute to meeting global challenges.

Climate Change Strategy

- Achieve the world's highest level of energy efficiency.
- Develop products and technologies that will contribute to CO₂ emission reductions.

Climate Change Strategy

<Basic Policy>

Help solve pressing global issues of resources, energy and the environment

<Priority Climate Change Initiatives>

-Achieve the world's highest level of energy efficiency

-Develop products and technologies that will contribute to CO₂ emissions reduction

<CO₂ Emissions Reduction Measures>

Enhance carbon management and implement proactive, effective and coordinated measures throughout the Sumitomo Chemical Group

Business Portfolio Strategy

-Achieve balance among the three areas of Bulk Chemicals (Basic Chemicals and Petrochemicals & Plastics); Life Sciences (Agricultural Chemicals and Pharmaceuticals); and ICT, Battery Materials and Fine Chemicals so that each account for 30% of sales by 2020.



Basic Initiatives

Under the Corporate Business Plan, we have determined the following as the seven basic initiatives, including quickly maximizing profits and cash flows from major investments and enhancing financial strength.

Seven Basic Initiatives

1. Quickly maximize profits and cash flows from major investments

Maximize as soon as possible the profits and cash flows from the Rabigh Project and other major investments.

2. Enhance financial strength

Enhance cash flow management to strengthen the Company's financial underpinnings. Shift the composition of the business so as to strengthen resilience against exchange rate fluctuations in view of the Company's ever-increasing ratio of overseas sales.

3. Strengthen cost competitiveness of core and commodity businesses

Establish optimal global production and sales operations as soon as possible. Strengthen cost competitiveness through thorough rationalization to build a greater presence in emerging markets, where competition is intensifying.

4. Accelerate business growth

Develop new businesses in the three high-growth areas of Environment and Energy, Life Sciences, and ICT. Promote even greater cross-sectoral business exploration and development, while applying Creative Hybrid Chemistry more broadly and effectively.

5. Implement Climate Change Satrategy

6. Strengthen global management system

7. Ensure full and strict compliance; maintain safe and stable operations

Business Indicators

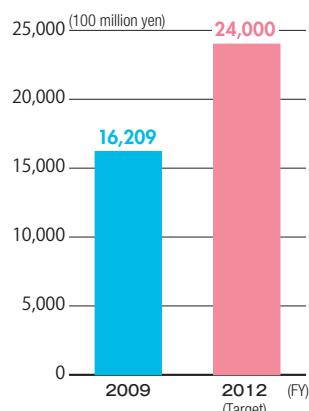
Fiscal 2012 Performance Targets (Consolidated)

Net Sales	2.4 trillion yen
Operating income	190 billion yen
Ordinary income	220 billion yen
(Including equity in earnings of affiliates)	40 billion yen
Net income	140 billion yen

Assumptions:
Exchange rate: 90 yen/US\$
Naphtha: 50,000 yen/kl
Crude oil: US\$85/bbl

Business Targets under the Corporate Business Plan

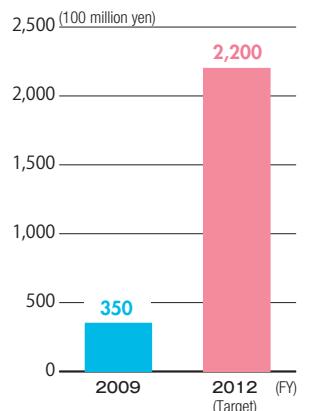
Net Sales



Operating Income



Ordinary Income



Net Income

