SUMITOMO BAKELITE CO., LTD.

Integrated Report 2022

Ensuring that our Company Group continues to be a corporate organization needed by society

We stay close to people and support their lives.
We have been dedicated to *Monozukuri* (manufacturing) through plastics as our core materials, and other social issues, the purpose of our business activities is to reaffirm our long-standing idea to "create a sustainable society by expanding the possibilities of plastics" based on our Business Philosophy which is deeply associated with the SDGs. By doing so, we have reconfirmed the significance of our existence as a company.
We are confident that each and every one of our employees will keep this in mind as they go about their work, leading to the realization of our vision of aiming to become "a company that makes your dreams for the future a reality" by creating value for our clients.

Purpose

Toward a sustainable society through expanding potential of plastics

Vision

We aim to become "a company that makes your dreams for the future a reality" by creating value for our clients.

Ideal Image

1. A company that contributes to solving social issues and continuously grows and evolves
2. A company that walks together with customers and other stakeholders
3. A company where employees can be active

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.”

Sumitomo’s Business Philosophy and Business Philosophy of Our Company Group

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 Business Philosophy.

▶For more information, visit https://www.sumitomo.gr.jp/english/

Monjuin Shiigaki

Our Code of Conduct

1. We contribute to the realization of a sustainable society and provide products and services that satisfy our customers.
2. We conduct fair and transparent business activities in accordance with laws, regulations and corporate ethics.
3. We are committed to creating safe working environment and maintaining and promoting good health.
4. We actively promote efforts to preserve the global environment.
5. We respect the human rights of all those involved in our group's business.

Editorial Policy

We publish our Integrated Report as a tool to provide information on our business strategies and ESG management in a single report. This report integrally provides our information, such as value creation, mid-term management targets, business performance and strategy of each business segment, sustainability policies and initiatives, and data.
For the editing of this report, discussions were held within the divisions in charge of preparing this report over the policy for its creation and content to be included in the 2022 edition. The editorial policy for the report was approved at a meeting of the Sustainability Promotion Committee in March 2022. This report was organized by referring to and/or conforming with various guidelines to ensure it could be easily read and understood by all stakeholders. In this "Full Online Version" report (No. of pages: 126), we disclose information in accordance with the guidelines, containing the details of our approaches to each activity, targets, and results.

● Guidelines referenced
- In compiling the report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).
- This "Full Online Version" has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI Standards) : Core option. GRI Standards has been developed by the Global Sustainability Standards Board (GSSB).

● Scope of third party assurance
The information ☑ marked with for fiscal 2021 contained in the Integrated Report (Full Online Version) is assured by the third-party assurer KPMG AZSA Sustainability Co., Ltd.

Disclaimer

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

● Period
In principle, the report covers fiscal 2021 (April 2021 through to March 2022). Cases in which the coverage is different from this period are listed separately.

● Published
October 2022 (The Fiscal 2021 Report was published in October 2021 and the Fiscal 2023 Report will be published in October 2023)

● Boundary
In principle, this report covers Sumitomo Bakelite Co., Ltd. and its consolidated subsidiaries. Regarding environmental and occupational health and safety, the coverage is limited to the following business sites, which are mostly production sites.

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

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

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

Note: In this report, the names of Sumitomo Bakelite Co., Ltd. and its Group companies may be stated in simplified forms by omitting “Co., Ltd.” and “Inc.,”etc. Quantitative data presented in this report are rounded, in principle. Therefore, in certain cases, the sum of breakdowns may not equal the total.

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TOP MESSAGE

Aiming for further progress to become a company that makes your dreams for the future a reality.

President and Representative Director

Kazuhiko Fujiwara

Business performance in fiscal 2021

Achieving record revenue and profits in real terms Responding to changes in the future will result in our future growth

In fiscal 2021, despite the continuation of the COVID-19 pandemic, disruptions in distribution networks due to China's "Zero Corona" policy, soaring raw material prices, and geopolitical risks, each department responded quickly to changes and steadily implemented their respective strategies to achieve record high revenue, business profit, and profit attributable to owners of parent in real terms. Semiconductor materials sales and earnings increased significantly due to the global expansion of semiconductor demand, sales of High-performance Plastics recovered significantly from the previous year despite the impact of automobile production cutbacks due to semiconductor shortages, etc., and sales of Quality of Life Products increased following the consolidation of Kawasumi Laboratories, Inc. (currently SB-Kawasumi Laboratories, Inc.) in October 2020. All business segments performed well during the period. However, we will continue to build a management foundation that can flexibly respond to changes in society and the environment and aim for further growth without complacency, considering that unforeseen events such as shaking global disasters are fully possible in the future.

Performance Highlights

	Fiscal 2020	Fiscal 2021	Increase/Decrease
Revenue	¥209.0 billion	¥263.1 billion	25.9%
Business profit	¥16.6 billion	¥26.5 billion	59.2%
Operating income	¥19.9 billion	¥24.9 billion	25.0%
Profit attributable to owners of parent	¥13.2 billion	¥18.3 billion	38.6%
ROE	7.0%	8.5%	—

Toward the realization of vision in the Mid-term Business Plan

Accelerating toward the realization of the vision based on the foundation established in the first year of the Mid-term Business Plan

In fiscal 2022, the second year of our Mid-term Business Plan, we will further accelerate our efforts to realize our vision of "a company that makes your dreams for the future a reality" by expanding the possibilities of plastics and creating value for our customers. We will promote "One Sumibe" activities worldwide and take on the challenge of a new business model that moves beyond business segments. To do so, we must evolve our organizational culture. In fiscal 2021, we reviewed the personnel and business goal systems of management employees to foster a culture of appreciation of challenges. In addition, since we feel that promotion of DX is important to support these efforts, we are investing in the following three themes: R&D, "*Monozukuri* (manufacturing)", and daily operations. In addition, we will proactively address environmental issues, such as increasing the percentage of revenue from sales of products that contribute to the SDGs, the challenge of becoming carbon neutral, and initiatives related to the TCFD (Task Force on Climate-related Financial Disclosures). By further deepening and accelerating these activities in fiscal 2022, we believe that we will be able to steadily approach the realization of a company that provides dreams for the future.

Link P18 - 19 Outline of Mid-term Business Plan

Sustainability initiatives

Contribute to the creation of a sustainable society by steadily doing what we can in the present

We have declared our purpose as "Toward a sustainable society through expanding potential of plastics." I believe that we are where it is today because we have continued to pursue the possibilities of plastics and develop products that contribute to the development of society and people's lives in various fields. In our Mid-term Business Plan, we visualize "a company that makes your dreams for the future a reality," as we are always thinking about what we can do for the future society.

One of these measures is to contribute to the SDGs. We believe that SDGs are equivalent to the needs of society and are consistent with our Business Philosophy. In addition to establishing the 6+1 SDGs area to be focused on, we recognize products that contribute to SDGs as "SDGs-contributing products," and is working to increase the ratio of revenue from those products. The ratio of sales revenue from products contributing to the SDGs is steady, reaching 48% in fiscal 2021 compared to the target of 50% in fiscal 2023. Among our new products and technologies, SDG-contributing products are being produced one after the other, including the materials for fixing motor magnets, which are essential for electric cars, plant-derived phenolic resins that do not use fossil fuels, films for skin packs that contribute to reducing food loss, and eye wear that uses electro chromic technology that enables instant dimming with a small amount of power. In the future, we expect to grow into a core product that will support our Group.
As a member of the chemical industry, we believe that climate change is particularly important among SDGs. Based on the Environmental Vision for 2050 (net zero) established in March 2020, we are promoting various efforts to reduce CO_2 emissions by 46% than the level in fiscal 2013 and to take on the challenge of becoming carbon neutral by fiscal 2050. In January 2022, all of the Group's plants and laboratories in Japan switched to electric power derived from renewable energy (hydroelectric, geothermal, solar, wind, and biomass), enabling the Group to achieve its 2030 target in Japan well ahead of schedule. In addition, switchover to electric power derived from renewable energy has been fully completed at Group companies in Europe as well. As we are continuing our energy-saving activities, many of our plants have installed photovoltaic power facilities to increase the amount of electricity available. Although the year 2050 is too far off to discuss at this point, we have developed a company-wide development roadmap for 2035, which will allow us to move forward more in a more planned way as we will need technological innovation to meet the carbon-neutral challenge.

DX Promotion

Promoting DX (digital transformation) of the entire Group and actively leveraging AI and IoT technologies

DX initiatives are being promoted under the three themes of R&D, *Monozukuri* (manufacturing), and daily operations.
As for DX of R&D, the MI (Materials Informatics*) Promotion Project Team established in January 2022 is playing a central role in shifting R&D methods toward data-driven development, which will improve product development capabilities and accelerate development. In addition, we have started an educational program to help foster data scientists, which will help promote and promote DX in the field of R&D.
In "*Monozukuri* (manufacturing)," we are building a production system that uses AI and IoT to automatically pilot control the production system without human intervention. It was already introduced at plants in Japan and is currently being expanded on a worldwide level.
In daily operations, we are actively utilizing RPA (Robotic Process Automation) to improve efficiency, and are also setting up an internal working group for business transformation to review business processes. By increasing human productivity, we are moving toward a new direction that will dramatically change the way we work, such as shifting the amount of time created by us to high-value-added operations.
By promoting DX, we will create competitive products and services through the transformation of our business model, and will also lead to the reform of the way our employees work, thereby achieving a balance between corporate growth and employee work-life balance.

* MI (Materials Informatics) is the development of materials using information processing technologies, such as machine learning.

ESG Initiatives

We will steadily build on our results for the sustainable development of our Company Group and society

In order for our Group to contribute to the realization of a sustainable society, it must respond to the needs of society in each ESG area and do what it can to serve society.
From the environmental perspective, as mentioned above, it is essential to respond to environmental issues such as climate change. In preparation for the carbon-neutral challenge of 2050, we have switched to electric power derived from renewable energy and are actively working to save energy and conserve

resources. Plastics can have a negative impression when considering the environment. However, we believe that by reducing the impact on the environment by providing plastics with functions, and by promoting plastics in areas where plastics are essential, we can fully coexist with society.
From a social (S) perspective, we will continue our SBPS (Sumitomo Bakelite Co., Ltd. Production System) activities that we have been working on in manufacturing, and we will improve productivity and quality reliability by promoting auto-pilot in the production area. In relationships with our customers, we will continue our One Sumibe activities, which are company-wide activities that transcend the boundaries of our organization. In One Sumibe activities, we aim to ensure that all employees are engaged in non-departmental activities, and we believe that "participation by all" is most important. I feel that this new communication in areas where we do not normally have contact with each other has led to the improvement of the "human abilities" of each individual.

Regarding governance, we were moved over to the TSE Prime Market on April 4, 2022. For making greater efforts than ever to improve corporate governance, we have increased the ratio of independent Outside Directors to one-third of the total number of independent Directors of the Board of Directors, and are also working to improve the effectiveness of the Board of Directors by extracting new issues through analysis and evaluation. In addition, the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd. has been newly established as a separate and independent code from the existing Code of Conduct for Group of Sumitomo Bakelite Co., Ltd. to clearly state more specific norms and standards for compliance to be observed by officers and employees. In addition, in accordance with the revision of the Whistleblower Protection Act in June 2022, we are also taking appropriate measures to respond to various revisions, such as reviewing a part of our Group's Compliance Whistleblower System.

Improving "human ability"

Our mission is to create an environment in which each employee can demonstrate their abilities, take on challenges, and improve "human ability."

People, things, and money are said to be necessary for the success of our corporate activities. We believe that the most important thing in these elements is people. For the sustainable growth and evolution of the company, it is essential to train the next generation of human resources to adapt to the changing times. Every year, I tell all employees the catch phrase "Improving human ability." "Human ability" is the cumulative effect obtained from a multiplication of "motivation," "ability," and "character/personality." We want our employees to improve their "human ability" by having goals and continuing to challenge without fear of failure. In order to create a system in which people can appreciate what they have been trying to do, we have also changed the personnel evaluation system. There will be no growth without challenges, so our mission is to create an environment that will continue to challenge toward the future and lead to the improvement of the human ability of each individual employee.

To stakeholders

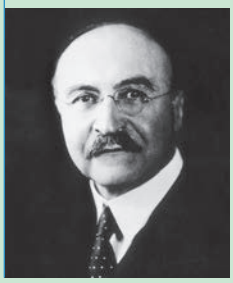
Pursuing the potential of plastics to both solve social issues and create business opportunities

Our vision is to aim to become "a company that makes your dreams for the future a reality" by creating value for our clients, which I declared at the time of my inauguration as President. This Vision is based on the fundamental technologies that we have cultivated—in other words, the materials technologies such as resin formulation and design as well as monomer/polymer synthesis, process design technologies, and evaluation technologies. By leveraging our strengths in innovation and expanding the possibilities of plastics, we aim to both solve social issues and create business opportunities. Further, as part of the chemical industry, it is vital that we fulfill our social responsibility and we will continue to support and implement our Responsible Care Global Charter. By realizing our Vision, we will continue to contribute to the realization of a sustainable society and make the dreams of our stakeholders come true. Thank you for your continued support.

History of Value Creation

Product History

1907
Dr. Baekeland developed phenolic resin, named it “Bakelite”

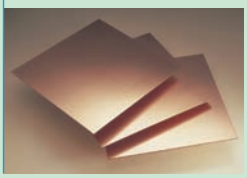


1911
Sankyo Company (currently Daiichi Sankyo Co., Ltd.) began test manufacturing of phenolic resin

1932
Started outside sales of phenolic molding compounds

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

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



1968
Developed epoxy molding compounds for encapsulation, "SUMIKON" EME

1971
Started sales of polycarbonate resin plates

1976
Started sales of multi-layer films and sheets, "SUMILITE" CEL

1981
Started sales of medical devices

* Figures on or before fiscal 2016 shows "net sales" based on Japanese GAAP, and on or after fiscal 2017 shows "revenue" based on International Financial Reporting Standards (IFRS).
* The three-month period fiscal from January 1, 1989 to March 31, 1989 is omitted.

1907-1955

Dr. Baekland developed phenolic resin. Started manufacture of plastics in Japan. Launched Sumitomo Bakelite Co., Ltd. in 1955.

1956-1981

Started production and sales of products in various fields, including rigid PVC sheets "SUMILITE" VSS, epoxy resin molding compounds for encapsulation "SUMIKON" EME.

Company History

1932
Established Nippon Bakelite Co., Ltd., and succeeded phenolic resin business from Sankyo Co., Ltd.

1940
Opend Tsukaguchi Plant of Gosei Jushi Kogyosho K.K. (currently Amagasaki Plant)

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

1962
Opened Shizuoka Plant

1972
Established Kyushu Bakelite Industry Co., Ltd. (currently Kyushu Sumitomo Bakelite Co., Ltd.)

1982
Established Sumitomo Bakelite Singapore Pte. Ltd.

1984
Opened Utsunomiya Plant

1990
Established SNC Industrial Laminates Sdn. Bhd. (Malaysia)

1991
Opened Kobe Fundamental Research Laboratory (currently Kobe Facility Office)

As a Japanese pioneer in plastics manufacturing, we have always worked to expand the potential of plastics and create value, helping solve the issues confronting society in every age. We will continue to grow and evolve as the fields in which plastics are utilized expand in the future.

1991
Started domestic sales and production of freshness-preserving films, P-Plus

2007
Started sales of S-Bio-related products

2014
Entered the aircraft interior components business

2020
Developed plant-derived phenolic resin (lignin modified phenolic resin)

1982-2020

Starting with the company establishment in Singapore, expanded business to Asia, North America, Europe, and other countries around the world, Expanded business scale and accelerated entry into new business areas through domestic and international acquisition.

1994
Launched Akita Sumitomo Bakelite Co., Ltd.

Launched Sumitomo Bakelite (Hong Kong) Co., Ltd. (currently Sumitomo Bakelite (Dongguan) Co., Ltd.)

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

1998
Established Sumitomo Bakelite (Taiwan) Co., Ltd.

2000
Acquired phenolic resin business from Oxidental Chemical Corporation (US)

2001
Established Sumitomo Bakelite Macau Co., Ltd.

2005
Acquired Vyncolit (Belgium/US)

2007
Established Sumitomo Bakelite (Nantong) Co., Ltd.

Merged with Tsutsunaka Plastic Industry Co., Ltd.

2014
Acquired Vaupell Holdings, Inc. (US) to enter the aircraft interior components business

2021-

Aiming to achieve "top shares in niche markets" in the functional chemical sector, while further expanding our scale of business.

Toward becoming "a company that makes your dreams for the future a reality."

2021
Launched SB-Kawasumi Laboratories, Inc. through integration between Kawasumi Laboratories, Inc. and medical device business of Sumitomo Bakelite Co., Ltd.

Value Creation Process

Purpose

Toward a sustainable society

Input

Capital Resources

Financial capital
Sound financial foundation

Ratio of equity attributable to owners of parent **62.0%**

Manufacturing capital
Global manufacturing network

Capital expenditures
¥14.1 billion

Intellectual capital
Cumulatively cultivated foundation of advanced technology

Research and development expenses
¥10.7 billion

Human capital
Human resources contributing to continual growth

Number of consolidated employees
7,929*

Social and related capital
Relationships of trust with stakeholders

Consolidated subsidiaries
Japan **13** Overseas **32**

Natural capital
Efficient use of resources andenergy

Energy consumption (Crude oil equivalent)
Japan **49,232kL**
Overseas **79,951kL**

* The number of employees (7,929) is the total number of employees (7,874) shown in the "Number of Employees in Japan and Overseas" on P73, plus the number of directors and officers (55) of affiliated companies in Japan and overseas.

Business Activities

Materiality

Issues related to ensuring harmony with environment
- Mitigate environmental impacts
- Resource and energy conservation

Issues related to providing safety and peace of mind
- Safety and Security
- Management of chemical substances
- Product liability

Issues impacting society
- Biodiversity conservation
- Improving stakeholder satisfaction
- Human resource development
- Diversity and work-life balance

Issues representing the foundation of business activities
- CSR procurement
- Compliance

Vision

We aim to become
"a company that makes your dreams for the future a reality"
by creating value for our clients.

- One Sumibe activities
- SBPS activities
- SB School (human resource development)
- R&D
- Open innovation

Core technologies
- Materials technology (resin formulation and design / monomer and polymer synthesis)
- Process design technologies
- Evaluation technologies

Outputs

Creating business opportunity
Financial results (fiscal 2021)

Revenue	Business profit	Business profit to revenue ratio	ROE
¥263.1 billion	¥26.5 billion	10.1%	8.5%

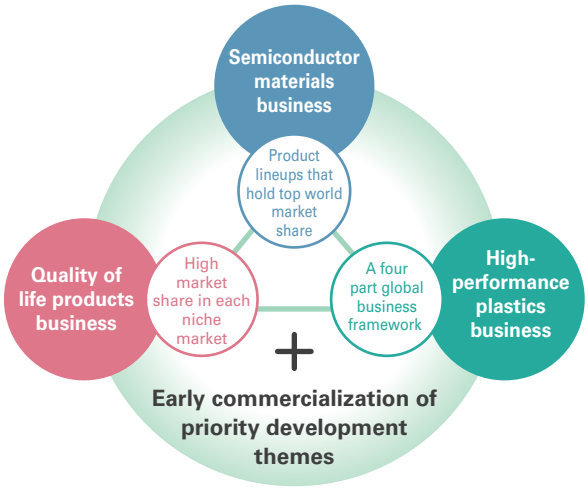
Our Business Philosophy that inherits Sumitomo's Business Philosophy

Realization of SDGs, which is ultimate potential needs, is

through expanding potential of plastics

Achieve top share in niche markets in the functional chemical sector

A business model that gives shape to value creation



Priority SDG areas (6+1 goals)

Outcome

Providing value to stakeholders

Customers

Customer value creation and sustainable growth

Shareholders & investors

Increased long-term corporate value and achieved stable and continuous return on profits

Local communities

Contribute to regional development in consideration of the environment

Government entities

Solve social challenges facing municipalities and local governments

Business partners

Expansion of mutual interests based on equal trust

Employees

A safe, pleasant, work-friendly environment

Contribution to formation of a sustainable society

SDG-contributing product revenue ratio **48.1%**

Helping to solve social issues

Non-financial results (fiscal 2021)

CO_2 emissions (compared to fiscal 2013*)

Business Sites in Japan ▲28%

Overseas Business Sites ▲13%

Ratio of female management staff **3.45%**

* Comparisons are made with fiscal 2013, the base year, taking into account the impact of the difference in the current scope.

consistent with our Business Philosophy

SUSTAINABLE DEVELOPMENT GOALS

Toward the realization of a sustainable society

Round-table Discussion - the President and Outside Directors -

President and Representative Director
Kazuhiko Fujiwara

Outside Director
Hiroyuki Abe

Outside Director
Kazuo Matsuda

Outside Director
Etsuko Nagashima

Evaluating the effectiveness of the Board of Directors

Fujiwara: Thank you very much for attending this meeting despite the threat of COVID-19 even though the pandemic is subsiding. I hope to have a meaningful exchange of opinions with you during this round-table discussion. As our Board of Directors has received spirited opinions and suggestions from our Outside Directors, I feel that our discussions have become more active and deliberations more in-depth. How do you feel about this?

Abe: I feel that discussions at the Company's Board of Directors meetings have become more active than in the past. The number of cases in which important matters are decided through such discussions is gradually increasing. I expect that the company will continue to face various unforeseen problems in the future, and I hope that the Board of Directors will respond flexibly to them through active discussions.

Nagashima: As Director Abe mentioned, active discussions have led to the creation of more detailed materials and plan revisions for some recent investment projects. In addition, the presence of Outside Directors with different experiences, ages, and backgrounds enables us to hear diverse perspectives, which I believe leads to better decision-making.

Matsuda: I feel the same way. Outside Officers' Meetings have been held for several years now, and since we have a prior understanding of the agenda for the Board of Directors meetings and important matters from each business department, we are able to discuss various matters, so I believe that deliberation of matters runs very smooth during the actual Board of Directors meetings. On the other hand, as is often the case in any company, the Board of Directors meeting should not be limited to reporting only to Outside Directors and Outside Corporate Auditors. I think it would be good if there were more opportunities for the Company's internal Directors to express their opinions to each other, transcending the boundaries of business departments and areas of responsibility.

Fujiwara: It is very important to us to ensure that Outside Directors receive the correct information in a timely manner and that they are able to attend Board of Directors meetings on that basis. I am very grateful that the Outside Officers' Meeting has been evaluated as a beneficial forum for everyone involved. On the other hand, Director Matsuda also commented that you would like to see more active participation in discussions by internal Directors, and I myself feel that internal Directors do not have much to say. Although it goes without saying that solid discussions take place during management meetings, we must also consider creating an atmosphere that facilitates the expression of opinions at Board of Directors meetings. I hope to see these improvements further increase the effectiveness of the Board of Directors.

Functioning of the Board of Directors during an emergency

Fujiwara: The spread of COVID-19 has caused great difficulties around the world and required major changes in the way we work at our Company. It is quite possible that the spread of an unknown virus or a natural disaster may occur in the future. In light of this, how do you feel about the overall state of our Board of Directors?

Matsuda: Local and on-site operations serve as the core of the manufacturing industry. In the past, each division was able to obtain raw information on-site. I think the COVID-19 pandemic has proven that it is still possible to exchange new and accurate information through remote meetings and reporting. Since it is quite possible that unexpected situations will occur in the future, I believe that what we have learned during the COVID-19 pandemic can be fully utilized in steering the management of the Company.

Nagashima: I believe that a system which allows Board of Directors meetings to be held remotely has been established. The issue for the future is whether we can hold Board of Directors meetings in a timely manner in the event of an emergency such as an earthquake or typhoon. In terms of emergency preparedness, I think it would be a good idea to consider how to confirm the safety of Outside Officers.

Abe: Compared to other countries, stock exchange-listed companies in Japan are prepared and ready for the unexpected, and I feel that the Company is similarly well prepared. At the same time, however, I think it is necessary to keep risk management in mind from a medium- to long-term perspective. I think we can agree that some Company sites are not suited to go online. I would like to encourage each site to promote medium- to long-term crisis management on a regular basis, including such matters. If a company-wide problem arises, I am sure the President would raise the issue, and that we, as Outside Directors, would want to cooperate to the fullest.

Fujiwara: I believe that to some extent we have established an internal system and mechanism to take in information from the executive side and report it to the Board of Directors in the event of an emergency. On the other hand, as Director Nagashima indicated, there remains the issue of how to confirm the safety of employees and hold Board of Directors meetings in the event of a disaster. While it is possible to hold Board of Directors meetings remotely, I believe that it is beneficial for information to also provided in person. Therefore, I would like to discuss with you Outside Directors how this might be done.

Holding dialogues with shareholders and investors to enhance corporate value

Fujiwara: In order for governance to function properly, it is important to have both internal management (inner governance) and an objective view from outside of the Company (outer governance). What are your thoughts on constructive dialogue with shareholders and investors, which together form the axis of outer governance?

Nagashima: I think it is necessary to listen carefully to external opinions. However, since shareholders and investors speak from their own perspectives, it is difficult to accept all of their opinions. Nevertheless, in order to have constructive dialogue with shareholders and investors, I think it is necessary to appropriately provide the Board of Directors with feedback consisting of the opinions and concerns of shareholders and investors that have been identified through IR activities, such as business results presentations and meetings with investors.

Abe: I agree. Outer governance is very important and effective in general terms, but as Director Nagashima mentioned, I believe that we need to scrutinize opinions when considering them. Ultimately, I think it is important to conduct governance based on autonomy, which is a characteristic of the Company.

Matsuda: I think it is important to disclose information without being misled by external conditions while preserving the culture of the Company, which has been cultivated over the Company's long history. However, the opinions of our shareholders and investors are also a form of social demand. Major engagement channels include the Shareholders Meeting, financial results briefings, business briefings, as well as shareholder factory-based briefings, and I think it is important how these approaches should be utilized.

Fujiwara: In line with the opinions that our Outside Directors have shared, we have been making efforts to promote constructive dialogue with shareholders and investors by holding regular business results presentations, improving our website, and publishing various media such as our Integrated Report. Although face-to-face IR activities and plant tours have been limited in the past few years due to the COVID-19 pandemic, we intend to utilize these opportunities to communicate our ideas directly to them in the future. Also, in regard to Director Nagashima's comment about feedback of shareholder and investor opinions and concerns, although we have been providing reports at Outside Officers' Meetings, I would also like to see such reports provided regularly at Board of Directors meetings starting in fiscal 2022.

Our stance is to accelerate our response to environmental issues while pursuing the various functions of plastics.

Kazuhiko Fujiwara

It is important to conduct governance based on autonomy, which is a characteristic of the Company.

Hiroyuki Abe

Looking back at ideas from last year and SDG initiatives

Fujiwara: We also received your valuable feedback in last year's Integrated Report. I would like to reflect on some of those ideas that were shared. For example, Director Matsuda stated that while the Company's vision is clear, the implementation process and strategy are not clearly visible. Did you notice any changes in this area?

Matsuda: I think it is much easier to see now that the Company has agreed on key measures to realize its vision of "a company that makes your dreams for the future a reality." Honestly, I think it would be even better if each division's milestones and roadmap for each of the following measures were reviewed on a yearly basis: 1) Proactive investment in growth areas, 2) Laying foundations in environmental areas, 3) Improve poorly performing businesses, and 4) BCP support. I would also to see us move forward with discussions on specific TCFD measures in order to achieve the SDG 13 (CLIMATE ACTION), which is also one of the Group's priority areas.

Fujiwara: Thank you very much for sharing your thoughts. I would like to consider making progress visible by business division. Director Abe, you have been watching the progress of our Company since assuming the position of Corporate Auditor in 2007. What changes have you noticed since that time?

Abe: There has been a wave of business performance. The Company have been very successful recently, and I feel that the efforts of the President and all employees have come to fruition. However, if good performance continues, it will be easy to forget the initial struggles. I hope that everyone involved with not forget the history of overcoming those struggles through various forms of wisdom and efforts when times are challenging.

Fujiwara: Last year, Director Nagashima spoke about "the issue of fostering a corporate culture in which women can be active." To make progress in that area, the 2015 goal of doubling the number of female managers in four years starting in 2016 from 1.35% was over 3.0% in April 2020 and 3.6% in April 2022. Recognizing the issue of current low percentage of women in career-track positions who could be candidates for future management positions, in fiscal 2020 we will "increase the percentage of women hired for career-track positions to at least 20% annually." The recruiting of new graduates in fiscal 2022 has achieved this goal.

Nagashima: I think it's great. Women sometimes take long-term leaves for childbirth or childcare. The Company has a solid system in place for this, giving them impression of a better working environment. Based on this foundation, I believe that it is ideal to have talented and capable people become management employees from a neutral perspective regardless of gender.

Fujiwara: We continue to work hard on the SDGs, a topic that we discussed last year. What do you expect to see from our Company as a result of its efforts.

Matsuda: The SDG initiatives are also in line with the Company's Business Philosophy. I think it is great to focus on switching to electric power derived from renewable energy and creating SDG-contributing products and that we are achieving results ahead of schedule. However, no matter how low the environmental impact is, plastics are made from fossil fuels. In a sense, it can be said that it is a business model that contradicts the SDG 13 (CLIMATE ACTION), and I feel that it is a very difficult problem to think about.

Abe: I agree. This is a problem that the Company will always face. This is my personal opinion, but I think it's unlikely that plastic, which is made from fossil fuels, will disappear. So it may be necessary to consider specializing in products or areas where plastic must be used. At the same time, it is also possible to focus on plastics that do not use fossil fuels, but from the perspective of profitability, I think this will be a problem that society as a whole will consider.

Fujiwara: As you have said, although plastics are made from fossil fuels, they are also very important materials that cannot be eliminated from people's lives. I believe that the way to solve this dilemma is to give functionality to plastics, which is our main calling. For example, if we develop a material that can make food products last longer, we can help improve food loss. Car parts are also lighter and more fuel efficient when made of high-performance plastic material. We believe that pursuing such social values is what we consider to be SDGs. In response to

It is much easier to see now that the Company has agreed on key measures to realize its vision of "a company that makes your dreams for the future a reality."

Kazuo Matsuda

climate change, we have also stated its commitment to becoming carbon-neutral by 2050 and expressed its agreement in February 2021 to the TCFD recommendations. Our stance is to accelerate our response to environmental issues while at the same time pursuing the various functions of plastics.

"Improving human ability" - the catchphrase of fiscal 2022

Fujiwara: Now we will address the last topic in our discussion. We are pursuing the various functions of plastics and has employees engage in their daily work under the theme of "improving human ability" in order to become a company that can speak to customers about aspirations and value. I believe that "human ability" is a multiplication of "motivation," "ability," and "character/personality," that none of these elements is complete without the others, and that it is necessary to enhance each of them. I would like to get advice on how to go about improving human ability since you have a wide range of experience in this area.

Abe: There is no doubt that improving human ability is an important perspective to have. I believe that the value of the Company will be created by the fact that each person can feel their growth through their work. Also, I would like to ask all of your employees to work on their daily tasks while thinking about the motives that President Fujiwara mentioned.

Nagashima: I believe that companies will grow with the abilities of each employee. The Company has many talented human resources. These valuable assets will undoubtedly power the company in the future. In order for the company to achieve further growth, I think it is necessary to provide appropriate education for these personnel, create a climate where people can take on the challenge of new tasks, and create a work environment that motivates each employee. I feel that "improving human ability" is the most appropriate catchphrase.

Matsuda: Although I feel that it is no easy task to promote work style reform and to improve human ability during the COVID-19 pandemic, I agree that such guidelines should be instilled in employees to encourage their growth. On the other hand, the term "human ability" can sometimes lead to misunderstandings among new employees born in the 21st century who are digital natives who are used to using smartphones, PCs, and similar devices. Therefore, based on the review of the personnel system, I think it will be important to conduct two-way communication through feedback from evaluators to individual employees by making statements such as "We are evaluating these areas" and "Let's develop these areas." By doing so, "human ability" on the individual level will be enhanced and collectively will become a big asset of the Company.

Fujiwara: Thank you very much for sharing your thoughts. I am deeply thankful for this round-table discussion as it was a good opportunity to hear the candid opinions of you Outside Directors in line based on your respective backgrounds. As for our governance, I feel that there is still a lot of room for improvement. I am determined to continue to work hand in hand with our Outside Directors to realize our vision of "a company that makes your dreams for the future a reality" by actively sharing information with you.

I believe that it is ideal to have talented and capable people become management employees from a neutral perspective regardless of gender.

Etsuko Nagashima

In the functional chemical sector,our Basic Policy is to create new value for solving social issues as we aim to be "a company that makes your dreams for the future a reality."

Vision of the Mid-term Business Plan

Vision

We aim to become **"a company that makes your dreams for the future a reality"** by expanding the possibilities of plastic and creating value for our clients.

Ideal Image

01 **A company that contributes to solving social issues and continuously grows and evolves**
02 **A company that walks together with customers and other stakeholders**
03 **A company where employees can be active**

Basic policy and basic strategy of the Mid-term Business Plan

Basic policy

Achieving at **"Top shares in niche markets"** in the functional chemical sector as well as expanding our business in keeping with the **SDGs.**

Basic strategy

01 **Develop new products with competitive advantage, aiming at their prompt contribution**
02 **Strengthen profitability of existing products and expand new customers, applications and regions**
03 **Proactive strategic investment in growth areas (M&A, DX, etc.)**

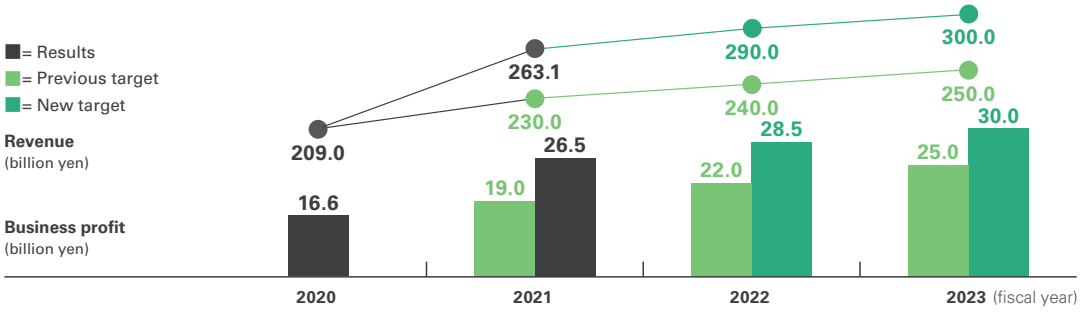
Numerical targets of the Mid-term Business Plan

Set new numerical targets for the final year of the Mid-term Business Plan (fiscal 2023) by achieving those numerical targets in the first fiscal year (fiscal 2021) of the plan.

New numerical targets

Final fiscal year (fiscal 2023)

Revenue **¥300** billion yen Business profit **¥30.0** billion ROE **10%**



Started in fiscal 2021, we launched a three-year Mid-term Business Plan to promote sustainable management that will lead to the future by linking changes in social issues to growth opportunities. Since the numerical targets for the final year of the Medium-term Business Plan were achieved in the first year, we will set new numerical targets and aim to make further progress.

Key measures taken under the Mid-term Business Plan and progress

Vision

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

Mid-term basic policy

Aiming at "Top shares in niche markets" in the functional chemical sectors

Key measures

Challenge toward a new business model

Management foundation

Cross-organizational action through One Sumibe

One Sumibe

- R&D
- Marketing function
- Manufacturing foundation

×

Evolution of organizational culture

- Cultivating a challenging culture
- Revision of the personnel system
- Work-style improvement

Priority measures

1. Proactive investment in growth areas
2. Laying foundations in environmental areas
3. Improve sluggish businesses
4. BCP measures

DX promotion

Link P33 DX Initiatives

- Development into business models
- DX HR training and DX culture development

R&D

The MI Promotion Project will promote data-driven development and improve R&D capabilities

***Monozukuri* (manufacturing)**

Spread autopilot control worldwide and increase productivity

Daily operations

The Business Renovation WG will improve human productivity and added value business ratio

Contribution to SDGs (Carbon neutral)

- SDG-contributing product revenue ratio target

Fiscal 2020 (Results)	Fiscal 2021 (Results)	Fiscal 2023	Fiscal 2030
37%	48%	50% or more	70% or more

- Taking on the challenge of 2050 carbon neutrality: Switchover to electric power derived from renewable energy at all Japan-based plants and laboratories and at Europe-based Group companies. As a result, we have achieving the fiscal 2030 goal of 46% reduction of CO_2 emissions (compared to 2013 level) in Japan ahead of schedule
- A company-wide development roadmap leading up to 2035 has been established
- Scenario analysis based on our expression of support for the TCFD recommendations

Link P54 - 57 Disclosure based on TCFD recommendations

Now that our activities to contribute to the SDGs are on track, we are looking ahead to the next step

As a result of our efforts to contribute to the SDGs, we have begun to see tangible results in the ratio of revenue from sales of products that contribute to the SDGs and in our efforts to reduce CO_2 emissions. At a time when we have decided not to wait taking on the challenge of carbon neutrality, Representative Director and Executive Vice President Masayuki Inagaki who has been facing environmental issues for many years talks about the direction in which environmental issues will be tackled in the future.

Representative Director, Executive Vice President
Vice Chairperson, Sustainability Promotion Committee
Chairperson, SDG Promotion Committee **Masayuki Inagaki**

Our activities are consistent with the concept behind the SDGs

We established the SDG Promotion and Preparation Project Team in 2018, the Sustainability Promotion Committee in 2019, which is chaired by the President, and SDGs Promotion Committee in 2020, thus putting in place a framework for full-fledged efforts on SDGs. As shown in our Business Philosophy, we have a deep understanding of the concept of the SDGs with the SDGs themselves being a clear and well-defined set of activities that we have pursued. The SDGs consists of 17 goals and 169 specific targets for achieving those goals. We have designated "6+1" (see figure on the right) as our priority area targets in which we can make the most of our business fields and strengths and are conducting our business activities with a renewed strong awareness of the SDGs.

It goes without saying that the ultimately aim to achieve all of the 17 goals. We believe that we have to work toward achieving goals other than our priority area goals. For example, for SDG 2 "Zero Hunger," we are working to reduce food loss by reducing waste during the distribution of agricultural products, expanding products to extend their shelf life, and applying our technology to develop products for the meat market. For SDG 5 "Gender Equality," the Company is reviewing our ratio of male and female employees by increasing the ratio of new female graduates hired. For SDG 15 "Life on Land" a biotope was created on the grounds of the Shizuoka Plant to preserve the environment as a permanent habitat for the plants and animals that normally live in that area. Specimens of *Minami-medaka* (Oryzias latipes), an endangered species, that are increased in number through breedings are provided to educational institutions as an opportunity to explore the importance of biodiversity. Rather than focusing on the scale or the size of our contribution, we believe that steadily doing what we can do one by one is our essential idea and will also lead to the enhancement of our corporate value.

Our Group's priority SDGs

"6+1"

Six goals that we as a Group can contribute to and one goal that we should contribute to together with society as a whole

Through DX promotion, we aim to achieve a SDG-contributing product sales ratio 70%

Among the products that our Group handles, there is a certification system for "SDG-contributing products." These are products for which concrete numerical data and other evidence of their contribution to the SDGs is shown, and we have been promoting them on a company-wide basis, aiming for these products to comprise 30% of our sales in fiscal 2021. As a result, we achieved a SDG-contributing product sales ratio of 37.2% beforehand in 2020 and has increased its target for SDG-contributing product sales to be 50% or more in fiscal 2023 and 70% or more in fiscal 2030.
At present, we are receiving ideas for SDG-contributing products from each business section. Among these ideas, the most feasible ones selected are called "embryonic projects," and the members of the SDGs Promotion Committee provide guidance on the specific numerical data necessary for certification and are promoting the commercialization of SDGs based on an annual plan. In the previous fiscal year, a number of products were newly certified and the ratio of SDG-contributing product sales was 48%.
In addition, we believe that promotion of DX is important in the development of such products. In January 2022, the MI Promotion Project was launched. The goal of the project is to move to data-driven development and increase product development capabilities by building a development data foundation and developing MI element technologies. We are currently focusing on training data scientists who are the cornerstone of the MI promotion project. If human resources development proceeds smoothly, product development will be much faster in the near future. If these efforts are incorporated, I believe that we can meet our high target of 70% or more in 2030.

SDG-contributing product revenue ratio target

The Company promotes activities at monthly committee meetings to achieve long-term goals for products that contribute to the SDGs.

Fiscal 2020 (Results)	Fiscal 2021 (Results)	Fiscal 2023	Fiscal 2030
37%	48%	50% or more	70% or more

Our carbon neutral initiatives are off to a good start

Although the SDG 13 on taking specific measures against climate change is one of the priority goals, in light of the current increasingly serious environmental challenges, we have partially revised our Framework for approaching issues by establishing a working group with the aim of strengthening and promoting carbon neutral initiatives. Having set 2050 as our target for taking on the challenge of carbon neutrality and 2030 for a 46% reduction in CO_2 emissions (compared to fiscal 2013), we are making steady progress with the switchover to electric energy derived from renewable energy at three Group companies in Europe by 2021 and at all plants and laboratories in Japan from January 2022. In Japan, this reduced our CO_2 emissions by more than 46% well before 2030. Since we were able to achieve Scope 1 (direct greenhouse gas emissions by the business itself) and Scope 2 (indirect emissions from the use of electricity, heat, and steam supplied by other companies) targets ahead of schedule, I believe it will give us time to tackle Scope 3 (emissions by other companies related to the business activities), which will require time for technological development, etc.
In February 2021, we expressed our support for the TCFD recommendations and have continued to examine them. We conducted climate-related scenario analysis for the long-term 2040 (long-term) scenario using 1.5/2°C and 4°C scenarios to identify risks and opportunities.* We will continue to perform analysis based on social and economic conditions and will actively disclose related information.

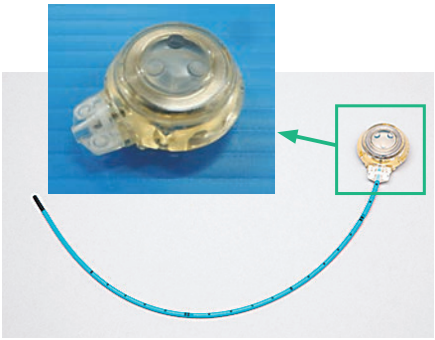
* For the results of the scenario analysis, see the following disclosures suggested in the TCFD recommendations: Governance, Strategy, Risk Management, and Indicators and Targets as well as listed on page 54 to 57 of this Report.

Looking at plastics in a positive way by solving environmental problems

From the perspective of environmental conservation, it is undeniable that plastic using fossil fuels will have a negative image in the future. However, we cannot imagine a world without plastic in pursuit of safety, security, and comfort with society as a whole in mind. What we need to do is nothing less than to pursue the functions of plastics, expand their potential, and create a society that can live in harmony with plastics. Our mission is to provide plastics with a variety of functions, to develop the 3Rs (reduce, reuse, and recycle) using our technology, such as mono-material and chemical recycling technology, to develop products that use biomaterials rather than petroleum-derived materials, and to pursue our own business activities to achieve carbon neutrality and to make plastics a positive existence.

SDG-contributing products responsive to social issues

Since fiscal 2018, we have been accrediting products, technologies, and activities that contribute to the SDGs as SDG-contributing products, SDG-contributing technologies, and SDG-contributing activities. Certification is granted by the SDG Promotion Committee, subject to approval by the Sustainability Promotion Committee, upon meeting the assessment criteria: the target must be appropriately selected, and a concrete explanation of contributions must be provided, including objective figures based on actual data or publicly disclosed information.



CV port related products

Part of a central venous catheter, a CV port is used to administer anticancer drugs and high-calorie infusion. The tip of the catheter is connected to the port, which is implanted under the skin in a surgical procedure, and the needle is inserted through the overlying skin to inject the drug solution into a central vein through the catheter. It is not exposed through the skin, diminishing the rate of infection, and is not visible. The product contributes to the rehabilitation of patients after surgery and the improvement of their quality of life.

8.1: Sustain per capita economic growth

Certification Process, Results, and Targets for SDG-contributing products

Since fiscal 2018, we have been accrediting products, technologies, and activities that contribute to the SDGs as SDG-contributing products, SDG-contributing technologies, and SDG-contributing activities.

Products Eligible for Certification

Certification is intended for products that meet one or more of the following certification requirements ((1) - (8)).

Our Group's priority SDGs

(1) The product promote health and welfare (Goal 3)

(2) The product contributes to improving energy efficiency and realizing modern energy (including energy savings) (Goal 7)

(3) The product contributes to realizing decent work and economic growth (Goal 8)

(4) The products contributes to the expansion of environmentally friendly technology and to the foundation of industry and technological innovation (Goal 9)

(5) The product contributes to reducing waste (including food waste) and harmful substances, contributes to reducing environmental impact, and contributes to the realization of recycling and resource saving (Goal 12)

(6) Measures against climate change, and things that help strengthen adaptive capacity to climatic and natural disasters (Goal 13)

(7) The product contributes to the conservation and utilization of marine resources and to the prevention and reduction of marine pollution (Goal 14)

Requirement in line with non-priority SDGs

(8) The product contributes to the achievement of one or more of the 17 SDGs other than Goals 3, 7, 8, 9, 12, 13, and 14 listed above.

Fiscal 2021 results

Sales revenue 126.5 billion yen

Sales ratio 48.1%

Target

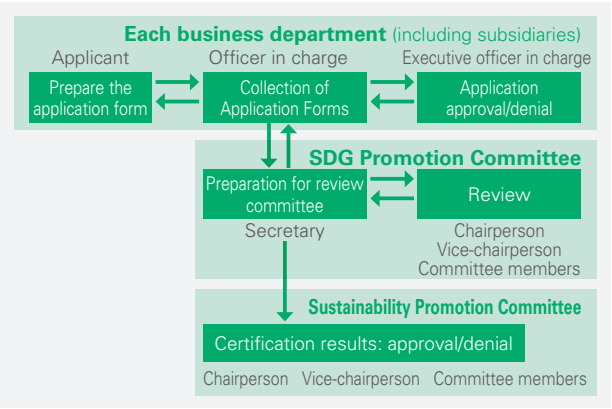
Fiscal 2023 sales ratio of more than 50%

Certification process

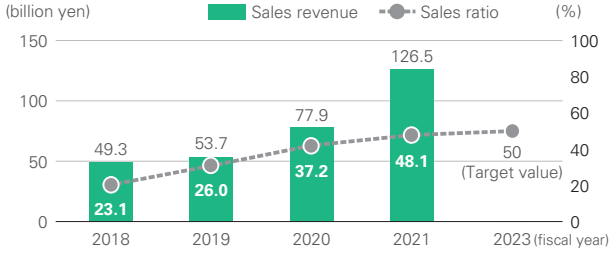
Items reviewed and assessment criteria

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

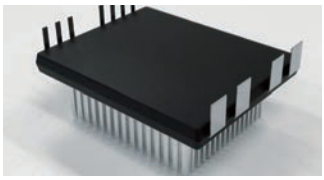
Any negative impact caused by the product is also discussed before certification is granted



Sales revenue from SDG-contributing products and technologies (consolidated)



* Sales ratio is calculated by dividing revenue from products and technologies that contribute to the SDGs by overall sales revenue (based on International Financial Reporting Standards).



Epoxy molding compound for power devices with high Tj

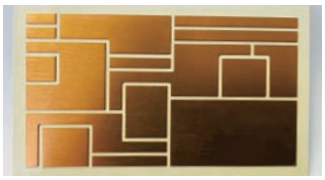
SiC power devices have been developed and are being utilized to achieve high voltage, low on-resistance, and high speed. We have developed the EME-G780 series for high Tj devices in order to meet the Tj performance of SiC of 175°C or above. Although it has not been possible to achieve both , high Tj and low thermal decomposition using conventional technology, formulation technology has enabled the combination of characteristics to achieve high Tj and high reliability. This product will contribute to the reduction of materials and cost by making packages smaller and thinner, and by simplifying cooling structures such as heat sinks.

7.3 Improve energy efficiency
9.4 Environmentally sound technologies
12.5 Reduce waste generation
13.2 Climate change countermeasures

ECU direct molding compound

We have proposed and realized a technological innovation to integrate connector, terminal, and case functions into a single structure through transfer molding, replacing the conventional case potting or ADC cover structure. This contributes to the reduction of the number of ECU components, the simplification of the process, and reducing size and weight.

9.4 Environmentally sound technologies
13.2 Climate change countermeasures



12W/m·K high thermal conductive sheet

This power module resin substrate has significantly improved heat dissipation compared to conventional general purpose resin substrates such as FR-4. In addition, it can be reduced to less than half the thickness of ceramic substrates, and its thermal resistance can be reduced to about one third. It can be applied to more compact modules because it can be thinner and smaller than ceramic substrates, and because it also improves the thermal efficiency of the module. In the future, the introduction of this technology will be extended to environmentally friendly vehicles such as power modules and xEVs in the new energy sector, contributing indirectly to the reduction of CO_2 and contributing to clean technologies.

7.3 Improve energy efficiency
9.4 Environmentally sound technologies
13.2 Climate change countermeasures

Product certified in fiscal 2021

Freshness preserving films for vegetable products

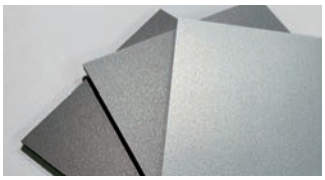
The amount of oxygen permeation is adjusted by microporous processing of the film. Based on a wealth of data on each fruit and vegetable, the size and number of micropores can be carefully adjusted to suit the individual distribution conditions, thus providing optimal control for vegetables and fruits. It also creates an equilibrium state of low respiration, a "hibernation state" for fruits and vegetables, which contributes to extending the shelf life of food.

2.1 End hunger and ensure access to safe, nutritious and sufficient food
9.4 Environmentally sound technologies
12.3 Reduce food losses

Coextruded multilayered films and sheets for food packaging using biomass resin

We have developed a film that reduces CO_2 emissions by 0.5 to 1.4 kg per kg of film without compromising the film's function as a packaging material by laminating the film with a biomass material. As a packaging film for frozen and chilled foods, it contributes to "reducing CO_2 emissions" and helps in the fight against global warming.

9.4 Environmentally sound technologies
12.2 Sustainable management and efficient use of natural resources
13.2 Climate change countermeasures



"KD" Acrylic-PVC Alloy Plate Metal Finish Grades

The new design, which had previously been produced only by painting after molding, has been described as one of the "KD" grades, utilizing our unique blending technology without using metals. By eliminating the need for paint, the product eliminates the risk of paint stripping and, at the same time, contributes to the reduction of organic solvent emissions, waste, and greenhouse gases.

9.4 Environmentally sound technologies
12.4 Reduce chemical emissions
12.5 Reduce waste generation
13.2 Climate change countermeasures

Product certified in fiscal 2021

Kawasumi Najuta Thoracic Stent Graft System

The product is used for endovascular surgery of thoracic aortic aneurysm and has a stent graft including a fenestration type, which allows the treatment of distal arch aortic aneurysm, previously difficult to accomplish with other products. Compared to conventional surgical procedures, the number of days hospitalized is greatly reduced and the treatment is minimally invasive. This will contribute to early social rehabilitation after surgery without compromising the quality of life of patients.

8.1 Sustain per capita economic growth

Product certified in fiscal 2021

EZGlyco O-Glycan Prep Kit

Glycosylation analysis is essential in the development and production of cell-based biopharmaceuticals. Conventionally, the preparation of O-glycans bound to glycoproteins used hazardous reagents and required complicated and lengthy procedures (2 to 3 days). However this prep kit is a practical kit that enables safe, simple, and rapid (5 hours) preparation of O-glycans, facilitating the rapid glycan analysis.

3.b Support for vaccine and drug development
3.d Early warning of health risk factors, risk factor mitigation and management

High-durability waterproofing system

By making the high-durability sheets brightly colored and lowering the temperature of the waterproof sheets in summer, the loss of plasticizers can be controlled and durability improved, and simple reinforcement can be considered to simplify the 20th year of renovation. It reduces the number of major renovations required and reduces waste. In addition, by increasing the number of screws to be fixed, the fixed strength of the waterproof sheet in areas where wind pressure is high is 1.4 times higher, contributing to improved adaptability to natural disasters.

12.5 Reduce waste generation
13.1 Strengthen adaptive capacity to climatic and natural disasters

Message from Finance and Accounting Officer

Director
Senior Managing
Executive Officer

Takashi
Nakamura

We aim to further enhance our corporate value by leveraging the collective strengths of our Group and applying our creativity and ingenuity.

Fiscal 2021 results

Revenue	¥263.1 billion
Business profit	¥26.5 billion
Operating income	¥24.9 billion
Profit attributable to owners of parent	¥18.3 billion
ROE	8.5%

Review of business performance in fiscal 2021

In fiscal 2021, our performance continued the conditions of the second half of fiscal 2020, when it rapidly recovered from the impact of the COVID-19 pandemic and it was able to achieve record figures in terms of revenue from sales, business profit, and net income, all in real terms. Although it was due in part to the yen's depreciation since fiscal 2020 and the addition of Kawasumi Laboratories, Inc. (currently SB-Kawasumi Laboratories, Inc.), which was consolidated in the second half of fiscal 2020, which also occurred during the same year, it was also due in large part to the fruits of our existing efforts to increase supply volume while minimizing fixed and other cost increases associated with higher sales revenues. However, we also believe that our efforts to increase supply while minimizing fixed and other cost increases associated with higher sales revenue were also a major factor in this result.

In addition to the effects of the COVID-19, geopolitical risks such as the situation in Ukraine have increased, resulting in high prices of raw materials and supply chain disruptions, which have led to a very difficult situation in supply. I honestly feel that we managed to get through this by solving and overcoming each problem one by one.

Progress of Mid-term Business Plan

Despite just starting our three-year Mid-term Business Plan in fiscal 2021, we were able to achieve our numerical targets for sales and business profit for the final fiscal year (fiscal 2023) in the first year of the plan. Therefore, we have set a new numerical target for the final year, but the basic policy of achieving "top share in niche markets" in the functional chemical sector in accordance with the SDGs remains unchanged. Although there have been some course corrections in our detailed action plans, we believe that the fact that our basic policy has been firmly adopted within the Company has led to the expansion of our business performance and business.

Regarding contributing to efforts on SDGs, one of the main measures of the Mid-term Business Plan, we were one of the first to introduce electric power derived from renewable energy as an initiative aimed at carbon neutrality in response to climate change, achieving the fiscal 2030 goal of 46% reduction of CO_2 emissions (compared to 2013 level) in Japan ahead of schedule. In addition, we have established a project structure to promote DX and have begun concrete actions that will reduce costs and increase business efficiency.

I feel that the social situation will continue to change, including changes in social issues and patterns of behavior, digital shift in society, and increased awareness of environmental issues. As a result, we believe that we will grow our group by focusing on becoming a company that can consistently meet the trust and expectations of our customers and other stakeholders.

Outlook for business performance in fiscal 2022

In the future, it is certain that we will be forced to run the business with a variety of risks, including increases in raw material prices, supply chain disruptions, geopolitical risks, further spread of COVID-19, and resulting customer shutdowns. However, I believe that the major trends envisioned in our Mid-term Business Plan, such as our response to environmental challenges and the digital shift, will not stop, so it is important that we continue our efforts to respond to these changes. In fiscal 2021, we were able to respond ingenuously to a variety of changes and achieve good results. The company will continue to respond to changes and strive to further improve its business results. In fiscal 2022, the consolidated results (revenue of 290.0 billion yen, business profit of 28.5 billion yen, and profit attributable to owners of parent of 21.0 billion yen) are all expected to be higher than fiscal 2021 amounts.

Basic Policy for financial strategy

We believe it is important to maintain a stable financial foundation when considering our financial strategy. After a long-development period, our functional chemical products are used in fields such as the automotive and electrical and mechanical industries where extremely high reliability, safety and long-term stability are required. In this way, we believe that maintaining a stable and strong financial foundation is a major source of relief for our customers. This assumption is what I believe is leading to strategic and long-term partnerships with our customers.
On the other hand, we also intend to take a proactive approach to the strategic allocation of management resources, such as proactively making investments necessary for the development and strengthening of our group, such as in the expansion of promising businesses and M&A, without missing any opportunities to do so at the right time. I also believe that we will need to continue to invest in environmental areas such as carbon neutrality, technology areas such as DX, and a system to strongly promote these areas. Our business results in fiscal 2021 were quite close to the targets of our Mid-term Business Plan, which were a 10% or more profit margin on sales and 10% ROE for each segment. We will continue to work toward achieving our goals in a stable manner.

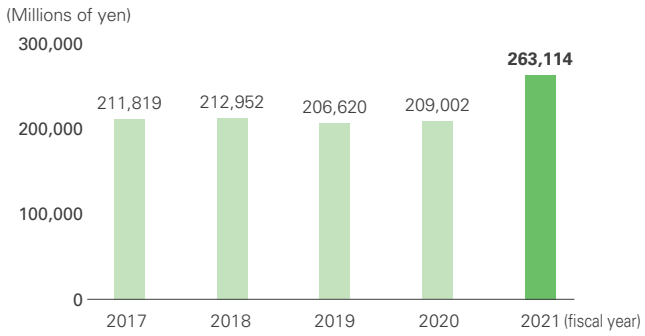
Message to all of our shareholders and investors

Regarding shareholder returns, the policy we have always taken, of effecting stable continual shareholder returns, has not changed. Specifically, we would like to continue to maintain 30% as the rough target for the dividend payout ratio. In fiscal 2021, we were able to pay an interim dividend of 50 yen per share and a year-end dividend of 60 yen per share, for an annual cash dividend of 110 yen per share, an increase of 35 yen per share over the annual cash dividend paid in fiscal 2020 due to improved business performance. At the same time, we would like to retain a certain level of internal reserves to continue strategic investments for growth and expansion. I would like for you to understand that, from a medium- to long-term perspective, strategic investments and the resulting business expansion will enhance the corporate value of our group, and the results of these investments will be returned to our shareholders and investors.
We achieved very good business performance in fiscal 2021 with the highest level results ever in real terms. As we achieved our goals for sales revenue and business profit for the final year in the first year of the plan, we also set higher targets for the final year. Although conditions remains unclear, we believe that we can achieve higher levels if we take advantage of our group's comprehensive strength, such as our One Sumibe activities, and engage in such activities with ingenuity.
To reiterate, I believe that by taking a sincere and flexible approach to major changes in society, such as contributing to the SDGs, including climate change initiatives such as carbon neutrality, and promoting DX, we can meet the needs of our customers and ultimately enhance our corporate value which in turn will contribute to value creation for everyone involved—our shareholders, investors, and other stakeholders. I would like to ask for your understanding of our management posture and continued support.

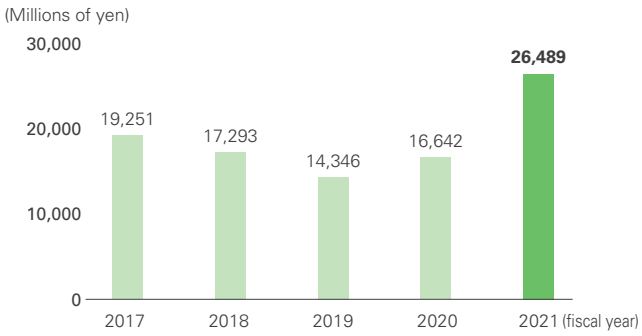
Financial and Non-financial Highlights

Financial Highlights

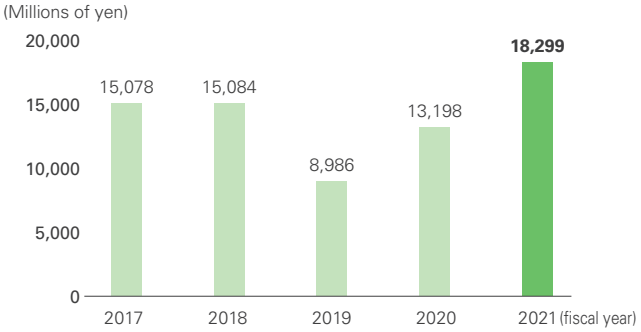
Revenue



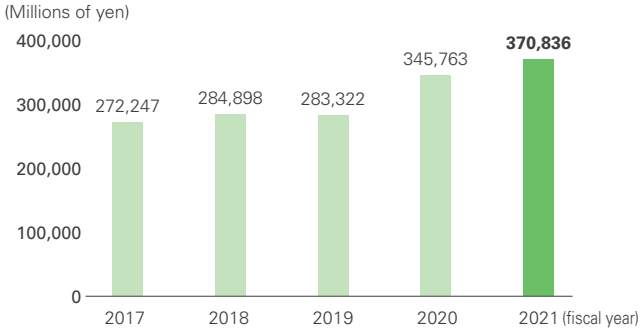
Business profit



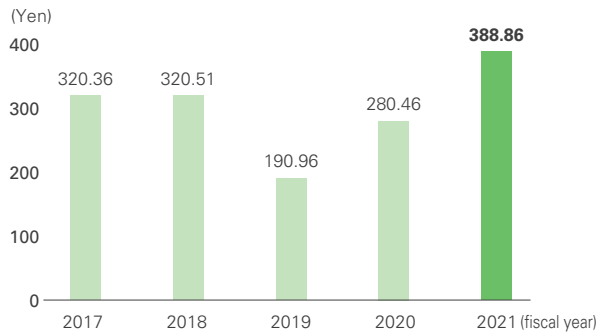
Profit attributable to owners of parent



Total assets

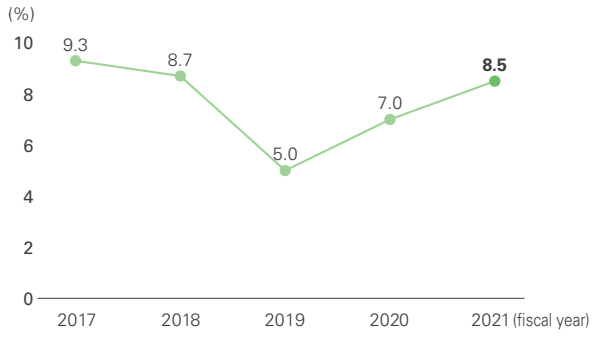


Earnings per share/Basic earnings per share



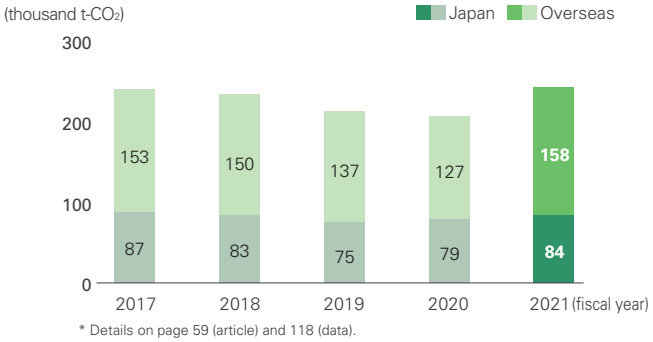
* As the share consolidation of each five shares of common shares into one share was exercised effective on October 1, 2018, basic earnings per share is calculated with the assumption that the share consolidation had exercised at the beginning of fiscal 2017.

Profit to equity attributable to owners of parent ratio (ROE)



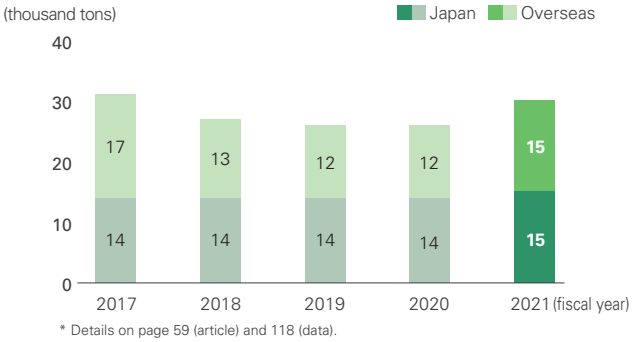
Non-financial Highlights

CO_2 emissions



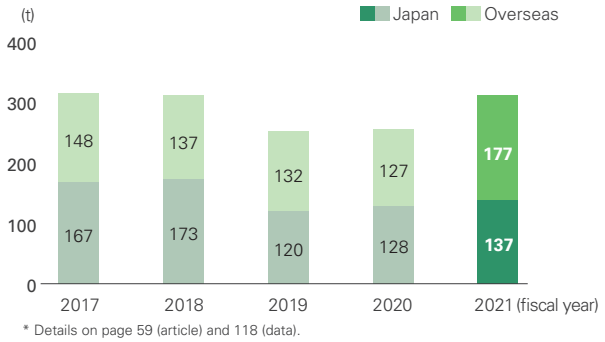
* Details on page 59 (article) and 118 (data).

Amount of material loss



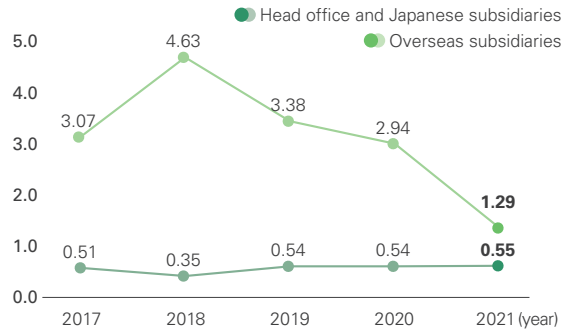
* Details on page 59 (article) and 118 (data).

Chemical substance emissions



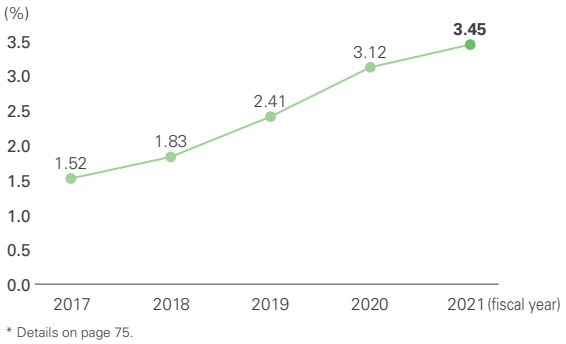
* Details on page 59 (article) and 118 (data).

Frequency rate of occupational accidents



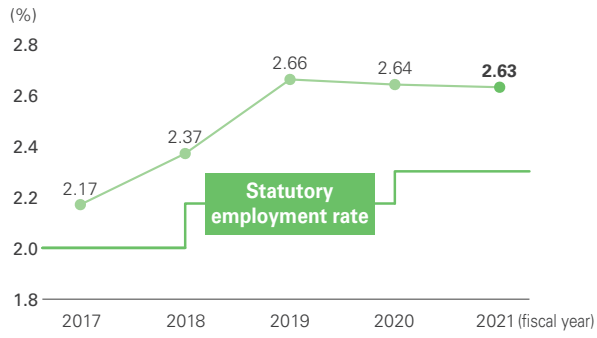
* Details on page 65.

Trends in the proportion of female management staff



* Details on page 75.

Employment rate of people with disabilities



* Details on page 75.

Business Risks and Opportunities

In order to reduce the frequency of occurrence and the impact of risks, we have established, maintain and operate systems for corporate governance and internal control. Moreover, each company and department in the Group ascertains and assesses the risks in its own business operations. Upon doing so, we establish a basic policy for risk management, and performs management and practices that precisely address the range of risks associated with business operations.

Risk Management Structure

Our risk management structure is described below.

● Sustainability Promotion Committee

The Sustainability Promotion Committee has been established as the parent body for conducting the Group's sustainability activities on a continuous, Group-wide basis. It approves the policies, plans, results, items and figures to be published externally by the Risk Management Committee, which is a subcommittee, and reports that information to the Board of Directors.

● Risk Management Committee

The Risk Management Committee identifies major risks that could have a serious impact on our business performance, confirms the validity of response measures to major risks, and gives instructions on what additional measure should be considered to departments overseeing individual risk and each business department.
The members of the Risk Management Committee consist of the President, the Officers overseeing business segment and the heads of departments overseeing individual risk. In fiscal 2021, the Risk Management Committee convened four times.

● Departments overseeing individual risk

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

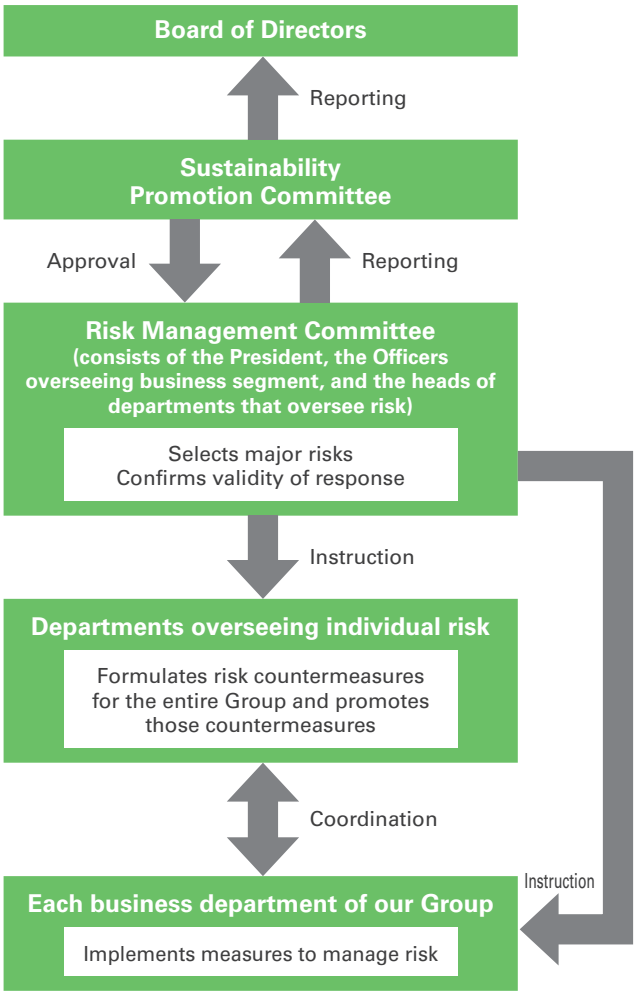
● Each business department

As part of their original business operations, the Group's sales departments, factories, R&D departments, and other business units take various measures to properly manage the risks associated with the execution of their own business operations.

In addition to the above, the Group has established a corporate governance system as described on page 91 and has developed and operated an internal control system, including risk management.

Link P91 Internal Control

● Risk Management Structure



Risk Management Process

The selection and approval of major risks in the Group is conducted once a year. The process is as follows.

Major risk selection and approval process

Risk identification

- Risk Management Committee collects answers from the "Major Risk Identification Questionnaire" from the Officers overseeing business segments or departments overseeing individual risk.
- Hearings are held led by the President.

Risk map creation

- The Risk Management Committee identifies risks with a high risk value by multiplying the probability of occurrence and the impact level as a major risk candidate.

Risk levels				
		Probability of occurrence		
		Low	Medium	High
Degree of impact	High	Product quality Response to laws and regulations	Disasters, accidents and pandemics Initiatives on mitigation of environmental impacts	
	Medium		Information security incidents	Raw materials supply problems and price fluctuations
	Low			

Selection/Approval of major risks

- Major risks are selected and approved by the Risk Management Committee.
- How to deal with each major risk is reflected in the response plan for the next fiscal year.

Reporting of the approval of selection results

- The selected major risks and response plans are approved by the Sustainability Promotion Committee.
- The Sustainability Promotion Committee reports the approved content to the Board of Directors.

Response plan promotion

- Promote and execute approved plans for responding to major risks.

Selection levels for probability of occurrence

Level		Description
Probability of occurrence	Low	Once every 100 years to once every 10 years
	Medium	Once every few years to once a year
	High	More than once a year

Selection levels for degree of impact

Level	Criteria for selecting degree of impact (if more than one of the following applies, choose the one with the highest impact)			
	Financial impact	Human life impact	Reputation impact	Operational impact
Degree of impact Low	Up to 50 million yen	When person needs medical attention	Issue solved through day-to-day management	Affects operations for several days at one location only
Degree of impact Medium	50 million yen to 1 billion yen	When person needs to be hospitalized	Information about the incident is spread to a small degree by mass media and on the Internet with a negative connotation Loss of credibility with some business partners and consumers	Affects operations for several weeks at one location only Affects operations for a several days at multiple locations
Degree of impact High	1 billion yen or above	Resulted in the death of one or more people When several people have been injured	Information about the incident is spread to a high degree by mass media and on the Internet with a negative connotation Significant loss of credibility with business partners and consumers	Affects operations for at least a few months at one location only Affects operations for several weeks at multiple locations

Major risk content, potential impacts, and responses

Based on the process described on page 29, we have identified the following major risks that could have a significant impact on our business, and by viewing these as opportunities and promoting responses, we will create value in the future.
The major risks listed below are not an exhaustive list of all

Major risks and opportunities

Risks	Length of occurrence	Probability of occurrence	Degree of impact	Risk/Opportunity content	Potential impacts
(1) Disasters, accidents and pandemics	Undetermined Note: However, the COVID-19 pandemic is short-term.	Medium	High	**Risks** ● Earthquake ● Explosion and fire ● Storm and flood damage ● Pandemic **Opportunities** ● Expansion of business through improved BCP response	● Personal injury to neighbors & employees and damage to plant/ equipment ● Product supply stoppage due to disruptions of electricity, gas, water or telecommunications services ● Supply chain division due to the disruption of customer, source, and distribution functions ● Major costs due to compensation for damages
(2) Raw materials supply problems and price fluctuations	Short-term	High	Medium	**Risks** ● Disasters and accidents in the country of origin of raw materials ● Strengthening of regulations through revision of laws and regulations ● Fluctuations in raw material prices **Opportunities** ● Expansion of business through improved BCP response	● Delays in raw material distribution ● Supply of raw materials suspended or temporarily restricted due to the strengthening of regulations ● Raw materials prices increase due to the interlocking of prices in the crude oil and nonferrous metals markets ● Declining sales, deteriorating profitability, and hindrance to business continuity
(3) Product quality	Undetermined	Low	High	**Risks** ● Large-scale product incidents ● Advances in science and technology ● Changing customer markets and methods of use **Opportunities** ● Expansion of business by maintaining and improving quality control systems in line with international quality control standards	● Major costs due to recalls, compensation for damages ● Loss of community trust ● Occurrence of unforeseeable quality problems due to increases in quality management standards sought by customers after placement on the market
(4) Initiatives on mitigation of environmental impacts	Medium- to long-term	Medium	High	**Risks** ● Strengthening greenhouse gas emissions regulations ● Carbon pricing **Opportunities** ● Increased demand for products that contribute to SDGs	● Exclusion from markets due to delay of measures responding to climate change
(5) Response to laws and regulations	Undetermined	Low	High	**Risks** ● Conflicts with laws and regulations in business activities ● New costs for measures due to changes in laws and regulations **Opportunities** ● Expansion of business by responding to laws and regulations, establishing compliance systems, and maintaining and improving operations	● Occurrence of major losses due to criminal penalties, surcharges and civil litigation ● Loss of community trust
(6) Information security incidents	Undetermined	Medium	Medium	**Risks** ● Unauthorized access, cyber-attacks **Opportunities** ● Expansion of business by maintaining and improving the information security management system	● Principal systems failure, stoppage ● Confidential information leakage ● Loss of community trust ● Business operations disorder or disruption ● Costs such as compensation to business partners

risks faced by our Group since other risks exist which are difficult to foresee.

Responses
● Formulation of a business continuity plan (BCP) in case of an incident, validation of countermeasures, and ongoing review and training of BCP ● Implementation of disaster mitigation and continuity assurance measures by securing adequate inventories, establishing redundancy with our production systems at business sites in Japan and overseas, augmenting spare parts supplies, and systematizing our restoration systems ● Gaining the cooperation of supplies in checking upstream supply chain BCP and considering additional measures ● Elucidate causes, formulate countermeasures, and deploy countermeasures throughout the Group to prevent explosions and fires that may be caused by Group factors, and expand the introduction of a predictive management system for abnormalities in equipment directly linked to explosions and fires by applying AI and IoT technologies ● COVID-19 Emergency Taskforce and a countermeasures secretariat were established at the head office for the response to the COVID-19 pandemic ● Review of our company-wide COVID-19 Infection Countermeasures Manual, and formulation of countermeasures systems and action plans by affiliated companies referring to the manual
● Risk reduction through pluralization of procurement sources that provide important raw resources, ensuring proper storage, etc., with stable procurement the foremost consideration ● Implementation of BCP measures and completion of planning for approximately 100 suppliers of important raw materials in Japan ● Working to ensure the availability of substitute products and safety stocks for more than three months for approximately 80 suppliers of important raw materials procured from overseas ● Confirmation of BCP measures when new raw materials are adopted, and risk reduction is implemented by setting a standard of adoption that does not contain substances that may be regulated not only now but in the future ● Development of technologies to control regional variations in the composition and ingredients of raw materials derived from natural products such as plants and minerals ● Application of the formula system for principal raw materials (automatically reflecting raw materials fluctuations in prices)
● Creation of a product quality management framework that is consistent from design management to manufacturing and sales, and adheres to quality manuals compliant with international quality management standards (ISO 9001, IATF 16949, ISO 13485, AS 9100, etc.) ● Regular verification of quality management status through on-site quality audits by qualified experts ● Identification of potential quality risks and mitigation response using FMEA and FTA ● Thorough caution during initial production control and change control ● Elimination of human variables and enhancement of traceability using AI/IoT technology at major domestic bases, and expansion to five main overseas factories ● Establishment of a system to centrally manage quality issues at all domestic and overseas business sites, initial response to quality issues and prevention of damage spread, and verification of measures to prevent occurrence and outflow
● Promotion of activities under “Environmental Vision for 2050 (net zero)” in a cross-functional organization headed by top management ● Establish CO_2 emissions reduction and energy saving goals, manage and monitor progress ● Electric power derived from renewable energy will be introduced at all of Japan’s offices, reducing domestic CO_2 emissions by more than 60% (compared to fiscal 2013) ● Proactive participation in industry projects, and programs linking industry, academia and government, as well as development of the innovative technologies needed to reduce environmental impact ● Establish chemical recycling, material recycling technology, and early strategic planning and execution for the utilization of biomass raw materials from the perspective of resource recycling ● Proactive, continuous external communication of activity status and results through Integrated Reports, CDP, etc.
● Development of a compliance system and promotion of awareness of compliance in the Compliance Committee ● Establishment of group-wide bribery prevention policy and basic rules and regulations on bribery for the Group ● Development of internal rules by individual risk management divisions, implementation of education, guidance and support to business units ● Risk reduction through the operation and maintenance of chemical substance management systems that can catch up to the latest chemical substance regulations in each country ● Audit and evaluation of the Company and its affiliates, including overseas, are carried out by combining on-the-job on-site and paper audits conducted by the self-audit results in the audited department as appropriate ● Introduction of a confidential reporting system that enables the Group’s officers, employees and stakeholders to report
● Establishment of SUMIBE-CSIRT, a cross-organizational body created for preparedness for the occurrence of information security incidents ● Improve vulnerability response, detect risk through the introduction of security products, and constantly monitor cyber-attacks in conjunction with external security companies ● Participation in external information security-related organizations such as the Nippon CSIRT Association and the Initiative for Cyber Security Information sharing Partnership of Japan (J-CSIP) and proactively obtain related information ● Regular information security education for all directors and employees in Japan and overseas ● Strengthen our organization for minimizing damage and early recovery in the event of a security incident by participating in internal incident initiation training and joint training with external organizations ● Promote acquisition of the national certification “Registered Information Security Specialist” to improve the skill sets of our in-house information security staff

Relations with Stakeholders

Our stakeholders are the same as those defined in the Corporate Governance Code, and the Board of Directors has confirmed that the we will implement each principle of the Corporate Governance Code of the Tokyo Stock Exchange. There have not been any major concerns up to this point; we value our relationship with all our stakeholders, and we promote our business while engaging with them. Those stakeholders with whom we engage are those linked to our materiality items (page 43).

Main Responsibilities

Customers	We work in good faith to live up to its responsibilities related to such issues as product quality, delivery dates, and prices as well as to quickly respond to customer needs. To achieve this, we have established the CS* Promotion Committee, which continuously endeavors to enhance customer satisfaction.
Shareholders & investors	We are committed to distributing dividends in accordance with consolidated financial results and are taking steps to disclose all relevant information. To attain these goals, we are increasing the rigor of corporate governance, and ensuring the timely disclosure of relevant information.
Local communities	Operating as a member of local communities, we seek to contribute to the regions in which it operates while giving careful consideration to environmental protection issues. We disclose information to local residents by organizing factory tours and proactively participating in local events.
Government entities	Besides maintaining rigorous compliance with relevant laws and regulations, we endeavor to make information publicly available and engage in two-way communication with local government entities. For this purpose, we are establishing internal mechanisms for monitoring the revision and enactment of laws.
Business partners	We engage in impartial and fair business transactions and cooperates with our business partners to realize CSR procurement objectives. Accordingly, we maintain day-today dialog with business partners to confirm the propriety of transactions and clarify the terms of contracts.
Employees	We strive to create safe and pleasant working environments and provide employees with meaningful and satisfying careers. We are endeavoring to reduce workplace risks by implementing diverse risk assessments, and we are providing all employees with educational opportunities through the SB School.

* See the glossary on page 122.

Main Methods of Communication

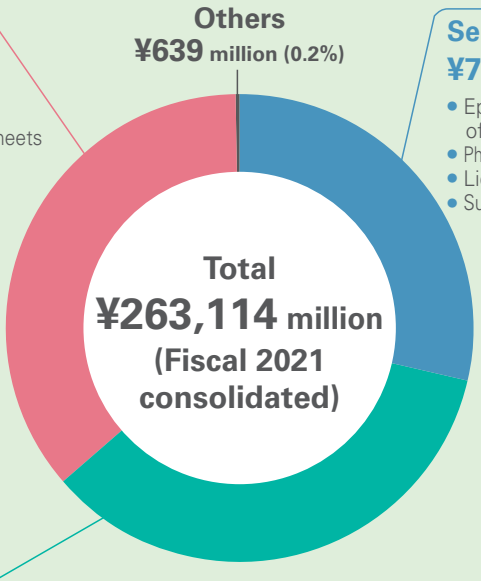
DX Initiatives

Promote DX-focused management to create competitive products and services

The promotion of DX by our Group is positioned as a major policy for "achieving 'top share in niche markets' in the functional chemical sector," the Basic Policy of the Mid-term Business Plan. On the R&D front, we are launching a new MI promotion project to improve R&D efficiency as well as our ability to create new products, and are working to build a data foundation and train data scientists to use that data. In the field of *Monozukuri* (manufacturing), we promote autopilot-based control, which enables production to be carried out while stably maintaining quality without relying on human resources by utilizing the Internet of things (IoT) and AI. The introduction of autopilot-based control for manufacturing core products at four plants in Japan resulted in an average increase in human productivity of approximately 20%. We will continue to expand these operations to overseas plants. In addition, as an effort to improve the efficiency of business operations, IT will review business processes, and will also lead to the reform of the way each employee works. We will also focus on creating an internal culture to accelerate DX, and create competitive products and services by taking advantage of digital business models.

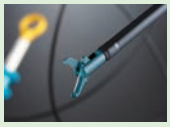
DX	**R&D** **Materials Informatics (MI)**	Aim: Increase R&D efficiency and ability to create new products Strategy: Switch over to data-driven development (build data infrastructure and train data scientists)
	***Monozukuri* (manufacturing)** **Digitalization of production engineering**	Aim: Build a production system that does not rely on people Strategy: Promotion of autopilot-based control
	Daily operations **Review work processes using IT**	Aim: Improve work efficiency and work-styles Strategy: Review business processes, introduce robotic process automation (RPA), and establish Business Renovation WG

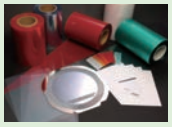
Revenue Composition and Major Products



Quality of Life Products
¥94,444 million (35.9%)

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


Medical devices


Films and sheets


Freshness-preserving film "P-Plus®"


Plate products

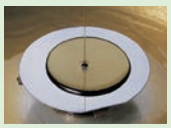

Waterproofing-related


Bio-related products

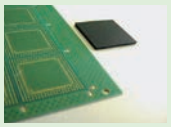
Semiconductor Materials
¥75,787 million (28.8%)

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


Epoxy molding compounds for encapsulation of semiconductor devices

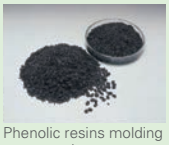

Photosensitive coating resins for semiconductor wafers


Liquid resins for semiconductor devices


Substrate materials for semiconductor packages "LαZ"

High-Performance Plastics
¥92,244 million (35.1%)

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


Phenolic resins molding compounds


Phenolic resins for industrial use


Molded parts


Copper-clad laminates


Aircraft interior components

Semiconductor Materials

Priority SDGs

Director
Managing
Executive Officer

Keisuke
Kurachi

Striving to hold No. 1 market share, we will further develop our many strengths and build a solid structure.

Fiscal 2021 business performance for the segment

- Revenue
  ¥75.787 billion
  Year on year Up 32.3%
- Business profit
  ¥16.506 billion
  Year on year Up 74.9%

A review of fiscal 2021

In fiscal 2021, we achieved strong results with all our core products, achieving record sales and profits. This is due to the surge in demand for semiconductors, as demand for PCs, tablets, and communications equipment increased with the spread of telework and telecommuting, the revival of automobile production, and increase in 5G smartphones. Although we responded to the increase in semiconductor-related demand by maximizing production capacity at all of our bases, supply shortages continued, especially in China and Taiwan. However, the supply-demand balance finally normalized with the start of operations of the additional production line in China in February 2022. In preparation for further growth in demand in the future, we have decided to expand our production line in Taiwan.

SWOT analysis

Strengths

- World's top share of product lineups including semiconductor encapsulation materials
- Global business structure integrating with R&D, manufacturing and sale forces
- Advanced materials, process and evaluation technologies
- Relationships of trust built with stakeholders worldwide

Weaknesses

- Susceptibility to market conditions
- High dependence on specific products

Oopportunities

- Acceleration of vehicle electrification, EV conversion
- Advances in IoT and 5G
- Expansion of smart society (energy conservation), environmental consciousness
- Increased demand for telecommunications devices due to expanded telework, etc.

Threats

- Future uncertainty due to US-China trade friction, etc.
- Intensified competition for main products
- Increases in raw materials prices

Business strategy overview for fiscal 2022

01. Increase in production capacity for local consumption

- Expansion of new line in China, offering of broad product lineup, and provision of stable quality
- Doubling of production capacity in Taiwan (scheduled to start operation in mid-2023)

02. Development of high-performance materials for the 5G and DX era

- High thermal conductivity molded underfill (MUF) material for high speed and large capacity telecommunication applications
- Functional photosensitive material for next-generation displays

03. Fast price shift

- Stable procurement of raw materials and fast price shift to raise procurement costs

04. Expansion of mobility-related business

- Materials for fixing motor magnets: Worldwide sales expansion and mass production launch in North America
- Direct encapsulation materials for ECU: Increased market share in local production in Europe
- Materials for power modules: Promotion of switchover to mold type for EV/HEV applications

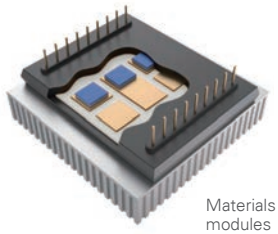
05. Development of next-generation mobility applications

- Creating motor-related items based on the relationships we have established in the mobility-related area

Strategic products

Materials for fixing motor magnets

Direct encapsulation materials for ECU



Materials for power modules

Continuing to be a unique company to our customers by maximizing our strengths

In regard to semiconductor encapsulating material, the main product in this segment, we have held top share of the global market since the 1980s and have held that to this day. In addition, we have continued to develop semiconductor-related materials such as silver paste, buffer coat, and package substrate, and have enhanced our presence in the electronics field. We have also been expanding overseas ahead of our competitors and promoting the localization of R&D from the viewpoint of customer closeness. In recent years, we have established a specialized division in mobility materials to expand its business into new areas.
The strength of this segment is its ability to respond quickly and multifaceted to customers, abilities backed by holding top share. Specifically, these strengths are: (1) Relationships with customers for our participation in customer's development by having multiple competitive and high-share products, (2) Respond to customers quickly by maintaining production, development, marketing, and sales offices around the world, (3) Ability to proactively propose customer needs by deepening relationships with players in all value chains and supply chains, (4) Existence of open laboratories around the world where we can work together with our customers to prototype, evaluate, and promote development; and (5) Ability to make proposals that include processes through collaboration with raw material manufacturers and equipment manufacturers.
In fiscal 2022, although there are uncertainties such as the impact of the COVID-19 pandemic as well as geopolitical risks, the major business waves such as the increase in telecommunications volume and the electrification of automobiles will not change, so we will continue to expand our business by further leveraging the strengths of this segment.

It is important to be vigilant and build a solid structure now that the market is booming.

In this segment, as we have stated our purpose as being a material solution provider that makes dreams for the future a reality well as of electronics and mobility, we have set a sales revenue target of 100 billion yen and business profit to revenue ratio target of 20-25% for fiscal 2025, targets that we are on track to achieve. As for sales of existing semiconductor materials, we aim to achieve a compound annual growth rate of 6% or more in the future by further expanding our market share in tandem with the growth of the semiconductor market. We are focusing on mobility-related businesses (materials for fixing motor magnet, direct encapsulation materials for ECU, materials for power modules, etc.) as a new business domain, aiming to expand business to 12 billion yen by 2025 and build a solid foundation in this market as well. In addition, we want to provide materials for new applications such as micro/mini LEDs, antennas, and sensors.

The current semiconductor market is booming, but it is expected that the market will continue to be subject to drastic changes in the future given the uncertain global situation. In order to achieve a higher market share, we believe that the key to sustainable growth will be technological development ahead of competitors, the advance of information and action taking advantage of our share, the improvement and expansion of our production capacity in response to demand, and the acquisition and improvement of customer trust through quality control that anticipating customer needs. In order to realize these goals, we will always be aware of revitalizing our middle-aged employees, see that they participate in management, and maintain and improve an organizational climate that supports them in order to achieve organizational and individual growth and evolution.

TOPIC Aiming to increase market share based on enhanced global production structure

In response to increasing global demand, an additional line in China started operation in February 2022. In addition, a new production line for automotive-related products completed in Europe in mid 2022 with preparations for full-scale local production to begin. Our Taiwan production line is scheduled to be operational in mid 2023, which will enable us to create a production system that is sufficient to meet global demand.
In addition to our strategic products, we also plan to expand our mobility materials for stator applications in the future. In the electronics market, we will establish production technology to meet diversified customer requirements and study mass-production. We will also release new products and build on our sales results.

Sumitomo Bakelite (Suzhou) Co., Ltd. (China)

High-Performance Plastics

Priority SDGs

Director
Executive Vice President

Sumitoshi Asakuma

We will build stronger partnerships by competing with our unique perspective and development capabilities.

Fiscal 2021 business performance for the segment

- Revenue
  ¥92.244 billion
  Year on year Up 27.1%
- Business profit
  ¥5.934 billion
  Year on year Up 70.0%

A review of fiscal 2021

We have reached 2021 without losing momentum in the second half of 2020 when business conditions improved, including automobile production. On the other hand, adjustments in automobile production due to a shortage of semiconductors occurred in various regions. In addition, the dislocation of logistics due to a shortage of containers, the cost of transportation, and the price of raw materials increased rapidly. Under such difficult circumstances, the highest priority was to secure raw materials for stable supply while the increase in procurement costs was transferred to product prices without delay, and the implementation of global fixed cost management, which had been promoted since the previous fiscal year, exceeded our original expectations.

SWOT analysis

Strengths

- Technological prowess built as a pioneer in thermoset resins
- A total value chain for resins, molding compounds and molded parts
- Global business structure with four regions responding to major markets
- Relationships of trust built with customers worldwide
- Phenolic resin recycling technology

Weaknesses

- Maturity of main product markets
- Customer bias in aircraft business

Opportunities

- Acceleration of vehicle EV conversion
- Stronger environmental controls in locations worldwide
- Increased demand for sustainable products
- US-China trade friction accelerating the trend in China toward domestic production and demand

Threats

- Increases in raw materials prices
- Rise in transportation costs
- Intensified competition for mainstay products
- Reduced aircraft demand due to travel restrictions

Business strategy overview for fiscal 2022

01. Expanding business by developing and producing products worldwide

- Support for customer development and production from each site in Japan, Asia, North America and Europe

02. Improved profitability through thorough cost management

- Management of fixed costs through rationalization
- Increase in procurement costs quickly transferred to product prices

03. Acceleration of business portfolio transformation by focusing on growth areas

- Promotion of development in three areas: electrification of automobiles, highly integrated devices, and energy (higher efficiency)

04. Development of environmentally friendly products and creation of supply systems

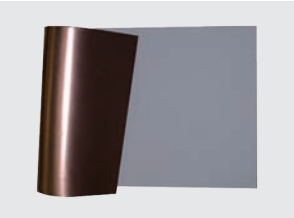
- Development of and creation of supply systems for resins and low-VOC products from non-food plants
- Examination on how to utilize recyclable phenolic resins for the future

Strategic products

Phenolic resin molding compound used in casting brake pistons

Tire durability increased by using phenolic resin

Gear pulley made using SiON, a high dimensional accuracy phenolic resin molding compound



Thermal management materials (heat dissipation sheet)

Earning strong customer trust as a partner in value creation

Our high performance plastics business began with the production of Japan's first phenolic resin, and for more than 100 years since then we have provided essential products for various industries by promoting technological development and cultivating markets and applications. The HPP Technology Development Laboratory at the Shizuoka Plant serves as the center for activities related to phenolic resin, our core product. We have deployed researchers worldwide to work together globally to provide customers with a detailed level of support. In addition, since our phenolic molding compounds can be adapted to molding methods in all fields, including automobiles, electrical/electronic products, and industrial equipment, we hold top market share in many fields.

We have been actively expanding its global operations for many years, including the acquisition of overseas manufacturers, including Japan, Asia, and North America. We have a business base in Europe and have built a system that can reliably supply high-quality products from anywhere in the world. We have gained the confidence of our customers in QCDSE*. As a result of these efforts, customers will recognize us not as a supplier, but as a partner in creating value, and participate in development from the design stage, thereby ensuring that the requirements, characteristics, and we have established a relationship of trust that sets us apart from our competitors in both quality and mass production. Our attitude of contributing to the resolution of customers' issues based on "realizing our customers' dreams through the value creation" is the source of our strength in promoting our business.

* Abbreviation for Quality, Cost, Delivery, Safety, and Environment.

Accelerating growth by defining three key areas while building a solid foundation for existing businesses

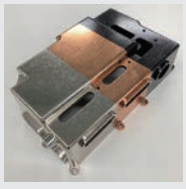
In our existing business, we will further deepen our relationships built on trust with all stakeholders, including our customers, and further strengthen our supply chain. At the same time, we will increase our share through increased productivity. In all areas, including sales, production, research, and quality assurance, we have made the challenge visible at our global locations. We will focus on specific plans and actions to achieve optimization throughout the segment. In addition, we believe it is essential to develop our business in new areas and new applications for future business expansion. The Mid-term Business Plan is also focusing on the transformation of our business portfolio and has defined three key areas. The first of these key areas is the "electrification of automobiles," which is the core of the automotive industry, an industry said to be undergoing a once-in-a-century transformation. The second key area is "highly integrated devices" for displays and sensing devices used in automobiles; and the third is "energy (higher efficiency)" which utilizing thermal management technology. Several of our products have already been adopted and certified, and our goal is to ensure that our products, including those under development, will lead to business.

In addition, with increasing demand from the market, we are developing sustainable products such as resins from non-food plants and low-VOC products and building a global supply system. In addition, it is said that recycling is difficult, but we have established recycling technology, and we believe that we need to involve our customers and competitors in the future to consider how to use this technology in the society as a whole.

TOPIC Pursuing the possibilities of high-performance plastics on a global scale

As we are promoting initiatives from the standpoint of One Sumibe, on the development front, we are working with the Smart Community Market Development Division to explore new markets, new customers, and new applications (the three "New"s). In production, we are also promoting the use of global production bases in this segment to boost the launch of mass production of products in other segments.

To further expand our business, we are not only expanding the possibilities of phenolic resins but also focusing on research and development of new resins so that we can find new business opportunities through material technology, molding technology, and composite technology of different materials.



Phenolic molding compounds utilizing composite technology with plating

Quality of Life Products

Priority SDGs

Director
Managing
Executive Officer

Takashi
Kobayashi

We are achieving top share in niche markets in various business fields.

Fiscal 2021 business performance for the segment

- Revenue
  ¥94.444 billion
  Year on year Up 20.2%
- Business profit
  ¥7.427 billion
  Year on year Up 12.3%

A review of fiscal 2021

The business environment has improved due to the recovery of economic activities during the "With Corona" era, and the segment as a whole achieved year-on-year increases in both revenue and profit. Although some products were negatively impacted by the COVID-19 pandemic, some products saw demand increase because of it, such as food packaging applications in the films and sheets business due to stay-at-home demand, and plastic containers in the biotechnology business due to increased R&D activity. In the medical equipment business, business integration with SB-Kawasumi Laboratories, Inc. led to earnings growth by expanding product lineups and taking advantage of synergies from rationalization associated with the organizational integration.

SWOT analysis

Strengths

- High market share in each niche market
- Accumulated technologies for polymer design, micro-fabrication and assembly
- Polarization, optical control technology
- Sales activities with CS first
- Successful experience of integrating medical device business into SB Kawasumi

Weaknesses

- High dependence on domestic market
- Maturity of the building materials market

Oopportunities

- Bio-economy strategy of the Japanese government
- Advancement of medical care and expansion of minimally invasive treatments
- Crucial importance of early diagnosis
- Acquiring new customers under the COVID-19 pandemic situation
- Changes in values and lifestyles of consumers
- Creation of an ecological recycling society in Europe
- New needs of the Chinese market

Threats

- Intensified competition in markets for main products
- Prolonged development, approval and licensing of medical devices
- Shortage of experienced, skilled construction personnel
- Orientation toward plastic reduction in daily living

Business strategy overview for fiscal 2022

01. Promotion of the development of environmentally friendly products

- Contributing to reduction of food loss in food packaging applications
- Increase of environmentally friendly films

02. Global expansion of the films and sheets business

- Expanded sales in the Chinese market for industrial applications

03. Increased presence in the medical device market

- Maximization of integration synergies at SB Kawasumi

04. Development of in-house diagnostic drugs in the biotechnology business

- Establishment of an integrated system from diagnostic materials to diagnostic drugs through merger of SB Bioscience Co., Ltd.

05. Sales promotion of products utilizing differentiated technologies in the industrial functional materials business

- Cross development of eye-ware optical control technology for automotive applications

Strategic products

Aortal stent graft

In-vitro diagnostics

Skin packaging

Optical-related products for mobility equipment such as automotive head-up display

Creating products that respond flexibly to changing environments and meet the needs of society

Over the past few years, the business environment and people's values have changed dramatically, as the corona catastrophes have changed consumer behavior patterns, and we are focusing resources in the direction of need to create new business models in this segment. In fiscal 2021, environmental awareness, including efforts toward becoming carbon-neutral, has been spreading throughout society. To respond to this, we are focusing on developing and expanding sales of environmentally friendly products, including measures against food loss, CO_2 reduction, and recycling. For example, in the film sheet business, we are promoting the introduction of easy-to-recycle products such as mono-material films and biomass-derived raw material film and sheets for pharmaceutical packaging. We are also working to expand sales of products that contribute to reducing food loss, such as meat skin packs that extend the consumption period of food and P-Plus, a freshness-preserving film.

The development of these products is also supported by One Sumibe activities, an activity that facilitates sharing of ideas across business departments, and by the growing relationships with customers who want rapid development during the COVID-19 pandemic. We intend to create business growth by further improving our product development and services with an awareness of global issues, social problems, and consumer orientation, and by responding to market needs.

Steadily achieving goals in each business area leads to business expansion

There are several businesses in this segment. We will continue to achieve our goals in each of these businesses, thereby further expanding our business performance.

In the film and sheet business, the Mid-term Business Plan is set up to develop a global business. In the field of industrial use, we aim to acquire new customers with new products that meet the needs of the Chinese market. In Europe, where a recycling-oriented society is being built, there is a growing need for recycling, and we will promote the introduction of products that contribute to environmental protection, such as the use of mono-material films and sheets for pharmaceutical packaging.

In the medical equipment business, the mission of SB-Kawasumi Laboratories, Inc. which has integrated our medical device business, is to create an only one device that can be used in the world by taking advantage of integration synergies. In the biotechnology business, the incorporation of SB Bioscience, a subsidiary in the in-vitro diagnostics business through the merger, has enabled us to establish a system that can handle everything from components for test and diagnostic use to pharmaceuticals. This will allow us to quickly commercialize high value-added products and create new demand to expand our business under the Japanese government's mid- to long-term policy of bioeconomy.

In the industrial functional materials business, we will transform our business model by leveraging our differentiated technologies, such as the development of eye-ware optical control technology for automotive applications. In the waterproofing business, we will expand sales of SUMIROOF DN roofing material with integrated waterproof function and strengthen our business toward the general building field.

TOPIC Launch a medical device company "SB-Kawasumi Laboratories, Inc."

On October 1, 2021, our medical device business was merged with that of our subsidiary Kawasumi Laboratories, Inc. and newly started as SB-Kawasumi Laboratories, Inc. Aiming to maximize group synergies through business integration, the two companies will strengthen and accelerate research and development of next-generation medical devices, including the minimally invasive treatment field they are focusing on, and will further expand their business through the efficiency of production and sales systems, thereby enhancing their presence in the medical device industry.

Tonomachi Medical Research Laboratory at the head office of SB-Kawasumi Laboratories, Inc.

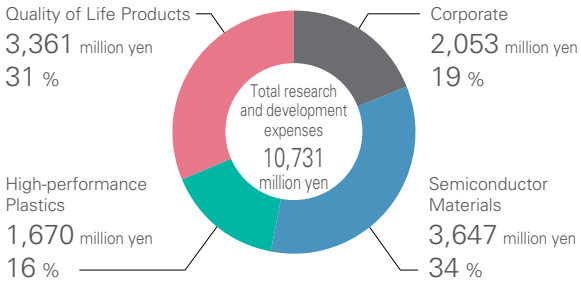
Mission of our R&D

Sustained and seamless creation of innovative R&D themes, which will achieve new products to meet customer's needs.

Executive Officer, General Manager of Corporate Research & Development Division
Hisao Nakanishi

We will contribute to SDGs and realize carbon-neutral society in our three business fields: Highly integrated devices, Automotive and Healthcare. In order to do this, our R&D team is continuously and swiftly scouting out, planning out and creating new R&D themes to propose new solutions for customers' needs.
We have three base technologies: "Material Creation" to realize new functions, "Innovative Process" to build up ideal production processes and "Advanced Analysis Technology" to reveal the relationship between chemical structures and functions. In order to expand our product development capability based on the three technologies, we are moving forward to cultivate Data-Driven R&D capabilities.
In FY2021, we launched various new products: "Molding Compound for SiC Power Modules for HEV/EV," "Granule Compound for Compression Molding for High-speed Communication Modules," "Epoxy Resin forFixing Large Motor Magnets," "Metal-substituted Long Fiber Reinforced Phenolic Resin Molding Material for Injection Molding," "Polarizing Plate for Head-up Display (HUD),""High Heat-resisting Resin for Advanced Display," "Multi-Layer Film for Food Packaging using Recycled Materials," "Multi-Layer Film for Food Packaging using Biomass Materials," "Stent for Treatment of Esophageal Stenosis," "Steerable Microcatheter" and "Flow-Direct Microcatheter".

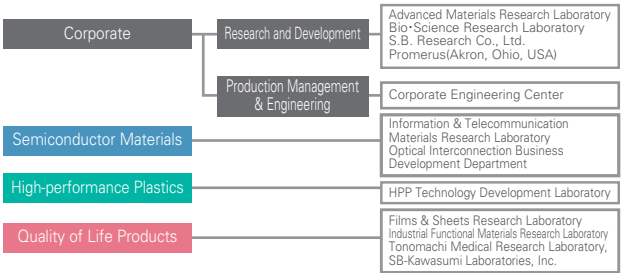
Research and development costs (fiscal 2021)



Policy and Structure of Research and Development Department

We have R&D bases in Japan and overseas and execute collaborative development together to meet customers' needs in global market.
In Japan, we have three fundamental laboratories and five application laboratories: The former three labs are Advanced Materials Research Laboratory and Bio・Science Research Laboratory, which are in charge of medium- and long-term R&D to generate new products and core technologies, and Corporate Engineering Center, which is responsible for R&D of production technology. The latter five labs are Information & Telecommunication Materials Research Laboratory, HPP Technology Development Laboratory, Films & Sheets Research Laboratory, Industrial Functional Materials Research Laboratory and SB-Kawasumi's Tonomachi Medical Research Laboratory, which are responsible for commercialization of new products and improvement of existing products.
In other countries, we have a corporate R&D site in Akron, Ohio (US), sites for semiconductor-related materials development in China, Taiwan, and Singapore, and sites for HPP-related development in the US, Canada, Belgium, Spain, China, and Indonesia.
In order to maintain continuous generation of innovation, we have built up "SB Innovation Management System (SB-IMS)" which is fit and customized for SB group, and are advocating it as a company-wide system. With using the SB-IMS, we are unremittingly researching new markets for us and running feasibility studies to figure out our compatibility and competitive advantages in the markets to explore new business fields.

Organization of Research & Development



TOPIC Bio・Science Research Laboratory develops an early diagnosis drug for pancreatic diseases

We have developed "Liblia trypsin," our first fully developed and manufactured pancreatic disease early diagnosis drug.
This is a diagnostic agent measures trypsin (pancreatic enzyme) levels, which are elevated in the blood due to the onset of pancreatitis. By employing the latex agglutination method, it can be measured using general biochemical equipment in the hospital without having to be sent to a testing center. It is also modified to provide automated, rapid and accurate measurements, making it a diagnostic drug that meets the clinical needs of the field.

TOPIC **Development of a completely water-soluble resol type phenolic resin**

We have developed a completely water-soluble, resol-type phenol resin that reduces the remaining raw materials in the resin to less than 0.1%, and significantly reduces VOC (volatile organic compounds) without using organic solvents. We are aiming to apply and achieve results in various industrial fields in Japan and overseas, including automotive and aircraft parts, which are increasingly demanding added value such as high heat resistance and high strength, as well as coatings and adhesives for construction materials.
In addition, we aim to apply and achieve results in a variety of domestic and overseas industries, including automotive and aircraft-related parts, building materials coatings and adhesives, which are increasingly required to add value, such as high heat resistance and high strength.

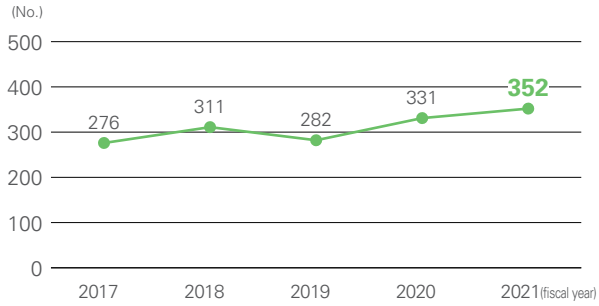
Intellectual Property

By advancing intellectual property strategy, we aim to boost business competitiveness and corporate value

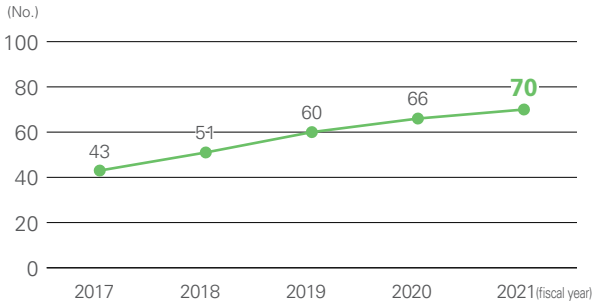
The aim of our intellectual property activities is to contribute to improving corporate value by promoting our intellectual property strategy in a cohesive manner together with our business strategy and R&D strategy. We have set forth contributing to improving our business competitiveness through the use of intellectual property (rights) as a medium-term target for achieving this.
In responding to the globalization of research and development, we are working with each of our overseas subsidiaries on arrangements to establish their regulations regarding intellectual property (regulations on employee inventions and confidential information management), as well as rules on how to handle inventions when they emerge. We have established the following six basic approaches regarding intellectual property activities, and will focus on ① and ⑥ in the future. In regards to ①: We will strengthen our competitiveness particularly in overseas markets. As for ⑥: we will further enhance the ability of new proposals by utilizing and applying information on intellectual property and analyzing competition.

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

Number of domestic patents published



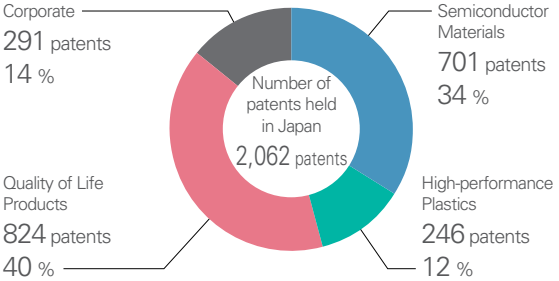
Number of overseas patent applications



Number of SDG-themed patent applications

Of the applications filed in 2021, 36% were related to SDG contribution.

Share of patents held by each business division
(as of March 31, 2022)



Promoting Business That Helps Solve Social Issues

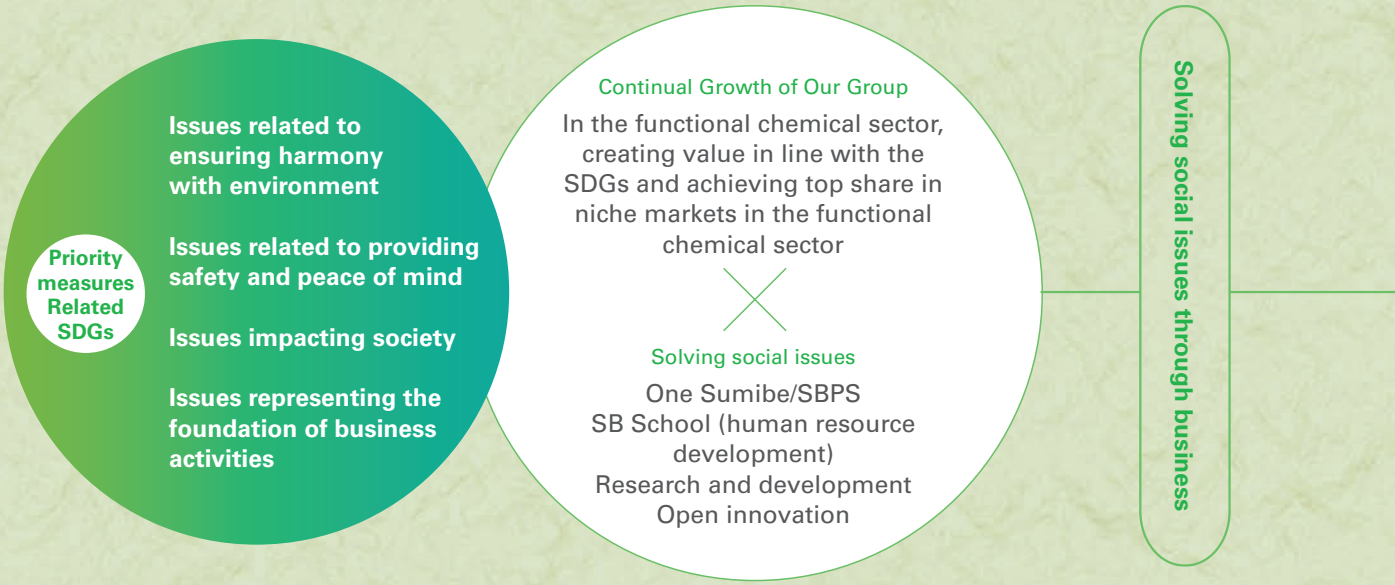
VISION

We aim to become "a company that makes your dreams for the future a reality" by creating value for our clients.

In order to fulfill our responsibility as a member of society as we meet stakeholder expectations, it is necessary that we think together as one about healthy, sustainable corporate growth and medium-term increase in corporate value. We proactively engage in management with consideration for ESG (Environment, Social, Governance) through business operations that create new advanced functions from plastics.

Solving social issues through business

Our Business Philosophy is that: "Our Company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities." In keeping with this, we have helped solve social issues that have arisen from time to time by expanding the potential of plastics through technological innovation." Based on this thinking, we engage in ESG management in order to help solve social issues, defining our materialities as "issues related to ensuring harmony with environment," "issues related to providing safety and peace of mind," "issues impacting society," and "issues representing the foundation of business activities."



Materiality determination process

In fiscal 2015, we identified our Company's materiality (priority items) in order to determine the social issues we should address and to carry out sustainability 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.

1 Identification

Select issues by referring to the GRI's fourth generation Sustainability Reporting Guidelines (G4), ISO26000, and other international guidelines on the basis of our previous sustainability activities.

2 Prioritization

Evaluate the selected issues in terms of their impact on our Group and stakeholders, and select 14 items that are of particularly high priority through internal consultations.

3 Confirmation of Validity

Hold hearings with departments within the company regarding the 14 high priority items and narrow this down to 11. Then verify these with external experts and confirm their validity at our internal Responsible Care Committee.

4 Review

Promote sustainability activities based on the materiality of these 11 items, and have external experts and employees review the contents of said activities. Harness the results of these reviews to report and plan future activities.

Fiscal 2016 and Beyond Initiatives for

Go through the PDCA cycle based on the materiality items. Also, move forward with arranging the relevance between materiality and our business activities (provision of value) and the SDGs and entrench this within the company. Then analyze any gaps by referring to the GRI Standards.

Our activities and proper stance on the environment, society, and governance

The materiality items of our Group are as follows. We examine the activities of our business operations that involve ESG with reference to SDGs, and then promote those operations through which we can contribute to solving social issues, advancing initiatives toward specific materialities so as to help achieve SDGs.

	Field	Materiality item	Related stakeholders	Page number
E Environmental	Issues related to ensuring harmony with environment	**Mitigate environmental impacts**	Local communities, Business partners	▶P.52 to 63
		Resource and energy conservation	Business partners, Employees	▶P.58 to 62
S Social	Issues related to providing safety and peace of mind	**Safety and Security**	Local communities, Governments, Business partners, Employees	▶P.64 to 66
		Chemical Substance Management	Business partners, Governments, Employees	▶P.67
		Product Liability	Customers	▶P.68 to 70
	Issues impacting society	**Biodiversity conservation**	Local communities	▶P.83 to 84
		Improving stakeholder satisfaction	Customers, Shareholders & investors, Local communities, Governments, Business partners, Employees	▶P.71 to 87
		Human resource development	Employees	▶P.78 to 80
		Diversity, Work-life balance	Employees	▶P.73 to 77
G Governance	Issues representing the foundation of business activities	**CSR procurement**	Business partners	▶P.97
		Compliance	Employees	▶P.95 to 96

* See pages 46-47 for the activity details of each materiality item.

Sustainability Promotion Structure

Sustainability promotion initiatives

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

Our Group has incorporated SDGs as one component of our corporate policies. We are aware of the influences that our corporate activities have on society, and of our social responsibilities. In order to meet these responsibilities, we propose, deliberate and decide on measures that contribute to the formation of a sustainable society, including those involving SDGs. We have established our Sustainability Promotion Committee in order to execute these efforts continuously and companywide, and have created our Basic Policy on Sustainability Promotion, under which we have begun a variety of initiatives with partnerships throughout our whole Group. For strengthening our initiatives with respect to climate change, we have formulated Environmental Vision for 2050 (net zero), adding the SDG 13 on taking specific measures against climate change to our Group's priority SDGs, increasing our priority areas from "5+1" to "6+1."

In July 2021, the "Environmental Impact Reduction Committee" was reorganized into the "Carbon Neutral Promotion Committee" with the aim of further strengthening and promoting carbon neutral (CN) initiatives. In addition, in order to promote activities that contribute to CN and to investigate and study technologies that contribute to CN, the "Energy Conservation Subcommittee" has been reorganized into the "CN Technical Review Subcommittee."The Risk Management Committee is responsible for risk management, which is essential for promoting sustainability. (See pages 28, 94)

In February 2021, the Sustainability Promotion Committee approved TCFD, and formed the "TCFD Task Team" under the Risk Management Committee to conduct a climate-related scenario analysis for 2040 (long-term) to identify potential risks and opportunities associated with climate change. (See pages 54-57)

We continue to pursue efforts with regard to corporate social responsibility (CSR) primarily through responsible care[*1] initiatives centering on our Responsible Care Committee and Carbon Neutral Promotion Committee. From our Corporate Management Department to our Research & Development Departments and each business site, we are engaged in a range of initiatives through companywide partnerships. Given the inseparable relationship between sustainability and CSR (because it is through executing our corporate activities while keeping mindful of sustainability that we fulfill our corporate social responsibilities), our Group intends to improve sustainability by undertaking various CSR activities contributing to SDGs.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Our Basic Policy for Promoting Sustainability

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

We regularly and comprehensively verify the extent of the progress made by these committees, based on which we continuously revise the contents of our activities and actively improve upon them. We widely announce the results of our activities within the company and outside it in aiming for communication with our stakeholders.

Policy on our Responsible Care Activities

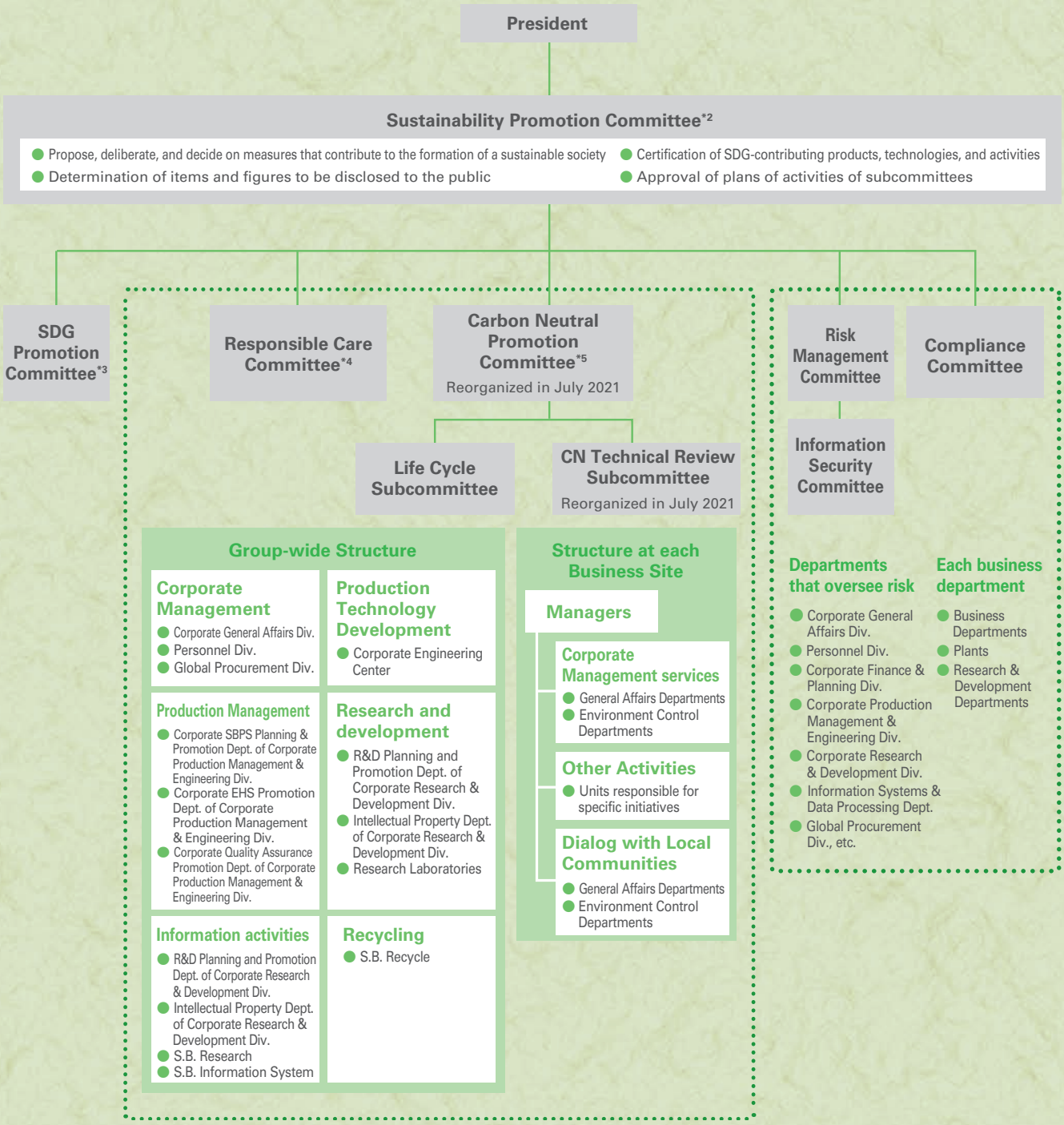
Philosophy

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 relationships;
8. In order to ensure environmental conservation, human health and safety as well as product quality, provide employees with training to develop necessary human resources for that end.

Sustainability promotion structure



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

*2 Headed by the President, the committee is composed of Executive Officer and division representative and meets about once every 2-3 months.
In June 2022, the name of the committee was changed to although this had no impact on its English name.

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

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

*5 Chaired by the officer overseeing the Corporate Production Management & Engineering Div., this committee has two subcommittees—the Life Cycle Subcommittee and CN Technical Review Subcommittee. It meets once or twice each year.
It's aim is to strengthen and promote our Group's carbon-neutral initiatives.

Fiscal 2021 Highlights of Sustainability Activities

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

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

Items	Relevant SDGs	Major items	Fiscal 2021 targets	Fiscal 2021 results	Fiscal 2022 plan	Achievement evaluation	Related page
Issues related to ensuring harmony with environment							
1. Environmental initiatives		Reduction in CO_2 emissions	Domestic: 45% reduction from fiscal 2005*1	Domestic: 47% reduction from fiscal 2005*1	Domestic: 72% reduction from fiscal 2013*2	○	59
			Overseas: 23% reduction from fiscal 2005*1	Overseas: 16% reduction from fiscal 2005*1	Overseas: 40% reduction from fiscal 2013*2	▼	59
		Reduction in material loss	Domestic: 38% reduction from fiscal 2005*1	Domestic: 30% reduction from fiscal 2005*1	Domestic: 38% reduction from fiscal 2013*2	▼	59
			Overseas: 60% reduction from fiscal 2005*1	Overseas: 52% reduction from fiscal 2005*1	Overseas: 35% reduction from fiscal 2013*2	▼	59
		Reduction in chemical substance emissions	Domestic: 78% reduction from fiscal 2005*1	Domestic: 74% reduction from fiscal 2005*1	Domestic: 75% reduction from fiscal 2013*2	▼	59
			Overseas: 54% reduction from fiscal 2010*1	Overseas: 48% reduction from fiscal 2010*1	Overseas: 50% reduction from fiscal 2013*2	▼	59
2. Resource and energy conservation		Energy conservation activities	As in fiscal 2020, continue to provide technical support by establishing an energy conservation plan and raising the level of energy-saving technology by sharing information across all our business sites in Japan, and to achieve this overseas by promoting the rollout of best practices through collaboration between the mother plants in Japan and offices throughout the company.	In Japan, the implementation of the concrete plan reduced the energy equivalent of crude oil equivalent 1,433 kL. As part of our efforts to promote CN, we switched all purchased electricity to electricity derived from renewable energy at all plants and research laboratories in Japan in January 2022. Overseas, we reduced energy consumption by 2,607 kL in crude oil equivalent by continuing to promote the rollout of best practices. In addition, three Europe-based Group companies have switched to electric power derived from renewable energy.	As in fiscal 2021, continue to provide technical support by establishing an energy conservation plan and raising the level of energy-saving technology by sharing information across all our business sites in Japan, and to achieve this overseas by promoting the rollout of best practices through collaboration between the mother plants in Japan and offices throughout the company. In addition, the installation of solar power generation facilities is examined at each of the bases in Japan and overseas as CN promotion.	○	53
Themes for providing safety and reliability							
3. Safety and security		Prevention of occupational accidents	Major Accidents: In Japan 0	Major Accidents: In Japan 0	Major Accidents: In Japan 0	○	65
			Major Accidents: Overseas 0	Major Accidents: Overseas 0	Major Accidents: Overseas 0	○	66
		Security and disaster prevention	Major Accidents (Fires/Explosions): 0	Major Accidents (Fires/Explosions): 0	Major Accidents (Fires/Explosions): 0	○	65 • 66
			Leakage-related incidents: 0	Leakage-related incidents: 0	Leakage-related incidents: 0	○	
4. Chemical Substance Management		Chemical substance management	• Strengthening our management system: Establishment of chemical substance qualitative & quantitative measurement function, labeling system • Promoting legal & regulatory compliance in each country: Information monitoring and policy formulation for countries planning to introduce new chemical substance reporting systems, Thailand, Vietnam	• Developed the quantity counting function of Japan's Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, and made a report about it in 2021. The labeling system should be controlled to avoid inconsistencies with the SDS. • Progress is not being seen in Thailand and Vietnam. We are continually monitoring those countries.	• Strengthening the comprehensive management system: Preparation of raw materials data. System efficiency study on reach quantity monitoring. • Promotion of compliance with laws and regulations in each country: Monitoring information and establishing policies for the reform of laws and regulations concerning chemical substances in Japan and overseas. Implementation of measures accompanying the revision of the Law for Promotion of Chemical Management and the Health Act.	○	67
5. Product liability		'Monozukuri' auditing	• In Japan: Nine business sites under our direct control/belonging to subsidiary companies Overseas: Specify priority business sites in China and Southeast Asia, as well as North America and Europe • We will follow up on whether the proper daily routine activities are being maintained. • Placed emphasis on raising the level at which we uncover genuine issues through internal auditing, we have begun carrying remote auditing trials to facilitate the implementation of division audits as needed (determining the subject business sites).	• In Japan: Eight business sites under our direct control/belonging to subsidiary companies Overseas: Designated one of the main business offices from the China region for audit. • In addition to step-by-step education before and after the audit, remote audit trials were carried out at three offices in Japan and one overseas office in order to enhance internal audit.	• In Japan: Nine business sites under our direct control/belonging to subsidiary companies Overseas: Specify priority business sites in China and Southeast Asia, as well as North America and Europe • Improve system to further enhance internal audits.	○	70
Themes that affect society							
6. Biodiversity		Conservation Biotope	• Continue with self-led conservation activities • Continue to be open with the public, communicate externally, and hold meetings with schools.	• Promoted conservation through voluntary activities (maintenance by the relevant parties) and site-wide activities (beautification activities within business sites) • The Conservation Biotope had to be closed to the general public as a measure to prevent the spread of COVID-19, so the total number of public visitors was just 14. • Due to ongoing dialogue with schools, 282 schoolchildren visited on school excursions.Also, visiting guest lessons were presented at one school (for a total of 83 students in 3 classes).	• Continue with self-led conservation activities. • Continue to be open to the public and communicating externally, as well as regular meetings with schools.	○	83
		Initiative to protect forest ecosystems	• Continuing to support forest thinning mainly in Iwate Prefecture through the use of Paper Products that Contribute to Forest Thinning (Forest Neighborhood Association).	• Contributed to thinning of 0.45 ha of forest by using 6773 kg of paper from the Forest Neighborhood Association.	• Continuing to support forest thinning mainly in Iwate Prefecture through the use of Paper Products that Contribute to Forest Thinning (Forest Neighborhood Association).	○	84

Items	Relevant SDGs	Major items	Fiscal 2021 targets	Fiscal 2021 results	Fiscal 2022 plan	Achievement evaluation	Related page
Issues impacting society							
7. Improvement of stakeholder satisfaction		Improvement of customer satisfaction	• Together with e-learning and product study sessions, cross-divisional activities continued.	• In order to strengthen our ability to explain and propose to customers, we held a meeting to share information on our environmental policies and digital utilization. The number of participants exceeded 200. E-learning was also held continuously for product study meetings and domestic and overseas audiences.	• Activities until last year will continue, and we will also strengthen human resource development elements to ensure customer trust. In particular, they also share personal know-how.	○	71
		Dissemination/ Advertising of company information	• Develop and update contents for information dissemination tools through a wide range of media including external advertising, billboards, and websites. • Provide company-wide support for social contribution activities.	• Continued to provide support for the Japan Inclusive Football Federation, which the company signed a partnership agreement with.	• Develop and update contents for information dissemination tools through a wide range of media including external advertising, billboards, and websites. • Provide company-wide support for social contribution activities.	○	72 • 85 • 86
		Development of SDG-contributing products	• Increase sales revenue of SDG-contributing products and technologies. (fiscal 2023 target: 50% or higher)	• Increase sales revenue of SDG-contributing products and technologies. (37.2% in fiscal 2020 to 48.1% in fiscal 2021)	• Increase sales revenue of SDG-contributing products and technologies. (fiscal 2023 target: 50% or higher)	○	22 • 23 • 54 | 57
8. Human resource training		Internal human resource training	• Continue to carry out employee training at SB School*3. • Continue to carry education for management staff.	• Approx. 42,000 hours of education provided to a total of around 28,000 employees.	• Continue to carry out employee training at SB School*3. • Continue to carry education for management staff.	○	78 • 79
		Women's empowerment	• Continue a ratio of female career-track recruits of 20% or greater.	• Ratio of women hirees: 20% (6 of 30 hirees recruited upon graduation). • Carried out unconscious bias education for newly appointed management staff in fiscal 2021.	• Continue a ratio of female career-track recruits of 20% or greater.	○	75
9. Diversity and work-life balance		Employment of people with disabilities	• Employment rate of people with disabilities: Maintain at 2.3% level. • Continued internships for people with disabilities.	• The employment rate for persons with disabilities: 2.63% (the statutory employment rate has been raised to 2.3% since March 2021). • Internships accepted from schools for the deaf (three from three schools, one of which was hired in March 2022).	• Employment rate for persons with disabilities: Maintain statutory employment rate of 2.3%or more. • Continued internships for people with disabilities.	○	75 • 87
		Work style reform	• Continue to support work with both childcare & nursing care. • Shorten prescribed work hours for employees working during daytime hours.	• A 100% rate of returning to work after taking childcare leave or nursing care leave. • 17 persons (+10 persons) took childcare leave in fiscal 2021 and 0 persons (▲1 persons) acquired nursing care leave. • Special operation of the flex-time system for cancer patients started. • The number of holidays increased by two days (120 to 122) and the number of hours decreased by 1878.3 to 1863) for daytime workers.	• Continue to support work with both childcare & nursing care. • Promotion of acquisition of parental leave for men and birth leave. • Shorten prescribed work hours for shift workers. • Increase in the number of days of simultaneous downtime at the production plant.	○	76 • 77
		Promoting employee health	• Continue implementing the Data Health Plan, preventing the worsening of illnesses in our company and certain Group companies in Japan. • Continue to achieve a 100% rate of employees receiving regular scheduled health checks. • Promote the subsidy system for outpatient smoking cessation treatment.	• Continued efforts to prevent illnesses from becoming severe. • Achieve a 100% rate of employees receiving regular scheduled health exams. • No users of the subsidy system for outpatient smoking cessation treatment.	• Continue implementing the Data Health Plan, preventing the worsening of illnesses in our company and certain Group companies in Japan. • Continue to achieve a 100% rate of employees receiving regular scheduled health checks. • Increase the specific health guidance rate.	▼	81
Issues representing the foundation of business activities							
10. CSR procurement		Practice of CSR procurement	• Conduct additional surveys to determine whether BCP measures for typhoons and flooding are also effective against earthquake, fire, pandemic and other risks. • Continue to request that the four companies lacking CO_2 reduction target plans establish targets. • Continue the system for procuring electric power derived from renewable energy.	• BCP countermeasures for typhoons and floods at approximately 100 suppliers have been put in place. BCP for disasters such as earthquakes, fires, and pandemics, were also fully completed through countermeasures or planning. • All work is completed until the CO_2 reduction target or the planning for the target of approximately 50 suppliers is established. • Switched to electric power derived from renewable energy at all Japan-based plants and laboratories in January 2022. Switchover to electric power derived from renewable energy is also being promoted at overseas offices.	• Secure stable procurement of raw materials affected by carbon neutrality. • BCP measures for special raw materials produced by SB Kawasumi are implemented. • Secure stable procurement of green chemicals. • Secure electric power derived from renewable energy in Japan after 2023, and investigate/introduce solar and biomass power generation at domestic and overseas bases.	○	97
11. Compliance		Compliance promotion	• Establish a Bribery Compliance Program (formulation of a Group-wide bribery prevention policy, etc.). • Promote compliance education activities (reporting on revisions to our Group's Code of Conduct (Code of Ethics), Whistleblower system and Articles for Emphasis in Compliance, newsletter and various e-learning education opportunities).	• Group-wide bribery prevention policy and basic rules and regulations on bribery for the Group were established in April 2022. • Revisions were made during Awareness Month, October 2021, to our Group's Code of Conduct (Code of Ethics), our Whistleblower System and our Articles for Emphasis in Compliance. • Raised awareness through the internal publication of a four-panel comic titled "The Way to Become a Compliance Master."	• Revision of our Code of Conduct and establishment of the Group Code of Ethics (replacing the existing Group's Code of Conduct). • Partial revision of the Compliance Whistleblower System with the revision of the Whistleblower Protection Act in mind. • Promotion of compliance awareness activities (such as familiarization with our Code of Conduct, Group's Code of Ethics, and Whistleblower System, review of key compliance articles; in-house newsletters, e-learning education, etc.).	○	95 • 96

*1 Targets and results for fiscal 2021 exclude SB Kawasumi Group data.
*2 As for the target for fiscal 2022, on the including the SB Kawasumi Group, the base year was changed from fiscal 2005 (with fiscal 2010 partially serving as the base year) to fiscal 2013.
*3 SB School is an internal educational institute for all employees, from new recruits to corporate officers.

TOP DIALOGUE

As a company manufacturing plastics, we want to continue to produce valuable products while facing environmental challenges.

We invited Ms. Noriko Enokido, a newscaster, to our medical device business base, Tonomachi Medical Research Laboratory “MediSky” at the head office of SB-Kawasumi Laboratories, Inc. to talk about the possibilities of plastics and our Group's approach.

President and Representative Director,
Sumitomo Bakelite Co., Ltd.

Kazuhiko Fujiwara

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

Newscaster

Noriko Enokido

Born in Shizuoka Prefecture, studied at the University of Salamanca in Spain.
After working as an announcer for Sakuranbo Television (part of Fuji TV, Yamagata) and TV Osaka (part of TV Tokyo), she became an economic caster in 2008. Ms. Enokido is the main anchor of many economic news programs broadcast by BS TV Tokyo and Nikkei CNBC. In 2014, she founded PICANTE, an newscaster agency.

The most important characteristic of plastic is that it can be transformed into anything

Enokido: I understand that the Company has a long history as a pioneer in plastics. Does “pioneer of plastics” mean exactly what is says?

Fujiwara: "Bakelite" was developed in the United States more than 100 years ago by the chemist Dr. Baekland. Dr. Jokichi Takamine, who was a close friend of Dr. Baekland at the time, was granted an exclusive license of the patent in Japan, and Sankyo Company (currently Daiichi Sankyo Co., Ltd.) began its production. Sankyo's phenolic resin business became independent as Nippon Bakelite Co., Ltd., and developed into Sumitomo Bakelite Co., Ltd. It is because of this history that we claim to be a pioneer in plastics.

Enokido: You have your roots in the company that manufactured the first plastics in Japan. I think that companies with a long history have a kind of philosophy that has been handed down from generation to generation. Does the Company have such a philosophy.

Fujiwara: Of course. Our Business Philosophy is that: “Our Company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its business activities.” In other words, our business activities are based on the belief that working with our feet on the ground to earn the trust of our customers is the only way to benefit society and people's lives. Our daily research and development is the core of our activities as a manufacturer, and our mission is to expand the possibilities of plastics through research and development and to continue to create valuable products. I believe that the value we create will also lead to the realization of achieving the SDGs.

Enokido: There was talk about expanding the possibility of plastics and I saw the Company's engine made from resin at an exhibition. I was surprised to find out that the plastic used does not melt from engine heat. Many different kinds of plastics exist, right?

Fujiwara: Yes, including plastics are heat-insoluble. Plastics can be broadly classified into two types: Thermoset molding compounds, which solidify when heated, and thermoplastic resins, which melt when heated and solidify when cooled. What you saw was a thermoset molding compound that solidifies when heated. Both types of plastics have common characteristics such as the ability to be formed into any shape, are lightweight, hard to break, and easy to give functions to, which are also their strengths. Although phenolic resin, our original product, is a thermoset molding compound, we are currently involved in creating both types of plastics, developing a wide range of products from the invisible to the familiar that we touch in our daily lives, including communications, transportation, medicine, food, and construction.

Enokido: You are making good use of such strengths and utilizing plastic as a material for all the right reasons.

Fujiwara: I agree. For example, in recent years, the development of electric vehicles has begun to use plastics as a replacement for parts made of metal. Features of plastics such as heat, light, and crack resistance, have been utilized, and products have been made that can be further enhanced to reduce vibration and noise.

Enokido: I have heard that the Company's technology has also been applied to the semiconductors used in our everyday computers and smartphones.

Fujiwara: Semiconductors used to be protected by ceramics, but plastics took over this function long ago. Semiconductors are sensitive to moisture. However, by protecting them with plastic as a semiconductor sealing, it can effectively increase their life and durability. In the future, as the adoption of AI and IoT continues to advance, semiconductors will be used in a variety of fields, so I believe that semiconductor sealing plastics will be more and more useful and this is a mission that requires us to further enhance their functions.

We will advance research and development and provide new value with an SDG-oriented mindset

Enokido: Today, the world has a common goal of achieving a sustainable society through what are called the SDGs. Can you tell me about the Company's approach to the SDGs?

Fujiwara: Our Business Philosophy is designed so that we “strive to create a better society,” and I think the SDGs are an extension of that idea. I feel that we are able to incorporate the SDGs into our daily business activities without any sense of discomfort. This is rather than saying “Society as a whole is getting excited about the SDGs, so we must do the same.”I feel that we have been able to incorporate it through our daily business activities without feeling it like something forced upon us. Although the SDGs consist of 17 goals, we have set our own priority area goals known as “6+1,” and are working on research and development with these goals in mind.

Enokido: Can you provide an example of a related effort?

Fujiwara: Among the results that are easy to see, there is an effort to certify products and technologies that contribute to SDGs as "SDG-contributing products." While the contribution to the SDGs may be small for each product, I believe it will be a significant if we look at it in terms of product groups. Although we had set a goal that SDG-contributing products would account for 30% of sales revenue in 2021, we achieved this a year earlier in 2020 at the level of 37%. Therefore, we set a new goal of 50% or more in 2023 and 70% or more in 2030. SDG-contributing products accounted for 48% of sales revenue in fiscal 2021, so things are going well.

Enokido: That effort is a great driving force. The creation of products that contribute to SDGs is socially significant, and I believe that the products are highly regarded by customers. What is important to you in understanding customer needs in regard to all products, not only products that contribute to the SDGs?

Fujiwara: I think communication leads to understanding customer needs. I believe communication is not about the number of times we meet with our customers but how deeply connected we are. It is like a relationship of trust, and by building that relationship we can grasp the deep needs behind customer demands. If you can do that, it's going to lead to value delivery. Since I believe that business is about paying for value, I tell our Group employees, "Think about what value we deliver."

Enokido: It is because the Company has accumulated so much value over the years that it is where it is today. With so many employees, how do you share values?

Fujiwara: In the past, we had a vertical organization with different business units, so we were having trouble sharing information between business departments. As a result, there was a possibility that we would miss an opportunity to respond to a customer's needs. In response, we started few One Sumibe activities a few years ago. Based on the concept of our Group existing as a single company, One Sumibe activities are being carried out in line with the idea of creating synergy among business departments and providing unprecedented value to customers through company-wide cross-sectional efforts. I feel that this single company concept has now become quite widespread and the environment is much more conducive to problem solving and innovation than before.

Enokido: Although terms such as problem solving and innovation have emerged, I think that R&D capabilities will become very important in order to continue to create new products. What are your efforts for enhancing R&D?

Fujiwara: Since we are a manufacturer of functional chemicals, it is important to invest in R&D. We start multiple new product project teams consisting of highly motivated members that want to be involved in projects,set time frames, and work as teams to conduct research and development. I think that these efforts are leading to the strengthening of our R&D capabilities. I understand this well because I come from the world of research: In research and development there are more failures than successes (laughs). However, everyone starts out with an image of success, so we want to provide a foundation for taking on challenges.

Enokido: By the way, how much does the Company spend on R&D?

Fujiwara: In fiscal 2021, we spent 10.7 billion yen on R&D. I don't think that is a small amount of money for our Group, I would also like to see us invest more in R&D. But as a manager, I have to allocate other resources.

Enokido: As a base for research and development, what position will the Tonomachi Medical Research Laboratory "MediSky", the location where you have invited me today, be in its future growth strategy?

Fujiwara: Well, this facility is the head office of SB-Kawasumi Laboratories, Inc. which was formed by the integration of medical device business of Sumitomo Bakelite Co., Ltd. and Kawasumi Laboratories, Inc. This business is developing products in the field of minimally invasive treatment, including endoscopic treatment and intravascular treatment, where social needs are rapidly growing. I believe that the health care business will become one of Group's core businesses and it is expected that the Tonomachi Medical Research Laboratory will function as the heart of the business.

Is plastic bad for the environment? If expanding the possibilities of plastics, plastics is not necessarily bad for the environment.

Enokido: The trend toward carbon neutrality is also accelerating in various industries. I heard that the Company switched to electric power derived from renewable energy in January 2022.

Fujiwara: After examining what initiatives are needed to achieve the 2050 Carbon Neutral Declaration announced by the Japanese government, we have switched over to electric power derived from renewable energy at all plants and laboratories in Japan that we purchase externally. We continue to make effective use of space to install solar panels and conserve energy.

Enokido: What are the results of the Company's efforts in this area.

Fujiwara: The target for fiscal 2030 was to reduce CO_2 emissions by 46% lower than the level in fiscal 2013. However, we achieved this ahead of schedule. On the other hand, from a worldwide perspective, the switch to electric power derived from renewable energy has been completed in Europe. However, North America, China, Southeast Asia, and other regions are still in the process of developing a company-wide environmental development roadmap that will take them to 2035.

Enokido: It's an amazing accomplishment to achieve that target ahead of time. This shows the Company's strong intentions regarding taking on the challenge of carbon neutrality by 2050. On the other hand, from a consumer perspective, plastic is a material that uses fossil fuels, so it may be a material that has a negative impact on the environment. Even though I feel that plastic makes life more convenient, I have mixed feelings about using plastic products. What does the Company think of this perspective?

Fujiwara: I understand what you are saying. It's a difficult issue. I think it is certain that the current sentiment is anti-plastic. But can you imagine life without plastic? That's why I think what we need to do is explore the function of plastics and expand our possibilities. Of course, I believe that any existing plastic products that do not need to be made of plastic will be identified and eliminated by society and consumers.

Enokido: It's also important to look at the wider picture of how the use of plastics will result in environmental impact.

Fujiwara: This also applies to the issue of food loss. Is it better for the environment to reduce food loss with plastic packaging that can sustain food for longer or is it better to discard more food? By developing plastic that is easy to circulate resources, the amount of packaging material that will eventually be discarded will be reduced, and some plastics will be made from renewable biomass materials that do not use fossil fuels. By expanding the possibilities, plastic becomes a material that can coexist with the environment.

Creating a company where each and every employee has a sense of purpose and can shine

Enokido: There has been no major downturn for the Company during the COVID-19 pandemic. It has continued to grow steadily. What are the factors behind this?

Fujiwara: I think it is the ingenuity with which we have communicated with our customers. As a result, we could overcome these severe conditions brought about by the COVID-19 pandemic and turn a problem into an opportunity. For example, our remote-based factory and laboratory tours were very well received by customers. I also believe that the improvement of information dissemination on Group websites and the establishment of an environment that is easy to access will also facilitate business.

Enokido: I've heard that the shift to DX is also underway.

Fujiwara: Our DX initiatives are divided into three areas. The first is R&D. We use MI, a data analysis technology, to improve research efficiency. The second is "*Monozukuri* (manufacturing)." We have introduced autopilot-based control using AI/IoT to improve productivity and quality control without human intervention. The third is "daily operations," which promotes RPA, improves human productivity through automation of operations, and allocates the time generated to value-added operations.

Enokido: People are key to the success of these efforts. Your catchphrase this year is "improving human ability," but actually you have used it for the third year in a row. Are there any changes that you have seen in this area?

Fujiwara: People, things, and money are said to be necessary for the success of our business. I believe that the most important one of these elements is people. For the sustainable growth of the company, it is necessary to train the next generation of human resources to adapt to the changing times. I believe that "human ability" is the cumulative effect obtained from multiplying motivation, capability, personality, and character together. I expect our employees to develop more experience in their work and improve their human ability, not to mention their daily self-improvement. For ordinary adults, the office is where they spend most of the day. That means that it is important for them to find purpose and enjoyment in their lives while working. There are many challenging tasks, but I want us to be a company that can evaluate individual challenges and share the joy of accomplishing something together.

Environment

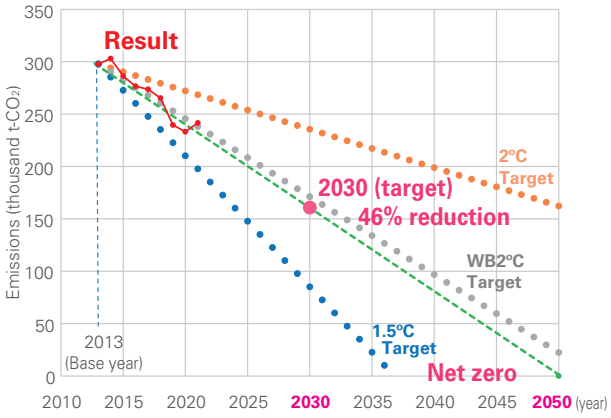
Environmental management

Environmental Vision for 2050 (net zero)

Our Group relies upon the earth's natural resources and energy in order to do business. However, doing business will generate garbage and air and water emissions. For this reason, we believe it is important for our Group to adhere to environmental laws and regulations, conduct business in an environmentally friendly manner, and engage in initiatives that reduce the environmental impact on the entire society through our products and services.
In fiscal 2018 our Group established a plan with medium -to long-term targets ending in fiscal 2030, and has been promoting activities based on this. However, considering the environmental issues that have become more severe recently, we thought it necessary to advance activities from a more long-term perspective, and have announced Environmental Vision for 2050 (net zero) which ends with 2050.
Since then, due to the government's "2050 Carbon Neutral Declaration" and subsequent presentation of its target of reducing GHG by 46% (compared to fiscal 2013) by 2030, we performed a revision based on the new standards, and in fiscal 2021 we set 2050 as our target for taking on the challenge of carbon neutrality, and 2030 for a 46% reduction in CO_2 emissions (compared to fiscal 2013).

In a new development, SBTi has made the 1.5°C target mandatory starting July 15, 2022, and the Group is in the process of studying ways to meet the 1.5°C target.

Taking on the challenge of zero CO_2 emissions



Environmental Vision for 2050 (net zero)

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

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

02. Contribute to reducing CO_2, including along supply chains.

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

Climate Change Program efforts: agreement to TCFD expressed

CDP (headquartered in London)* is an international NGO established in 2000 in partnership with institutional investors from around the world. It carries out projects in which it sends out questionnaires to major companies and municipal governments around the world on issues such as climate change, water security, and forests, and that seek climate change strategies and specific declarations related to emissions of greenhouse gases.
With the CDP's 2021 survey, survey activities were conducted on behalf of 590 institutional investors with net invested assets totaling 110 trillion U.S. dollars. More than 13,000 companies, accounting for over 64% of global market capitalization, disclose environmental data on their initiatives for climate change programs via the CDP.
Upon responding to the CDP questionnaire for fiscal 2021, we received an A^- rating for climate change and a B^- rating for water security, as we did in the CDP 2020 evaluation.
Having received requests for responses in fiscal 2022 regarding climate change and water security as well, we have responded.
The TCFD initiative, for which we expressed our agreement in February 2021, is introduced in "Information Disclosure Based on the TCFD recommendations (Response to Climate Change)" (p. 54-57).

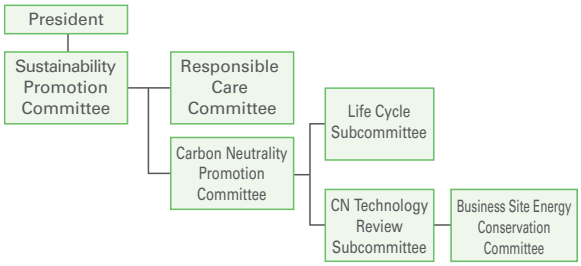
Moving forward, our Group will continue to conduct proactive information disclosure regarding risks and opportunities associated with climate change as we hold ourselves accountable to all of our stakeholders.
We will move forward with environmental information disclosure as we contribute to the response to climate change through environmental impact reduction, resource and energy conservation, chemicals management and development of products that contribute to the environment.

* Formerly "The Carbon Disclosure Project." "CDP" is now the official name.

Environmental Management Structure

We solve social issues and aim to achieve sustainable growth and value creation under a structure comprised of our Sustainability Promotion Committee (which is chaired by the President) and its subcommittees based on our Business Philosophy, which upholds the Sumitomo Business Philosophy and sets forth our management principles.
The Responsible Care Committee is in charge of the Responsible Care activities that have been promoted to date to voluntarily implement and improve environmental and safety measures, while the Carbon Neutrality (CN) Promotion Committee is responsible for CN activities, which are indispensable in responding to recent trends in the world.
The CN Promotion Committee was formed to strengthen and promote CN initiatives throughout our Group, and is working with the subordinate organizations, the Life Cycle Subcommittee and the CN Technology Deliberation Subcommittee, to achieve CN.

Environmental Management Structure



* The above system diagram is only an excerpt of our committees related to environmental management. See pages 44 and 45 for details.

Activities of the Carbon Neutrality Promotion Committee

Our Group has specified the following measures in response to the government's 2050 Carbon Neutral Declaration and the 2030 target.

- 2050 target: Taking on the carbon neutrality challenge
- 2030 target: Reducing CO_2 emissions by 46% (from fiscal 2013)

The Carbon Neutrality (CN) Promotion Committee recaps each year's progress toward medium- to long-term environmental targets at the end of the fiscal year and determines the targets for the following fiscal year. It carries out its activities with the approval of the Sustainability Promotion Committee, which serves as its parent body. Two subcommittees were established within the committee in order to achieve its objectives, and these subcommittees work to reduce our environmental impact.
The Life Cycle Subcommittee aims to establish production systems with minimal environmental impacts through scientific, quantitative, and objective assessments of environmental impacts, from the R&D phase onward.
Each R&D department must decide on a theme and work on it with an awareness of Life Cycle Assessment (LCA), from raw materials extraction to final disposal (Cradle to Grave). We are moving forward with these activities having established the goal of credentialing 25% of all researchers to understand LCA and calculate GHG emissions in fiscal 2022. In fiscal 2021, the number of qualified employees continued to increase, reaching 21% as we provided all education and tutoring related to LCA in an online format.
We will continue to enhance educational opportunities in fiscal 2022.
In addition, we will establish a system enabling us to speedily provide LCA information on all of our Group's products by the end of fiscal 2024, in response to the rapid increase in inquiries from customers regarding LCA since the Japanese government's October 2020 net zero greenhouse gas emissions declaration. In fiscal 2021, we conducted LCA calculations for 12 standard products, including information and telecommunication materials, high-performance plastic products, film and sheet products, industrial functional materials, and waterproof sheet products, from raw material extraction to factory shipment (Cradle to Gate).
In fiscal 2022, we will work to horizontally deploy LCA evaluations on standard products.
The energy conservation initiatives of the CN Technology Deliberation Subcommittee include its efforts to firmly establish a mechanism to continuously solicit and implement energy-saving ideas through voluntary promotion at all business sites in Japan. In fiscal 2021, the subcommittee successfully reduced energy consumption by as much as 1,433 kL (55,545 GJ) in crude oil equivalent, or 2,766t-CO_2, compared with fiscal 2020, primarily by reducing city gas and electricity consumption. Outside of Japan, the subcommittee worked to ensure a similar level of activities as in Japan and continued to promote the roll out of activity methods and best practices. In addition, as part of our efforts to promote CN toward the 2050 target mentioned above, we have switched all purchased electricity at all of our domestic business sites to electricity derived from renewable energy sources, starting in January 2022. Overseas, our three European group companies have switched to electricity derived from renewable energy sources.
In fiscal 2022, in line with the objectives of the CN Promotion Committee, the CN Technology Deliberation Subcommittee will formulate a plan and work toward the most recent 2030 target. In terms of energy conservation, we will build upon past efforts to set energy conservation targets and also to complete our reduction plans for each business site. In particular, the subcommittee will focus on creating a system across business sites in Japan for sharing energy conservation practices and technical information related to energy conservation in order to improve the level of energy-saving technology throughout our Company; and having the mother plants in Japan provide technical support to their affiliated sites through a tie-up with the Company-wide Energy Conservation Secretariat.

Disclosure based on TCFD recommendations
(Response to Climate Change)

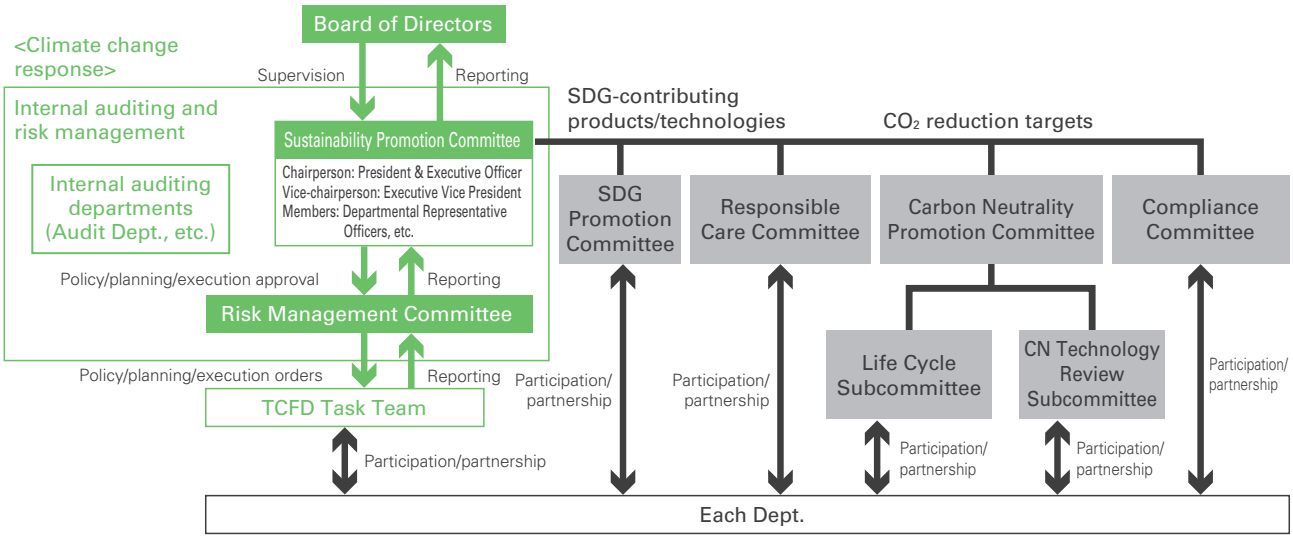
Support initiative for TCFD recommendations

In February 2021, the Group announced its agreement with the TCFD recommendations. In addition to switching to electricity from renewable energy sources and increasing the sales ratio of products that contribute to the SDGs, we formed a company-wide cross-organizational task team and began full-scale efforts to disclose information based on the TCFD recommendations.

Governance

The Group has positioned the Sustainability Promotion Committee (chaired by the President & Executive Officer) as a high-level committee that formulates, deliberates, and decides on measures that contribute to the realization of a sustainable society, including the SDGs. The committee is responsible for achieving CO_2 reduction targets on climate change issues, risk management, and achieving sales ratio targets for SDG-contributing products and technologies (including contributions to climate change issues). In this way, the committee is responsible for the execution of measures related to climate change response, and its supervision is the responsibility of the Board of Directors. Regular reports on climate change issues and important decisions made by the Sustainability Promotion Committee are reported to the Board of Directors by the President & Executive Officer. A TCFD Task Team was formed under the Risk Management Committee of the Sustainability Promotion Committee to work on the TCFD scenario analysis.

Sustainability Promotion Structure



Strategy (impact on the organization's business, strategy, and financial planning)

As part of its efforts to address and strengthen its response to climate change, the Group has established Environmental Vision for 2050 (net zero), with the goals of reducing CO_2 emissions by 46% (compared to fiscal 2013) by 2030, and the 2050 target of taking on the carbon neutrality challenge. We have decided to introduce electricity from renewable energy sources at all plants and laboratories in Japan from January 2022. As a result, a domestic reduction of more than 60% is expected to be reached ahead of schedule. The TCFD Task Team also led a climate-related scenario analysis project for the year 2040 (long-term), identifying potential risks and opportunities associated with climate change. We have identified the following risks and opportunities that we expect will have a relatively large financial impact.

The 1.5/2°C scenario

<Risks>

The significant risks we have identified include increased operating and transportation costs due to higher carbon prices, higher electricity prices due to advances in low-carbon technologies, and higher prices for biomass feedstocks, and higher prices for various plastic feedstocks due to higher naphtha prices resulting from lower gasoline demand.

<Opportunities>

In the current social environment, the movement of people and goods is being replaced by digital means due to incentives to avoid physical contact and the increased burden of travel costs. We think this presents opportunities to expand sales of semiconductor-related products. In addition, we will pursue new business opportunities by developing new technologies, products, and services with an eye toward a low-carbon society and a recycling-oriented economy. These include 3R + Renewable products, electric vehicle (EV)-related products such as battery materials and lightweight automotive materials, as well as food packaging films with room-temperature storage and freshness preservation functionality.

The 4°C scenario

<Risks>

Assuming that the introduction of electricity from renewable energy sources will be systematically promoted toward the 2050 goal of taking on the carbon neutrality challenge, we can foresee that the impact of transition risks, such as fluctuations in fossil fuel prices (especially crude oil and natural gas) and higher operating costs due to soaring electricity prices caused by stricter GHG emission regulations, would be greater than under the 1.5/2°C scenario.

We have also identified significant physical risks associated with rising atmospheric temperatures. These include reduced sales due to supply disruptions of key raw materials and the shutdown of operations at our own manufacturing sites that could be caused by the occurrence or increased frequency of extreme weather events, such as cyclones and floods.

<Opportunities>

Sales of various sheeting products for building materials and waterproof sheeting products and services are expected to increase amid the promotion of efforts to build resilient cities that can withstand extreme weather conditions and major disasters. These include building materials and waterproof roofing sheet products that are lightweight, highly durable, impact resistant, highly insulating/heat shielding, fire-resistant, and have other functions. Due to severe environmental changes, including rising atmospheric temperatures, demand for packaging materials for long-term preservation of foods and processed foods is expected to increase as the numbers of livestock used for meat decreases, and as demand for packaging materials for fruits and vegetables is expected to increase with declines in crop yields, leading to higher sales of various packaging film products.

With regard to diseases and mobility restrictions associated with climate change, we anticipate increased need for home care, including treatment and medication, and increased opportunities for diagnosis at local hospitals and immediate remote diagnosis at home (Point-Of-Care Testing, or POCT) for infants and the elderly, who are particularly sensitive to rising atmospheric temperatures. We expect to expand our healthcare business, including various medical devices and diagnostics, and our medical device and pharmaceutical packaging business. By further improving the performance and environmental adaptability of these products, we will contribute to solving social issues on a global scale. The GHG emission reduction targets for 2030 and 2050 will be implemented as a response to the carbon price increase, tighter GHG emission regulations, and changes in fossil fuel prices (these are identified as risks in the 1.5/2°C or 4°C scenarios). We will work to accomplish these efforts ahead of time as we convert long-term transition risks into short- and medium-term business opportunities to expand sales.

Based on the three-year Medium-term Business Plan starting from fiscal 2021, the Sustainability Promotion Committee and Risk Management Committee will play a central role in fiscal 2022 (by backcasting from the results of this scenario analysis) to materialize short-term measures, which will be deployed to relevant internal departments and implemented and promoted with speed. In the medium- to long-term, we will update our scenarios and financial impact estimates as appropriate in light of changes in the macro environment, and work to enhance corporate value through the development of new technologies and products that contribute to a low-carbon society and a recycling-oriented economy. We will also work to enhance the sophistication of our management strategy by reforming our foundational organizational culture and strengthening our human resources.

The 1.5/2°C scenario analysis

	Drivers	Plausible scenario components (world developments)	Our Group impact Impact assessment	Risks Opportunities
Policies & regulations	Carbon price increase	・Carbon price rise <Carbon prices under the 1.5°C scenario (advanced industrial nations)> 2030: 130USD/t-CO_2 2040: 205USD/t-CO_2 (2021 IEA World Energy Outlook)	・Increase in operating costs due to higher manufacturing energy costs	Risks
			・Transport cost increase	Risks
Market	Low-carbon technology progress	・Higher electricity prices due to greater demand for electricity from renewable energy sources	・Operating cost increase	Risks
		・Rising prices of raw materials due to increasing demand for biomass-derived raw materials	・Soaring prices of biomass feedstock	Risks
	Reduced demand for gasoline associated with low-carbon technology progress	・Naphtha gains status as a main product, rather than its conventional by-product status ・Along with gasoline and diesel, naphtha is in stable supply, but prices are rising	・Increase in purchase and procurement costs due to higher naphtha prices	Risks
	Digital alternatives to the movement of people and goods	・Carbon taxes and GHG emission regulations make movement of people and goods more costly ・Increased demand for semiconductors used in digital devices	・Sales increase due to sales expansion of semiconductor-related products	Opportunities
	Low-carbon technology progress	・Resource recycling requirements from customers ・Accelerate switchover to 3R + Renewable (sustainable resource) related products	・Sales increase due to early market launch of 3R + Renewable products	Opportunities
	Increased demand for low-carbon technology products	・Shift to a low-carbon society ・Tightening of carbon tax and GHG emission regulations ・Progress in development of CO_2 transport technologies sensitive to economic efficiency, and infrastructure buildup	・Sales increase due to expanded sales of low-carbon products and services	Opportunities
	Increased EV-related demand (Battery materials, lightweight automotive materials)	・EVs steadily increase as a percentage of total vehicle sales volume	・Sales increase due to expanded sales of products/services for EVs ・Increased sales of lightweight automotive materials	Opportunities

The 4°C scenario analysis

	Drivers	Plausible scenario components (world developments)	Our Group impact Impact assessment	Risks Opportunities
Market	Fossil fuel price fluctuations	・Crude oil and natural gas prices rise Crude oil 2019: 63USD/barrel → 2030: 77 → 2050: 88 Natural gas Japan 2019: 10.1USD/barrel → 2030: 8.5 → 2050: 8.9 Decrease in Japan. Increases in other regions (2021 IEA World Energy Outlook)	・Increase in raw materials costs due to higher purchase and procurement costs ・Increase in operating costs due to higher manufacturing energy costs	Risks
Physical risk: Acute	Cyclones, flooding and other extreme weather events increase in frequency and severity	Intensifying and increasing frequency of cyclones, torrential rains, floods, droughts, etc. ・Major raw material suppliers: Operations suspended ・In-house manufacturing sites (domestic and overseas): Operations suspended	・Reduced sales due to temporary suspension of operations	Risks
		Resilient urban development promoted → Increased demand for building materials and industrial materials resistant to natural disasters (Examples of required functions: lightweight, highly durable, impact resistant, highly insulating/ heat shielding, fire-resistant)	・Increase in sales of various sheeting products for building materials and waterproof sheeting products and services	Opportunities
		・Decrease in meat livestock → increased demand for packaging materials for long-term preservation of foods and processed foods ・Decrease in crop yields → Increased demand for fruits and vegetables packaging materials	・Increase in sales of various packaging film products	Opportunities
	Infectious diseases/ rising temperatures leading to illness and restrictions on mobility	・Increased need for diagnosis at local hospitals, homes, remote diagnosis ・Increased healthcare treatment opportunities for young children and the elderly who are sensitive to environmental changes (diagnosis and treatment) → Point-Of-Care Testing (POCT)/ increased demand for medical devices	・Expanded sales of healthcare products/increase in sales ・Increased demand for pharmaceutical packaging	Opportunities

Risk management

The identification and approval of major risks in our group is conducted annually according to the following process.

● The Risk Management Committee collects responses to the Major Risk Identification Questionnaire from the supervising officer of each business department and individual risk management department. Response entries include the nature of the risk, the impact if the risk materializes, the likelihood of occurrence, the degree of impact, and the current major responses undertaken as a business unit or individual risk management department. Interviews are also held with the president.

● Among the risks identified in the Major Risk Identification Questionnaire, those with high risk values, calculated by multiplying the impact and likelihood of occurrence, are designated as candidate major risks. The Risk Management Committee then creates a risk map, selects and approves major risks, and reflects them in the next fiscal year's response plan for major risks.

● The Sustainability Promotion Committee approves the major risk selections and the plans to address them, then reports to the Board of Directors.

● Selection levels for probability of occurrence

Levels	Guidelines for selecting the level of likelihood of occurrence
Likelihood of occurrence Low	Approximately once every 100 years to once every 10 years
Likelihood of occurrence Moderate	Approximately once every few years to once every year
Likelihood of occurrence High	Twice or more each year

● Guidelines for selecting level of impact

Levels	Guidelines for selecting the level of impact (If more than one of the following applies, select the item with the highest level of impact)			
	Monetary impact	Human life	Reputation	Impact on operations
Level of impact Low	to ¥50 million	Injuries or illnesses requiring medical attention occur	Resolved through routine daily management	Affects operations for a few days at one location only
Level of impact Moderate	¥50 million to ¥1 billion	Injuries or illnesses requiring hospitalization occur	Minor (negative) coverage in conventional and online mass media Trust is partially diminished among business partners and consumers	Affects operations for several weeks at one location only Affects operations for a few days at multiple locations
Level of impact High	¥1 billion or more	One or more deaths occur Numerous cases of injury and/or sickness occur	Major (negative) coverage in conventional and online mass media Trust is considerably diminished among business partners and consumers	Affects operations for several months at one location only Affects operations for several weeks at multiple locations

The six major risks selected for fiscal 2021 are: (1) disasters, accidents and pandemics, (2) raw material supply problems and price fluctuations, (3) product quality, (4) measures to reduce environmental impact, (5) compliance with laws and regulations, and (6) information security incidents. Of these, the risks associated with climate change are (1) disasters, accidents and pandemics, (2) raw material supply problems and price fluctuations, (4) measures to reduce environmental impact, and (5) compliance with laws and regulations. As we move forward with the TCFD scenario analysis, we will consider our impact evaluation in accordance with the above process.

Metrics and targets

We will respond to the risks identified in the 1.5/2°C and 4°C scenarios, such as carbon price increases, stricter GHG emission regulations and fluctuations in fossil fuel prices by proceeding with the GHG emissions reduction targets of a 46% reduction of CO_2 emissions (compared to fiscal 2013) by 2030, and taking on the challenge of carbon neutrality by 2050.

With regard to the development of new technologies and products that contribute to a low-carbon society and a recycling-oriented economy included in these opportunities, the Group decided in fiscal 2018 to incorporate the SDGs as one of its corporate policies and started a certification system for SDG-contributing products, technologies and activities in fiscal 2019. Contributing to the response to climate change (measures to counter global warming, reduce environmental impact, etc.) is part of the opportunity to achieve the goals of the SDGs, and we hope to contribute to a sustainable society through our business.

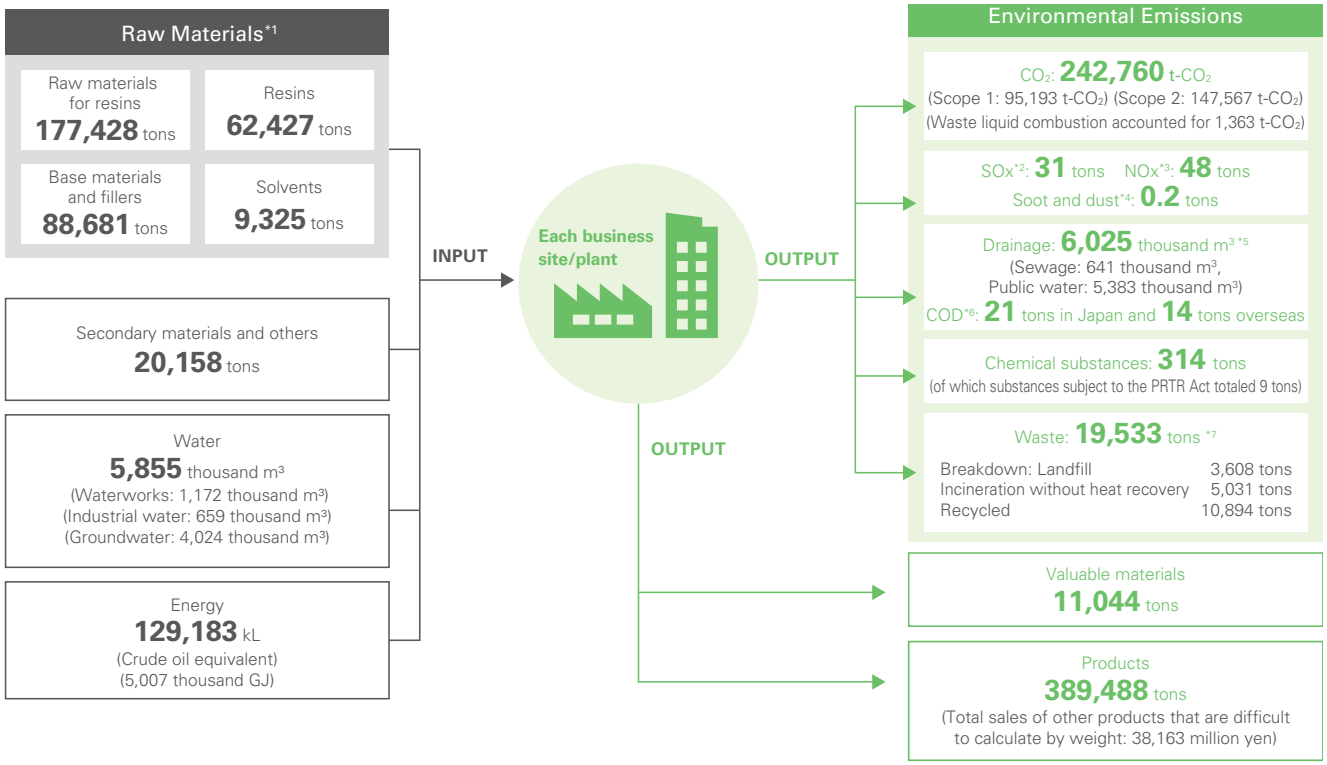
With the aim of providing products and technologies that contribute to the SDGs, the Corporate Planning and R&D departments, among others, examine R&D and sales strategies, then incorporate them into specific goals and plans to manage progress. Although we were working toward a goal of increasing the ratio of revenue from SDG-contributing products to sales to 30% in fiscal 2021, our actual result for fiscal 2020 was 37.2%. Having achieved our target one year ahead of schedule, the Sustainability Promotion Committee has decided to set a new target value of 50% or greater for our fiscal 2023 ratio of revenue from SDG-contributing products, and we are proceeding with these activities.

Moving forward, we will undertake a series of initiatives that will contribute to the sustainable enhancement of corporate value. We will periodically confirm and update the risks and opportunities identified in our climate-related scenario analysis with an eye to changes in the external environment and market conditions, and will fulfill our responsibility for accountability by disclosing information to stakeholders as appropriate upon quantifying the financial and other impacts, and specifying and enhancing Metrics and targets.

Material Flows and Investments in Environmental Protection

The figure below shows inputs, including raw materials and energy, and outputs that are products and emissions released into the environment.
The Group is working to minimize its impact on the environment by means of waste reduction and resource savings through promoting more efficient use of raw materials, energy, and water. We have also been advancing CO_2 emissions reduction through our carbon neutral efforts. In fiscal 2021, we managed to avoid the effects of the spread of COVID-19, and production in the semiconductor-related field as well as in other business fields became more active, resulting in major growth across many items, including raw material input and product sales volume. In addition, the SB Kawasumi Group has been subject to environmental management since fiscal 2021, and data has been included in the current calculations. On the other hand, the switch to electricity from renewable energy sources and the active promotion of solar power generation on the company's premises since fiscal 2021 have kept greenhouse gas (CO_2) emissions low relative to the increase in our production activities. Through the ongoing activities of our Group, we are contributing to the response to aspects of climate change such as warming by working to effect reductions in outputs that affect the environment, with respect to increases in input.

Material Flows



*1 The ratio of renewable raw materials to total raw materials used is about 3.0% at the current point in time, but we will make efforts from the development stage onward in order to increase the ratio of renewable raw materials use.
*2,3,4, and 6 See the glossary on page 122. SOx, NOx, and soot and dust are calculated using the company's own formula based on exhaust gas readings and fuel usage amount, among other variables. Since methods of calculating emissions of soot and dust differ among countries, this figure is compiled solely for business sites in Japan at present. COD is calculated based on the measured concentration and drainage volume. Data on overseas COD covers sites that measure COD within drainage. Data for overseas sites are stated separately because the types of oxidant (potassium dichromate is mainly used overseas) used for measurement differ from those used in Japan.
*5 Drainage volume is determined by calculating drainage into sewages based on the breakdown of total usage. Drainage into public water areas is calculated using readings from flow meters installed at business sites; while water usage volume is used for business sites without flow meters.
*7 The volume of hazardous waste found in our total waste volume came to 6,247 t (based on the definitions used by each country). The volume of hazardous waste is not subject to assurance.
* The volume of products shipped and value of products sold are not subject to assurance.

Investments for Environmental Protection

Our Group has compiled data annually on the amounts of investments in environmental protection of all Group companies in Japan since fiscal 2000. SB Kawasumi Laboratories' investments have also been included in the tally since fiscal 2021. In fiscal 2021, a total of 303 million yen of this type of investment were made. Since fiscal 2020, we have been engaged in a full-fledged effort to adopt solar power generation based on our commitment to carbon neutrality, and we continued to phase it in at each of our business sites in fiscal 2021. Further expansion is planned for fiscal 2022. We will continue to promote aggressive investment to reduce CO_2 emissions.

Amounts of Investments in Environmental Protection in Fiscal 2021

Category	Investment amounts (millions of yen)
Emissions control	66
Energy conservation	208
Waste reduction, recycling, and treatment	29
Total	303

* Data covers the time period and business sites in Japan listed on page 4.

Medium- to Long-term Environmental Targets and Performance

Medium- to Long-term Environmental Targets

In fiscal 2018, we established a medium- to long-term environmental plan ending in fiscal 2030, and have been engaged in activities based on it. Following the government's 2050 Carbon Neutral Declaration and presentation of its 2030 target, however, we performed a revision, and reset our 2030 target policy to include a 46% reduction in CO_2 emissions (compared to fiscal 2013). In doing so, we re-set the base year to fiscal 2013 and set targets based on the following factors as well.

- The CO_2 emission coefficient for domestic electricity was changed from basic to adjusted.*1
- Response to sustainable development needs with 2030 as the target year established in the SDGs
- Response to Act on the Rational Use of Energy/Promotion of Global Warming Countermeasures

The targets were defined upon considering the impact of the difference between the base year of fiscal 2013 and the current scope of coverage, which includes the Vaupell Group having become subject to environmental management from fiscal 2015, and the SB Kawasumi Group from fiscal 2021. (The effects of the differences in coverage of the SB Kawasumi Group, the Vaupell Group, etc., have been added to the graph.)
In Japan, the target for 2030 is well above 46% due to the switch to electricity from renewable energy sources at all major business sites beginning in the fourth quarter. Given future efforts to go carbon neutral at overseas sites as well, the Group's overall target will greatly exceed 46% as well.
We also continue to work with the Japan Business Federation (Keidanren) on its "Society 5.0 with Carbon Neutral" commitment through the Japan Chemical Industry Association.
Other targets were also revised to unify the base year as fiscal 2013, taking into account the impact of the SB Kawasumi Group. We will continue to improve the resource utilization rate by curbing the amount of material loss (waste and valuable resources), promote effective use of raw materials, and also promote reduction of chemical substance emissions in order to systematically reduce our environmental impact.

*1 According to adjusted emission coefficients for each electric utility published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. To accommodate menu-specific emission factors from the introduction of electricity from renewable energy sources, recalculations were made retroactively back to fiscal 2013.

Initiatives at Business Sites in Japan

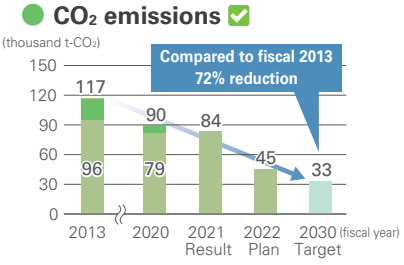
Although energy consumption increased in fiscal 2021 as production recovered, CO_2 emissions decreased from the previous year due to the switch to electricity from renewable energy sources at all major business sites in the fourth quarter, as well as the positive effects of the aggressive introduction of solar power generation. In fiscal 2022, a significant reduction in CO_2 emissions is expected due to the year-round effect of electricity derived from renewable energy sources.
The amount of material loss increased slightly as production recovered, but the increase was kept to a minimum due to MFCA*2 activities at each business site to identify waste and promote reduction measures at plants. In fiscal 2022, we wil continue these efforts to reduce the amount of waste we generate by making effective use of resources and eliminating wasteful inefficiency.
Chemical substance emissions increased from the previous year due to a temporary surge caused by a breakdown of exhaust treatment equipment at some of our business sites and an increase in production. The malfunctions have already been resolved and we expect to reduce emissions in fiscal 2022 by further improving the efficiency of exhaust treatment.

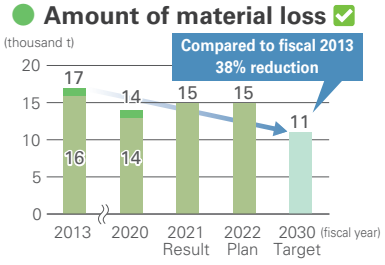
*2 See the glossary on page 122.

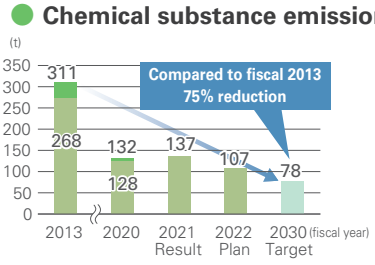
Initiatives at Overseas Business Sites

CO_2 emissions at overseas sites increased due to a major recovery in production. However, the rate of increase has been controlled by switching to electricity from renewable energy sources at business sites in Europe. In fiscal 2022, we expect to reverse this to a decrease due to the planned switch to electricity from renewable energy sources at other business sites and the introduction of solar power generation.
Year-on-year material loss increases resulted from an even greater impact from production increases than in Japan. Since the same scale of production is expected in fiscal 2022 and beyond, we intend to reduce wasteful inefficiency in production activities through MFCA and other means to achieve a year-on-year reduction.
Chemical substance emissions also increased with increased production. In fiscal 2022, we will work to reduce consumption by improving efficiency at each business site.

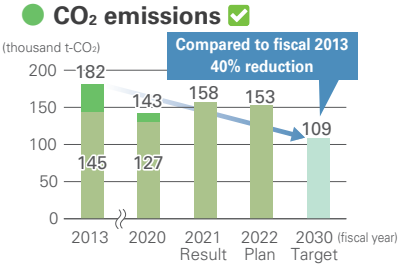
Business sites in Japan

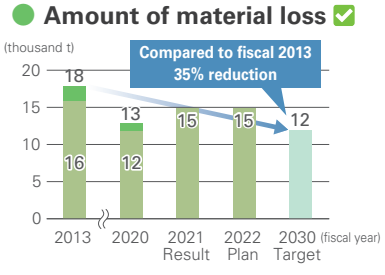


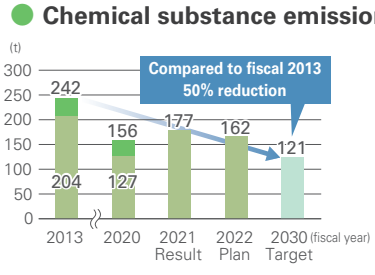




Business sites overseas







■ Additional data for SB Kawasumi Laboratories and Vaupel SB Kawasumi Laboratories and Vaupel were included in the data tabulation after fiscal 2013. Their data has been added to the base year (fiscal 2013) data for comparison with actual results.

* See the organizations listed on page 4 regarding those included in the data.

* For definitions and the calculation method of CO_2 emissions, material loss, and chemical substance emissions, refer to page 118.

* Total emissions of the 33 chemical substances subject to the PRTR Act at our group's domestic business sites amounted to 9.0 tons, and the total amount transferred was 123 tons. For details of the transfer and release of substances subject to the PRTR Act, refer to the Data Section on page 120.

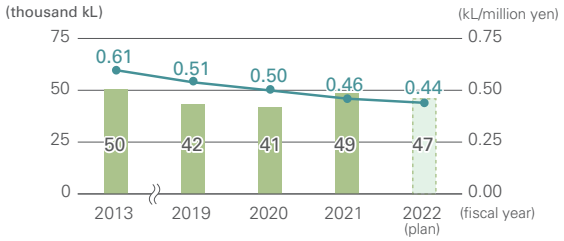
Environmental Performance

Reducing Energy Use and CO_2 Emissions

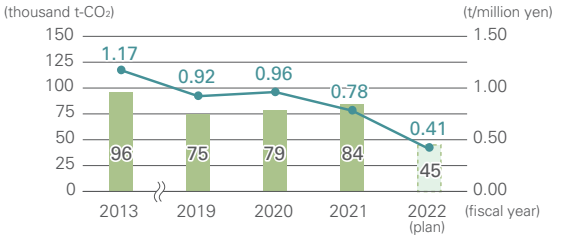
Energy consumption at domestic business sites increased due to a recovery in production and an increase in consumption by SB Kawasumi Group, but energy consumption per unit of production improved as a result of energy conservation activities. CO_2 emissions also increased due to the SB Kawasumi Group portion, but the switch to renewable energy sources for purchased electricity at all major business sites and the introduction of solar power generation brought improvement per unit of production. In fiscal 2022, improvement is expected due to the year-round effect of electricity derived from renewable energy sources.
Both energy consumption and CO_2 emissions increased at overseas business sites more than they did in Japan, due to a greater recovery in production and increases on the part of SB Kawasumi Group (Kawasumi Laboratories [Thailand]). However, energy consumption per unit of production has improved due to more efficient production, and unit CO_2 emissions have also improved significantly, thanks in part to the switch to electricity from renewable energy sources by the three European companies. More improvement is expected in the future through further promotion of switching to electricity from renewable energy sources and the introduction of solar power generation, which is scheduled for fiscal 2022 and beyond.

Business sites in Japan

Energy usage per production amount value*1

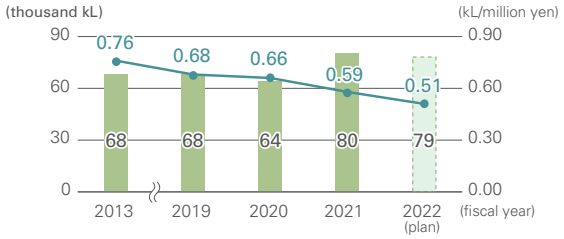


CO_2 emissions per production amount value*2

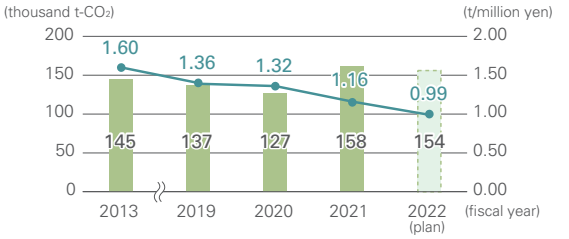


Business sites overseas

Energy usage per production amount value



CO_2 emissions per production amount value



Scope 3* Data Disclosure

In 2015, our Group began calculating and disclosing Scope 3 emissions in the supply chain of business sites belonging to Group companies in Japan because of the growing importance of understanding CO_2 emissions covering the entire supply chain. In fiscal 2018, we enlarged the scope to cover overseas business sites. The SB Kawasumi Group is also included in the scope of this report, having joined our Group from fiscal 2021.
The scope of said disclosures cover a total of eight categories including Category 1 "Purchased goods and services." In addition, we confirmed that three categories including Category 8 "Upstream leased assets" are not applicable.
Both in Japan and overseas, Category 1 "Purchased goods and services" accounted for a large portion of CO_2 emissions. In fiscal 2021, Category 1 emissions increased from the previous year due to increased raw material input both in Japan and overseas, reflecting strong performance in business fields such as semiconductor-related and high-performance plastics.
Moving forward, we will continue to calculate and disclose data on other categories and work to increase the accuracy of the data for each category, while also promoting ongoing efforts to reduce emissions across the entire supply chain.

* See the glossary on page 122.

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

No.	Category	Emissions (thousand t-CO_2/year)
1	Purchased goods and services ☑	952
2	Capital goods	39
3	Fuel- and energy-related activities not included in Scope 1&2	45
4	Upstream transportation and distribution	81
5	Waste generated in operations	13
6	Business travel	2
7	Employee commuting	5
8	Upstream leased assets	Not applicable
13	Downstream leased assets	Not applicable
14	Franchises	Not applicable
15	Investments	9
	Scope 3 Total	1,146
	Scope 1 (All direct emissions)	95
	Scope 2 (Indirect emissions associated with purchased power and steam)	148

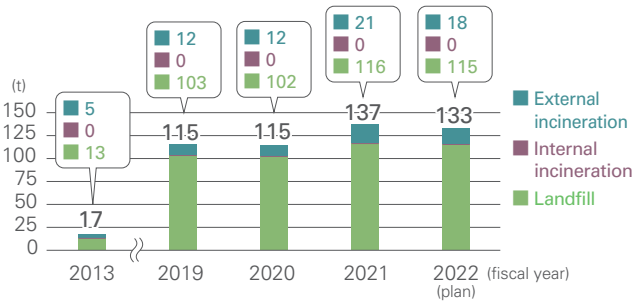
Calculation method:
We calculated the amount of emissions in based on the Emissions Intensity Database for Calculating Greenhouse Gas Emissions of Organizations through the Supply Chain Ver. 3.2 issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, using the emission coefficients stated this database, and in the IDEA Ver. 2.3 Carbon Footprint Communication Program Basic Database developed jointly by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry.

*1 Energy usage per production amount value is determined using the following equation: Energy usage per production amount value. = energy usage/(production amount x unit price) Energy consumption is calculated as a crude oil equivalent.
*2 CO_2 emissions per production amount value are determined using the following equation: CO_2 emissions per production amount value. = CO_2 emissions/(production amount x unit price) Also, CO_2 emissions are the sum of Scope 1 and Scope 2 emissions.
* See the organizations listed on page 4 regarding those included in the data.

Reducing Material Loss

Our group is working to increase the effciency of resource utilization, because it regards the reduction of enviromental impacts as an opportunity to improve profitability. The increase in material loss, including both waste and valuable materials, leads to an increase in resource losses and in the loads involved in processing. Through MFCA initiatives, the Group is promoting load reduction through the reduction of material loss and the improvement of effective use of raw materials. The Group is implementing measures to attain zero emissions of waste in Japan by promoting recycling and reuse instead of disposing of waste in landfills or treating it in simple incinerators without heat recovery in an effort to reduce the environmental impact of our waste. Since the base year for the medium- and long-term targets has been revised to fiscal 2013, the graph on the right shows the recent trends for zero-emission materials, with the base year unified to fiscal 2013.
In fiscal 2005, when we began compiling the data, 948 tons of zero-emission materials were generated in Japan as a whole, but this figure was reduced to 17 tons in fiscal 2013 as a result of efforts at various locations. However, owing to an increase in waste going from recycling to landfill due to the circumstances of our treatment providers, landfill waste increased in fiscal 2019. In addition, the data for SB Kawasumi Laboratories was included in fiscal 2021, resulting in an increase compared to fiscal 2020.
We will continue to move forward with loss analysis using MFCA as we aim for still greater reductions.

Material Subject to Zero Emissions Measures in Japan

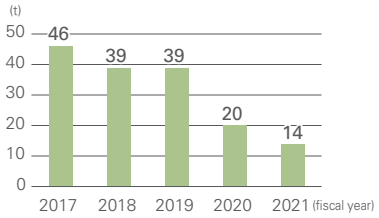


* Zero-emissions-targeted substances comprise landfill waste, internally incinerated waste, and externally incinerated waste. No waste was internally incinerated at business sites in Japan from fiscal 2012 onward.
* Data covers all the business sites in Japan listed on page 4.

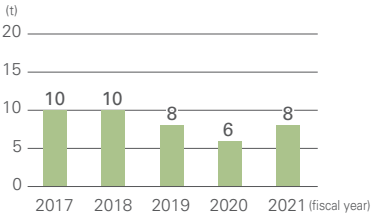
Emissions into the Atmosphere

The Group's business sites in Japan have been promoting a shift of boiler fuel from heavy oil to city gas since fiscal 2004. With the completion of the fuel conversion from heavy oil at the Shizuoka Plant in mid-2019, SOx emissions for the Group as a whole have been further reduced. We were able to greatly decrease emissions of NOx due to a decrease in the nitrogen content of city gas and stabilization of combustion conditions. Heavy oil is still in use at some business sites in regions where city gas supplies are unavailable, and we are working to optimize the combustion conditions and keep both emissions of SOx and soot and dust down at low levels.
Note that data for SB Kawasumi Laboratories has been included since fiscal 2021, but did not affect the overall trend because it is not a significant emission.

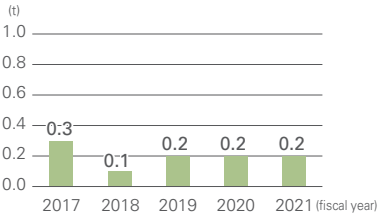
NOx emissions



SOx emissions



Soot and dust emissions

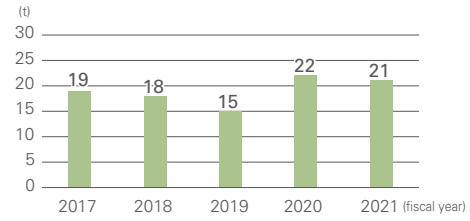


* NOx, SOx, and suit and dust emissions data covers all the business sites in Japan listed on page 4.

Conservation of Water Resources

Effluent discharged from plants includes pollutants, which are categorized into industrial and household sewage. Treatment facilities, such as high-concentration phenol recovery equipment and activated sludge treatment equipment, and surveillance systems for constant monitoring are in place to ensure compliance with environmental standards and laws and regulations at the national and local government levels. Additionally risk assessments are conducted on leakages into rainwater that also includes cooling water to prevent sudden and unexpected increases in environmental impacts. COD load, a typical indicator of water quality, decreased only slightly from the previous year due to continued high loads caused by increased production throughout the company and the addition of SB Kawasumi Laboratories' loads beginning in fiscal 2021, although the increase due to the malfunction of the activated sludge treatment system at the Shizuoka Plant was resolved. Emissions for the whole Company in Japan remain at low levels from a long-term perspective.

COD load



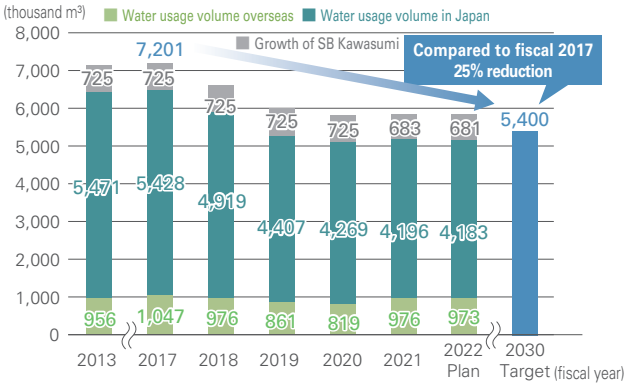
* Data covers all the business sites in Japan listed on page 4.

Conservation of Water Resources

When it comes to the water used at our Group's locations, in Japan a large share of the water used comes from groundwater, while overseas a large share of this comes from waterworks. The water used in our plants in Japan accounts for 78% of the water used by the entire Group.
The Group has always worked continuously to reduce the amount of water it uses. Having begun providing responses to the CDP water program, we have now established a medium- to long-term target for water use reduction from fiscal 2020 onward, calling for a 25% reduction from the fiscal 2017 level by fiscal 2030. The impact of the participation of SB Kawasumi Group was retroactively included in fiscal 2013.
We are engaging in activities to achieve targets at all business sites. In particular, we are eagerly promoting reductions of water usage at our Shizuoka Plant, which accounts for a large percentage of the Group's water usage in Japan, and have achieved steady annual decreases in water usage. However, in fiscal 2021, water consumption at overseas business sites increased significantly due to increased production, resulting in an overall slight increase from fiscal 2020.

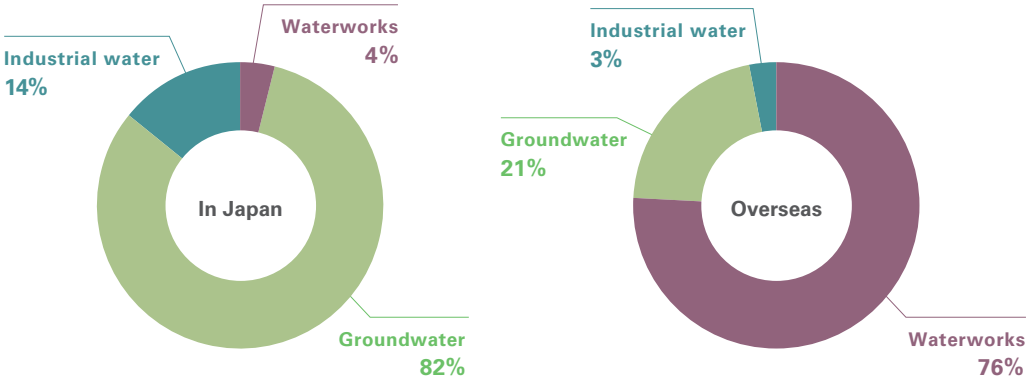
The current overall domestic and international reduction rate from fiscal 2017 is 19%, well above the planned rate. We will continue to make steady reductions to achieve our goals.

Water Usage Volume



* See the organizations listed on page 4 regarding those included in the data.

Water Usage by Source in Fiscal 2021



Assessment of Water-Related Risk in Fiscal 2021

Since fiscal 2015, we have been continuously surveying the regional watershed risk of all sites in the Group. In the past, data was disclosed for major production sites, but starting in fiscal 2021, we also began disclosing data for R&D and logistics sites where water consumption is known. Including the newly added SB Kawasumi Group sites, the Group now has 17 domestic locations and 27 overseas locations subject to information disclosure.
Regarding the identification of water risk, in fiscal 2021, our Group revised risk levels based on the results of a study using the WRI Aqueduct tool* in addition to independent studies performed on each business site. We compiled the results into a table that contains the risks facing each of the regions in which the Group operates.
There are no major differences in the evaluation trends this year, but the results from Southeast Asia and China indicate relatively high risk. In light of these results, we will undertake more highly effective water resource conservation moving forward.

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

Assessment of Water-Related Risk in Fiscal 2021

Region		Risk level					Total
		Extremely high	High	Medium to high	Low to medium	Low	
Japan	Number of bases				**9**	**8**	**17**
	Water consumption (thousand m³)				3,588	986	4,574
China (and Taiwan)	Number of bases		**1**	**4**	**2**		**7**
	Water consumption (thousand m³)		78	159	68		305
Southeast Asia	Number of bases		**3**	**1**	**1**	**2**	**7**
	Water consumption (thousand m³)		305	49	89	23	465
North America	Number of bases			**2**	**2**	**6**	**10**
	Water consumption (thousand m³)			108	14	271	393
Europe	Number of bases			**1**	**2**		**3**
	Water consumption (thousand m³)			3	115		118

Soil/Underground Water Pollution Countermeasures

Response to Soil/Underground Water Pollution

Our Group carries out risk assessments relating to leakage of chemical substances at all of our business sites, and we promote both the development and implementation of preventive frameworks. At the same time, when contamination caused by past leakage accidents is confirmed, we actively undertake voluntary surveys and institute countermeasures in order to prevent the environmental impact and health damage from spreading.
We did not suffer any severe leakage accidents in fiscal 2021.

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

Site	Results of investigation	Countermeasures and monitoring results
Amagasaki Plant	Lead was detected by soil content sampling in 2009 and 2010 (max. 500 mg/kg whereas the standard is 150 mg/kg). No groundwater contamination was detected.	Heavy metals exceeding the standard values of the Soil Contamination Countermeasures Act were detected at the business sites on the left. Monitoring of the groundwater is conducted at these sites every year and their contamination levels have been confirmed to be below standard values.
Akita Sumitomo Bakelite Co., Ltd.	Lead was detected by soil elution sampling in 2005 (max. 0.032 mg/L whereas the standard is 0.01 mg/L). No groundwater contamination was detected.	
Yamaroku Kasei Industry Co., Ltd	In January 2016, 1,4-Dioxane in excess of the standard concentrations was detected in the company's cooling water effluent, with concentrations of a similar amount confirmed in well water drawn from on the premises that had been used. In consultation with the government, the plant stopped drawing water and switched to a closed water cooling system. The company has no history of using the substance in question.	The company cooperates with an ongoing monitoring survey of the groundwater quality that is regularly conducted by Osaka Prefecture, and also continues to perform independent examinations as well. The latest measurement results were 1.2 mg/L (standard value of 0.05 mg/L).

Initiatives for resource recycling

Marine plastics

When it comes to the problem of marine plastics, we are moving ahead with activities to contribute to reducing plastic marine waste via a number of initiatives based on the Japanese government's Plastic Resource Recycling Strategy. These initiatives include managing the raw materials used and the plastic products we manufacture, promoting the recycling of said products, and developing new products.
We are currently taking part in the Japan Initiative for Marine Environment (JaIME), which was established by major companies and industry organizations in the chemical industry, as well as the Clean Ocean Material Alliance (CLOMA), which was established by a broad range of business operators related to supply chains for plastic products, including those in the chemical industry and distribution/retail industries, with the goal of forming cross-industry partnerships. Through this, we are working to address a variety of challenges by aiming to curb plastic waste across our supply chain as a whole and promoting recycling via 3R activities for plastic products.

Recycling

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

Renewable raw materials

Our company has been using inedible plant-derived raw materials as renewable raw materials, primarily of phenolic resins (Cashew nut shell oil, rosin (pine resin), wood flour, etc.) and molding compounds. They account for about 3.0% of all raw materials used. In order to further increase the rate at which we use renewable raw materials in the future, we will undertake the development of phenolic resins using plant-derived lignin, as well as the use of bioplastics.

Waste Management

Our Group conducts business activities in compliance with environmental laws and regulations while minimizing our impact on the global environment. For waste, we have established rules for on-site verification of waste disposal contractors in accordance with the Waste Management and Public Cleansing Act, and we continue to manage and quantify the amount of waste generated based on the issuance of manifests. Based on the above, we promote minimization of material loss and effective utilization (reuse/recycling), and promote activities to reduce material loss, including of valuable materials.
We also consider it important to work to reduce the environmental impact of society as stated in our Environmental Vision for 2050 (Net Zero) "02. Contribute to reducing CO_2, including along supply chains": "Develop products that factor in reducing CO_2 throughout their life cycle." In this context, weight (volume) reduction, longer service life, recycling, and mono-material design are also initiatives by which we reduce waste in the supply chain as well as CO_2 emissions.
Meanwhile, we have been systematically disposing of polychlorinated biphenyl (PCB) waste in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes. As of the end of fiscal 2021, approximately 60% of the PCBs had been disposed of. Planned disposal of low-concentration PCBs has also been under way since fiscal 2017, and we are moving forward to complete disposal by the legally mandated deadline.

Social

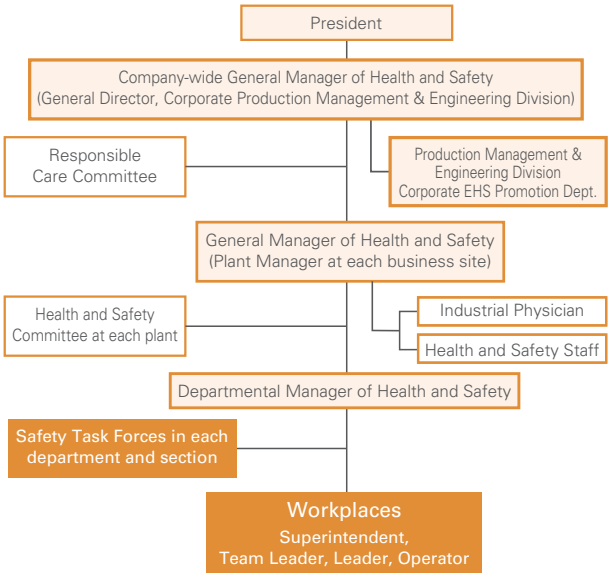
Safety and Security

Our Group believes in the importance of a safe and healthy working environment for employees. We have established a Safety Philosophy that stresses "Prioritizing Safety in Everything We Do," and three Guidelines for Safe Conduct to pursue accident-free and disaster-free operations through the concerted efforts of employees and all parties involved, including subcontractors who work together with the Group. We are pursuing the goals of zero accidents and zero occupational injuries.

Occupational Health and Safety Management System

We have established a Responsible Care Committee chaired by the Executive Officer responsible for company-wide safety.
This committee determines health and safety activity policies along with important measures for preventing disasters and accidents, and based on these, rolls out health and safety activities across the entire company.
Each of our business departments makes efforts closely in tune with the needs of individual workplaces within a company-wide framework and under an accountability structure involving the managers of business departments.
At its monthly meetings, the Health and Safety Committee inspects health and safety management activities, ensures thorough compliance with relevant laws and ordinances, and considers capital investments to realize risk reduction, among other actions.
In 2009, our Group's plants and main subsidiaries in Japan began pursuing ISO45001 accreditation, followed by our Group's overseas subsidiaries from 2010. Today, a total of 24 business sites have received accreditation, including five business sites and three subsidiaries in Japan and 16 subsidiaries overseas.

Management Structure



Machinery and Equipment Risk Reduction Activities

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

Risk Reduction Activities relating to Chemical Substances

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

Complaints from Authorities, Local Governments and Local Communities

Our business sites in Japan along with subsidiaries worldwide comply with laws and ordinances and address prevention needs in order to preserve the environment.

In fiscal 2021, we received no complaints concerning the environment.

Health and Safety Education

We carry out measures to reduce the risks posed by machinery and chemical substances in order to ensure safety on sites where these are used. At the same time, we conduct hazard prediction training as well as initiatives, such as "pointing and calling" and making proposals for reducing near-miss accidents. We have introduced "Safety Gyms" at each production plant to allow employees to learn about the fundamentals of safety. They are able to improve their safety consciousness and learn hazard prediction skills and risk identification skills.

Health and safety activities in which plant managers take the lead and act as role models form the basis for specialized safety education for managers, education on safety laws and regulations for mid-level employees, and hands-on education for new employees regarding hazards. In addition to rank-specific and specialized training, such as risk assessment training on specific hazards and toxicities at each business site, we make use of our online Safety Portal Site, accessible by all employees, to disclose information on accidents and disasters and to share information in a timely manner. In addition, education has been implemented at all business sites using posters presenting our Safety Philosophy and Safety Action Guidelines in eight languages.


Educating new recruits

Occupational Accident Figures

Trends in the Frequency Rate of Accidents at Sumitomo Bakelite Co., Ltd. and Subsidiaries Worldwide

The graph on the right shows the overall frequency rate,*1 of occupational accidents including those occurring at subsidiaries worldwide.

Although the number of occupational accidents resulting in lost workdays in Japan increased by one case, the frequency rate remained flat due to an increase in total hours worked with the addition of SB Kawasumi Laboratoris Inc. and the overseas frequency rate has improved significantly due to a 27% decrease.

*1 Frequency rate of Occupational Accidents = (Deaths and lost-time injuries/total working hours) x 1,000,000

* The period covered is from January to December of each year.
Data from SB Kawasumi Laboratories (3 domestic plants and 2 overseas plants) is added from 2021.

* Total number of hours worked
Sumitomo Bakelite Co., Ltd. only: 3,888,041 hours
Sumitomo Bakelite Co., Ltd. and subsidiaries in Japan: 7,226,010 hours
Overseas subsidiaries: 12,384,260 hours

Trends in Occupational Accidents at Sumitomo Bakelite Co., Ltd. and Subsidiaries

Number of Employees Injured as a Result of Occupational Accidents

The graph on the right shows the number of employees injured as a result of occupational accidents at our company as well as subsidiaries in Japan. In 2021, the total number of injuries increased by 40% due to an increase in occupational accidents not resulting in lost workdays. In 2021, there was only one workplace occupational accident that occurred at a subcontractor. In fiscal 2021, there were no fatalities, injuries requiring six months or longer of recovery time, or disabling injuries.

* Total number of hours worked at subcontractors: 732,796 hours

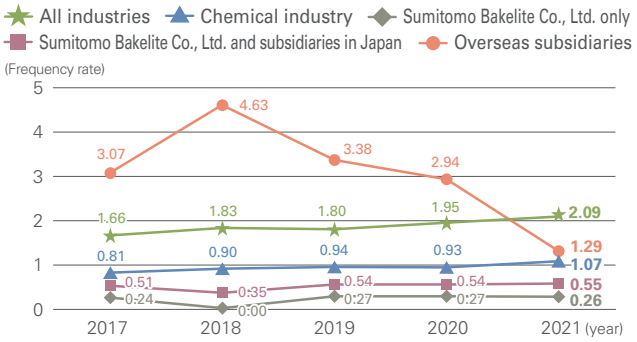
The Amagasaki Plant achieved 1 million accident-free hours, and the Utsunomiya Plant achieved 2 million accident-free hours. In addition, the Utsunomiya Plant received the Tochigi Labor Bureau Director's Award of Excellence for Health and Safety.

Occupational Accidents by Type

Occupational accidents in Japan categorized by type are shown in the graph on the right. In 2021, accidents involving pinching and entanglement, as well as falls, were concentrated at particular business sites. In particular, pinching and entanglement, which directly cause serious accidents, were specified as a priority audit item in 'Monozukuri' Audits, and auditors were given refresher training on machine safety and guidance during audits. By again notifying all employees of our Safety Action Guidelines and utilizing our Safety Portal Site, we will continue with initiatives to enhance the safety awareness of workers regarding accident types.

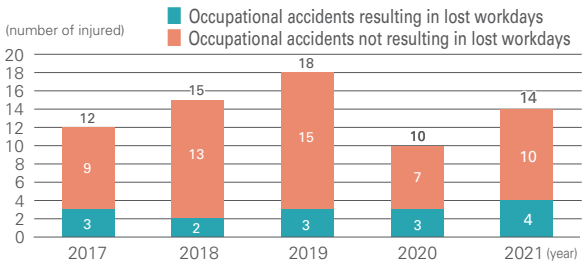
In the event of an accident, risk assessment and corrective measures are conducted based on the results of investigations into the cause, and efforts are made to prevent the recurrence of similar accidents of the same type.

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



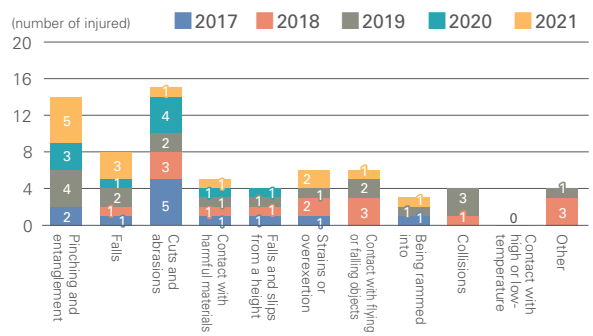
* The independent assurance covers the frequency rates of Sumitomo Bakelite Co., Ltd. only, as well as our japanese and overseas subsidiaries.

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



* The period covered is from January to December of each year.
Data from SB Kawasumi Laboratories (3 domestic plants) is added from 2021.

Number of Employees Injured by Type of Occupational Accidents (in Japan)



Trends in Occupational Accidents at Overseas Subsidiaries

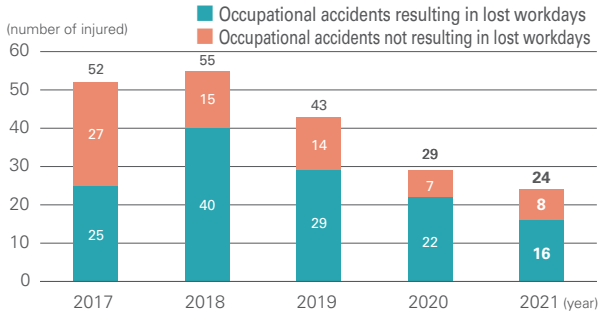
Number of Employees Injured as a Result of Occupational Accidents

The graph below shows the number of employees injured as a result of occupational accidents at our overseas subsidiaries. In 2021, the total number of injuries decreased by 13% from 2020 due to a 27% decrease in injuries resulting in lost work days. In 2021, there were no workplace occupational accidents that occurred at a subcontractor. In fiscal 2021, there were no fatalities or disabling injuries, but there was one injury that required more than six months of recovery time.
SNC Industrial Laminates achieved 1 million accident-free hours, and Sumitomo Bakelite (Dongguan) Co., Ltd. achieved 6 million accident-free hours.

Occupational Accidents by Type

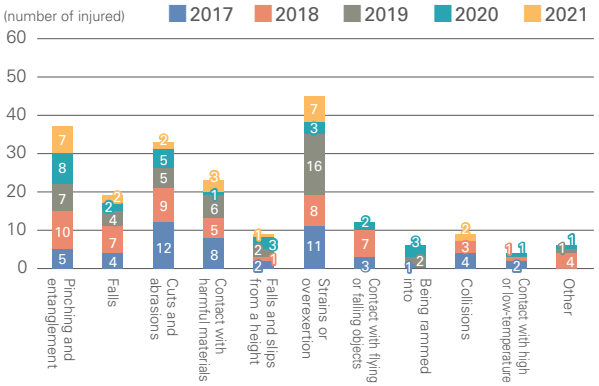
Occupational accidents overseas categorized by type are shown in the graph below. The most common occurrences in 2021 were pinching and entanglement, as well as strain and overexertion, accounting for 48% of the total. We will continue to post educational materials in multiple languages (English, Chinese) to our Safety Portal Site, make progress in spreading awareness among all employees through use of posters presenting our Safety Action Guidelines, and continue to raise safety levels to the same level as in Japan. In the event of an accident, risk assessment and corrective measures are conducted based on the results of investigations into the cause, and efforts are made to prevent the recurrence of similar accidents of the same type.

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



* The period covered is from January to December of each year. Data from SB Kawasumi Laboratories (2 domestic plants) is added from 2021.
* Total working hours for overseas subsidiaries and subcontractors are not calculated for 2021 because no occupational accidents occurred.

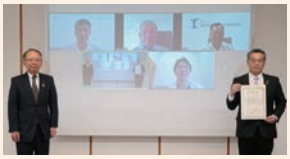
Number of Employees Injured by Type of Occupational Accidents (Overseas)



TOPIC Award for Zero Accidents

Sumitomo Bakelite (Dongguan) Co., Ltd. became the first company in our Group to achieve 6 million accident-free hours. In response, President Fujiwara presented a certificate of commendation at the online awards ceremony. We will continue to implement initiatives in line with our Group's Safety Philosophy and Safety Action Guidelines to achieve 10 million hours of accident-free operations by promoting improvements through the concerted efforts of all employees.
The Utsunomiya Plant achieved 2 million accident-free hours and received the Tochigi Labor Bureau Director's Award of Excellence for Health and Safety. Our company was selected as one of the workplaces in the region that are recognized as having particularly good standards of safety and health and as being a model for others. All employees will continue to work together to achieve further accident-free operations.
In addition, the Amagasaki business site and SNC Industrial Laminates achieved 1 million accident-free hours.


Online award ceremony for Sumitomo Bakelite (Dongguan) Co., Ltd.


Online award ceremony for SNC Industrial Laminates


Award ceremony for the Utsunomiya Plant, Tochigi Labor Bureau Director's Commendation

Accident Prevention

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


Sumitomo Bakelite Macau Co., Ltd.: Firefighting drill


Akita Sumitomo Bakelite Co., Ltd.: Disaster prevention training (water discharge drill)


Sumitomo Bakelite Europe (Barcelona), S.L.U.: Disaster prevention training (aid)


Mie Plant, Oita Business Site, SB Kawasumi: Chemical spill training

Chemical Substance Management

Chemical Substance Management throughout Product Life Cycles

The targets for 2020 agreed upon at the WSSD*1 call for the worldwide and comprehensive management of chemical substances throughout the product life cycle, from development to manufacturing, use and disposal in order to minimize the significant adverse effects on human health and the environment caused by the manufacture and use of chemical substances. Since then, the laws and regulations in each country have become stricter, and our Company is taking action to comply with laws and regulations.

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

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

*1 See the glossary on page 122.

Chemical Substance Management System

We are focusing on promoting the use of SDSs*2 across the Group not only for disclosing information related to chemical substances under regulatory control in Japan and overseas, but also for disclosing relevant information voluntarily so as to improve the quality of the Group's information disclosure practices. Particularly for the GHS*3 system, we have introduced ExESS*4 and offer SDS and labels that are compliant with the laws and regulations of 46 countries and territories, including Japan, in the official language of each. We are revising our SDSs to comply with Japan's revised JIS and revised PRTR Act from April 2022, and are preparing for the addition of substances subject to the Industrial Safety and Health Act from next year onward.

*2-4 See the glossary on page 122.

Countries and territories for which we provide SDSs (number of SDSs of which the latest version can be provided as of April 1, 2022)

USA	614	Austria	10	Thailand	740	Brazil	23	Morocco	4
Ireland	–	Netherlands	222	Czech Republic	6	France	121	Russia	17
UAE	–	Canada	21	Denmark	2	Vietnam	273	South Korea	1808
United Kingdom	75	Costa Rica	–	Germany	430	Belgium	104	Taiwan	1450
Israel	9	Singapore	509	Turkey	5	Poland	5	China	2684
Italy	153	Switzerland	41	New Zealand	5	Portugal	23	Japan	6267
India	116	Sweden	3	Norway	–	Malta	35		
Indonesia	254	Spain	17	Hungary	62	Malaysia	727	Molded parts	541
Uruguay	1	Slovakia	–	Philippines	505	Myanmar	1		
Australia	29	Slovenia	7	Finland	–	Mexico	68		

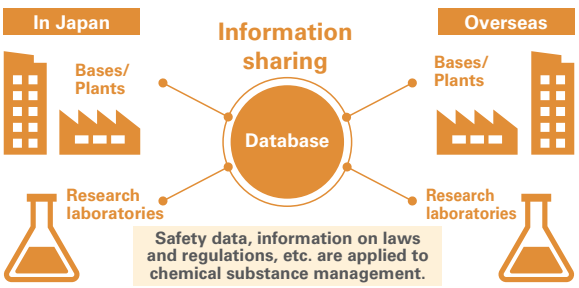
* Countries and territories for which we provide SDSs: 46 (Asia: 12, Europe: 23, North America: 3, Latin America: 3, Oceania: 2, Middle East: 2, Africa: 1)
* Items marked "-" are those for which SDSs were provided in accordance with the local laws and in the local language, but are no longer available due to discontinuation or other reasons.

Chemical Substance Management System

In the interest of ensuring safety, we confirm that all of the chemical substances constituting the raw materials and products handled by the Group conform with the laws and regulations of each country. We are also making progress with the creation of a Chemical Substance Management System to centrally manage these chemical substances. Introducing this system allows us to speed up chemical substance-related investigations (inventory in each country, the safety of products and raw materials, regulatory information, etc.) and to provide accurate information. We are now rolling out the system laterally to plants that manufacture molded articles*5 and expanding application of volume tracking management to products for Taiwan and South Korea, in addition to Japan's Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture and Industrial Safety and Health Act as well as Europe's REACH.*6 We will continue to enhance our system for managing chemical substances in order to ensure even more meticulous management of these substances.

*5 "Molded articles" here refers to all molded articles that have a defined shape with dimensions that can be measured. This applies to molded products and parts of devices, electronic components, paper, packaging materials, etc.
*6 See the glossary on page 122.

Chemical Substance Management System



Product Liability

The Group's Basic Policy and System for Quality Assurance

Our Group has established quality management systems (QMS) based on ISO9001 and is continuing to acquire relevant certifications (a total of 36 sites have been certified as of Sunday, May 01, 2022). Recognizing the provision of products and services that customers can always feel satisfaction and peace of mind in using is an important social mission for our Group, all relevant departments collaborate on all processes—from product planning, research, design & development, preparation for production, production, sales & service, to quality assurance—with an awareness of the importance of ensuring the safety of products and create and appropriately implement and management frameworks within which to enhance and maintain product safety and quality. In order to ensure that all employees of our Group systematically implement product safety and quality assurance initiatives in accordance with QMS, we have formulated a Quality Management Policy and provide education to quality control manager candidates as part of our Quality Control Manager Training Course.

Fiscal 2022 quality management policy

Basic policy

Placing the customer first, and quality first, thereby contributing to society in keeping with SDGs and to profit through essential improvements from process flow conducive to quality formation

One Sumibe/Zero Defect/Proactive

Measures: SDG 12: Ensure sustainable consumption and production patterns

1. Working toward Ensuring Quality that Provides Safety and Security of Mind (QA Department's Role and Responsibility)
2. Quality Improvement Activities of Existing Businesses (Complaints Handling Aimed at Improving Customer Satisfaction)
3. Reducing Risks to New Products or New Businesses
4. Improvement of the Entire Total Manufacturing (Monozukuri) Process through Daily Inspection and Monozukuri Audit
5. Training Quality Management Representative who takes on the Next Generation

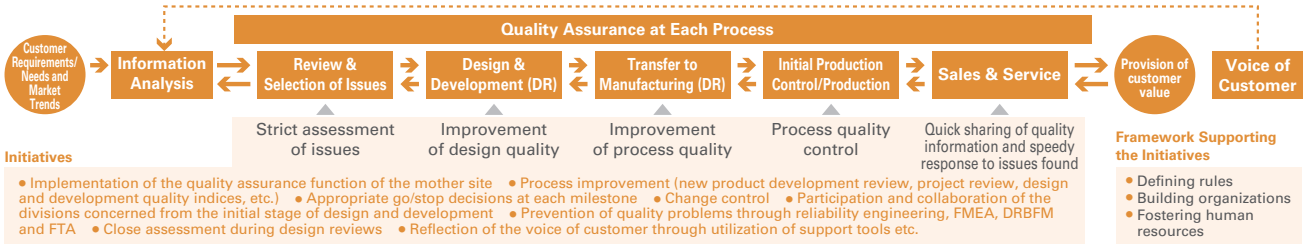
Quality Management System

* See the glossary on page 122.

QMS Certification Received

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

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



Quality Improvement Activities for Existing Business

We are working to enhance the quality of our existing products through such efforts as ensuring rapid response to complaints, taking measures to prevent reoccurrences of problems, and rigorous 4M change control. Cross-functional responses are made to rapidly solve not only serious but also minor complaints. In order to prevent new occurrences and recurrence of issues leading to complaints and process abnormality, we use "Why-Why Analysis" and "Further Investigation" to identify what happened, causes, and countermeasures, among other factors, concerning these issues. In fiscal 2021 we carried out checks in cooperation with the business sites to determine whether their structures for soundly implementing countermeasures to complaints were functioning, and we have been able to reduce complaints. We will continue these efforts in fiscal 2022.

Reducing Risk Relating to New Business

There is a need to improve (optimize) the output quality (degree of perfection) of product designs and process designs when developing new products and to shorten (minimize) the time required for the development process by minimizing rework. In order for our Group to meet these needs, we continually make efforts toward improvement and refinement our QMS from the standpoint of functional assurance.

❶ Shortening New-Product Development Periods and Improving Work Quality

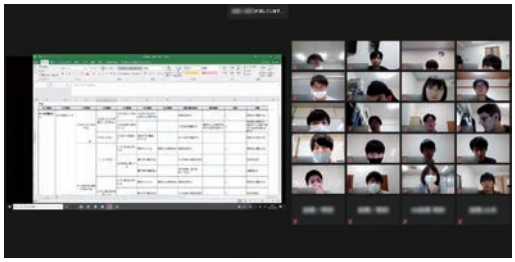
In new product development, initial plans are often delayed because of the tendency for a variety of problems requiring reworking to arise. To prevent this, we implement the Plan-Do-Check-Action (PDCA) cycle to increase the degree of perfection of design quality and shorten the development period through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

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

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

❷ Proactive Use of Various Quality Control Techniques

In addition to design review (DR) during each stage of product design and process design, we conduct Failure Modes and Effects Analysis (FMEA) to predict potential failures or abnormalities by analyzing health and safety risks on people including customers related to our products, along with Design Review Based on Failure Mode (DRBFM) that focuses on changes to the design and changes to conditions and the environment. In turn, we implement risk reduction measures in all processes of DR, FMEA and DRBFM as well as during technical verification at the time of using new raw materials. In addition, we use Fault Tree Analysis (FTA) that rationally analyzes accidents and defects in a hierarchical manner to discover root causes and fundamental solutions for preventing recurrence.
In fiscal 2021, quality education was provided to manufacturing/research managers in the Quality Control Manager Training Course mentioned above, as well as to younger employees. We will continue these efforts in fiscal 2022.



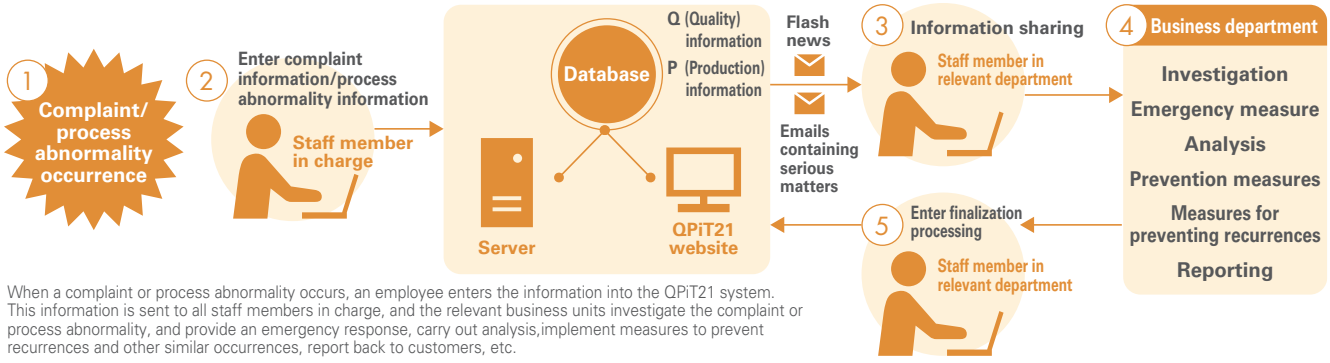
Quality education conducted online for second-year engineering employees (FTA/FMEA)

The "QPiT" System for Processing Quality-Related Complaints

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

In fiscal 2021, operations also began at SB Kawasumi. We have also begun conceptualizing a new system for data-driven quality control. After confirming the advantages and disadvantages at each business site, we will proceed with the introduction of the new system in fiscal 2022.

● Quality Complaint Processing Flow



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

Internal Quality Auditing and Daily Inspection/Review

For the quality audit for fiscal 2021, we continued to carry out the 'Monozukuri' Audits (see below), a system operated since fiscal 2017, which is conducted jointly for the three departments of quality, EHS, and SBPS within the Corporate Production Management and Engineering Division.
The Corporate Quality Assurance Promotion Department inspects and examines operations daily from customers'perspectives through support of R&D activities at research departments (participation in DR, cooperation with FMEA, etc.) and support of production activities at each business department (change control, FEMA, FTA, Why-Why Analysis and Further Investigation, participation in quality meetings and DR, maintaining/managing quality information and quality data, and checking the appropriateness of complaint countermeasures, etc.). It also carries out activities to raise awareness about quality improvement.

'Monozukuri' Audits

Purpose and method of the 'Monozukuri' Audits

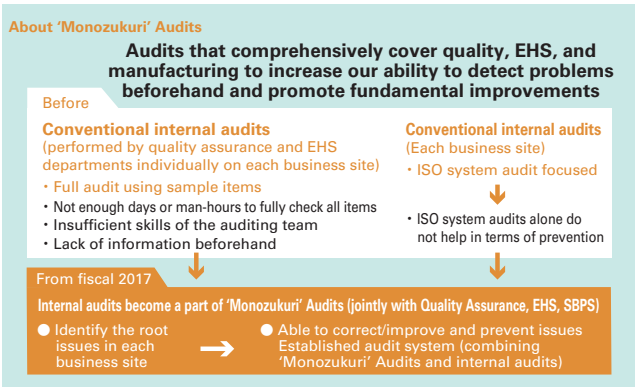
Conventional quality, environment, and safety audits that have been conducted for each business site made it difficult for us to identify the root issues each business site is faced with, due to factors such as insufficient man-hours spent on the audits, inadequate skills of the auditors, and a lack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

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

In fiscal 2021, we established and implemented an educational plan in order to strengthen education for Internal Auditors by dividing into finely differentiated steps the process starting before internal auditing and proceeding beyond "Monozukuri" Audits.

Results of 'Monozukuri' Audits

In fiscal 2021, we conducted remote audits at four domestic business sites under direct control (the Shizuoka, Kanuma, Amagasaki and Utsunomiya Plants), four subsidiaries (Kyushu Sumitomo Bakelite Co., Ltd. Akita Sumitomo Bakelite Co., Ltd. Yamaroku Kasei Industry Co.Ltd. and S.B. Sheet Waterproof Systems Co., Ltd. [Nara Plant]), and overseas at Sumitomo Bakelite (Nantong) Co., Ltd. Initially, we planned to conduct remote audit test cases at one domestic site and one overseas site in response to the COVID-19 pandemic. However, we expanded the testing to 4 sites in Japan (including 2 sites of subsidiaries) and 1 site overseas, including whether it is possible to conduct remote audits instead of on-site audits when on-site audits are not possible.
Although there are some issues with limitations on the places to be inspected within business sites, and in checking on places not scheduled at the time of the audits, we were generally able to achieve our objectives through detailed discussions with the business sites in advance.
In addition, we changed the evaluation method of audits to a method that can reflect the efforts of each office in the evaluation, and by promoting the motivation of each office, we have oriented the internal audit to lead to more in-depth activities. In fiscal 2022, we will continue to improve our systems to enhance internal audits.




A 'Monozukuri' Audit at the Utsunomiya Plant


A 'Monozukuri' Audit at the Shizuoka Plant


A 'Monozukuri' Audit at the Shizuoka Plant

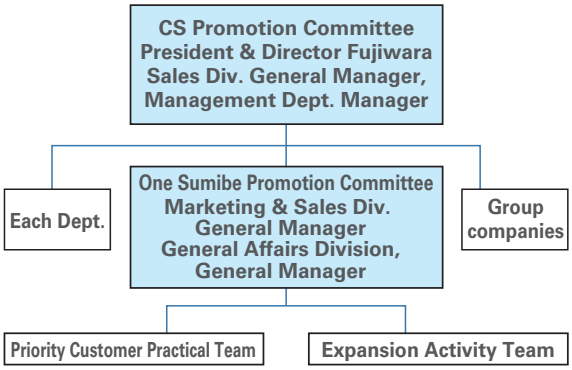

A 'Monozukuri' Audit at Sumitomo Bakelite (Nantong) Co. (remote audit)

CS (customer satisfaction) enhancement

CS a top priority

Under our Group policy of making customer satisfaction (CS) a top priority, our CS Promotion Committee deliberates and determines policies and measures. Meeting on a monthly basis, this committee has convened a total of 246 times, and its activities are firmly rooted in our Group.
Internally, we hold a CS discussion meeting annually to share CS activities and enhance awareness of CS. Every year, each business site and business division creates their own CS Declaration on the five CS principles. This year, many of the declarations related to SDG promotion and carbon neutrality initiatives.
Business presentations to trading companies, which were canceled the previous year due to the COVID-19 pandemic, were livestreamed online this year. We expressed our gratitude to the trading companies and distributors who support us on a daily basis, and shared our Group business policies. We sent certificates and commemorative plaques to trading companies that made particularly large contributions. In the coming year, we will continue to hold meetings to deepen our relationships of trust through an even more active exchange of ideas.

CS Promotion System and One Sumibe Activity Structure



Cross-organizational Promotion of One Sumibe Activities

Our Company promotes One Sumibe Activities as one of our key measures. Our CS aims include providing customers with value and a more delightful experience through efforts that cut across our whole company.
One Sumibe Promotion Committee held an information-sharing meeting with the aim of improving company-wide responsiveness on themes that have become crucial in recent years, such as environmental responsiveness and utilization of digital technology. In addition, we planned and held an event to express our appreciation for cross-divisional contributions, and promoted educational activities and culture building to mobilize company-wide capabilities.
The Priority Customer Practical Team will provide solutions from a company-wide perspective to help solve customer issues.
The Expansion Activity Team also continues to hold cross-departmental product study sessions. The establishment of a point of contact for departmental consultations has resolved uncertainty about where to direct questions. Activities have expanded in various ways, including empathy through the compilation of case studies in successful practices, and the use of sales channels.
In the coming year, we will further promote the revitalization of our entire group through participation by each and every one of us.

One Sumibe Activities Medium-term Policy (fiscal 2021-2023)

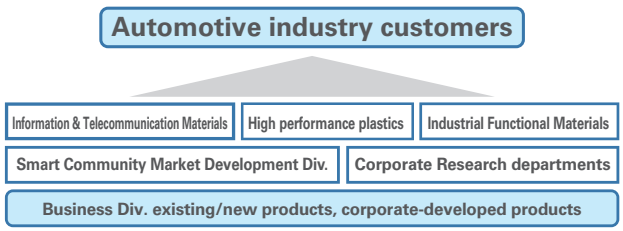
"Cross organization"
Consolidating our strength across organization to achieve the vision of the group.

One Sumibe Promotion Committee

Information-sharing Meeting
Various educational activities

Expressions of gratitude

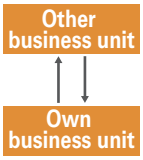
Priority Customer Practical Team (Automotive Field)



Expansion Activity Team


Product study sessions


Visibility of success stories



Utilization of sales channels

Utilizing QPiT Information to Enhance CS

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

The QPiT system allows us to quickly share information with management and provide feedback with QPiT-based complaint statistics data to business units in order to confirm the effectiveness of claim recurrence prevention and to shorten the time required to respond to claims. Furthermore, in the new system to be introduced in fiscal 2022, we are working to create a data structure that will enable more detailed statistical analysis of claim information to help with CS improvement activities.

Link P69 The QPiT product quality information management system

Dissemination of Corporate Information

In order to help stakeholders gain a better understanding of the Group's diverse activities, we strive to ensure that all our communications comply with applicable laws, regulations and in-house rules, and use honest, appropriate, and easy to understand display methods and expressions.
Besides the disclosure of corporate information as mandated by law, we use diverse media to disseminate information externally, such as press releases, advertising in newspapers and magazines, booklets, advertisements in train stations, Shinkansen carriages, and baseball stadiums, as well as signage and our website. We made our corporate website compatible with smartphone viewing (Japanese, English and Chinese language versions). Through our exhibition booths and some of our product displays, we present final products and digital signage in which our Group's products are used as parts or materials to help customers and business partners understand our new Group activities better. Since fiscal 2020, we have also been focusing on spreading information through video content, in part due to the impact of the COVID-19 pandemic.

Digital signage ads on the Tokaido and Sanyo Shinkansen lines

YouTube distribution of video content: Skin-type packaging film (Oishisa Skin®)

Advertisement posted on the outfield fence of the Belluna Dome, home of the Saitama Seibu Lions.


Sumitomo Bakelite North America, Inc. Open Lab


MYFC uniform (with Company name displayed on the back), in a display space at the head office

Company TV screen advertisement during Belluna Dome Mynavi All-Star Game 2021 (July 16) at the Belluna Dome

Recruiting and Employment

The Group's business activities would not be possible without its employees. Recruiting and employment is an important aspect underpinning the stable continuity of our business operations. Through new recruitment upon graduation and career recruitment, we aim to secure appropriate human resources.

We carry out recruitment under a policy for the fair selection of talent with an eye on employee diversity. The Responsible Care Committee* monitors, reviews and makes changes to our recruitment practices.

* See page 45.

Number of Group Employees and Executive Officer

Numbers of Employees in Japan and Overseas (as of March 31, 2022)

(Unit: Persons)

	Directors	Executive officers	Employees	Temporary employees*1	Total
Sumitomo Bakelite Co., Ltd.	10	12	1,538	280	1,840
Subsidiaries in Japan	26	-	1,538	355	1,919
Overseas subsidiaries	29	-	4,798	505	5,332
Total	65	12	7,874	1,140	9,091

* The number of Corporate Officers is shown as the number of Directors. The number of Executive Officers excludes Directors.
* The numbers of Standing Corporate Officers of domestic and overseas subsidiaries includes those seconded from Sumitomo Bakelite Co., Ltd. and excludes those serving concurrently as Corporate Officers of Sumitomo Bakelite Co., Ltd.
*1 Temporary employees: part-time and casual workers

Breakdown of employees by region, by age, and by gender (as of March 31, 2022)

(Unit: Persons)

Region	Male				Female				Total			
	Age 29 or younger	Age 30 to 49	Age 50 or older	Subtotal	Age 29 or younger	Age 30 to 49	Age 50 or older	Subtotal	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Japan	232	1,297	1,005	2,534	123	271	148	542	355	1,568	1,153	3,076
East Asia	92	646	77	815	48	402	41	491	140	1,048	118	1,306
Southeast Asia	166	575	114	855	334	893	272	1,499	500	1,468	386	2,354
North America	55	208	265	528	22	98	116	236	77	306	381	764
Europe	36	163	124	323	5	28	18	51	41	191	142	374
Total	581	2,889	1,585	5,055	532	1,692	595	2,819	1,113	4,581	2,180	7,874

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

Breakdown of the number of temporary employees by gender (as of March 31, 2022)

(Unit: Persons)

	Male	Female	Total
Number of temporary employees	483	658	1,141

(Unit: Persons)

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of temporary employees	635	250	207	37	12	1,141

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

Breakdown of the number of newly recruited employees in fiscal 2021 by gender, by age, and by region

(Unit: Persons)

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	568	664	1,232	684	498	50	1,232
Ratio of employees as of March 31, 2022	11%	24%	16%	61%	11%	2%	16%

(Unit: Persons)

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of persons	124	309	591	140	68	1,232
Ratio of employees as of March 31, 2022	4%	24%	25%	18%	18%	16%

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

Breakdown of the number of employee turnover in fiscal 2021 by gender by age and by region

(Unit: Persons)

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	479	354	833	245	439	149	833
Ratio of employees as of March 31, 2022	9%	13%	11%	22%	10%	7%	11%

(Unit: Persons)

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of persons	88	356	116	233	40	833
Ratio of employees as of March 31, 2022	3%	27%	5%	30%	11%	11%

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

Company employee recruitment (numbers of newly graduated/career recruits)

(Unit: Persons)

Recruitment upon graduation	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (scheduled)
Number of Company employees recruited	20	33	37	38	43	55
Ratio of newly graduated recruits*1	66.7%	82.5%	90.2%	84.4%	75.4%	
Male	14	27	31	34	33	—
Female	6	6	6	4	10	—

(Unit: Persons)

Career recruitment	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (scheduled)
Number of Company employees recruited	10	7	4	7	14	8
Ratio of career employee recruitment*2	33.3%	17.5%	9.8%	15.6%	24.6%	
Male	7	6	2	7	12	—
Female	3	1	2	0	2	—

* Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).
*1,2 The ratios of newly graduated recruits and career recruits are given as percentages of the total recruit count for the relevant fiscal year (the sum of newly graduated recruits and career employee recruits).
*2 The ratio of career employee recruitment pertains to disclosure of mid-career recruitment under the Act on Comprehensive Promotion of Labor Measures.
* Does not include persons forwarded from other companies or employees reassigned from subsidiaries or affiliates in Japan.
* Includes temporary employees who are not post-retirement hires.
* Since employee recruitment is gender-neutral, the gender composition of the planned intake of new employees for fiscal 2022 is unknown, and is not covered by third-party assurance.

Breakdown of the number of newly recruited employees in fiscal 2021 (by gender and by age)

(Unit: Persons)

	Age 29 or younger	Age 30 to 49	Age 50 or older
Number of Newly Recruited Employees in Fiscal 2021	57	0	0
Male	45	0	0
Female	12	0	0

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

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

(Unit: Persons)

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Number of men hired	13	21	24
Number of women hired	6	6	6
Number of men retained	11	19	22
Number of women retained	5	5	5
Male	84.6%	90.5%	91.7%
Female	83.3%	83.3%	83.3%
Total	84.2%	88.9%	90.0%

* The numbers in the table represent the rate among newly graduated recruits with at least a bachelor's degree.
* For fiscal 2019, this indicates the percentage of employees hired on Monday, April 01, 2019 who were still employed with the company on Friday, April 1, 2022.

Employee Turnover and Turnover Rate in Fiscal 2021 (by gender and by age)

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	31	7	38	8	7	23	38
Ratio of employees as of March 31, 2022	2.2%	3.4%	2.3%	6.0%	0.7%	4.3%	2.3%

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

Continued employment beyond the age of retirement

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

Continued employment after retirement

(Unit: Persons)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of retirement-age employees	18	23	17	38	34
Number of post-retirement rehires	13	20	16	34	28
Rehiring ratio	72%	87%	94%	89%	82%

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

Regarding Retirement Benefit Obligations

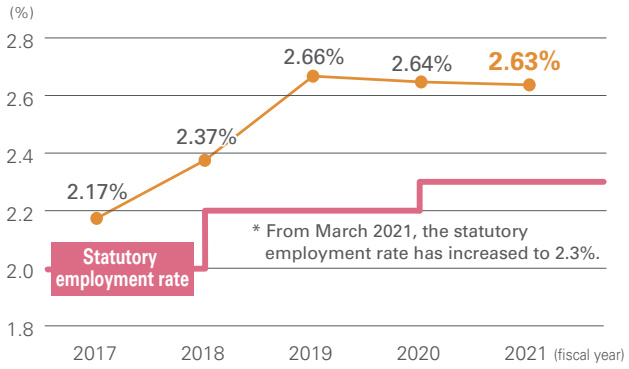
Regarding retirement benefit systems, the Company employs a defined-benefit system in Japan. Overseas, some consolidated subsidiaries concurrently use defined-contribution and defined benefit systems. The consolidated retirement benefit obligations for fiscal 2021 totaled ¥38.3 billion, and pension funds were ¥39.7 billion.

External link Securities Report

Employment of People with Disabilities

Our company considers the employment of people with disabilities, as stipulated by law, to be an integral part of corporate social responsibility. While giving the necessary consideration to enabling those with disabilities to carry out their work, we endeavor to offer workplaces that are as safe and secure for those with disabilities as they are for others, and that allow employees to continuously hone and cultivate their skills. We are also making continuous efforts to employ new graduates with disabilities by, for example, accepting students with disabilities for internships so as to provide them with opportunities that suit their conditions and workstyle needs. These initiatives are approved, monitored, reviewed and modified by our Responsible Care Committee.

Employment rate of people with disabilities over the past five years



* The employment rate of people with disabilities for each fiscal year is calculated by dividing the total number of persons with disabilities as of the first day of each month by the total number of regular employees as of the same day.

Initiatives to Promote the Advancement of Women

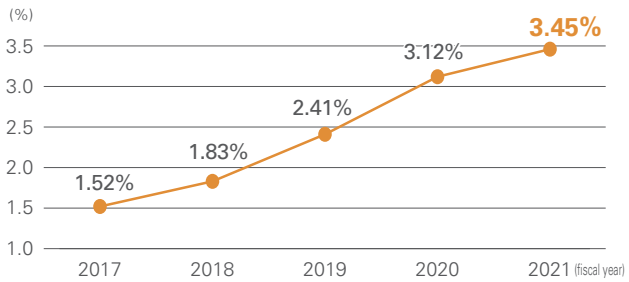
We acknowledge that it is important for each of our employees to be able to play active their roles and demonstrate their individuality so that we are able to respond to the diverse needs of our customers, and we promote this diversity of talent. Within this, we recognize there are issues that we must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

By March 2021 there were 36 female managers, for a female management staff ratio 3.5%. Moreover, we formulated a new action plan in April 2020. The action plan addresses the issue of the low ratio of female career-track employees by calling for "a ratio of female career-track recruits of 20% or more each year," a goal that we began addressing in fiscal 2020.

Of newly graduated recruits in fiscal 2021, the ratio of women was 20.0% (6 women among a total of 30 newly graduated recruits).

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

Trends in the proportion of female management staff



* Applies to management staff excluding Executive Officers.
* Includes those seconded to other companies with qualifications as managerial staff.
* The ratios are values for the end of each fiscal year.
* Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).

Work-life balance

Our Position on Work-Life Balance

We promote the creation of workplaces that are comfortable in terms of work-life balance in keeping with these objectives:

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

We have been enhancing each of our leave entitlement programs, including beginning in 2018 to allow employees to apply accumulated annual paid vacation in one-day increments for infertility treatment and cancer treatment. As for annual paid vacation, we had already expanded to 40 the number of accumulated unused days of annual paid vacation that may be carried over, and this was further expanded to 60 days in January 2020. We also adopted a system for annual time off based on hourly increments in January 2020.
From June 2020, eligibility for child nursing care leave was expanded from employees with children up to the third grade at elementary school to those with children up to the sixth grade, and use of accumulated annual paid vacation is also possible. Also, in January 2021, we enabled employees to acquire child nursing care leave and family care leave in hourly increments, so that these can be accrued either in ten-minute or one-day increments.
Effective January 1, 2022, the number of annual days off for regular daytime workers has been increased by two days. As a result, the prescribed annual working hours have been reduced. We will continue to implement such initiatives as part of efforts to further promote better work-life balance.

Preparing the Workplace for the COVID-19 Pandemic

Amid the spread of COVID-19 infections, our Company is naturally providing each employee with education on preventing infection as we put effort into establishing an environment in which we can work with assurance even amid the COVID-19 pandemic by reducing the risk of infection for our employees and for guests who visit our Company.
From January 2021, we introduced a work-from-home system for the entire company, and we are working to create an environment that allows employees to work from home regardless of where they work by deploying mobile PCs for desktop users, enhancing remote access (VPN) and videoconferencing systems (e.g., Zoom), and other measures. We are also recommending remote conferencing as a communication tool among customers and employees, and the environment is being expanded with the installation of dedicated private booths. While reducing infection risk in the future, we are working to make our operations even more efficient through optimum combinations of in-person and remote work.
In addition, in October 2021, a special paid leave system was introduced to support the child-rearing generation, providing a total of 23 employees with a total of 40 days off as of March 31, 2022. Airborne droplet transmission prevention panels, a product of our company, have been installed at facilities including offices, conference rooms and reception rooms at the Head Office and each business site as we take meticulous care to guard against infections and prevent their spread.

Employee Support for Various Life Events

We are focusing on creating an environment in which our employees can achieve their goals for both work and life events (such as childbirth and childcare). We are also encouraging employees to proactively utilize various programs provided by our Group to help them deal with important life events, and since the implementation of childcare leave and nursing care leave programs, the proportion of employees returning to work after taking childcare or nursing leave has been almost 100%. The number of people who took childcare leave in fiscal 2021 came to nine women and eight men, while no employees took nursing care leave. We will continue to implement initiatives that exceed the specifications of legal standards in order to enhance employee support.

Next-generation Certification Mark (Kurumin)

Programs Relating to Childbirth and Childcare

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

Programs Relating to Nursing

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

Number of overtime hours worked and days of paid leave taken by regular employees ✅

	FY2017	FY2018	FY2019	FY2020	FY2021
Average number of overtime hours (per annum)	146.6	157.7	131.0	102.8	121.9
Average number of days of paid leave used	12.1	13.4	14.4	12.6	12.9

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

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

During childcare leave, I experienced the importance of mutual help firsthand. I am grateful for the cooperation of everyone at my workplace, and want to work even harder

We welcomed our first child in October 2021 and I took parental leave from November 1 to December 15. I decided to take childcare leave because this was to be our first experience with childrearing, and because our parents' homes are far away, so it would be just the two of us, husband and wife, raising our child. I was apprehensive about a long leave of absence, partly because I was in charge of my production site. When I discussed this with my supervisor, however, I was told I should put my family first, and by having the situation explained to my workplace with a request for their cooperation, I was able to take the childcare leave with peace of mind.
During my childcare leave, I experienced firsthand the difficulties of raising a child, but also the importance of helping each other. Recently, we often hear terms like "one-parent child care," but I still believe that it's physically and mentally impossible for one parent to raise children all alone. On the other hand, I also feel that by cooperating and helping each other, we were both able to take time for ourselves, rather than letting either one of us become overwhelmed with childcare. Now that the baby is weaned, our days are busier than they were during my absence, but we have both returned to work and are struggling every day to balance our work with childcare. I have no doubt that I am in my current situation thanks to the fact that I was enabled to face up to the task of childcare during my childcare leave. Again, I would like to thank everyone in the workplace who helped me take childcare leave. For this reason, in the future I would like to support my colleagues who are in a similar position, and to be even more committed to my work.

Manufacturing Department, Kanuma Plant
Tatsufumi Aizono

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

I feel gratitude for the understanding and consideration of my workplace. If someone close to me takes childcare leave, I want to actively support them

I gave birth to my first child in March 2021 and took childcare leave for about a year before returning to work in April of this year. Raising a child is many times more demanding than I had imagined, but I was helped by the people around me and my surroundings throughout my pregnancy, so I spent my days filled with gratitude for that.
Childcare is a 24/7 occupation from the day you give birth, and you have to take care of your child without taking time to recover yourself. I had to put off any concerns of my own for later, couldn't go to the bathroom whenever I pleased, and didn't even have time to eat at a relaxed pace ... I was often stressed out. However, I have made it this far thanks to the support of my husband, my parents, and others around me.
I got a sense of how amazingly fast a child grows during that first year. Although there were difficulties every day, I was very happy to be able to use the maternity leave program to spend invaluable time with my child.
I was anxious about returning to work, but my supervisor and everyone in the department was warm and supportive, so I was able to return to work with peace of mind. While contributing to the company in the future, I would like to share this experience with people in the company and actively support those around to me who take childcare leave.

Corporate Communications Dept., Corporate General Affairs Div.
Sayaka Tanoue

Human Resources Development

We believe that the growth of each and every employee is a driving force behind the sustainable growth of our businesses. For this reason, we recognize that human resources development is a critical aspect of management. We have established a policy on human resources development and actively offer education so that employees can take action toward their own personal and professional growth. The Responsible Care Committee monitors and reviews these initiatives.

The type of personnel we look for

Our company seeks to hire and foster people who will share and commit to our Basic Policy (Company Philosophy)—"Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities." Furthermore, we need people who will embrace the Company's mission to become an excellent global enterprise that helps enhance customer value through its products and services, creating plastics with more sophisticated functions, and can achieve sustainable growth in the advanced chemical-products sector.
Specifically we seek personnel with the four characteristics listed on the right.

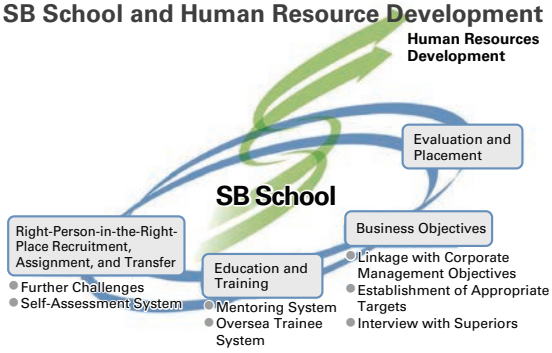
Key characteristics of the autonomously motivated personnel the Company seeks

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

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

In September 2007, our Group opened the Sumitomo Bakelite Co., Ltd. School (SB School) as an in-house training institute.
The aim of SB School is to provide lifelong education and training courses that help our Group achieve sustainable growth of business operations while maximizing corporate value. The school offers courses for all grades of employees from all departments. These include "all-employee education" courses that confirm and reinforce employees' awareness of the Company's Business Philosophy as well as fundamental knowledge about such issues as enhancement of CS, compliance, human rights, occupational safety, quality, and environmental protection. The school also systematically plans and implements various other kinds of educational and training courses needed by employees. During fiscal 2021, many of the educational programs were conducted in remote formats due to the impact of COVID-19. During the year April 2021 through March 2022, the cumulative participation in SB School courses was about 28,000 employees, and the number of hours of education provided was approximately 42,000. We will plan and implement an increasingly wide range of programs to develop the capabilities of all employees—the Company's most precious management resource.

SB School and Human Resource Development



Education and Training Structure of SB School

Grade	All-employee education	Training by corporate departments	Special purpose training	Education for each employee grade	Self-development support
Executive officers	Basic policies/compliance, Safety, Quality, Environment, SDGs, Business and human rights	<Research and Development> Data science, new product development (SBinno), material optics, etc.		Life plan education	Self-development/English conversation, Correspondence courses
MG4/5 SPR		<SBPS> Foreman training, thought process development, etc.			
MG3 PR		<Environment and Safety> Health and safety, LCA, chemical regulations, etc.	CS	Education for line managers (advanced)	
MG2		<Quality> Quality Control Manager training, QC basics, etc.	Strategic scenarios	Education for line managers (basic)	
MG1		<Intellectual Property> Patent information search, technical contracts, Japan Intellectual Property Association, etc.	Negotiating skills enhancement	MG2 education	
Site Leader, Team Leader		<Legal> Personal information management, confidential information management, security export management, etc.	Facilitation	MG1 education (advanced)	
Mid-career employees		<Finance & Accounting> Credit receivables management, introduction to monthly account closing, taxation tips ("don'ts")	Writing e-mails in English (basic/advanced)	MG1 education (basic)	
Second year employees		<Human Resources & Employee Relations> Personnel evaluation, business goals, mental health, etc.	Presentations (performance/materials)	Education for Site Leaders	
New recruits		<Information Systems> DX Basics, information security Excel utilization, etc.	Logical thinking	Statutory education for superintendents	
			Marketing	Education for mid-career employees	
			Global mindset	Education for employees in their third year in the company	
			Team-building	Follow-up education for new recruits	
				Education for new recruits	

SB School Course Participation (fiscal 2021)

(Unit: Persons)

Type of course	Number of participants	Educational aims
Education for line managers (basic)	14	An educational program to develop managers who can serve as links connecting top management goals to the front-line workplace, and voluntarily chart the direction for their own organization
MG1 education (advanced)	29	An educational program for experienced MG1 personnel, designed to systematically organize and deepen their understanding of management principles
MG1 education (basic)	54	An educational program for employees promoted to MG1, to encourage them to think about the role expected of management employees and to change their awareness and behavior
Education for mid-career employees	43	An educational program enabling younger personnel to reflect on themselves and gain new insights as they enter the stage in which they drive the company forward as young to mid-career employees
Education for employees in their third year in the company	29	An educational program for looking back on the previous two years, sharing experiences to date, and gaining insights for making the third and subsequent years with the company more fulfilling
Follow-up education for new recruits	31	An educational program enabling new employees to reconfirm their own strengths and weaknesses through a review of their first year, and to promote further growth in their second year and beyond
Education for new recruits	31	An educational program to create a foundation for new employees to become active members of the workplace after they are assigned jobs
Life plan education	68	An educational program enabling employees approaching retirement to examine what they need to be aware of in order to further enhance their careers and learn to plan for life after retirement
Total	299	

* All programs were conducted remotely.

Education for employees in their third year in the company (screenshot)

TOPIC Manufacturing-oriented SBPS Education

Training course for foremen (trainees at the Amagazaki course)

SBPS activities originally began as an offshoot of on-site kaizen (improvement) activities but are now implemented throughout the Company in order to generate the values demanded by customers and society.
The activities are aimed at securing the revenue and safety (personnel, facilities, environmental, and quality) that our company requires to achieve sustainable development. The activities involve setting specific targets (financial, quantitative, and delivery), planning who needs to achieve each of these targets by when, and implementing these plans without delay, meaning the activities are just the same as the daily work tasks carried out by employees.
We believe that, through the ages, technical capabilities, knowledge, experience, and tireless effort to improve that each individual has who promotes these activities will always bring about our required results. Based on this idea, we have organized education programs targeting each employee grade and level as part of the SB School system. The planning and operation of the education is in principle carried out by employees themselves.
Attendees are required to submit reports, and the emphasis is placed on putting what they have learned into practice in their own departments. Regular followups are carried out to track their progress. Our training course for foremen is one example of our employee grade-based education. We began offering courses designed to foster future workplace leaders back in 2017. In fiscal 2021, the course was conducted online due to the spread of COVID-19, and attended by eight participants.

R&D and Tech Day Held

In November 2021 we held “R&D and Tech Day 2021” to share information about technology across the boundaries of the various departments and businesses that we operate with the aim of enhancing our overall Group-wide technological capabilities. Due to the impact of the spread of COVID-19 infections, this year we continued from last year in using a hybrid of online and in-person formats. The event was spread out over four days, and more than 300 staff members from Japan and overseas participated, primarily from research departments, manufacturing-related departments, marketing, and sales. Total viewership amounted to 1,300 employees. The same type of format is also planned for the 2022 event.

Honoring departments that received the Award for Excellence on R&D and Tech Day 2021

‘Gemba Kaizen’ Activity Presentation Meeting Held

Due to the impact of the spread of COVID-19 infections, ‘Gemba Kaizen’ Activity Presentation 2021, a venue held in May for presenting successful outcomes of daily improvements at each business location, was conducted online. Nearly 400 employees attended, mostly from domestic and international production divisions.

Sumitomo Bakelite (Suzhou) Co., Ltd. employees receive Award for Excellence.

Quality Control Skill Enhancement

We offer 30 quality-training programs at our SB School to increase our employees’ awareness of quality, to prevent quality problems, and to improve quality techniques. November every year is designated as “quality month,” and quality education via e-learning is provided for all employees.
We provide education for second-year employees in the engineering track through the Sumitomo Bakelite Co., Ltd. educational system by offering lectures and practical training in areas such as the company’s quality policy and approach to quality assurance, regulations, quality management systems, problem-solving methods (FTA, FMEA, Why-Why Analysis, and Further Investigation), and statistical methods from the early stages of the careers of employees assigned to the research and production engineering departments. Administrative employees were also included in the eligible group for receiving education in areas such as quality in general, regulations, and management systems.
In the current era of VUCA, which is highly volatile, uncertain, complex, and ambiguous, we have enhanced the curriculum of the Quality Control Manager Training Course with the aim of developing human resources capable of making appropriate judgments at in each emergent situation that cannot be handled by experience alone. We put effort into securing personnel who will be immediately effective as quality control managers.

Environmental Education

Our laboratories and plants handle a wide range of chemical substances. We conduct periodic group education programs for employees, including new employees, with the objective of protecting the environment in the vicinity of our business sites and ensuring that employees work in safety. These programs are designed to enhance employees’ understanding of the properties of chemical substances and the content of relevant laws and regulations, thus enabling them to handle chemical substances appropriately.
In addition to group education programs, environmental education by e-learning is conducted every year for all employees in June, a month dedicated to enhancement of environmental protection.
These days, more and more companies with global operations are disseminating information centered on sustainability. After learning about and outlining the relationships between sustainability and SDGs, CSR, Responsible Care/ESG, etc., students learn about and deepen their understanding of the various environmental and safety-related activities that we are involved in.

Human Rights Education

Our company prohibits discrimination and harassment within Our Code of Conduct and other regulations, with this including at our group companies as well. We offer education related to our Code of Conduct when employees join the company, and promote awareness of human rights. We give consideration to and practically implement education to raise awareness of human rights that we as a company ought to address, and encourage each and every one of our employees to adopt a proper understanding when it comes to discrimination and various types of harassment out in society at large.
Every year, we provide education to all of our employees via e-learning to coincide with Human Rights Week in December. This deepens employees’ understanding of typical types of harassment, including power harassment, sexual harassment, and maternity harassment, which are social problems, and teaches them points to be aware of to ensure that they do not perpetrate harassment. Communication amid the rapid expansion of remote work were taken up as part of efforts to prevent harassment. It has been designed to be a specific, easy-to-understand educational program that introduces employees to case studies and contact points to consult with in the event that they are harassed.
We recognize that the problem of harassment is a risk that is always liable to occur, regardless of the size of the workplace. But we will move ahead in creating spirited workplaces where it is easy to work and in which employees respect one another’s individual character and human rights.
The Group has announced our endorsement of the aims of the My Jinken Declaration project by the Ministry of Justice and the National Federation of Consultative Assemblies of Civil Liberties Commissioners. The My Jinken Declaration is an initiative to realize a society in which everyone mutually respects human rights, and companies, organizations, and individuals declare that they will take actions to respect human rights.

Our Company’s My Jinken Declaration

External link Ministry of Justice My Jinken Declaration

Health Management

Our company strives to create workplaces conducive to the maintenance of employees' good health, both physical and mental. Our employee health management activities are primarily based on the results of regularly scheduled health checks. In particular, employees over 30 years old are entitled to receive cancer screening (stomach and intestines) and those over 40 years old can receive abdominal ultrasonography as well. We offered health guidance to employees to help prevent lifestyle diseases such as diabetes, hypertension and dyslipidemia. By ensuring that employees properly understand the results of health checks and receive timely diagnoses and guidance from in-house and external industrial physicians and other medical staff, the Company is contributing to the prevention or amelioration of lifestyle diseases.
In addition, employees engaged in work that involves use of organic solvents and specified chemical substances receive special health checkups twice a year for early detection and prevention of health problems attributable to occupational diseases. We also provide opportunities for employees to receive health consultations at their own discretion with industrial medical staff who offer advice on physical and mental health issues.
In order to promote health, we are strengthening employee education based on the understanding that it is important for individual employees to be aware of prevention. With regard to mental health, for which detection at an early stage is deemed as important, education is provided to all employees and proves useful in the acquisition and enhancement of their knowledge. Furthermore, consultations with physicians are arranged once a year for employees who wish to undergo a stress check.The necessary measures are implemented based on the results of the examination, and efforts are made to improve the workplace environment based on the results of a group analysis. For employees suffering from mental health issues, measures are put in place in line with a support program designed to help them return to work and to prevent relapses through the concerted effort of their superiors, people in charge of labor affairs, industrial physicians, and healthcare staff.
As part of the Data Health Plan, we are implementing an initiative to prevent the worsening of illnesses. and event-based health information useful for employees and their families to maintain and improve their health. Subjects of assessment are divided into ranks, and medical staff offer advice appropriate to each rank, while also focusing on specific health guidance.
Grade-based mental health education is also offered online as a measure to promote mental health.

TOPIC Health Instruction Held Online to Raise Health Awareness

Continuing from the previous year, health classes were conducted in collaboration between Sumitomo Bakelite Co., Ltd. and the Sumitomo Bakelite Health Insurance Association as part of the Data Health Plan put forward under the guidance of the Ministry of Health, Labour and Welfare (MHLW), with the aim of improving lifestyle habits and health awareness among employees. In light of the spread of COVID-19, three programs, including stretching exercises using plastic bottles, were conducted live online.
In the next fiscal year and beyond, we plan to continue to implement programs to promote employee health while keeping infection prevention in mind.

Online health instruction
* The photo shows a conceptual image.

Labor-management relations

We recognize that pleasant and satisfying working environments contribute to the development of the company, and therefore, good labor-management relations and the collaboration they engender are essential ingredients of such working environments. As of March 31, 2022, 100% of general employees from Sumitomo Bakelite Co., Ltd. and its domestic group companies are members of the Sumitomo Bakelite Union (hereafter, "the Union"). 54.7% of all employees are covered by the company's collective bargaining agreement.
Corporate-level meetings of the company's senior executives and representatives of the Union are held twice a year at the head office. These meetings are valuable opportunities to cultivate favorable labor-management relationships by sharing frank views on the business environment and the Company's operations. Major business sites also hold monthly labor-management meetings at which information about conditions in each department is shared.
As for health and safety, we aim for creating safe and comfortable workplaces through labor-management collaboration based on the provisions of the labor agreement. In fiscal 2021, the spread of COVID-19 made it necessary to use an online format in holding the annual labor-management meetings on occupational health and safety, which gather safety representatives from the Union across Japan. We also recognize that occupational health and safety is an important theme to monitor between labor and management. At Sumitomo Bakelite Co., Ltd. along with its subsidiaries and affiliates with a labor union, provisions on health and safety are included in the labor agreements that establishes a formal agreement between the company and its labor union.
We are also putting effort into developing good labor-management relations at our overseas business sites. As of March 31, 2022, 16 out of 27 overseas business sites have labor unions, of which 15 have concluded labor agreements, while 9 have established arrangements on safety and health.

Relationships with Shareholders and Investors

Basic Policy on Profit Distribution

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

For fiscal 2021, we increased the annual cash dividend by ¥35 from the previous fiscal year to ¥110 per share (comprising an interim dividend of ¥50 and year-end dividend of ¥60), taking into consideration the need to secure funds for strategic investments and M&A aimed at sustainable growth.

Dialogue with Shareholders and Investors

We carry out appropriate and timely disclosure of corporate information in accordance with the disclosure standards of the Tokyo Stock Exchange and in accordance with the "Information Disclosure Guidelines" in which we have set our basic approach to disclosing information to stakeholders including investors and employees simultaneously, fairly, and accurately.
In addition to the information disclosure described above, we also post information at our website including financial results, the General Meeting of Shareholders and other matters, in an effort to proactively disclose information.
For analysts and institutional investors, we hold meetings to explain financial results after announcements of year-end and quarterly results, either in person or via teleconference, and we also hold individual meetings as appropriate.
In fiscal 2021, in addition to quarterly financial results briefings and individual meetings in a remote format, the Company made efforts to disclose information proactively as in previous years while taking into consideration the prevention of the spread of COVID-19 infection by implementing a hybrid format of on-site and web-based financial results briefings related to year-end financial results. In addition, through participation in conferences organized by securities firms, the President or the Director Overseeing Finance and Accounting exchanged information with institutional investors. Through securities companies, we were also able to hold small meetings on topics involving materials related to semiconductors, one of our Group's key business operations, in which numerous institutional investors participated. Opinions and requests received through these dialogues are reported to management as appropriate, and important information is regularly shared with the Board of Directors.

Numbers of Analysts and Institutional Investors Attending Business Performance Presentations

	1Q	2Q	3Q	4Q
Fiscal 2020	65	57	63	72
Fiscal 2021	65	67	79	76

Hybrid on-site and web-based financial results presentation

Our 131st Annual Business Report

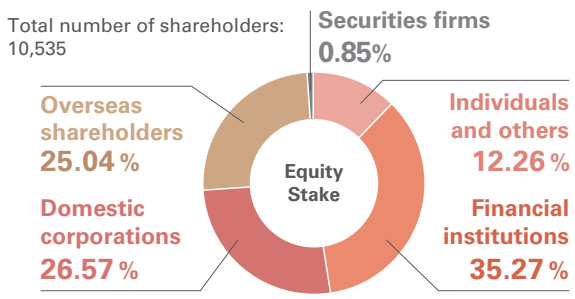
Encouraging Exercise of Voting Rights at Shareholders' Meetings

In order to enable as many shareholders to exercise their voting rights as we can, we send out convening notices early, and post them on our website before doing so. We also enable online exercise of voting rights, as well as access to the platform run by ICJ, Inc., which is designed to enable institutional investors to exercise their voting rights electronically. In order to help overseas shareholders exercise their voting rights, we produce English-language versions of our convening notices and reference documents, and post them at our website.

Shareholder Information and Equity Stake
(as of Thursday, March 31, 2022)

Total number of shares issued: 49,590,478

Total number of shareholders: 10,535



Relations with Local Communities

Relations with Local Communities

Biodiversity Conservation Initiatives

Our Group's business activities rely on nature's bounty. Following the philosophy of our Responsible Care Activity Guideline, we recognize the importance of conserving biodiversity. As such, we are a promotion partner of "The Declaration of Biodiversity by Nippon Keidanren." Understanding the importance of biodiversity outlined in the guidelines and reflecting it in the basic management stance, and following these declarations, we are promoting environmental impact reductions, compliance with our procurement policy, and dialogue with communities through preservation activities at biotopes set up at some of our business locations. In terms of our initiatives during the product life cycle, we develop ecofriendly products, while outside of Japan we take part in local initiatives, including those that protect rare tree species. These initiatives are approved, monitored, reviewed and modified by our Responsible Care Committee.
There were no items requiring review in fiscal 2021.

TOPIC Biotope and Visiting Guest Lesson Initiatives

A survey of the relationship between domestic and overseas Group business sites and protected areas of biodiversity importance revealed that none of the Group's business sites are located within such areas. However, the results of an ecosystem survey conducted in fiscal 2011 at the site of our Shizuoka Plant located in Fujieda City, Shizuoka Prefecture, confirmed the presence of Japanese killifish, a Category II (VU) vulnerable species. Although the site is not a protected area, after determining the strong need for preserving the biodiversity of this site, we decided to create a company biotope. The creation and maintenance of the biotope were completed in March 2017. The biotope, which occupies about 5% of the Shizuoka Plant's 287,000 m^2 site, is habitat for a wide variety of fauna and flora, including ancient Oga lotus and jewel beetles, among others, in addition to Japanese killifish. We continue to engage in communication with local communities, such as by spreading the word on the significance of our biotope for biodiversity to the community and supplying some of the Japanese killifish that have taken root and multiplied within our biotope to neighboring locations.

During fiscal 2021, the impact of the spread of COVID-19 infections resulted in a major decrease in visitor numbers. In addition, visitor reception of school study excursions has remained suspended in order to prevent the spread of contagion. At the same time, we continue to engage in dialogue with neighboring elementary schools regarding biodiversity conservation efforts centered on the biotope, and during the COVID-19 pandemic, as in the previous year, we have responded to requests for visiting guest lessons at schools, field trips using the biotope, and other activities. We provided a total of approximately 150 killifish to four elementary schools in the neighborhood, and gave a visiting guest lesson at one school (120 students in total) on how to conserve Japanese killifish while introducing our SDG initiatives. In addition, two field trip visits to the biotope were made, one in the spring and the other in the fall. Although visits by the general public have decreased due to the COVID-19 pandemic, we will continue to collaborate with the community, especially with neighboring schools.


Biotope general information sign


Japanese killifish (a Category II (VU) vulnerable species)


Biotope (Oga lotus and a large enoki, or Japanese hackberry tree)


Elementary school excursion and lesson


Visiting guest lessons at elementary schools


Biotope (blossoming hill)

TOPIC Participation in the 30 by 30 Alliance for Biodiversity

The G7 2030 Nature Compact, agreed upon at the G7 Summit held in the UK in June 2021, commits each country to effectively conserve and protect at least 30% of its terrestrial and marine areas as healthy ecosystems by 2030 (“30 by 30”). Its goal is “halting and restoring biodiversity loss (nature positive)”.
In Japan, the 30 by 30 Alliance for Biodiversity was launched under the leadership of the Ministry of the Environment to achieve the “30 by 30” goal. In addition to the expansion of protected areas such as national parks, the Alliance will initiate a mechanism for OECM* recognition of spaces that have been preserved outside of protected areas.
We are committed to obtaining OECM certification for the Ikoi no Mori biotope at our Shizuoka Plant, and to contributing to the “30 by 30” initiative.

* Spaces other than protected areas that contribute to biodiversity conservation.
An acronym for “other effective area-based conservation” measures.

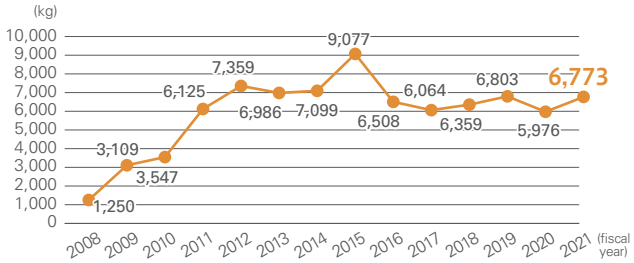
The Alliance logo

Biotope Ikoi no Mori (Forest of Relaxation)

Initiative to Protect Forest Ecosystems

Our Company contributes to conservation of biodiversity by protecting forest environments through our support for activities including forest thinning projects and afforestation activities of the environmental NPO Office Chonaikai (Office Neighborhood Association). Our company has supported forest thinning mainly in Iwate Prefecture since fiscal 2008 by expanding the use of Paper Products that Contribute to Forest Thinning Efforts promoted by the Morino Chonai-Kai (Forest Neighborhood Association).
The cumulative amount of this paper used is approximately 83,000 kg, which corresponds to the thinning of 5.55 hectares.
Our business site in Indonesia engages in afforestation activities for growing mangrove forests that protect various species of marine organisms, and is also carrying out activities mitigate climate change. Going forward, we will continue to conserve biodiversity tailored to the environment surrounding each of our business sites.

Amount of Paper Products that Contribute to Wood Thinning Efforts Used by Sumitomo Bakelite Co., Ltd.



森の町内会
間伐に寄与する紙
www.mori-cho.org

Mori no Chonaikai logo

Environmental Conservation and Beautification Activities in the Surroundings of Plants

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

SB Kawasumi (Head Office, Tonomachi)

Participated in environmental and beautification activities around Tonomachi King Sky Front.

S.B. Techno Plastics (Head Office)

Participated in the Kodama Industrial Park Clean Operation.

Shizuoka Plant

Coducted environmental and beautification activities around the dormitory.

Initiatives in Society

Support for Japan Inclusive Football Federation

We concluded a partnership agreement with the Japan Inclusive Football Federation,* as an initiative from the standpoint of respect for diversity and contributing to the realization of a society where everyone can live in harmony. Based on this agreement, we provide support for the development of inclusive soccer sports.
Going forward, we will continue as an official partner to support this activity that broadly seeks to eliminate barriers through soccer, helping to build a society in which people can coexist regardless of their disabilities.

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

JIFF logo

Appreciation Award from the Japan Football Association and JIFF

Official Partnership Agreement with Fujieda MYFC

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

Fujieda MYFC logo
©2021 FUJIEDA MYFC

Fiscal 2021 Special Match Day
©2021 FUJIEDA MYFC

Fiscal 2021 Special Match Day Encouragement Award presentation
©2021 FUJIEDA MYFC

Relations with Local Residents and Participation in Local Events

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

Kawasumi Laboratories (Thailand)

We donated 30 dozen-packs of water to local government offices for COVID-19 response volunteers.

Sumitomo Bakelite Europe NV

The group participated in the local sporting event "Genk Loopt!" (a 5 km, 10 km, and 10 mile run).

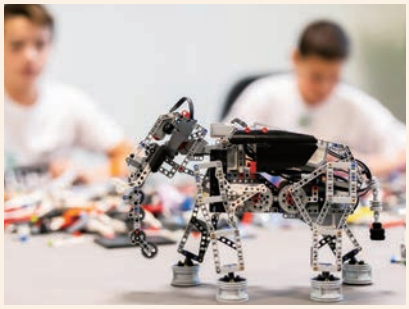
Amagasaki Plant

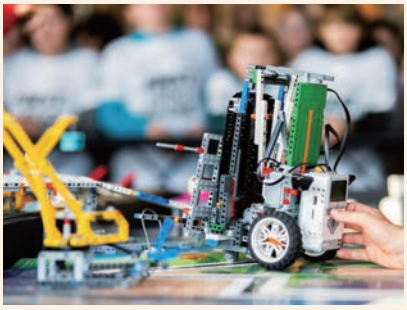
We participated in a local community festival.

TOPIC Sumitomo Bakelite Europe NV supports the FIRST® LEGO® League Challenge

Sumitomo Bakelite Europe NV supported the FIRST® LEGO® League Challenge* for the first time as a partner This is a worldwide technology competition for young people ages 11 to 14, in which teams build their own LEGO® robots, program them for competition, and work out technical solutions to a variety of problems. With the support of the Belgian province of Limburg, more than 1,400 students participate in this project each year, providing a technical education opportunity for youth.

* FIRST® LEGO® League Challenge
Established in 1998 by the U.S. non-profit organization FIRST® and the LEGO® Group, It is the world's largest international robotics competition for youth. There are currently approximately 67,000 teams in 110 countries, with world championships held annually in several locations around the world, in which representative teams from each country participate.





Donations

Under our Group's business philosophy (Company Philosophy), we cooperate on cultural and academic activities such as symphony orchestras, environmental conservation activities such as the Keidanren Committee on Nature Conservation, which works to actively protect nature and conserve biodiversity, and international events such as the International Chemistry Olympiads (Details: URL below) in which senior high school students compete against one another to demonstrate their chemistry capabilities. In fiscal 2021, we made donations to Shizuoka Prefecture (for the Southern Alps Environmental Conservation Project) and Nogata City in Fukuoka Prefecture (to help advance carbon neutrality), following our donation the previous year to Akita Prefecture in the form of a payment of the corporate version of the Hometown Tax.

We also donate directly to specific groups across a wide range of fields including schools and education, social welfare, academic promotion, R&D, regional development, international exchange, and sports for people with disabilities. Through these donations, we are helping to create a better environment and support the development of the next generation. Recipients of our donations include the Japan Association for the 2025 World Exposition and the 28th EU-Japan Fest Support Project (January 2020 to March 2023).
Looking ahead, we will continue this support to create a brighter future for all people.

External link International Chemistry Olympiads

Southern Alps Environmental Conservation Project (potentilla matsumurae [shinano kinbai] on Mt. Arakawa)

Initiatives Relating to Fostering the Next Generation

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

Since fiscal 2009, we have been taking the lead in providing support for the education of the next-generation as part of an industry-government-academia partnership for junior high school science teachers in cooperation with other companies operating production plants in and around Fujieda City, Shizuoka Prefecture, and have received high praise from local government and school officials.

In fiscal 2021, we obtained the cooperation of Tsumura & Co., and held an online factory tour for the first time to help prevent the spread of COVID-19, introducing the manufacturing process of pharmaceuticals and herbal medicines, automation technologies, and SDG initiatives. A participating teacher commented, “I hope to use what I saw and learned in my classes to teach my students.”

An online factory tour

Welcoming Next Generation Internships and Factory Visits

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

Sumitomo Bakelite Co., Ltd. (Head Office)

From a Senior High School of the Deaf, we accepted internships with the Human Resources Division and Sumibe Information Systems.

Kanuma Plant

The Kanuma Plant Manufacturing Department accepted internships from the Tochigi Prefectural Special Needs School.

Shizuoka Plant

Although in-person participation was not possible due COVID-19, we accepted graduate students for online internships.

Kawasumi Laboratories (Thailand)

The government’s new COVID-19 response team came to visit the plant.

SB Kawasumi (Head Office, Tonomachi)

As an introduction to companies located at King Sky Front, the City of Kawasaki hosted an online tour, and we participated as one of the companies located there, inviting local junior high school students online.

Amagasaki Plant

The Belgian Ambassador made a visit to the Amagasaki Plant.

Governance

Corporate Governance

Basic Approach to Corporate Governance

As a pioneer in plastics, we bring "delight" to customers through the creation of new advanced functions from plastics and through the use of its products, with the goal of contributing to value creation for customers and various other stakeholders. For this reason it is important to earn the trust of society and be needed by society, and therefore, we are establishing efficient and effective structures for achieving management that are highly compatible with society and the environment and for addressing risks facing management, including rigorous compliance.

External link Corporate Governance

Management System

Board of Directors

We have adopted a company with Corporate Auditors model. and have appointed nine Directors (of which three are Outside Directors) and four Corporate Auditors (of which two are Outside Corporate Auditors) as of June 23, 2022. The Board of Directors is chaired by the President, Representative Director.

At the monthly Board of Directors meetings, Directors make decisions on important matters of business, receive reports on monthly business performance and progress updates from each Director, and listen to the opinions and reports from Corporate Auditors, with the chair of the meeting taking care to ensure sufficient discussion takes place. In the case of conflicts of interest involving any Director, potential conflicts of interest are required to be reported in advance to the Board of Directors to obtain its approval, with reports to be given on the propriety of this after the fact.

Board of Corporate Auditors

The Board of Corporate Auditors consists of two Standing Corporate Auditors and two part-time independent Outside Auditors, and has a diverse composition of individuals with appropriate experience and capabilities, including knowledge of finance, accounting, and legal matters. In addition, under the direction and orders of the Corporate Auditors, one staff member assistant of Corporate Auditors, who serves concurrently in the Auditing Office and has expertise in internal auditing, assists the Board of Corporate Auditors and each Corporate Auditor in their activities.

The Board of Corporate Auditors meeting is held monthly prior to the Board of Directors meeting and also on an ad hoc basis when necessary. In fiscal 2021, the Board of Corporate Auditors met 19 times for an average of 1 hour 11 minutes.

The Board of Corporate Auditors and KPMG AZSA LLC consult with one another and exchange information over the annual audit plans, risk assessments, points at issue with the audits, the progress of the audits, and other such matters (performed a total of 7 times). Standing Corporate Auditors work to deepen reciprocal partnerships and ensure the reliability of accounting audits through efforts like reviewing the audits of business sites (performed a total of 5 times including online conferencing) and other matters subject to accounting audits, being present for on-site audits, and other activities.

The Board of Corporate Auditors considers cooperating with Outside Directors to be key for further enhancing the effectiveness of the Board of Directors and the Board of Corporate Auditors' audits so all Corporate Auditors attend the Outside Officers' Meetings (described below) that are held before Board of Directors meetings (eleven meetings were held in fiscal 2021 lasting an average 1 hour and 8 minutes). Participants in the meeting exchange opinions on proposals for the Board of Directors such as important investment projects, the selection of new market segments by listed companies and compliance with the revised Corporate Governance Code, discuss evaluations of the effectiveness of the Board of Directors, and share various management-related information.

Standing Corporate Auditors of the Board of Corporate Auditors participate in audit reviews on internal audits, are present for on-site audits (performed a total of 18 times including online conferencing), exchange information and opinions with one another at regular meetings (to be held quarterly), and also report the circumstances of these to the Board of Corporate Auditors where appropriate. In addition, the Board of Corporate Auditors maintains close coordination with the Internal Audit Department, such as by holding sessions to exchange information with the said department, which performs internal audits with the involvement of Outside Corporate Auditors.

Each Corporate Auditor attends important internal conferences including Board of Directors meetings, holds regular meetings with the President and Representative Director (on a quarterly basis, in principle), and performs other activities according to the Auditing Plan. Items noted during these auditing activities are to be raised as issues or recommendations to the Board of Directors and the Executive Officers' Meeting as necessary.

Standing Corporate Auditors participate in important meetings in accordance with the allocation of their duties as full-time auditors such as the Risk Management Committee and the Compliance Committee. They also receive the circular memos regarding important matters for approval and actively conduct on-site inspections of business sites and subsidiary companies and attend similar inspections arranged by the Accounting Auditor and the internal auditing departments. Standing Corporate Auditors hold meetings with the Corporate Auditors of subsidiary companies and exchange updates on the implementation of audits in order to deepen cooperation with them.

Executive Officer Structure and Executive Officers' Meeting

We have introduced an Executive Officer structure in which Executive Officers appointed by the Board of Directors as the persons responsible for business execution execute business under the direction of the Company President based on the policies determined by the Board of Directors, and have appointed seventeen Executive Officers (including six who serve concurrently as Directors) as of June 23, 2022. Executive Officers' Meetings are held once a month and attended by Directors, Executive Officers and Corporate Auditors to convey information on policies and important matters decided by the Board of Directors, to receive reports on business performance and the status of business execution from each Executive Officer, and to review important matters and share information.

As of June 23, 2022, all 24 of our officers, who are Directors, Corporate Auditors, and Executive Officers, included 22 men and 2 women, with a female board member ratio of 8%. All of our officers with the exception of one Corporate Auditor are 50 or older.

Outside Directors/Outside Corporate Auditors

Outside Director Hiroyuki Abe has expertise, considerable experience and wide range of insight as a university professor. We expect him to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. He has also served as a member of the Appointment and Remuneration Committee.

Outside Director Kazuo Matsuda has considerable experience and wide range of insight that he cultivated at a financial institution as well as business companies as a management executive. We expect him to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. He has also served as a member of the Appointment and Remuneration Committee.

Outside Director Etsuko Nagashima has specialist viewpoint and wide range of insight relating to finance and accounting as a Certified Public Accountant. We expect her to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. She has served as a member of the Appointment and Remuneration Committee.

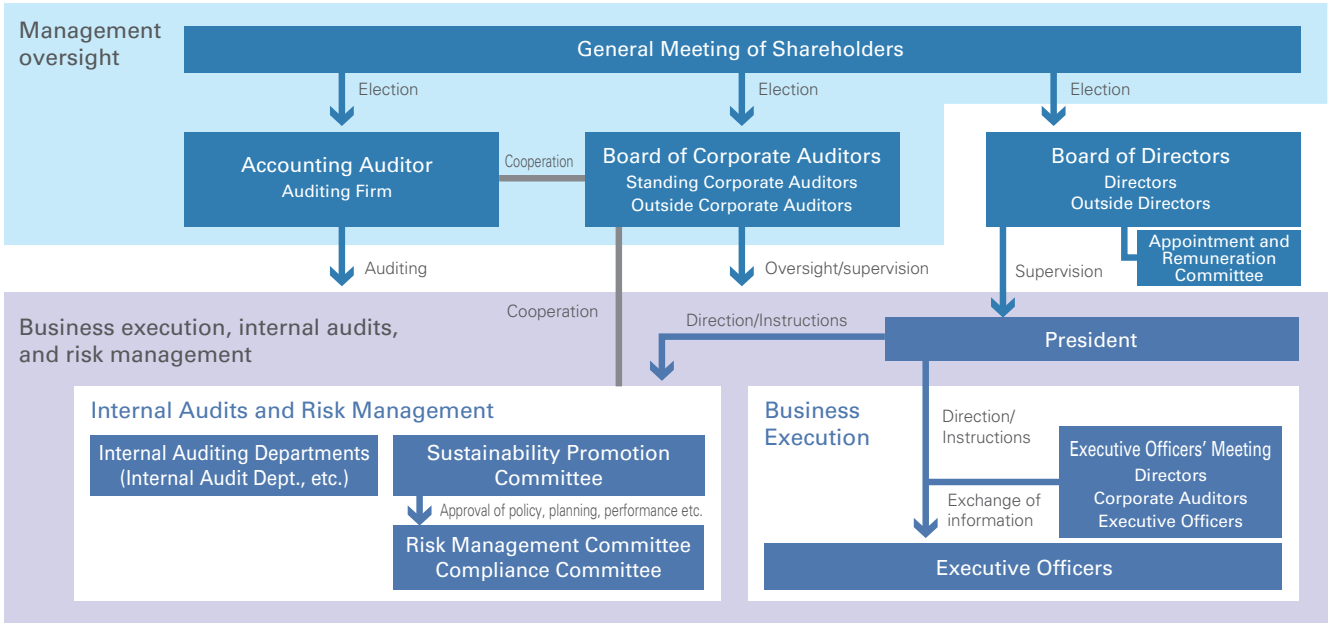
Outside Corporate Auditor Kazuhiko Yamagishi utilizes his professional perspective as a lawyer and wide-ranging insight into management for auditing our Company.

Outside Corporate Auditor Noriko Kawate utilizes her professional perspective as a Certified Public Accountant and tax accountant as well as her wide-ranging insight into finance, accounting and management for auditing our Company.

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

We also hold monthly Outside Officers' Meetings consisting of Outside Directors, Outside Corporate Auditors, the Director Overseeing the Corporate General Affairs Division, the Executive Officer in charge of the Corporate General Affairs Division, Standing Corporate Auditors, and members of the Corporate General Affairs Division and the Corporate Finance & Planning Division. At the meetings, we introduce information on our business results, the officer in charge of each segment will introduce its relevant business, and we provide advance explanations of items on the agenda for Board of Directors meetings, etc. The aim is to exchange information and share recognition of our strategies and management issues with Outside Directors and Outside Corporate Auditors.

Structure of Corporate Governance (as of June 23, 2022)



Appointment and Remuneration Committee

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions with respect to the nomination and remuneration, etc. of Directors, we have voluntarily established the Nomination and Remuneration Committee consisting of a majority of Independent Outside Directors (Chaired by President and Representative Director Kazuhiko Fujiwara, with the membership of Independent Outside Directors Hiroyuki Abe, Kazuo Matsuda and Etsuko Nagashima).
With regard to the nomination of Directors, the Nomination and Remuneration Committee discusses the election and dismissal of Directors or Representative Director, and the succession plan for the Representative Director and President and reports the results of that debate to the Board of Directors. With regard to Director remuneration, the Committee has authority to determine matters relating to Director remuneration, etc. (including they system and policy) based on delegation to the Committee by resolution of the Board of Directors.
The Nomination and Remuneration Committee met a total of six times from June 24, 2021 up until the end of the 131st Ordinary General Meeting of Shareholders, and discussed and decided the matters stated above.

Executive Remuneration

The remuneration of Directors consists of monthly remuneration and bonuses. Monthly remuneration is a fixed remuneration for each position and bonuses are calculated based on the level of business profit in the target fiscal year to help motivate Directors to achieve the annual business plan. The total amount of
monthly remuneration and bonuses is decided within the limit resolved by the General Meeting of Shareholders. The amount of individual monthly remuneration is determined for each position that Chairman and Representative Director and Directors concurrently serve namely that of President, Executive Vice President, Senior Managing Executive Officer, Managing Executive Officer, and Executive Officer. The amount of remuneration of Outside Directors is fixed. The amount of any bonuses is calculated to reflect business performance, and business profit, one of our important indicators to be managed in order to achieve sustainable growth, is used as the calculation index. The total
amount to be paid is calculated by multiplying business profit by a certain percentage, and the amount to be paid to individual Directors is calculated by multiplying the total payment amount by a certain percentage according to a Director's position. Outside Directors only receive monthly remuneration.
The authority to determine the amount of monthly remuneration and the bonus to be paid to each individual Directors is delegated to the Nomination and Remuneration Committee by resolution of the Board of Directors.
The remuneration of Corporate Auditors consists of basic remuneration (monthly remuneration). The total amount and the amount to be paid to each individual Corporate Auditor are determined in consultation with the Corporate Auditors within the maximum remuneration limit resolved by the General Meeting of Shareholders.
Executive remuneration in fiscal 2021 comprised a total of ¥456 million (monthly base pay of ¥300 million and bonus of ¥156 million) for seven Directors (excluding Outside Directors), a total of ¥54 million (monthly base pay of ¥54 million) for two Corporate Auditors (excluding Outside Corporate Auditors), and a total of ¥55 million (monthly base pay of ¥55 million) for six Outside Officers.

Analysis and Evaluation of the Effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of the Board of Directors based on self-evaluations made through a questionnaire survey of all members of the Board of Directors (Directors and Corporate Auditors). The results of the analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2021 are summarized below.
• The Company reviewed the results of effectiveness evaluations to date in the Outside Officers' Meeting held in November 2021, discussed the policy and implementation method of the effectiveness evaluation for fiscal 2021, and then concluded that the existing method of self-evaluation using questionnaires is valid and will continue to be adopted.
• Based on the results of the review and upon confirming at the Board of Directors meeting held in January 2022 the policy, implementation method and items in the questionnaire for the effectiveness evaluation of the Board conducted in fiscal 2021, the Company conducted a questionnaire of all Directors and Corporate Auditors in February 2022.
• The questionnaire focused on four major areas: "Composition," "Operation," "Matters to be submitted," and "Provision of information." Each question was evaluated on a four-grade rating to identify issues through quantitative evaluations, and a freehand comment section was attached to each question to collect respondents' honest opinions. Based on receiving some comments at the Outside Officers' Meeting suggesting the questionnaire also be checked by a third party, the Company sought the advice of an external lawyer when setting the questions to ensure the survey was objective and transparent.
• The results of the above questionnaire were then anonymized and tabulated, and discussions were made based on the aggregated results at the Management Committee (attended by Standing Directors) and the Outside Officers' Meeting held in April 2022. The Board of Directors at the meeting held in May 2022 deliberated on the discussions and opinions extended during these meetings and summarized the results of the evaluation.
As a result of the survey, we concluded that the effectiveness of its Board of Directors as a whole was sufficiently ensured as the ratings suggested that the four major areas were generally addressed in high quality. On the other hand, while the survey recognized some improvement in the efforts for clarifying materials and discussion points in Director reporting, which had been noted issues in past

effectiveness evaluations, some respondents suggested that more effort was required to further simplify materials and focus on the main points, so we decided to review these items further. The following items, including the one mentioned above, are the ongoing issues recognized as a result of the survey, and we decide to improve efforts in these areas to further enhance the effectiveness of the Board.

- Further clarify the main points of reporting materials at the Board meetings and streamline the contents.
- Thoroughly implement the follow-up reports on matters submitted to the Board of Directors.
- Deliver materials for the Board meetings earlier and provide opportunities for newly appointed officers to acquire the necessary knowledge.

Internal Control

We have systems in place for ensuring appropriate operations in accordance with our Business Philosophy. In addition, in accordance with the Internal Control Systems drawn up by the Board of Directors in May 2006, we periodically review the systems and promote various activities to enhance internal control.
With respect to internal control over financial reporting, based on our Basic Rules and Regulations for Internal Control over Financial Reporting, we endeavor to enhance systems for ensuring the reliability of our financial reporting, appropriately operate internal control systems in terms of implementation, assessment, reporting, and correction, and ensure appropriate and timely disclosure of corporate information. The Comprehensive Guidelines for Internal Control in Consolidated Subsidiaries covers the items that subsidiaries are required to address in establishing their internal control systems and in their subsequent ongoing implementation of control activities.
The internal control over our financial reporting as of Thursday, March 31, 2022 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.

External link Basic Policy on Internal Control Systems

Board of Directors Skills Matrix

The Company's policy is to operate the Board of Directors consisting of (i) the internal Directors to have the knowledge, experience, and ability to fulfill the responsibility of supervising the execution of business by management in an aim to achieve sustainable growth and enhance corporate value over the medium to long term, and (ii) the Outside Directors to voice opinions on corporate policies and business execution from an objective standpoint.
The correspondence between key knowledge, experiences and abilities, etc. which the Board of Directors requires and the respective Directors is described below.

As of June 23, 2022

Name	Position at the Company	Knowledge, experience, abilities							
		Corporate management	Global	Sales and marketing	Manufacturing and Production engineering	Research & development	Sustainability and ESG	DX and information system	Finance and accounting
Kazuhiko Fujiwara	Representative Director President	●				●	●		
Masayuki Inagaki	Representative Director Executive Vice President				●		●	●	
Sumitoshi Asakuma	Director Executive Vice President		●	●		●			
Takashi Nakamura	Director Senior Managing Executive Officer						●	●	●
Takashi Kobayashi	Director Managing Executive Officer		●	●	●				
Keisuke Kurachi	Director Managing Executive Officer		●		●	●			
Hiroyuki Abe	Outside Director		●		●	●			
Kazuo Matsuda	Outside Director	●	●						●
Etsuko Nagashima	Outside Director	●					●		●

* This table does not cover all the knowledge, experience and abilities, etc. required by the Company's Board of Directors. Key knowledge, experiences and abilities, etc. of the Directors are marked with "●".

Executives (as of July 1, 2022)

Directors and Corporate Auditors

President, Representative Director

Kazuhiko Fujiwara

Apr 1980 Entered the Company
Jun 2009 General Manager of S-BIO Business Div. of the Company Executive Officer of the Company
Apr 2013 Managing Executive Officer of the Company
Jun 2014 Director of the Company
Apr 2016 Senior Managing Executive Officer of the Company
Jun 2018 President, Representative Director of the Company (to the present)

Representative Director, Executive Vice President

Masayuki Inagaki

Overseeing Corporate Research & Development Div., Advanced Materials Research Laboratory, Bio•Science Research Laboratory and Circuitry with Optical Interconnection Business Development Dept.

In charge of Corporate Engineering Center

Apr 1982 Entered the Company
Jun 2009 Executive Officer of the Company Plant Manager of Utsunomiya Plant of the Company
Apr 2013 Managing Executive Officer of the Company
Apr 2014 General Manager of Corporate Production Management & Engineering Div. of the Company (to the present)
Jun 2015 Director of the Company
Apr 2017 Senior Managing Executive Officer of the Company
Apr 2021 Executive Vice President of the Company (to the present)
Jun 2022 Representative Director (to the present)

Director, Executive Vice President

Sumitoshi Asakuma

Overseeing High-performance Plastics segment and Smart Community Marketing & Developing Div.

Apr 1985 Entered the Company
Jun 2008 General Manager of Kobe Fundamental Research Laboratory of the Company
Jun 2010 Executive Officer of the Company
Apr 2014 Managing Executive Officer of the Company
Jun 2015 Director of the Company (to the present)
Apr 2018 Senior Managing Executive Officer of the Company
Apr 2022 Executive Vice President of the Company (to the present)

Director, Senior Managing Executive Officer

Takashi Nakamura

Overseeing Corporate General Affairs Div., Personnel Div., Corporate Planning Dept., Osaka Office and Nagoya Office

In charge of Corporate Finance & Planning Div., Information Systems & Data Processing Dept. and Global Procurement Div.

Apr 1979 Entered Sumitomo Chemical Co., Ltd.
Apr 2015 Executive Officer of the Company
Apr 2016 Managing Executive Officer of the Company
Jun 2018 Director of the Company (to the present)
Apr 2020 Senior Managing Executive Officer of the Company (to the present)

Director, Managing Executive Officer

Takashi Kobayashi

General Manager of Medical Products Business Div.

Overseeing Films & Sheets Research Laboratory, Films & Sheets Div. and Amagasaki Plant

In charge of S-BIO Business Div.

Apr 1987 Entered the Company
Sep 2007 General Manager of Sumitomo Bakelite (Nantong) Co., Ltd.
Apr 2013 Executive Officer of the Company
Apr 2017 Managing Executive Officer of the Company (to the present)
Jun 2018 Director of the Company (to the present)
Jan 2021 Representative Director of Kawasumi Laboratories, Inc. (currently SB-Kawasumi Laboratories, Inc.) (to the present)
Oct 2021 General Manager of Medical Products Business Div. of the Company (to the present)

Director, Managing Executive Officer

Keisuke Kurachi

Overseeing Semiconductor Materials segment

Apr 1985 Entered the Company
Apr 2016 Executive Officer of the Company Representative Director of Kyushu Sumitomo Bakelite Co., Ltd. (to the present)
Apr 2018 Managing Executive Officer of the Company (to the present)
Jun 2022 Director of the Company (to the present)

Executive Officers

Managing Executive Officer

Goichiro Kuwaki
Masaya Fumita
Yoshikazu Takezaki
Nobuyuki Sashida
Makoto Suzuki
Shinichi Kajiya

Executive officers

Alex Geskens
Norihisa Fujimura
Atsushi Tanaka
Hisao Nakanishi
Toshihide Kanazawa
Toshiya Hirai

Outside Director

Hiroyuki Abe

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

Outside Director

Kazuo Matsuda

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

Outside Director

Etsuko Nagashima

Oct 1978	Entered Deloitte Touche Tohmatsu LLC
Jul 1980	Entered Tsukeshiba CPA Accounting Ofce
Oct 1982	Certied Public Accountant registration
Jun 1988	Established Nagashima CPA Accounting Ofce (to the present)
Apr 2008	Representative Partner of Veritas Audit Firm
Jun 2016	Outside Director (Audit & Supervisory Board Member) of BULL-DOG SAUCE CO., LTD. (to the present)
Jun 2019	Outside Corporate Auditor of the Company
Jun 2021	Outside Director of FALCO HOLDINGS Co., Ltd. (to the present) Outside Director of the Company (to the present)

Standing Corporate Auditor

Tsuneo Terasawa

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

Standing Corporate Auditor

Katsushige Aoki

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

Outside Corporate Auditor

Kazuhiko Yamagishi

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

Outside Corporate Auditor

Noriko Kawate

Apr 1999	Entered Deloitte Touche Tohmatsu LLC
Jul 2001	Certified Public Accountant registration
Apr 2003	Established Kawate CPA Office, Principal (to the present)
Nov 2004	Certified Tax Accountant registration
Feb 2008	Established CLEA Consulting Co., Ltd., Representative Director (to the present)
May 2011	Director of Ichigo Inc. (to the present)
Nov 2011	U.S. Certified Public Accountant registration
Feb 2015	Partner of Cast Global Group (to the present)
Jun 2021	Outside Corporate Auditor of the Company (to the present) Outside Corporate Auditor of Nichireki Co., Ltd. (to the present)

Risk Management

Risk Management Structure

See page 28 regarding our Group's risk management structure. The status of activities in fiscal 2021 of the Risk Management Committee, an organization that discusses and approves issues and measures related to the promotion of company-wide risk management, is as follows.

Risk Management Committee

The Risk Management Committee held four meetings in fiscal 2021, at which instructions were given to confirm the major risk categories selected in the previous year, and to implement additional measures to be considered. These areas of risk were specified as: our response to raw materials procurement risks, carbon neutral simulation, and information security incident response measures. Instructions were then given to the individual risk management divisions and each business unit. As for the major risk categories to be addressed in fiscal 2022, based on a survey of officers overseeing business segment and interviews with the President, six areas of risk were selected: disasters, accidents, and pandemics; raw material supply issues and price fluctuations; product quality; environmental impact reduction measures; compliance with laws and regulations; and information security incidents.

Link P28 Responses to risk & opportunity

Business Continuity Plans (BCPs)

Of the foreseeable disasters and accidents that could occur, we regard earthquakes; explosions, fires, and leaks; storm and flood damage, and pandemics as major emergencies. We prepare BCPs designed to ensure the continuity of business when such emergencies occur, and share these with our clients as needed. Thus far, we have implemented measures such as ensuring adequate inventories of products and raw materials, ensuring redundancy with our production systems, augmenting our supplies of spare parts, and systematizing our restoration structures. With the cooperation of our suppliers, we are also confirming BCP upstream in the supply chain and examining additional countermeasures, while expanding the introduction of a predictive anomaly management system based on AI and IoT technologies as a preventive measure against fires and explosions that could occur in our Group.

Our response to the spread of infections with COVID-19 since 2020 has included the establishment of a COVID-19 Emergency Taskforce and a countermeasures secretariat at our head office, which operate flexibly as we deliberate measures to be taken in response to the state of the contagion, such as issuing notices as appropriate. We also consider the operation of these two bodies in revising our Companywide COVID-19 Infection Countermeasures Manual as needed. We also refer to this manual in our work of formulating a response framework and action plan for each of our subsidiaries in consideration of the differences in laws, regulations and industry rules for the country in which each is located.

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

Information Security

We retain an extensive array of personal information on customers, shareholders, employees, and others. In addition to personal information, we also retain trade secrets and other confidential information relating to our business partners. All of this is critical information that must never be leaked to outside parties, and we have therefore improved security in the operation of our information systems, including measures against cyber attacks, phishing sites, unauthorized intrusion, and malware infection, and have taken thorough measures to prevent leaks.

In fiscal 2021, as part of our ongoing efforts to strengthen measures against cyber-attacks, we thoroughly addressed vulnerabilities, took countermeasures against new threats, systematically transitioned products for which support had ceased, and took steps including introduction of a security incident detection tool based on our standards at SB-Kawasumi Laboratories, Inc. In addition, we sent out alerts regarding security risks to business sites overseas as well as in Japan, and conducted security education for all Group PC users in Japan and overseas on the theme of ransomware and business e-mail fraud.

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

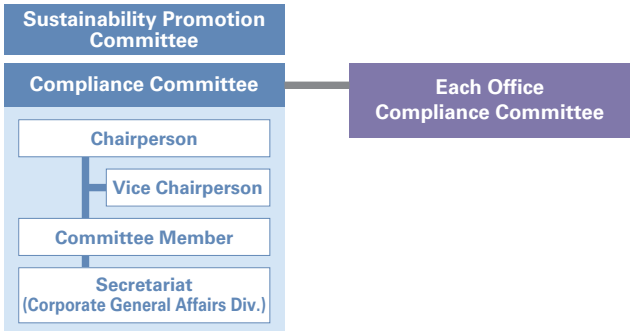
System for Addressing Information Security Incidents

Compliance

Compliance System

We emphasize compliance because we recognize that adherence to laws and corporate ethics is integral to the conduct of business.
We established the Compliance Committee to minimize the risks of compliance violations at our Group, promote the creation of structures for compliance, and to promote activities to raise awareness of compliance, including Environmental Compliance and Socioeconomic Compliance. In fiscal 2021, the Compliance Committee met three times to examine the appropriateness of the whistleblower system and discuss future issues, review the contents of the Group's anti-bribery policy and basic regulations, and review Our Code of Conduct.

Compliance System



Code of Conduct for Employees

We have established Our Code of Conduct, a code of conduct enabling Group to carry out its business activities without error, as well as the Code of Ethics for the Group of Sumitomo Bakelite Co., Ltd. a specific code of ethics and conduct from the perspective of compliance with laws, regulations and corporate norms to be adhered to by Corporate Officers and employees of each Group company in the execution of their duties. The content of Our Code of Conduct and of the Code of Ethics for the Group of Sumitomo Bakelite Co., Ltd. is disseminated among Group Directors and employees through education at the time of hiring, education during compliance emphasis month in October every year (e-learning or reading in rotation in the workplace), and other means.

External link Our Code of Conduct • Code of Ethics

Articles for Emphasis in Compliance

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

Compliance Education Using Cartoons

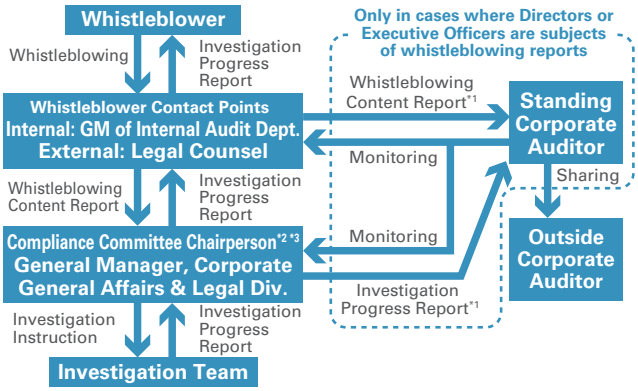
Every month, our internal publication contains a four-frame cartoon about compliance under the title "The Way to Become a Compliance Master." This cartoon explains compliance in an easy-to-follow style. Past cartoons have been compiled into two booklets, which were distributed to employees to raise awareness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

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

Internal Whistleblower System

We have established an internal whistleblower system (which has been designated the "Compliance Whistleblower System" at our Group). Under this system, employees can report to an internal contact point (GM of the Internal Audit Department) or an external contact point (Legal Counsel) when they have discovered a compliance violation or suspect there may have been such a violation, in an effort to promptly detect and preemptively prevent compliance violations. In addition to Group Directors, Officers, and employees, Group stakeholders (including retirees, applicants for employment, and business partners) may also report incidents. The privacy of the informant is strictly protected to ensure that the informant will not be disadvantaged as a result of the report.
In fiscal 2021 there were three cases reported to the Compliance Whistleblower System. The results of our investigations revealed that there were no major violations to laws and ordinances, such as violations to laws against child labor, forced labor, accounting fraud, bribery or corruption, or the Antitrust Act, nor were there any cases that could have a significant negative impact on society. All of these cases were dealt with appropriately.
Moreover, some of our group companies have established their own unique internal whistleblower systems, which are distinct from our shared Compliance Whistleblower System, by taking into consideration of the factors such as the legal requirements of the country in which they are located, their company size, and so forth. In fiscal 2021 there were 3 cases reported to these unique internal whistleblower systems at these group companies. The results of investigations revealed that there were no major violations to laws and ordinances, such as violations to laws against child labor, forced labor, accounting fraud, bribery or corruption, or antitrust laws, nor were there any cases that could have a significant negative impact on society. All of these cases were dealt with appropriately.

Compliance Whistleblower System response process flow



*1 Information that can identify the whistleblower is removed from the report.
*2 President
*3 If the chairperson is the subject of the report, the vice chairperson will act for the chairperson.
* If any member of the reporting contact point, Compliance Committee Chairperson, General Manager of the Corporate General Affairs & Legal Division, or a member of the investigation team has an interest in the facts under investigation, he or she is excluded from the reporting and information sharing.

External link Compliance Whistleblower System

Monitoring

In accordance with the Basic Policy on Internal Control Systems, the Internal Auditing Regulations, the Basic Rules and Regulations for Internal Control over Financial Reporting, the 'Monozukuri' Auditing Regulations, the Security Trade Control Regulations and other company regulations, Internal Audit Dept., Corporate EHS Promotion Dept., Corporate General Affairs & Legal Dept. and other departments involved in internal auditing, audit and assess the compliance of the Company and its our group companies, both in Japan and overseas. This is done mainly by means of site audits, at the actual sites, and written audits, via inspections of the results of self-audits, by the departments being audited. Audits and assessments are conducted with monitoring from the standpoint of whether the operations of departments are in compliance with relevant laws and conform to various standards. Departments where issues are identified are required to submit written reports detailing actions taken to resolve the issues.
In fiscal 2021, auditing and assessment was conducted from the standpoints of environment, human rights, occupational health and safety, provision and use of products and services, management of customer information and data, proper accounting, and fair trade, with no significant violations of laws or regulations.

Policies and Initiatives for the Prevention of Corruption

We have has established the Anti-Bribery Policy of Group of Sumitomo Bakelite Co., Ltd. and the Basic Rules and Regulations for Bribery Prevention for Group of Sumitomo Bakelite Co., Ltd. thereby establishing standards of conduct and compliance for Officers and employees, as well as a zero-tolerance approach to bribery and extortion of benefits. We advance anti-bribery initiatives based on the anti-bribery laws and regulations in the countries where our group companies are located, and the level of bribery risk in each country and business field.

Furthermore, the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd. prohibits corrupt acts such as embezzlement, breach of trust, money laundering, and insider trading which constitute abuse of authority or position in one's duties for personal or organizational gain.

External link Initiatives on bribery and corruption

Procurement Initiatives

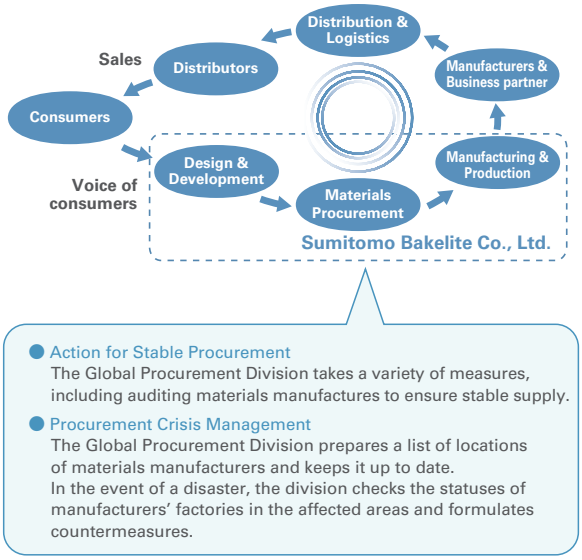
Basic Approach

We strive to ensure compliance with the laws, regulations, and social norms of Japan and the other countries and regions in which we operate. We also require our business partners to observe these standards of fulfilling their social responsibilities given the changing social expectations placed on companies. In principle, we conclude a basic contract with each business partner from which we purchase items such as equipment or raw materials, requiring the contracting parties to fulfill their corporate social responsibilities (CSR). Our criteria for selecting business partners include their CSR and environmental impact reduction initiatives.
The Global Procurement Division is in overall charge of the purchasing of raw materials, fuel, and equipment for use at our Company's plants and our Group companies worldwide. Our procurement policy and Green Procurement Guidelines are posted on the Company's website. The procurement policy is now published in Japanese, English, and Chinese. Given the standards of the Responsible Business Alliance (RBA)* Code of Conduct (formerly the EICC Code of Conduct) and changing frameworks for general business dealings, we are working to observe this policy in our procurement activities, and we require our business partners to do the same, too.

* See the glossary on page 122.

External link Procurement Policy

Our Group's Supply Chain



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

CSR supplier surveys and Carbon neutrality promotion

The results of the fiscal 2020 study did not identify any significant environmental or social impacts, but did identify issues with BCP measures and CO_2 reduction targets.
In fiscal 2021, we promoted BCP measures including those concerning impact response measures for natural disaster risks related to major raw materials and monopoly materials. We completed BCP measures for flood countermeasures for about 100 major suppliers in Japan. We then proceeded to confirm that measures were in place for other hazards such as earthquakes, fire and pandemics, and completed the implementation of measures at all target suppliers, in some cases even producing plans for them. Among our suppliers in Europe, the U.S., and China, we have initiated BCP measures for approximately 70 priority suppliers that handle monopoly raw materials, including searching for second sources, securing safe inventory, addressing social impact.
In addition, we have been working toward achieving carbon neutrality, and have asked about 50 major suppliers in Japan and overseas to set CO_2 reduction targets. All of them have either set their own CO_2 reduction targets or have completed the preparation of plans for setting such targets.
In January 2022, all of our plants and laboratories in Japan switched to electricity from renewable energy sources (hydroelectric, biomass and solar, but excluding nuclear power). Overseas, we switched to electricity from renewable energy sources in Europe in October 2021, and are moving forward with the switch to electricity from renewable energy sources in North America, Southeast Asia, and China.

Selection of Business Partners

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

We have established company rules requiring that we check whether new raw materials comply with chemical substance controls both domestically and internationally, and new raw materials are not adopted unless they conform to these controls. Relevant departments internally work closely together to investigate and make sure that the Company does not violate chemical substance controls.
We are convinced that it is important to establish a relationship of equals based on trust with every business partner and that the transactions should be beneficial to both parties.

Data

CONTENTS

Corporate Data

Business name	Sumitomo Bakelite Co., Ltd.
Head office address	5-8 Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan
President and Representative Director	Kazuhiko Fujiwara
Established	January 25, 1932
Share capital (As of March 31, 2022)	¥37.1 billion
Number of shareholders (As of March 31, 2022)	10,535
Stock listing (As of April 04, 2022)	Tokyo Stock Exchange, Prime Market
Number of employees (As of March 31, 2022)	1,538 (non-consolidated) 7,916 (consolidated)
Net sales/Revenue (Fiscal 2021)	¥99.7 billion (non-consolidated) ¥263.1 billion (consolidated)

Principal shareholders (as of March 31, 2022)

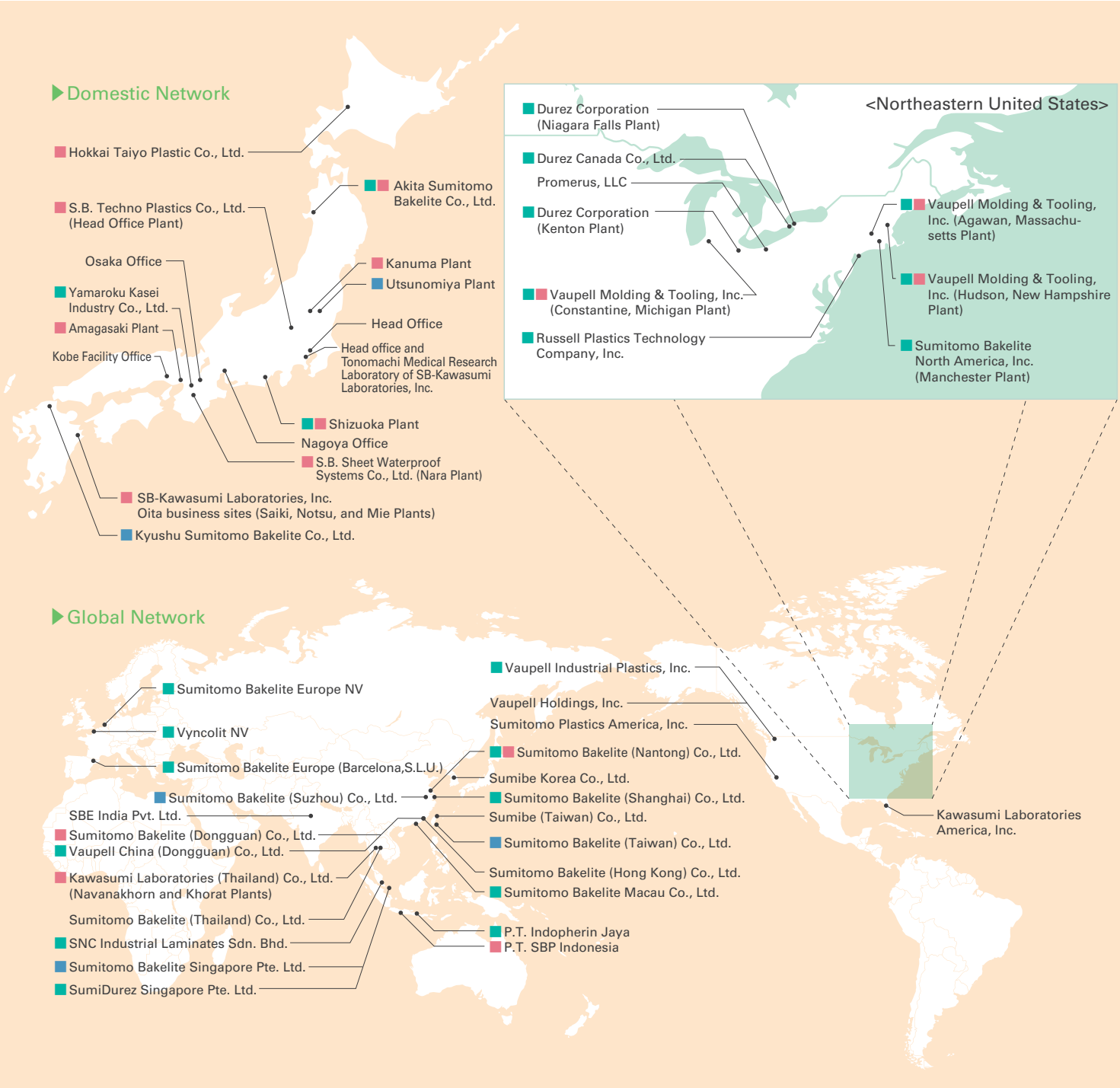
Name	Number of stocks held (Unit: 1,000 shares)	Shareholding ratio (%)
Sumitomo Chemical Co., Ltd.	10,509	22.33
The Master Trust Bank of Japan, Ltd. (Investment Trust)	8,326	17.70
Custody Bank of Japan, Ltd. (Trust Account)	3,085	6.56
Japan Post Insurance Co., Ltd.	1,225	2.60
Goldman Sachs International	1,117	2.38
Custody Bank of Japan, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank, Ltd.)	873	1.86
Sumitomo Mitsui Banking Corporation	872	1.85
State Street Bank and Trust Company 505001	859	1.83
HSBC-FUND SERVICES CLIENTS A/C 500 HKMPF 10PCT POOL	568	1.21
Sumitomo Life Insurance Company	523	1.11

(Notes)
1. The Company holds 2,534 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.
2. Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

Group Companies

We operate in 15 countries and regions, including Japan. Manufacturing sites are as shown in the figure below.

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



Group of Sumitomo Bakelite Co., Ltd. (as of March 31, 2022)

Consolidated subsidiaries (45)

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

Sunbake Co., Ltd.
Tsutsunaka Kosan Co., Ltd.
SB Bioscience Co., Ltd.
SB Kawasumi Laboratories Inc.*
- Kawasumi Laboratories (Thailand) Co.,Ltd.
- Kawasumi Laboratories America, Inc.

Sumitomo Bakelite Singapore Pte. Ltd.
- Sumitomo Bakelite (Suzhou) Co., Ltd.
- Sumitomo Bakelite (Thailand) Co., Ltd.

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

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

Non-consolidated subsidiaries (9)

S.B. Information System Co., Ltd.
Sumibe Service Co., Ltd.
S.B. Recycle Co., Ltd.
SB Holland B.V.
Sumibe Korea Co., Ltd.
SBE India Pvt. Ltd.
Sumibe (Taiwan) Co., Ltd.
Vaupell Europe GmbH
Namsin Trading Co., Ltd.

Affiliated companies accounted for using equity method (0)

None

Affiliated companies not accounted for using equity method (7)

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

	Consolidated	Equity method	Non-consolidated	Other	Total
Japan	13	0	3	4	20
Overseas	32	0	6	3	41
Total	45	0	9	7	61

* Kawasumi Laboratories, Inc. was renamed SB Kawasumi Laboratories Inc. on October 1, 2021.

Financial Data

Financial Summary

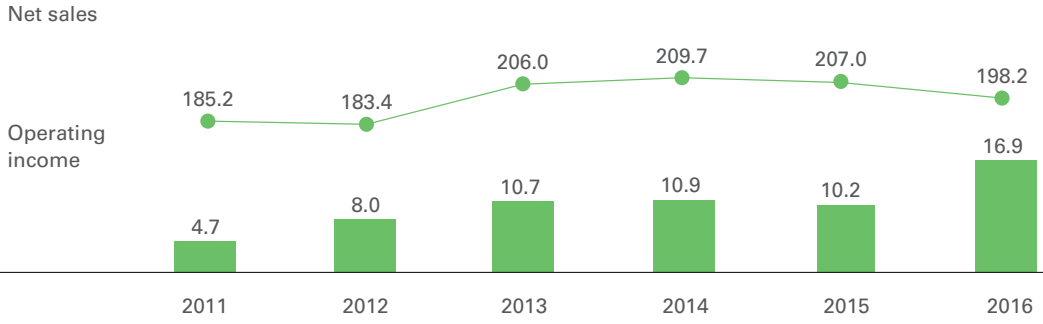
Japanese GAAP (Fiscal 2011-2016)

(Millions of yen)

Fiscal year	2011	2012	2013	2014	2015	2016
Financial results						
Net sales	185,237	183,362	206,047	209,659	206,956	198,199
Operating income	4,726	7,956	10,702	10,904	10,241	16,879
Ordinary income	5,931	8,551	11,498	11,263	10,598	17,324
Income before income taxes and non-controlling interests	3,689	6,532	10,540	11,344	7,410	14,466
Profit attributable to owners of parent	2,525	3,443	6,493	7,113	3,828	10,622
Financial position						
Total assets	201,315	213,826	236,825	285,927	260,122	263,742
Equity	117,997	130,044	148,936	169,215	157,319	165,353
Interest-bearing debt	27,433	29,553	35,063	61,066	50,898	43,133
Cash flows						
Cash flows from operating activities	6,730	16,644	17,852	15,672	19,233	23,427
Cash flows from investing activities	(13,340)	(13,088)	(15,220)	(36,353)	(6,962)	(7,987)
Free cash flows	(6,609)	3,556	2,632	(20,681)	12,271	15,440
Cash flows from financing activities	(3,942)	(642)	2,722	23,467	(15,530)	(10,245)
Per-share data (Yen)						
Net assets per share	489.78	539.81	618.28	702.53	668.44	702.63
Earnings per share	10.48	14.29	26.96	29.53	16.01	45.14
Cash dividends per share	12.50	10.00	10.00	10.00	10.00	10.00
Financial indicators (%)						
Return on Equity (ROE)	2.1	2.8	4.7	4.5	2.3	6.6
Return on Assets (ROA)	2.9	4.1	5.1	4.3	3.9	6.6
Ratio of operating income to net sales	2.6	4.3	5.2	5.2	4.9	8.5
Equity ratio	58.6	60.8	62.9	59.2	60.5	62.7
Debt/equity ratio (D/E) (times)	23.2	22.7	23.5	36.1	32.4	26.1
Price earnings ratio (PER) (times)	41.6	27.4	14.7	18.1	27.5	14.8
Price book value ratio (PBR) (times)	0.9	0.7	0.6	0.8	0.7	1.0
Dividend payout ratio	119.3	70.0	37.1	33.9	62.5	22.2
Other						
Capital expenditures	14,565	17,588	13,263	11,812	9,697	10,341
Depreciation and amortization	10,465	10,393	10,969	9,256	10,843	10,003
Research and development expenses	13,047	12,325	11,881	10,253	10,448	9,659
Number of employees (persons)	6,997	5,215	5,262	6,747	6,358	5,958

Operating Performance (billion yen)

Japanese GAAP



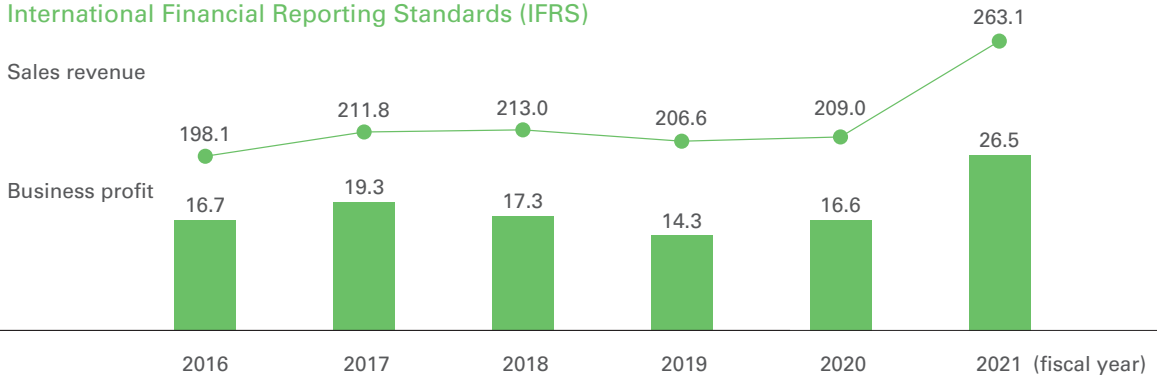
*1 "Business profit" is calculated by deducting "cost of sales" and "selling, general and administrative expenses" from "revenue".
*2 As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, "equity attributable to owners of parent per share" and "basic earnings per share" is calculated with the assumption that the share consolidation had exercised at the eginning of fiscal 2017.
"Cash dividends per share" for fiscal 2018 is calculated with taking such share consolidation into consideration.

International Financial Reporting Standards (IFRS; Fiscal 2016 to 2021)

(Millions of yen)

Fiscal year	2016	2017	2018	2019	2020	2021
Financial results						
Revenue	198,100	211,819	212,952	206,620	209,002	263,114
Business profit*1	16,658	19,251	17,293	14,346	16,642	26,489
Operating profit	12,061	18,598	13,587	10,285	19,914	24,887
Profit before tax	12,715	19,495	19,548	11,499	16,139	25,880
Profit attributable to owners of parent	9,521	15,078	15,084	8,986	13,198	18,299
Financial position						
Total assets	253,763	272,247	284,898	283,322	345,763	370,836
Total equity attributable to owners of parent	154,222	168,450	178,818	177,138	200,205	229,784
Interest-bearing debt	40,007	43,694	45,401	48,607	76,748	63,263
Cash flows						
Cash flows from operating activities	23,538	22,054	20,191	22,206	27,405	27,920
Cash flows from investing activities	(8,098)	(11,745)	(15,616)	(10,377)	(14,993)	(10,468)
Free cash flows	15,440	10,310	4,575	11,829	12,412	17,452
Cash flows from financing activities	(10,245)	(2,453)	(2,224)	(4,041)	21,768	(19,308)
Per-share data (Yen)*2						
Equity attributable to owners of parent per share	655.32	3,579.19	3,799.77	3,764.17	4,254.48	4,883.23
Basic earnings per share	40.45	320.36	320.51	190.96	280.46	388.86
Cash dividends per share	10.00	12.00	75.00	75.00	75.00	110.00
Financial indicators (%)						
Profit to equity attributable to owners of parent ratio (ROE)	6.3	9.3	8.7	5.0	7.0	8.5
Profit before tax to total assets ratio (ROA)	5.0	7.4	7.0	4.0	5.1	7.2
Business profit to revenue ratio	8.4	9.1	8.1	6.9	8.0	10.1
Ratio of equity attributable to owners of parent	60.8	61.9	62.8	62.5	57.9	62.0
Debt/equity ratio (D/E) (times)	28.5	26.0	25.4	27.4	38.3	27.5
Price earnings ratio (PER) (times)	16.6	14.7	12.4	12.0	16.1	12.8
Price book value ratio (PBR) (times)	1.0	1.3	1.0	0.6	1.1	1.0
Dividend payout ratio	24.7	18.7	23.4	39.3	26.7	28.3
Other						
Capital expenditures	10,426	11,024	11,346	10,773	11,138	14,063
Depreciation and amortization	9,905	9,793	10,152	11,278	12,259	13,221
Research and development expenses	9,659	10,053	10,235	10,338	10,363	10,731
Number of employees (persons)	5,958	5,708	5,898	5,969	7,937	7,916

International Financial Reporting Standards (IFRS)



Consolidated Statements of Financial Position

(Millions of yen)

	Previous consolidated accounting year March 31, 2021	Current consolidated accounting year March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	103,175	109,217
Trade and other receivables	52,594	59,414
Other financial assets	49	47
Inventories	39,566	50,276
Other current assets	3,764	4,337
Total current assets	199,149	223,291
Non-current assets		
Property, plant and equipment	98,507	101,456
Right-of-use assets	6,641	6,963
Goodwill	1,197	1,260
Other intangible assets	2,652	2,488
Other financial assets	30,600	27,539
Retirement benefit asset	4,207	5,500
Deferred tax assets	2,622	2,211
Other non-current assets	190	128
Total non-current assets	146,615	147,546
Total assets	345,763	370,836

(Millions of yen)

	Previous consolidated accounting year March 31, 2021	Current consolidated accounting year March 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	46,358	35,155
Trade and other payables	47,621	56,316
Other financial liabilities	1,615	1,422
Income taxes payable	2,878	3,241
Provisions	404	200
Other current liabilities	564	776
Total current liabilities	99,440	97,110
Non-current liabilities		
Borrowings	25,507	23,467
Other financial liabilities	3,529	3,578
Retirement benefit liability	4,611	4,148
Provisions	1,330	1,235
Deferred tax liabilities	8,682	8,592
Other non-current liabilities	522	571
Total non-current liabilities	44,182	41,591
Total liabilities	143,622	138,701
Equity		
Share capital	37,143	37,143
Capital surplus	35,137	35,137
Treasury shares	(6,785)	(6,794)
Other components of equity	10,658	24,915
Retained earnings	124,052	139,383
Total equity attributable to owners of parent	200,205	229,784
Non-controlling interests	1,936	2,352
Total equity	202,141	232,136
Total liabilities and equity	345,763	370,836

Consolidated Statements of Income

(Millions of yen)

	Previous consolidated accounting year (From April 1, 2020 to March 31, 2021)	Current consolidated accounting year (From April 01, 2021 to March 31, 2022)
Revenue	209,002	263,114
Cost of sales	(145,639)	(182,708)
Gross profit	63,363	80,406
Selling, general and administrative expenses	(46,721)	(53,917)
Business profit	16,642	26,489
Other income	8,308	150
Other expenses	(5,036)	(1,753)
Operating profit	19,914	24,887
Finance income	1,393	1,291
Finance costs	(5,132)	(298)
Share of profit (loss) of investments accounted for using equity method	(37)	—
Profit before tax	16,139	25,880
Income tax expenses	(2,871)	(7,220)
Profit	13,268	18,660
Profit attributable to		
Owners of parent	13,198	18,299
Non-controlling interests	70	361
Profit	13,268	18,660
Earnings per share		
Basic earnings per share (Yen)	280.46	388.86
Diluted earnings per share (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous consolidated accounting year (From April 1, 2020 to March 31, 2021)	Current consolidated accounting year (From April 01, 2021 to March 31, 2022)
Profit	13,268	18,660
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,531	(750)
Remeasurements of defined benefit plans	2,374	1,683
Share of other comprehensive income of investments accounted for using equity method	17	—
Total items that will not be reclassified to profit or loss	5,922	932
Items that may be reclassified to profit or loss		
Cash flow hedges	91	60
Exchange differences on translation of foreign operations	6,951	14,980
Share of other comprehensive income of investments accounted for using equity method	77	—
Total items that may be reclassified to profit or loss	7,120	15,040
Other comprehensive income, net of tax	13,042	15,973
Comprehensive income	26,310	34,632
Comprehensive income attributable to		
Owners of parent	26,119	34,058
Non-controlling interests	191	574
Comprehensive income	26,310	34,632

Consolidated Statements of Changes in Equity

(Millions of yen)

Previous consolidated accounting year (From April 1, 2020 to March 31, 2021)

Variable items	Total equity attributable to owners of parent									Noncontrolling interests	Total equity
					Other components of equity						
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,359	(6,780)	110,967	7,222	—	(203)	(6,570)	449	2,016	179,154
Profit	—	—	—	13,198	—	—	—	—	—	70	13,268
Other comprehensive income	—	—	—	—	3,568	2,353	91	6,908	12,921	121	13,042
Comprehensive income	—	—	—	13,198	3,568	2,353	91	6,908	12,921	191	26,310
Dividends from surplus	—	—	—	(2,824)	—	—	—	—	—	(96)	(2,920)
Purchase of treasury shares	—	—	(5)	—	—	—	—	—	—	—	(5)
Disposal of treasury shares	—	0	0	—	—	—	—	—	—	—	0
Change due to new consolidation of subsidiaries	—	—	—	—	—	—	—	—	—	61	61
Acquisition of noncontrolling interests	—	(222)	—	—	—	(1)	—	(0)	(2)	(235)	(458)
Transfer from other components of equity to retained earnings	—	—	—	2,710	(358)	(2,352)	—	—	(2,710)	—	—
Total transactions with owners	—	(222)	(5)	(113)	(358)	(2,353)	—	(0)	(2,712)	(271)	(3,323)
Balance at end of current period	37,143	35,137	(6,785)	124,052	10,431	—	(111)	338	10,658	1,936	202,141

(Millions of yen)

Current consolidated accounting year (From April 01, 2021 to March 31, 2022)

Variable items	Total equity attributable to owners of parent									Noncontrolling interests	Total equity
					Other components of equity						
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,137	(6,785)	124,052	10,431	—	(111)	338	10,658	1,936	202,141
Profit	—	—	—	18,299	—	—	—	—	—	361	18,660
Other comprehensive income	—	—	—	—	(750)	1,674	60	14,776	15,759	213	15,973
Comprehensive income	—	—	—	18,299	(750)	1,674	60	14,776	15,759	574	34,632
Dividends from surplus	—	—	—	(4,470)	—	—	—	—	—	(159)	(4,629)
Purchase of treasury shares	—	—	(9)	—	—	—	—	—	—	—	(9)
Disposal of treasury shares	—	—	—	—	—	—	—	—	—	—	—
Change due to new consolidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,503	171	(1,674)	—	—	(1,503)	—	—
Total transactions with owners	—	—	(9)	(2,968)	171	(1,674)	—	—	(1,503)	(159)	(4,638)
Balance at end of current period	37,143	35,137	(6,794)	139,383	9,852	—	(52)	15,114	24,915	2,352	232,136

Consolidated Statements of Cash Flows

(Millions of yen)

	Previous consolidated accounting year (From April 1, 2020 to March 31, 2021)	Current consolidated accounting year (From April 01, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before tax	16,139	25,880
Depreciation and amortization	12,259	13,221
Impairment losses	3,100	1,295
Gain on negative goodwill	(8,101)	—
Interest and dividend income	(1,051)	(1,186)
Interest expenses	363	298
Loss (gain) on step acquisition	4,598	—
Decrease (increase) in trade and other receivables	(1,814)	(4,441)
Increase (decrease) in trade and other payables	695	7,207
Decrease (increase) in inventories	2,493	(8,089)
Others, net	573	(108)
Subtotal	29,254	34,076
Interest received	377	344
Dividends received	749	625
Interest paid	(362)	(300)
Income taxes paid	(2,613)	(6,825)
Net cash provided by (used in) operating activities	27,405	27,920
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,956)	(12,409)
Proceeds from sale of property, plant and equipment	308	43
Purchase of investment securities	(333)	(16)
Proceeds from sale of investment securities	348	2,619
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,708)	—
Others, net	(651)	(705)
Net cash provided by (used in) investing activities	(14,993)	(10,468)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	18	91
Increase (decrease) in commercial papers	4,500	9,000
Income from long-term borrowings	27,026	—
Repayments of long-term borrowings	(5,489)	(22,689)
Repayments of lease liabilities	(904)	(1,072)
Dividends paid	(2,824)	(4,470)
Dividends paid to non-controlling interests	(96)	(159)
Others, net	(464)	(9)
Net cash provided by (used in) financing activities	21,768	(19,308)
Effect of exchange rate changes on cash and cash equivalents	3,224	7,897
Net increase (decrease) in cash and cash equivalents	37,404	6,042
Cash and cash equivalents at beginning of period	65,771	103,175
Cash and cash equivalents at end of period	103,175	109,217

Site Report

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

* Air and water quality conservation: "No problems" indicates no particular environmental impacts were detected during the period from April 2021 to March 2022 in measurements and assessments of air and water quality in the form of values exceeding the regulated threshold to be complied with (prefectural ordinances, regional agreements, our own standards, etc.). Data for certain business sites covers the period from January to December 2021.

Japan

Kobe Facility Office

Office Manager
Masaya Fumita

In order for our business site to help realize the society aspired to through the SDGs, we begin our work as a research laboratory from design phase, undertaking product development that is friendly to the environment and to people, and as a manufacturer, we deliver products that benefit our customers' health. The solar power generation system introduced in the previous year is also operating smoothly, contributing to energy conservation at the plant. We will continue to place importance on interaction with customers and the local community, aiming to be an open business office that everyone can trust.

Address	1-1-5 Murotani, Nishi-ku, Kobe-shi, Hyogo
Number of employees	56
Commencement of operations	1991
Total site area	16,530m²
Principal R&D themes	Development of products related to biotechnology and quality of life, research and development of related new functions, composite materials and process technologies, as well as biotechnology-related product manufacturing.
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Shizuoka Plant

Plant Manager
Toshihide Kanazawa

We are pursuing initiatives to reduce the environmental burden of all our processes (energy conservation, reduction through MFCA, etc.). Although the biotope, now in its fifth year since opening to the public, has been closed to the general public due to COVID-19, we have been able to contribute to environmental education by welcoming students from nearby elementary schools. In fiscal 2022, we will continue to pursue our aim of being an environmentally friendly plant by promoting SDG-contributing products and the application of LCA to all products, aiming to become an environmentally friendly factory.

Address	2100 Takayanagi, Fujieda-shi, Shizuoka
Number of employees	565
Commencement of operations	1962
Total site area	287,000m²
Principal products	Epoxy resin copper-clad laminates, epoxy resin coating powder, phenolic resins, thermoset molding compounds, melamine resin decorative laminates, formalin, molded products, metallic molds, etc.
Air and water quality conservation	<Air> No problems <Water> No problems

Kanuma Plant

Plant Manager
Tetsufumi Ushikawa

In order to help realize the society aspired to through the SDGs, our plant is working to conserve energy and reduce MFC. We deliver products that realize various functions and design features required in daily life and industry, with the aim of achieving carbon neutrality. Amid the ongoing COVID-19 pandemic, we were able to develop a new product that provides droplet prevention boards with antiviral functionality, and to place products on the market which contribute to society's efforts to prevent infectious diseases. We will engage in product development and manufacturing of SDG-contributing products as we promote LCA product certification of baseline products.

Address	7-1 Satsuki-cho, Kanuma-shi, Tochigi
Number of employees	319
Commencement of operations	1970
Total site area	75,878m²
Principal products	Polycarbonate, polyvinyl chloride and other thermoplastic resin sheets, waterproofing components with waterproof steel plate
Air and water quality conservation	<Air> No problems <Water> No problems

Utsunomiya Plant

Plant Manager
Masakatsu Maeda

We keep constantly aware of the SDGs at our plant, and work to reduce environmental impact. Regarding energy conservation, we are aiming for a 4% reduction from the previous year. We have also completed the installation of photovoltaic power generation, which will contribute to energy conservation at our plant starting in 2022. We will continue to operate our factories in a safe and secure manner by pursuing zero accidents and occupational injuries based on the essential principle that underlies our occupational health and safety policy: Prioritizing Safety in Everything We Do.

Address	20-7, Kiyohara Kogyo Danchi, Utsunomiya-shi, Tochigi
Number of employees	203
Commencement of operations	1984
Total site area	99,000m²
Principal products	Paste for die bonding Liquid resins for encapsulation of semiconductors Base material for semiconductor packages
Air and water quality conservation	<Air> No problems <Water> No problems

Amagasaki Plant

Plant Manager
Masaya Fumita

In order to help realize the society aspired to under the SDGs, everyone at our plant joins together in activities to reduce environmental impact through such means as pursuing a manufacturing system that is mindful of a resource recycling-oriented society, and by using the latest technology to take on the challenge of carbon neutrality. We will emphasize the importance of communication with customers and the local community as we aim to be an open business site trusted by everyone.

Address	2-3-47, Higashi-Tsukaguchi-cho, Amagasaki-shi, Hyogo
Number of employees	419
Commencement of operations	1938
Total site area	46,000m²
Principal products	Multilayered films for food packaging, PTP materials for pharmaceuticals, tapes for mounting electronic components
Air and water quality conservation	<Air> No problems <Water> No problems

Subsidiary Companies in Japan

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

Plant Manager
Keiji Nanba

Our plant undertakes occupational health and safety activities to realize a safe working environment for employees, and to achieve environmentally friendly manufacturing (MFCA reduction and energy conservation activities). In fiscal 2021, our operations were free of accidents and disasters, and we met our MFCA reduction targets.
We will continue to contribute to the realization of a society that fulfills the SDGs as we aim to be a factory that is trusted by the local community.

Address	1-2 Techno Park, Nara Kogyo Danchi, Sugawa-cho, Gojo-shi, Nara
Number of employees	45
Commencement of operations	1991
Total site area	20,357m²
Principal Products	Waterproof sheets
Air and water quality conservation	<Air> No problems <Water> Suspended particulates temporarily exceeded the in-house standard due to an increase in algae in the regulating reservoir. Values have returned to normal since the recovery was implemented.

Kyushu Sumitomo Bakelite Co., Ltd.

Plant Manager
Masayuki Ikeda

We produce environmentally conscious epoxy encapsulation resins, and recently we have also been producing environmentally friendly in-vehicle products for HVs and EVs as well as wafer coating resins for memory devices.
In order to help realize the society envisioned under the SDGs, we are working proactively to reduce environmental impact through such activities as energy conservation and reducing material loss. Last fiscal year, we made progress on expanding our adoption of non-fossil energy sources by installing solar energy panels.

Address	40-1 Oaza-Kamizakai, Nogata-shi, Fukuoka
Number of employees	227
Commencement of operations	1972
Total site area	50,000m²
Principal Products	Epoxy molding compounds for encapsulation of semiconductor devices, liquid photosensitive coating resins for semiconductor wafers
Air and water quality conservation	<Air> No problems <Water> No problems

Yamaroku Kasei Industry Co., Ltd

President and Representative Director
Yasuhiro Takenaka

In order to help realize the society envisioned under the SDGs, we continue to all pull together as we take action to reduce energy consumption and environmental impact in pursuit of our aim to be an environmentally friendly company. Under our Safety Philosophy: Prioritizing Safety in Everything We Do, we diligently carry out health and safety activities to achieve a safe, secure workplace free of accidents.

Address	19-10 Katayama-cho, Kashiwara-shi, Osaka
Number of employees	51
Commencement of operations	1948
Total site area	5,411m²
Principal Products	Phenolic molding compounds melamine phenolic molding compounds
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

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

Address	300-2, Motohara Kamikawa-cho, Kodama-gun, Saitama
Number of employees	35
Commencement of operations	1964
Total site area	13,000m²
Principal Products	Plastic sheets, plastic chopping boards, molds made in polyethylene
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

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

Address	560-1, Saotome, Sakurashi, Tochigi
Number of employees	9
Commencement of operations	2002
Total site area	3,638m²
Principal Products	Industrial helmets, injection molding products
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

President and Representative Director
Yukio Sudo

In order to help realize the society envisioned under the SDGs, we engage in occupational health and safety activities and take action to reduce environmental impact. "Karunosuke," which is 30% lighter than our conventional products, has received high marks for its safety and for enabling a reduction in work, especially among large-size cutting boards for commercial use. In addition, our ongoing cutting board recycling system, in place for 21 years, is unique in the industry, and further increases the importance of this initiative. We will continue to strive to be a safe and environmentally friendly company.

Akita Sumitomo Bakelite Co., Ltd.

Director
Haruhisa Toda

Our company is engaged in helping to realize the society that the SDGs aim to achieve. We are currently all working together based on our Safety Philosophy: Prioritizing Safety in Everything We Do. In working toward carbon neutrality, we are moving away from fossil fuels with 100% renewable energy-derived electricity, considering switching from heavy oil to LNG, and starting solar power generation in fiscal 2022. We contribute to society by supplying medical devices, culture equipment and PCR test kits in the field of healthcare/biotechnology products.

Address	27-4, Aza Nakashima-shita, Souzen-machi, Tsuchizakiminato, Akita-shi, Akita
Number of employees	222
Commencement of operations	1970
Total site area	255,568m²
Principal Products	Medical products and bio-equipment, phenolic resins, formalin and adhesives
Air and water quality conservation	<Air> No problems <Water> No problems

Hokkai Taiyo Plastic Co., Ltd.

President and Representative Director
Shuichi Tsukamoto

In order to help realize the society that the SDGs aim to achieve, our plant proactively engages in many different kinds of environmental impact reduction activities. Through the manufacture of polyethylene films and pipes, we will continue our activities to conserve energy and reduce loss through the use of MFCA, promoting increases in social and corporate value to leave this great northern land rich in verdure to the next generation as we earnestly and passionately work to implement our business activities.

Address	2-763-7, Shinko-Chuo, Ishikari-shi, Hokkaido
Number of employees	28
Commencement of operations	1964
Total site area	13,650m²
Principal Products	Polyethylene pipes, polyethylene films
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Tonomachi Medical Research Laboratory

President and Representative Director
Takeshi Saino

Our company began operations at King Skyfront, the international strategic center in Tonomachi, Kawasaki City, as a new headquarters and R&D center that connects ideas and technologies in the medical field, and disseminates innovative medical devices to the world. We will contribute to the development of medical care by engaging in business activities in line with the philosophy of the SDGs, including the development of medical devices for minimally invasive treatments that reduce the burden on patients.

Address	3-25-4 Tonomachi, Kawasaki-ku, Kawasaki-shi, Kanagawa, Japan
Number of employees	140
Commencement of operations	2021
Total site area	3,971m²
Principal Products	Medical Device Products • Endovascular treatment-related products • Gastrointestinal endoscopy-related products
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Saiki Factory, Oita Plant, SB Kawasumi Laboratories Inc.

Manufacturing Department Manager
Yuji Azuma

Our plant is actively working to conserve energy and reduce waste in order to help realize a society envisioned in the SDGs. We will continue to contribute to society by being more proactive in our LCA and CN actions and by continuing to provide safe and reliable pharmaceuticals and medical devices that our customers require.

Address	1077, Oaza Oda, Yayoi, Saiki City, Oita Prefecture, Japan
Number of employees	198
Commencement of operations	1967
Total site area	33,000m²
Principal Products	Pharmaceuticals and medical devices • Blood container bags • Gastrointestinal stents
Air and water quality conservation	<Air> No problems <Water> No problems

Notsu Factory, Oita Plant, SB Kawasumi Laboratories Inc.

Manufacturing Department Manager
Hisatoki Yamaoka

To contribute to the realization of a society that fulfills the SDGs, our plant is actively engaged in environmental load reduction activities (energy conservation and MFCA reduction) with the aim of becoming carbon neutral. In addition, we will practice safety and health activities under our Safety Philosophy and Safety Action Guidelines, and strive to achieve zero occupational accidents. We aim to provide the world with medical equipment that can be used with peace of mind, and to be a factory that is trusted by our customers and local communities.

Address	2115-2, Oaza Maegawachi, Notsumachi, Usuki City, Oita Prefecture
Number of employees	177
Commencement of operations	2011
Total site area	20,100m²
Principal Products	Medical devices and injection-molded products • Stent grafts • Component blood collection kits
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Mie Factory, Oita Plant, SB Kawasumi Laboratories Inc.

Manufacturing Department Manager
Daisuke Kimoto

In order to help realize the society that the SDGs aim to achieve, our plant is pursuing occupational health and safety activities and environmental impact reduction activities. We aim to be a factory that everyone can trust by providing pharmaceuticals and medical devices that customers can use with peace of mind and by placing importance on communication with the local community.

Address	7-1 Tamada, Miemachi, Bungo-Ono City, Oita Prefecture
Number of employees	153
Commencement of operations	1983
Total site area	53,000m²
Principal Products	Pharmaceuticals and medical devices • Physiological saline solution
Air and water quality conservation	<Air> No problems <Water> No problems

Overseas: China, Macau, and Taiwan

Sumitomo Bakelite (Suzhou) Co., Ltd.

President
Hiroshi Fujita

We will implement safety awareness enhancement with the aim of achieving an accident-free 2022.
Meanwhile, on the environmental front, the L3 line began full-scale operations in February 2022. We will install VOC-compliant equipment in conjunction with the L3 expansion and implement adequate preparations for the government audit scheduled in October 2022.

Address	140 Zhongxin Avenue West, Suzhou Industrial Park, Suzhou, Jiangsu, 215021, P.R. China
Number of employees	270
Commencement of operations	1997
Total site area	30,000m²
Principal Products	Epoxy molding compounds for encapsulation of semiconductors, die attach pastes
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Sumitomo Bakelite (Shanghai) Co., Ltd.

President
Katsunori Minami

Our company produces molded automotive components using phenolic resin molding compounds We continue to move forward with advances toward waste reduction, energy conservation and zero accidents so that we can contribute to realizing the society aspired to under the SDGs, as well as a decarbonized society.

Address	No. 88, Aidu Road, China (Shanghai) Pilot Free Trade Zone, Shanghai P.R. China
Number of employees	135
Commencement of operations	2000
Total site area	8,698m²
Principal Products	Molded products for automotive applications (plastic mechanical and structural parts)
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite (Nantong) Co., Ltd.

President
Norihisa Fujimura

We produce and sell the four products of phenolic resins, phenolic resin molding materials, liquid epoxy resins, and co-extruded film sheets. We aim to be a company that is trusted by the local community by developing environmentally friendly products that contribute to achievement of the SDGs and by making sincere and proactive efforts to become carbon neutral.

Address	No. 81, Tongda Road, Port Industrial Park 3, Economic Technological Development Area, Nantong, Jiangsu, P.R. China
Number of employees	248
Commencement of operations	2009
Total site area	100,000m²
Principal Products	Phenolic resins, phenolic molding compounds, liquid epoxy resins, coextruded multilayered films and sheets for food packaging, tapes for electronic components
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite (Dongguan) Co., Ltd.

President
Fumihiro Tamaki

We manufacture medical devices. In October of last year, we achieved the record of zero injuries for five years equaling six million work hours. In 2021, we succeeded in reducing energy consumption by 3.1% from the previous year. This year, we will raise awareness of safety among our employees by thoroughly notifying them of the Guidelines for Safe Conduct enacted by the Sumitomo Bakelite Group in aiming to set a new record for time spent without any injuries, while also actively carrying out energy conservation activities.

Address	No. 2 Qiao Lin Road, Ling Tou Industrial District, Qiao Tou Town, Dongguan, Guangdong, P.R. China
Number of employees	313
Commencement of operations	1994
Total site area	32,930m²
Principal Products	Medical products
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite Macau Co., Ltd.

Managing Director
Hiroshi Hayai

We produce and sell epoxy resin copper-clad laminates. In doing so, we use large boilers and handle organic solvents, and we are promoting environmental improvements to comply with environmental regulations in Macau, a tourist destination.
Amid stringent waste disposal regulatory conditions, we aim to become a company that is environmentally friendly and trusted by the local community through promoting MFCA activities.

Address	Zona Ind. do Aterro Sanitario de Seac Pai Van Lote A, junto a Estrada de Seac, Pai Van, Coloane, Macau
Number of employees	159
Commencement of operations	2003
Total site area	27,513m²
Principal Products	Epoxy resin copper-clad laminates
Air and water quality conservation	<Air> Only partial measurements could be performed. <Water> No problems

Sumitomo Bakelite (Taiwan) Co., Ltd.

President
Mitsuaki Naramura

We develop, produce and sell epoxy molding compounds for encapsulation of semiconductors. In response to the announcement of the 2050 Net Zero Emissions Roadmap by the Taiwanese government, we will start considering the use of renewable energy in addition to waste reduction and energy conservation to contribute to a decarbonized society. We aim to be an environmentally friendly company that is trusted by customers and the local community.

Address	No. 1, Hwa Syi Road, Ta Fa Industries District, Ta Liao 831, Kaohsiung, Taiwan, R.O.C
Number of employees	151
Commencement of operations	1998
Total site area	22,334m²
Principal Products	Epoxy molding compounds for encapsulation of semiconductor devices
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Vaupell China (Dongguan) Co., Ltd.

Plant Manager
Jake Ge

In line with overall goals of Sumitomo Bakelite Co., Ltd., we are improving our environmental, health, and safety (EHS) performance through waste reduction, energy conservation, and contribution to the environment. We conduct all kinds of EHS activities so as to remain a world-class in EHS.

Address	No. 2 Qiao Lin Road, Ling Tou Industrial District, Qiao Tou Town, Dongguan, Guangdong, P.R. China
Number of employees	109
Commencement of operations	2007
Total site area	Located at Sumitomo Bakelite (Dongguan) Co., Ltd.
Principal products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Overseas: Southeast Asia

SNC Industrial Laminates Sdn. Bhd.

Plant Manager
Yong Kwee

We manufacture ALC. In response to declining demand for PLCs, SNC is attempting to expand into phenolic resins and aircraft interior panels. In 2021, SNC achieved a record of zero injuries throughout one million hours. We are committed to saving energy under the guidance of Corporate Engineering Center of Sumitomo Bakelite Co., Ltd. and lead plants. Fans and pumps have been upgraded with highly efficient motors and compressors with inverters. Solar panels are scheduled to be installed in 2022.

Address	PLO 38, Jalan Keluli Satu, Pasir Gudang, Industrial Estate, 81700 Pasir Gundang, Johor, MALAYSIA
Number of employees	94
Commencement of operations	1992
Total site area	60,000m²
Principal Products	Phenolic resin copper-clad laminates, phenolic resin laminates, aluminum-based copper-clad laminates
Air and water quality conservation	<Air> No problems <Water> No problems

Sumitomo Bakelite Singapore Pte. Ltd.

Managing Director
Takeshi Mori

We produce and sell epoxy molding compounds for encapsulation of semiconductors and paste for die bonding of semiconductors. SBS staff will continue to work diligently toward meeting all legal compliance requirements and achieving zero accidents through constant Anzen training and by inculcating the “Stop & Fix” mindset.

Address	1 Senoko South Road, Singapore 758069, SINGAPORE
Number of employees	225
Commencement of operations	1989
Total site area	22,276m²
Principal Products	Epoxy molding compounds for encapsulation of semiconductors, paste for die bonding, liquid resins for encapsulation of semiconductors
Air and water quality conservation	<Air> No problems <Water> No problems

SumiDurez Singapore Pte. Ltd.

Senior Plant Manager
Tomoyuki Saito

We manufacture and sell phenolic molding compounds. In fiscal 2021, we worked to save energy and reduce waste while placing the highest priority on employee safety. As we continue these activities, this year we will work to reduce CO_2 emissions through the introduction of solar power generation and strive to make our production activities even more environmentally friendly.

Address	9 Tanjong Penjuru Crescent Singapore 608972, SINGAPORE
Number of employees	62
Commencement of operations	1989
Total site area	18,000m²
Principal Products	Phenolic molding compounds
Air and water quality conservation	<Air> No problems <Water> No problems

P.T. Indopherin Jaya

Vice President Director
Toru Kamata

We develop, manufacture and sell phenolic resins In fiscal 2021, we continued our efforts to update each facility and improve activities while enhancing security to ensure that employees have been able to act safely during the COVID-19 pandemic. We have also promoted the development of new products using biomaterial raw materials. In fiscal 2022, we will continue to strongly promote safety and SDG activities to earn the trust of customers and local residents.

Address	JL. Brantas No.1, Probolinggo, East Java, INDONESIA
Number of employees	120
Commencement of operations	1996
Total site area	18,000m²
Principal Products	Phenolic resins
Air and water quality conservation	<Air> The scrubber capacity was not sufficient for the amount of air treated, resulting in an increase in soot and dust emissions. The scrubber capacity is being increased. <Water> No relevant facilities

P.T. SBP Indonesia

President Director
Takahiro Kitakoji

We manufacture and sell polycarbonate extruded resin sheets, primarily in the ASEAN region. In fiscal 2021, the consumption of compressed air in the plant was reviewed, piping was shortened, and blowers were put into use. We also promoted the use of LED outdoor lighting. The implementation of protocols for the COVID-19 pandemic, including employee health management and external contact, has had no impact on production and sales, and we will continue our efforts to improve customer satisfaction.

Address	Kawasan Industri MM2100, JL. Irian Blok NN-1-1, Kec, Cikarang Barat, Bekasi, 17520, INDONESIA
Number of employees	87
Commencement of operations	1996
Total site area	30,000m²
Principal Products	Polycarbonate extruded resin sheets (for signage and construction applications)
Air and water quality conservation	<Air> No relevant facilities <Water> No problems

Navanakhorn Plant, Kawasumi Laboratories (Thailand) Co., Ltd.

Factory Manager (Director)
Tetsuya Sasaki

Since the last fiscal year, the plant has been actively working to optimize (minimize) product packaging and wrapping to improve transportation efficiency and reduce CO_2 emissions, as well as to help users reduce waste. This fiscal year, we will continue to actively engage in energy-saving activities in our plants as well as in activities to improve environmentally friendly products.

Address	Nava Nakorn Industrial Promotion Zone 55/26 MU 13, Phahon Yothin Road, KM-46, Tambon Khlong Nueng, Amphoe Khlong Luang, Changwat Pathum Thani 12120, THAILAND
Number of employees	670
Commencement of operations	1978
Total site area	31,804m²
Principal Products	Blood Circuit for Dialysis Apheresis Kit Infusion Set
Air and water quality conservation	<Air> No problems <Water> No problems

Korat Plant, Kawasumi Laboratories (Thailand) Co., Ltd.

Factory Manager &President (Director)
Tatsuya Nakaoka

Our plant manufactures and sells medical devices. During the previous year, we had one work-related accident. We are taking measures to achieve absolute safety on a regular basis by implementing the PDCA cycle to raise employee safety awareness, improve hazardous areas, and ensure safe operations. In addition, starting this fiscal year, we continue to introduce solar power generation to reduce the volume of CO_2 emissions.

Address	48 MU 8, Ratchasima-Chok Chai Road, Tambon Tha Ang, Amphoe Chok Chai, Changwat Nakhon Ratchasima 30190, THAILAND
Number of employees	1,147
Commencement of operations	1999
Total site area	290,770m²
Principal Products	Blood container bags, AVF needles, blood collection kits with wings, and CTA membrane dialyzer, secondary membrane filter
Air and water quality conservation	<Air> No problems <Water> No problems

Overseas: North America

Sumitomo Bakelite North America, Inc. (Manchester Plant)

Plant Manager
Donald Borowski

Our plant has begun to shift to post-pandemic business. The new M-Series epoxy products should strongly support new opportunities in the oil, gas and EV markets, while delivering much needed growth and profitability. The plant will meet the surge in demand expected in 2022 through continuous improvement and proactive management.

Address	24 Mill Street, Manchester, Connecticut 06042, USA
Number of employees	57
Commencement of operations	1920
Total site area	14,000m²
Principal Products	Thermoset composites
Air and water quality conservation	<Air> No problems <Water> No problems

Durez Corporation (Kenton Plant)

Plant Manager
Scott Franks

Safety has always been a top priority for our plant, and maintaining a safe work environment will be critical this year as we work toward achieving our 2022 goals. This year's EHS initiatives include improving overall maintenance through the implementation of 5S, energy conservation and recycling, reducing environmental impact through reuse, improving ergonomics, and increasing PPE compliance.

Address	13717 U.S. Route 68 South Kenton, Ohio 43326, USA
Number of employees	50
Commencement of operations	1955
Total site area	263,100m²
Principal Products	Phenolic resins
Air and water quality conservation	<Air> No problems <Water> Abnormal values were found during sampling due to the mixing of sewage, but the values were normal upon re-measurement.

Durez Corporation (Niagara Falls Plant)

Plant Manager
Barbara Pilmore

Our plant will focus on improving ergonomics and preventing soft tissue injuries to improve safety in 2022. The process of change management is being enhanced and improved to ensure that all changes are properly reviewed prior to implementation. Environmental compliance continues to be a top priority at the plant, along with the implementation of initiatives to reduce energy consumption.

Address	5000 Packard Road, Niagara Falls, NY 14304, USA
Number of employees	73
Commencement of operations	1930
Total site area	18,960m²
Principal Products	Phenolic resins
Air and water quality conservation	<Air> No problems <Water> No problems

Durez Canada Co., Ltd.

Plant Manager
Robert Hunt

The main challenge for the plant continues to be the environment. We have established an Energy Task Force at our plant as part of our efforts to reduce our carbon footprint. On the safety front, there has been improvement since fiscal 2020, with two recordable accidents occurring in fiscal 2021. But this is still not enough. At our plant, we continue to strive to ensure that all employees return home each day in better condition than when they arrived at work.

Address	100 Dunlop Street, Fort Erie, Ontario L2A 4H9, CANADA
Number of employees	70
Commencement of operations	1970
Total site area	93,000m²
Principal Products	Phenolic molding compounds and Phenolic resins
Air and water quality conservation	<Air> No problems <Water> Total phosphorus exceeded the regulatory limit in wastewater discharged to the sewage system, but is scheduled be re-measured due to inconsistency with other test results. Formaldehyde in storm water runoff continued to exceed state standards from previous year. We are currently in ongoing discussions with government environmental authorities regarding countermeasures.

Promerus LLC

General Manager
Larry Rhodes

We completed the move to our new facility in Akron, Ohio in 2021. R&D operations are now fully functional on both large and small scales. The start of operations went smoothly and without incident. As a result of precise measures taken to prevent transmission COVID-19, no workplace infections were confirmed. For the fourth year in a row, there were no OSHA-recordable injury accidents or illnesses.

Address	225 W. Bartges St., Akron, OH 44307, USA
Number of employees	30
Commencement of operations	2001
Total site area	3,548m²
Principal R&D Products	Functional polynorbornenes
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Vaupell Industrial Plastics, Inc.

Plant Manager
Craig Fery

Our plant has maintained an accident-free record for almost two years. Our employees help each other and protect the environment and community. Our plant's initiative is to reduce our carbon footprint, waste, and CO_2. This year, we are further improving our facilities in Ballard by transferring and consolidating them to Everett.

Address	11323 Commando Rd West , Everett, Washington, 98204, USA
Number of employees	122
Commencement of operations	1947
Total site area	10,219m²
Principal Products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

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

Plant Manage
John Sulikowski

We remain committed to "safety first" throughout the facility. The Safety Committee of the NE Department is very active. From August 2018 to April 4, 2022, only one recordable accident occurred at the plant, which completed a record 700 accident-free days. Vaupell NE is always looking for ways to contribute to our community, and we contnue to re-cycle over 80% of our plastics and cardboard. The plant is scheduled to begin using certified green energy in 2023.

Address	101 HP Almgren Dr. Agawam, Massachusetts 01001, USA
Number of employees	67
Commencement of operations	2005
Total site area	9,290m²
Principal Products	Medical device parts Aerospace and defense components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

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

Plant Manager
Keith Bridgford

The plant did not experience a single recordable accident or lost-time incident in 2021. The Safety Committee remains active and continues to seek means to ensure employee safety.
Our plant has switched 75% of its lighting to LED and improved and upgraded electrical infrastructure.

Address	485 Florence Road Constantine, Michigan 49042, USA
Number of employees	142
Commencement of operations	1969
Total site area	7,525m²
Principal Products	Medical device parts
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

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

Plant Manager
John Sulikowski

The plant continues to improve and implement processes to enhance business initiatives. The plant has an excellent safety record, having achieved 1,032 accident-free days as of April 1, 2022. Together with the Agawan Plant, we continue to work as "One Vaupell," with a single management team. In fiscal 2022, we plan to make changes to our culture to ensure that all employees are involved in business change. In fiscal 2022, we will also implement waste reduction initiatives by finding alternative energy sources and recycling waste plastics.

Address	20 Executive Drive Hudson, New Hampshire 03051-4917, USA
Number of employees	49
Commencement of operations	1995
Total site area	3,500m²
Principal Products	Medical device parts Aerospace and defense components Precision machining
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Russell Plastics Technology Company, Inc.

Plant Manager
Richard Spero

Vaupell New York promotes "safety first" by being environmentally responsible the community and employees by providing a safe and environmentally friendly workplace. We proactively manage our processes to ensure no harm, or negative impact, to our employees or surrounding community. In 2021, we again faced many challenges due to the spread of the COVID-19 pandemic which, as a team, we were able to overcome, protecting the health of our employees. We will continue to apply the Vaupel COVID policy.

Address	521 W. Hoffman Ave Lindenhurst, New York 11757, USA
Number of employees	74
Commencement of operations	1951
Total site area	5,575m²
Principal Products	Aircraft components
Air and water quality conservation	<Air> No relevant facilities <Water> No relevant facilities

Overseas: Europe

Sumitomo Bakelite Europe NV

Plant Manager
Ludo Vincken

We have long demonstrated that safety and profitability are essential to good business. Likewise, we need to demonstrate that sustainable business cannot be separated from our goals within the framework of financially sound operations and our vision for the future. Management needs to form a consensus with all employees on this larger goal and approach.

Address	Henry Fordlaan 80, B-3600 Genk, BELGIUM
Number of employees	137
Commencement of operations	1967
Total site area	110,000m²
Principal products	Phenolic resins, polyester resins
Air and water quality conservation	<Air> No problems <Water> No problems

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

Site Manager
José Miralles

Although safety remained a top priority in fiscal 2021, and many measures (training, SOPs, mechanical improvements) were taken, one lost-time accident still occurred. We will remain attentive to safety.
Sustainability was a key factor in our business in the previous year, and we recently switched to CO_2-free electricity in April 2021, seeing sustainability as a key pillar of all our business relationships. Having already begun the shift toward carbon neutrality, we will proceed without interruption.

Address	Gran Vial, 4 Montornes del Valles (BARCELONA) 08170, SPAIN
Number of employees	83
Commencement of operations	1949
Total site area	19,856m²
Principal products	Phenolic resins, friction particles, adhesives
Air and water quality conservation	<Air> No problems <Water> A small amount of phenol wastewater leaked due to inadequate valve operation during heavy rain.Procedures were reviewed to prevent recurrence. Ammonia concentration increased due to the reaction temperature in the wastewater biological treatment facility, but returned to normal after cooling with cold water.

Vyncolit NV

Plant Manager
Filip Verstraete

In fiscal 2021 safety and housekeeping remained our top priorities. While it is very unfortunate that one lost-time incident occurred, we have put a lot of effort (risk and task risk analysis) and investment (30% of the PLA budget) into preventive and corrective actions for environmental, health, and safety (EHS) issues. The impact of the COVID-19 pandemic and the large number of workers hired required great flexibility and a lot of training. Preparation of the new EME line had a significant impact on the engineering and project team workload.

Address	Wiedauwkaai 6, B-9000 Gent, BELGIUM
Number of employees	148
Commencement of operations	1992
Total site area	22,683m²
Principal products	Thermoset molding compounds
Air and water quality conservation	<Air> No problems <Water> No relevant facilities

Management System Certification Status*1

Business site		Certification status		
		Quality	Environmental	Occupational Health and Safety*4, *5
Kobe Facility Office		–	ISO 14001	ISO 45001
Shizuoka Plant		ISO 9001 IATF 16949	ISO 14001	ISO 45001
	ACM	JIS Q 9100		
Kanuma Plant		ISO 9001 IATF 16949	ISO 14001	ISO 45001
Utsunomiya Plant		ISO 9001	ISO 14001	ISO 45001
	CRM, LαZ	IATF 16949		
Amagasaki Plant	Films and sheets, Cover tape	ISO 9001	ISO 14001	ISO 45001
	Food safety	FSSC22000		
	Primary packaging materials for medicinal products	ISO 15378		
	Medical devices product warehouse	ISO 13485		
S.B. Sheet Waterproof Systems Co., Ltd.	Head Office	ISO 9001	ISO 14001	–
	Kanuma Plant		ISO 14001*2	ISO 45001*2
	Nara Plant		ISO 14001	ISO 45001
Kyushu Sumitomo Bakelite Co., Ltd.		ISO 9001 IATF 16949	ISO 14001	ISO 45001
Yamaroku Kasei Industry Co., Ltd.		ISO 9001	ISO 14001	–
Akita Sumitomo Bakelite Co., Ltd.	Medical	ISO 13485	ISO 14001	ISO 45001
	S-BIO	–		
	Resins	ISO 9001		
Hokkai Taiyo Plastic Co., Ltd.		–	ISO 14001	–
S.B Research Co., Ltd.		ISO 9001	–	–
SB-Kawasumi Laboratories, Inc.	Head office and Oita business site (Saiki, Notsu and Mie Plants)	ISO 13485	ISO 14001	–
Sumitomo Bakelite (Suzhou) Co., Ltd. (SSB): EME, CRM		ISO 9001 IATF 16949	ISO 14001	ISO 45001
Sumitomo Bakelite (Shanghai) Co., Ltd.		ISO 9001 IATF 16949	ISO 14001	–
Sumitomo Bakelite (Nantong) Co., Ltd.	PM, PR	ISO 9001 IATF 16949	ISO 14001	–
	ECR	ISO 9001 IATF 16949		
	Films & Sheets	ISO 9001		
Sumitomo Bakelite (Dongguan) Co., Ltd.		ISO 13485	ISO 14001	ISO 45001
Sumitomo Bakelite Macau Co., Ltd.		ISO 9001	ISO 14001	–
Sumitomo Bakelite (Taiwan) Co., Ltd.		ISO 9001 IATF 16949	ISO 14001	ISO 45001
SNC Industrial Laminates Sdn. Bhd. (SNC)		ISO 9001 AS 9100	ISO 14001	ISO 45001
Sumitomo Bakelite Singapore Pte. Ltd. (SBS)		ISO 9001 IATF 16949	ISO 14001	ISO 45001
SumiDurez Singapore Pte. Ltd. (SDS)		ISO 9001 IATF 16949	ISO 14001	ISO 45001
PT. Indopherin Jaya (IPJ)		ISO 9001	ISO 14001	ISO 45001
P.T. SBP Indonesia (SBPI)		ISO 9001	ISO 14001	ISO 45001
Kawasumi Laboratories (Thailand) Co., Ltd. Navanakorn, Korat Plants		ISO 13485	ISO 14001	ISO 45001
Sumitomo Bakelite North America, Inc. (Manchester)		ISO 9001 AS 9100 IATF 16949	ISO 14001	ISO 45001
Durez Corporation (Kenton Plant)		ISO 9001	–	ISO 45001
Durez Corporation (Niagara Falls Plant)		ISO 9001 AS 9100	–	ISO 45001
Durez Canada Co., Ltd. (Fort Erie)		ISO 9001 IATF 16949*3	–	ISO 45001
Promerus, LLC		ISO 9001	–	–
Sumitomo Bakelite Europe NV (SBE)		ISO 9001	ISO 14001	ISO 45001
Sumitomo Bakelite Europe (Barcelona), S.L.U. (SBEB)		ISO 9001	ISO 14001	ISO 45001
Vyncolit NV (VNV)		ISO 9001	ISO 14001	ISO 45001
Vaupell Industrial Plastics, Inc. (Everett Plant)		ISO 9001 AS 9100	–	–
Vaupell Molding & Tooling, Inc. (Agawam Plant)		ISO 9001 ISO 13485 AS 9100	–	–
Vaupell Molding & Tooling, Inc. (Constantine Plant)		ISO 9001 ISO 13485 AS 9100	–	–
Vaupell Molding & Tooling, Inc. (Hudson Plant)		ISO 9001 ISO 13485	–	–
Russell Plastics Technology Company, Inc. (Lindenhurst)		ISO 9001 AS 9100	–	–
Vaupell China (Dongguan) Co., Ltd. (VCD)		ISO 9001 EN 9100	–	–

*1 We have received assurance that the certifications for the aforementioned management system at each business site are valid covering fiscal 2021 (from April 2021 to March 2022; when certification was newly acquired in April 2021 or thereafter, from the registration date to March 2022).
*2 Acquired together with the Sumitomo Bakelite Kanuma Plant. *3 Included in supplementary notes for Sumitomo Bakelite North America, Inc. (Manchester).
*4 The Occupational Health and Safety Management System has been acquired as a voluntary initiative. It also covers all employees and subcontractors.
*5 Occupational health and safety management activities include mechanisms for workers to report hazards identified through hazard prediction, protection of workers from retaliatory actions, and worker self-avoidance in work situations thought likely to result in injury or illness.

External Assessments

FTSE4Good

An index established by FTSE Russell, a worldwide provider of market indexes, FTSE4Good comprises a selection of the world's leading companies that excel in ESG practices. As of the end of June 2022, 1,092 companies in developed countries around the world have been selected, 224 of which are Japanese firms. Our Company has been selected as a component stock for four consecutive years since 2019.

FTSE4Good

FTSE Blossom Japan Index

Designed by FTSE Russell, the index is composed of selected Japanese companies that excel in ESG practices. Selected from among the shares on the FTSE Japan Index, it is designed to contain a distribution of industries equal to that of the Japanese stock market. Our Company had a comprehensive evaluation score of 2.9 as of June 2022.

FTSE Blossom Japan Index

ESG Score 2.9 (June 2022)

FTSE Blossom Japan Sector Relative Index

With a focus on FTSE Russell's ESG ratings, it includes only companies that are valued for their climate governance and climate change initiatives are included, particularly among those with high greenhouse gas emissions, Our Company had a comprehensive evaluation score of 2.9 as of June 2022.

FTSE Blossom Japan Sector Relative Index

ESG Score 2.9 (June 2022)

EcoVadis Sustainability Rating 2021: Gold

EcoVadis SAS was established in 2007 as an institution that evaluates the ESG efforts of companies in order to improve the environmental and social practices of companies across their whole supply chains. Thus far, it has assessed approximately 75,000 companies in 200 industries and 160 countries in terms of their policies, measures taken and performance in the four categories of environment, labor & human rights, ethics, and sustainable procurement. The EcoVadis Gold rating is conferred only on companies performing within the top 5% of the plastic manufactures it evaluates.

GOLD 2021 ecovadis Sustainability Rating

Gold

S&P/JPX Carbon Efficient Index

A joint-brand index for the Tokyo Stock Exchange of S&P Dow Jones Indices LLC and the Japan Exchange Group (JPX). Selected from among TOPIX shares, it is weighted toward companies with outstanding carbon efficiency and environmental information disclosure. From March 2022, our Company has received a decile class rating of 2 and an information disclosure status rating of "Disclosed."

S&P/JPX Carbon Efficient Index

Our rating decile 2

Information disclosure status Disclosed

CDP "Climate Change 2021"

Established to carry out activities seeking information disclosure from corporations on their greenhouse gas emissions and efforts to counter climate change, CDP has been measuring and managing the environmental impact of industry since its start in 2000. More than 13,000 companies have disclosed climate change information (2021 data), and CDP scores companies' environmental performance on a scale topped by the "A" rating. Our Company has received a score of A-.

CDP DISCLOSER 2021

A–

CDP Water Security 2021

CDP Water Security is a program seeking disclosure of information on risks affecting water security. Our Company compiles statistics on items including water withdrawals/discharges and treatment methods, which is useful in understanding data on water stress. Our Company has received a score of B-.

CDP DISCLOSER 2021

B–

SOMPO Sustainability Index

In 2022, our Company was selected for inclusion for the third consecutive year in the SOMPO Sustainability Index, established independently by Sompo Asset Management Co., Ltd. The roughly 300 shares comprising the index are selected each year for outstanding environmental, social and governance (ESG) performance. It is used for the SOMPO Sustainable Operation program.

2022 Sompo Sustainability Index

Detailed Data Related to Sustainability

Trends in Environmental Performance

* See the organizations listed on page 4 regarding those included in the data.

Business sites in Japan*1

Item			Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (Plan)	Fiscal 2030 (Target)
CO_2 emissions*2			t-CO_2	96,295	101,299	96,768	88,524	86,509	82,986	75,035	78,625	84,261	44,610	32,694
Scope1			t-CO_2	47,117	46,545	43,956	40,906	41,903	39,279	38,034	36,602	46,219	44,161	–
Scope2*2			t-CO_2	49,178	54,754	52,812	47,618	44,606	43,707	37,001	42,023	38,042	449	–
Energy consumption			Crude oil equivalent (kL)	50,276	48,845	47,199	45,115	44,051	41,999	41,814	40,755	49,232	47,349	–
			(Thousand GJ)	1,949	1,893	1,829	1,749	1,721	1,659	1,621	1,580	1,908	1,835	–
Material loss	Waste generated	Landfill	ton	13	16	53	62	56	55	103	102	116	115	30
		External intermediate processing	ton	5	7	45	56	2	6	12	12	21	18	2
		Internal intermediate processing	ton	0	0	0	0	0	0	0	0	0	0	0
		External recycling	ton	7,477	7,987	7,665	6,090	6,402	6,706	7,605	7,287	8,192	7,758	5,069
	Total waste generated		ton	7,494	8,010	7,762	6,207	6,459	6,767	7,720	7,402	8,329	7,891	5,101
	Valuable materials		ton	8,633	8,326	8,008	7,762	7,508	7,186	6,764	6,344	7,098	6,798	5,554
Total material loss			ton	16,127	16,337	15,770	13,970	13,967	13,953	14,483	13,746	15,427	14,689	10,655
Chemical substance emissions			ton	268	202	171	139	167	173	120	128	137	109	78
Emissions of substances subject to the PRTR Act			ton	15	15	13	8	13	11	6	5	9	5	–

Overseas business sites*1

Item			Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (Plan)	Fiscal 2030 (Target)
CO_2 emissions			t-CO_2	144,508	142,830	151,698	151,272	152,526	149,618	137,123	126,604	158,499	154,265	108,853
Scope1			t-CO_2	49,305	43,228	45,871	44,367	48,740	45,015	43,140	39,592	48,974	44,380	–
Scope2			t-CO_2	95,203	99,602	105,827	106,904	103,786	104,603	93,983	87,012	109,525	109,885	–
Energy consumption			Crude oil equivalent (kL)	68,231	66,466	70,874	70,710	72,111	71,045	68,374	63,673	79,951	79,427	–
			(Thousand GJ)	2,567	2,576	2,747	2,741	2,795	2,754	2,650	2,469	3,099	3,079	–
Material loss	Waste generated	Landfill	ton	3,027	2,873	3,066	3,455	3,471	3,107	2,989	3,222	3,493	3,315	–
		External intermediate processing	ton	4,122	3,580	3,637	3,737	3,848	3,459	3,268	3,015	4,892	4,912	–
		Internal intermediate processing	ton	2,869	3,105	2,833	2,671	3,701	152	109	85	117	76	–
		External recycling	ton	3,034	4,387	3,712	2,919	3,018	3,798	3,160	2,554	2,702	2,674	–
	Total waste generated		ton	13,053	13,945	13,247	12,782	14,038	10,515	9,525	8,875	11,204	10,977	8,264
	Valuable materials		ton	2,956	2,800	4,522	3,065	3,309	2,588	2,720	2,690	3,946	3,893	3,292
Total material loss			ton	16,009	16,746	17,770	15,847	17,347	13,104	12,244	11,565	15,150	14,870	11,556
Chemical substance emissions			ton	204	164	147	126	148	137	132	127	177	163	121

*1 The base year was changed to fiscal 2013 upon review of the medium- to long-term plan. In addition, SB Kawasumi Group is included in the calculation for fiscal 2021 results and subsequent plans.

*2 The CO_2 emission coefficient for domestic electricity was revised by recalculating the domestic Scope 2 data from the base year (fiscal 2013) back to fiscal 2020 due to the revision of the applicable coefficient from a basic emission coefficient to an adjusted emission coefficient. As a result, domestic CO_2 emissions were also changed from fiscal 2013 to fiscal 2020.

Definitions/Calculation Method

CO_2 emissions and energy consumption (crude oil equivalent)

The calculation of CO_2 emissions and energy consumption covers energy (fuel, heat, electricity, etc.) associated with all business activities. CO_2 emissions are calculated based on the Manual for Calculating and Reporting Greenhouse Gas Emissions, Ver. 4.8 (Ministry of the Environment and Ministry of Economy, Trade and Industry; January 2022). For city gas and the coefficient for each business released by each company is used In. For electricity, adjusted emission coefficients for each electric utility published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry were used. Energy consumption is calculated as a crude oil equivalent based on the Act on the Rational Use of Energy.

Overseas business locations use the applicable domestic laws of each country. In the calculation of CO_2 emissions for electricity, the latest CO_2 coefficient at the start of the fiscal year of each provider supplying each business site is used. In case the emissions coefficient of the electricity provider is unknown, the coefficient as of the start of each fiscal year for which data is released from the International Energy Agency is used. For natural gas, the crude oil conversion coefficient and CO_2 emission factor are determined based on the data published by the gas supplier, but if the necessary data are not publicly available, the IEA KEY WORLD ENERGY STATISTICS and CO_2 Emissions from Fuel Combustion standard values (unit calorific value 39.1 [GJ/10^3m^3N], carbon emission factor per unit calorific value 0.0138 [t-C/GJ]) obtained by referring to data published in 2018 are used.

In addition, our Group does not emit any greenhouse gases (CH_4, N_2O, HFC, S_6, NF_3) other than CO_2 that meet the reporting requirements of Act on Promotion of Global Warming Countermeasures.

Material loss

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

Waste generated

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

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

Valuable materials

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

Chemical substance emissions

These are defined as total emissions into the air, bodies of water, and the ground (aggregate volume) of chemical substances subject to the Japan Chemical Industry Association (JCIA)'s Pollutant Release and Transfer Register (PRTR) assessments (including substances subject to the reporting requirements of the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof [PRTR system*1]).The emissions calculation method used is based on the latest Manual for Calculating PRTR Emissions (Ministry of the Environment and Ministry of Economy, Trade and Industry). JCIA changed the chemical substances subject to survey in fiscal 2013 and the Group reflected the change in the overall results from fiscal 2014 onward. Major substances that were excluded from the scope of calculation include ammonia and sulfuric acid. In the same way, emissions from substances subject to the JCIA PRTR survey are also included at overseas business sites.

*1 See the glossary on page 122.

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

Subsidiary	Item	Unit	Fiscal 2014 Results	Fiscal 2015 Results	Fiscal 2016 Results	Fiscal 2017 Results	Fiscal 2018 Results	Fiscal 2019 Results	Fiscal 2020 Results	Fiscal 2021 Results
Sumitomo Bakelite	CO_2 emissions	t-CO_2	79,335	76,498	69,803	68,964	65,974	60,126	62,162	57,064
	Energy consumption	Crude oil equivalent (kL)	39,747	38,600	36,567	35,974	34,609	33,717	32,754	34,453
	Year-on-year intensity of energy usage	%	96.4	100.5	100.2	91.0	94.8	93.1	96.6	97.3
	Average change in intensity over 5 years	%	96.5	96.3	98.4	96.9	96.5	84.8	93.9	95.4
Kyushu Sumitomo Bakelite	CO_2 emissions	t-CO_2	7,879	7,180	6,540	6,083	6,217	4,459	5,144	6,031
	Energy consumption	Crude oil equivalent (kL)	3,159	2,957	3,008	3,012	2,944	2,833	2,962	3,278
	Year-on-year intensity of energy usage	%	93.3	98.1	98.4	90.9	96.1	100.5	104.6	92.5
	Average change in intensity over 5 years	%	96.6	95.9	96.0	95.1	95.8	96.4	97.9	98.3
Akita Sumitomo Bakelite	CO_2 emissions	t-CO_2	6,006	5,204	4,980	4,705	4,929	5,024	5,126	5,161
	Energy consumption	Crude oil equivalent (kL)	2,393	2,070	2,095	2,018	2,055	2,081	2,118	2,507
	Year-on-year intensity of energy usage	%	88.0	98.0	95.4	93.3	94.1	101.1	100.0	94.3
	Average change in intensity over 5 years	%	95.6	97.5	91.8	93.6	95.2	96.0	97.1	97.3
S.B. Sheet Waterproof Systems	CO_2 emissions	t-CO_2	4,051	3,811	3,226	3,313	2,865	2,506	2,743	2,221
	Energy consumption	Crude oil equivalent (kL)	1,913	1,807	1,683	1,683	1,567	1,506	1,397	1,428
	Year-on-year intensity of energy usage	%	97.8	94.8	95.4	93.8	96.9	93.4	100.1	102.2
	Average change in intensity over 5 years	%	—	—	96.1	95.4	95.2	94.9	96.0	98.1
SB Kawasumi Co. (Group participation from fiscal 2020)	CO_2 emissions	t-CO_2	21,164	17,861	16,720	16,890	15,143	11,635	11,688	10,940
	Energy consumption	Crude oil equivalent (kL)	8,851	7,610	7,643	8,132	7,493	6,645	6,450	6,135
	Year-on-year intensity of energy usage	%	97.0	99.4	101.9	98.5	106.1	93.2	99.5	94.4
	Average change in intensity over 5 years	%	102.9	100.3	101.9	99.1	101.4	99.9	99.2	98.2

Since SB Kawasumi Laboratories had been reporting regularly in accordance with the Act on the Rational Use of Energy since before joining the Group, we have also included data from before its participation in the Group.

Distribution-Related Energy Conservation Initiatives*

Item	Unit	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Transportation ton-kilometer	thousand t-km	39,715	40,959	40,467	40,449	37,467	34,486	38,302
CO_2 emissions	t-CO_2	5,662	5,816	5,863	5,839	5,400	4,926	5,412
Energy consumption	Crude oil equivalent (kL)	2,135	2,195	2,214	2,205	2,041	1,862	2,045
Year-on-year intensity of energy usage	%	99.4	99.6	102.1	99.6	99.9	99.1	98.9
Average change in intensity over 5 years	%	—	—	—	100.2	100.3	100.2	99.4

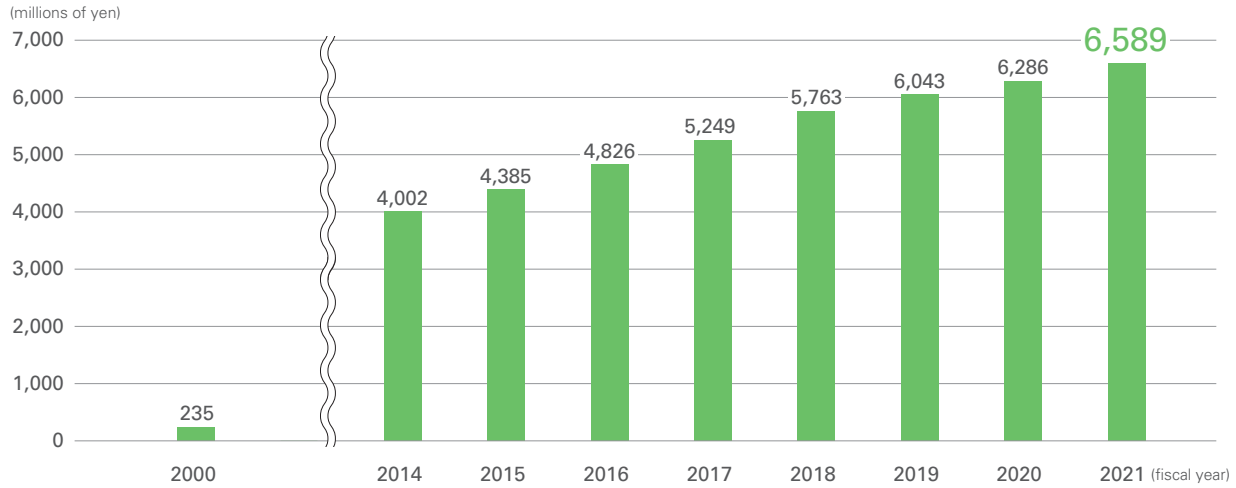
* Revisions to the Act on the Rational Use of Energy create an obligation to include those consigned shipments by our subsidiaries for which "matters like the shipping method for cargo were substantively decided by our head office" in the report as shipments by secondary shippers. Therefore, while tabulating data since fiscal 2018, prior data was calculated in the same way.

Fiscal Year and Accumulated Investments for Environmental Protection

Item	Unit	Fiscal 2000	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Fiscal year ✅	millions of yen	235	350	383	441	423	514	281	243	303
Cumulative total	millions of yen	235	4,002	4,385	4,826	5,249	5,763	6,043	6,286	6,589

As for investment in environmental measures, SB Kawasumi Group will be included from fiscal 2021. Data prior to fiscal 2020 are not included in the calculations.

Accumulated Investments for Environmental Protection



Transfer and Release of Substances Subject to the PRTR Act (Fiscal 2021 Performance)

The amounts of the 33 substances subject to the PRTR Act (PRTR system) released and transferred by the Group's business sites in Japan are presented in the table below.
Data for SB Kawasumi Laboratories is included from this issue.

(tons/year)

Government order number	Substance	Amount used	Release			Transfer	
		(manufactured)	Into air	Into water	Into soil	As waste material	As sewage
1	Zinc compounds (water-soluble)	28.1					
18	Aniline	128.6				0.2	
31	Antimony and its compounds	64.5				2.1	
37	Bisphenol A	213.0					
51	2-ethylhexanoic acid	1.7					
53	Ethyl benzene	27.6	0.3			5.0	
56	Ethylene oxide	6.1	1.4			0.1	
57	Ethylene glycol monoethyl ether	2.1					
78	2,4-xylenol	8.9					
79	2,6-xylenol	8.9					
80	Xylene	37.0	0.3			10.3	
82	Silver and its water-soluble compounds	11.2					
86	Cresol	2,052.0				1.2	
207	2,6-di-tert-butyl-4-cresol	1.7					
218	Dimethylamine	1.5					
232	N, N-dimethyl formamide	364.8	2.0			12.7	
239	Organic tin compounds	22.0					
258	Hexamethylenetetramine	997.2				21.3	
265	Tetrahydromethylphthalic anhydride	79.6					
277	Triethylamine	1.9					
300	Toluene	123.6	3.4			10.9	
302	Naphthalene	2.1					
309	Nickel compounds	1.5		0.2		0.1	
320	Nonylphenol	3.3				0.1	
330	Bis(1-methyl-1-phenylethyl) = peroxide	8.2					
349	Phenol	25,232.4	0.2	0.1		35.4	
352	Diallyl phthalate	8.3					
355	Bis (2-ethylhexyl) phthalate	189.3				11.4	
401	1,2,4-benzene tricarboxylic acid 1,2-anhydride	8.7				0.7	
405	Boron and its compounds	5.3		0.2		0.8	
411	Formaldehyde	8,856.1	0.6	0.2		5.0	
		(11,206.9)	0.2			5.7	
438	Methylnaphthalene	23.5	0.1				
448	Methylene bis (4, 1-phenylene) = diisocyanate	2.3					

☐: Specific Class 1 designated chemical substances

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

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

Our Environmental Protection Activity Journey

Year	Sumitomo Bakelite Group's Initiatives	Social developments
1969	● Pollution countermeasures secretariat established	
1973	● Environmental Management Division established ● Environmental auditing of domestic business sites commenced	
1974	● Environmental management departments established for all business sites	
1978	● Environmental auditing of domestic subsidiaries commenced	
1987		● Montreal Protocol on Substances that Deplete the Ozone Layer adopted
1990	● Environmental Issue Action Committee established. Appointment of director in charge	
1991	● Recycling Technology Action Office established	● Law Promoting the Use of Recycled Resources enacted
1992	● S.B. Recycle established	● United Nations Conference on Environment and Development (UNCED or Earth Summit) results in the "Rio Declaration on Environment and Development", "Agenda 21"
1993	● Environment and Safety Voluntary Plan drafted ● Environment and Safety management regulations established ● Environmental audits of overseas subsidiaries commenced	● The Basic Environment Law enacted
1994	● Use of certain CFCs and 1,1,1-trichloroethane ceases	
1995	● Responsible Care Committee established ● The Company joins the Japan Responsible Care Council as a founding member	● Japan Responsible Care Council (JRCC) established ● Law for Promotion of Sorted Collection and Recycling of Containers and Packaging enacted
1997	● Corporate Policies for Safety, Health, and the Environment revised ● Utsunomiya Plant and Sumitomo Bakelite Singapore obtain ISO 14001 certification	● Kyoto Protocol adopted by the Third Conference of the Parties of the United Nations Framework Convention on Climate Change (COP3)
1998	● First Environmental Activities Report issued	
1999	● All Sumitomo Bakelite plants obtain ISO14001 certification	● Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management enacted ● Law Concerning Special Measures against Dioxins enacted
2000	● Environmental accounting implemented	● Basic Law for Establishing the Recycling-Based Society enacted
2001	● Environmental Report issued (independent reviews conducted)	● Law Concerning Special Measures against PCB Waste enacted
2002	● Scope of Environmental Report expanded to include subsidiaries in Japan ● Tokyo Kakohin receives an award for promoting a "3R" policy of reduce, reuse, and recycle ● Risk Management Committee established	● Soil Contamination Countermeasures Act enacted ● Japan adopts COP3 Kyoto Protocol ● World Summit on Sustainable Development adopts Johannesburg Declaration on Sustainable Development
2003	● Yamaroku Kasei Industry certified as the Company's first zero waste emissions plant ● Compliance Committee established	● Building Code revised to resolve "sick building" syndrome
2004	● Shizuoka Plant commences operations of a cogeneration system	● Air Pollution Prevention Law revised to reduce volatile organic compound (VOC) emissions
2005	● Title of annual Environmental Report changed to Environmental & Social Report to reflect broader coverage of social initiatives ● Sumitomo Bakelite (Taiwan) recognized as the Sumitomo Bakelite Group's sfirst overseas zero emissions production business site	● Kyoto Protocol goes into effect ● Ordinance on Prevention of Health Impairment due to Asbestos
2007		● The new EU Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) comes into force
2008	● Thirty of the business sites of the Sumitomo Bakelite Group in Japan and overseas obtained ISO14001 certification ● Start of soil and groundwater pollution remediation measures at a site owned by Sano Plastic following the dismantling of a factory building there ● The company signs Responsible Care Global Charter ● Start of mechanical equipment risk assessment	● Hokkaido Toyako Summit
2009	● Inauguration of multilingual Material Safety Data Sheet (MSDS) system ● Begins participating as a partner in the Declaration of Biodiversity of the Japan Business Federation (Nippon Keidanren)	● Revised Act on the Rational Use of Energy takes effect ● The 15th Conference of the Parties (COP15) held with the United Nations Climate Change Conference
2010	● Establishment of the Environmental Impact Reduction Committee ● The Sumitomo Bakelite Group begins leakage risk assessments at its business sites in Japan and overseas	● The 10th Conference of the Parties (COP10) to the Convention on Biological Diversity
2011	● Presentation to Tochigi Prefectural Government of the report on the remediation construction work conducted at the Sano Plastic site ● Standards for preparation of the Environmental & Social Report changed to conform with the GRI guidelines	● The 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change ● The Great East Japan Earthquake
2012	● The biotope project starts at the Shizuoka Plant ● Work to excavate and remove contaminated soil and to purify contaminated groundwater in the premises of the Totsuka Office after its closure ● Zero emissions achieved at all domestic plants ● Start of chemical materials risk assessment	● The 18th Conference of the Parties (COP18) to the United Nations Framework Convention on Climate Change and the 8th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP8) ● Following the accident at the Fukushima Daiichi Nuclear Power Plant of Tokyo Electric Power Company caused by the Great East Japan Earthquake, operation of all 54 commercial nuclear reactors in Japan suspended. Of the 54, only two at the Oi Nuclear Power Plant of Kansai Electric Power Company resumed operation
2013	● Completion of decontamination at the former Totsuka Plant reported to Yokohama City	● The 19th Conference of the Parties (COP19) to the United Nations Framework Convention on Climate Change and the 9th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP9)
2014	● The Company signs the revised Responsible Care Global Charter ● Environmental rating by the Development Bank of Japan (DBJ environmental rating): Gained A ● Compilation of certain Scope 3 data starts at business sites in Japan ● Start of risk assessment for fire by explosion	● Revision to the Responsible Care Global Charter (6th element) ● Revision to the Industrial Safety and Health Act starts requiring businesses to perform risk assessments of chemical substances
2015	● Revised the Company'sEnvironment and Safety management guidelines, and established a new Responsible Care Activity Guideline in accordance to the Responsible Care Global Charter revised in 2014 ● Began to understand regional watershed risk of all major plants in the Group	● ISO 14001 Revised ● Implementation of the amended Law Concerning the Discharge and Control of Fluorocarbons ● Revision to the Water Pollution Control Act (revised wastewater standards) ● Revision to the Soil Contamination Countermeasures Act (amended specified toxic substances) ● Paris Agreement: Establishment of international targets on climate change
2016	● Changed the name of the Environment and Social Report to the CSR Report and prepared it in compliance with the GRI Guidelines (Ver. 4)	● Revisions to Japan's Industrial Safety and Health Law (concerning chemical substance risk assessment) take effect ● Revisions made to Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes (requiring systematic disposal prior to treatment expiration)
2017	● Opened the biotope at Shizuoka Plant to the general public	
2018	● CSR Report 2018: Prepared report based on the report preparation standards compliance with the "Core" option of the GRI Guideline/Standard ● Established the SDG Promotion and Preparation Project Team, presented in specific detail the areas of SDGs that the Company will focus on, and promoted the necessary measures on a company-wide 2.5e	● Ocean Plastics Charter announced at the G7 Summit (not signed by Japan and the United States) ● Climate Change Adaptation Act enacted (Alongside with "alleviation," which mainly aims to reduce the emission of greenhouse gases, this act provides for a certain degree of "adaptation" to climate change)
2019	● Sustainability Promotion Committee launched, committee related to promoting sustainability activities organized, and the position and roles of each committee clarified ● CDP Climate Change 2019 rating of "B"	● Clean Ocean Material Alliance (CLOMA) launched to promote initiatives to resolve the problem of marine plastics
2020	● Environmental Vision for 2050 (net zero) Declaration ● CDP Climate Change 2020 rating of "A-" ● CDP Water Security 2020 rating of "B-"	● 2050 Carbon Neutral Declaration (Japan)
2021	● Endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) ● 2030 target: Reduce CO_2 emissions Group-wide by 46% or more (compared to fiscal 2013) ● EcoVadis Sustainability Survey Gold rating ● Our three European group companies switched all electricity purchased from external sources to electricity derived from renewable energy sources in fiscal 2021, and our domestic plants and research laboratories did so from January of fiscal 2022	● 2030 GHG reduction target 46% (compared to fiscal 2013) (Japan)

•Green letters show global movement

Glossary

<Glossary of Environmental Terms>

CDP (P. 31, 52, 53, 62, 117, 121)
A project that promotes the disclosure of information related to the environment, such as global warming measures and support for water strategies and forests by corporations, with the approval of institutional investors (preceded by the Carbon Disclosure Project). It is currently one of the sets of data that is most frequently used in the world as a reference for ESG investment.

COD (P. 58, 61)
Chemical Oxygen Demand (COD) is a measure used in water quality analysis, indicating the amount of oxygen consumed by potassium permanganate to oxidize organic compounds in water. Overseas, potassium dichromate is often used as an oxidizing agent, and results are different, so we compiled separately in Japan and overseas.

MFCA (P. 52, 59, 61, 109, 110, 111)
Acronym for Material Flow Cost Accounting, an environmental management and accounting tool for companies to improve cost efficiency and reduce environmental impact at the same time. Our Group utilizes this method as an analysis tool.

NOx (P. 58, 61, 124)
Nitrogen Oxide

PRTR system (P. 118, 120)
PRTR: Pollutant Release and Transfer Register. Japan's PRTR Act requires companies using harmful chemical substances to gather data on the amount of harmful chemical substances released into the environment and other data as a means of promoting autonomous efforts by those companies to improve their management of such substances and preventing the pollution of the environment by such substances.

SOx (P. 58, 61, 124)
Sulfur Oxide

TCFD (P. 7, 16, 17, 19, 21, 44, 52, 54, 57, 121)
Task Force on Climate-related Financial Disclosures (TCFD) An international project that requires companies to disclose the financial risks of climate change with the participation of the Financial Stability Board (FSB), a group of central bank governors from around the world. It requires companies to provide information that investors and financial institutions can use to make decisions, and requires companies to conduct "scenario analyses" of the potential impact of climate change on their future operations.

Carbon neutrality (P. 7, 8, 17, 19, 20, 21, 24, 25, 39, 40, 44, 45, 47, 50, 51, 52, 53, 54, 55, 57, 58, 59, 71, 86, 94, 97, 108, 109, 110, 111, 115, 121, 124)
The 2050 Carbon Neutral initiative showcased by the government is an application of the carbon neutral concept to policy. According to the declaration, the aim is to zero out overall greenhouse gas emissions by 2050, resulting in carbon neutrality by that year and the realization of a decarbonized society. To zero out overall means that the total of emitted volume minus volumes absorbed and eliminated is to be brought to zero.

Scope 3 (P. 21, 60, 121, 124)
Whereas Scope 1 concerns direct emissions due to combustion of fuel etc. and Scope 2 concerns indirect emissions from consumption of purchased electricity or heat, Scope 3 concerns other indirect emissions, both upstream and downstream, of the supply chain of the reporting entity. The international guidelines of the Greenhouse Gas (GHG) Protocol break down Scope 3 into 15 categories.

Soot and dust (P. 58, 61, 112)
This refers to solid particulate matter found in smoke including dust and cinders.

<Glossary of Chemical SubstanceTerms>

ExESS (P. 67)
A system for producing and issuing SDS multilingually. Introduced in 2020.

GHS (P. 67)
Acronym for the Globally Harmonized System of Classification and Labelling of Chemicals.

SDS (P. 46, 67)
Acronym for Safety Data Sheet. This sheet contains the safety information regarding chemical substances, and is attached with products on their delivery to other businesses.

WSSD (P. 67)
Acronym for World Summit on Sustainable Development.

European REACH (P. 67)
European Union regulation to protect the health of people and the environment during the handling of chemical substances.

<Glossary of Sustainability Terms, Others>

CS (P. 32, 38, 68, 71, 72, 78, 79)
Customer Satisfaction.

CSR (P. 12, 32, 43, 44, 47, 80, 97, 121, 123, 124)
Acronym for Corporate Social Responsibility. CSR collectively refers to activities carried out within the scope of a company's operations not only geared toward generating profits, but also for fulfilling a company's responsibilities to society and growing together with society while emphasizing the correlation with all stakeholders.

DX (P. 7, 8, 18, 19, 21, 24, 25, 33, 34, 51, 79, 91)
Digital transformation. This refers to the use of digital technologies such as AI, IoT, and Big Data by companies not only to improve workflow and create new business models, but also to break away from legacy systems and transform their corporate culture.

ESG (P. 4, 8, 42, 43, 80, 91, 117)
Acronym that stands for Environmental, Social, and Governance; used as an indicator to determine whether a company can grow sustainably.

GRI (P. 4, 42, 98, 121, 123, 124, 125)
Acronym for Global Reporting Initiative, an international NGO. The organization publishes the GRI Sustainability Reporting Guideline.

IoT (P. 8, 31, 33, 34, 49, 51, 94)
Internet of Things. This is a system in which various things (sensor devices, actuators, houses/buildings, cars, home appliances, electronic devices, etc.) that were not previously connected to the Internet are connected to servers and cloud services through networks, enabling mutual information exchange.

ISO26000 (P. 42)
International standard developed in October 2010 to help organizations address social responsibility issues. This is the first international standard created through a multi-stakeholder process, which involved experts representing a multitude of sectors in the deliberation.

QOL (P. 68)
Acronym for Quality Of Life. A concept of satisfaction in all aspects of life, which includes not only material wealth possession but also emotional fulfillment, and self-actualization.

RBA Scope of Activity (P. 97)
The Electronic Industry Citizenship Coalition (EICC) Code of Conduct establishes standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

Stakeholders (P. 3, 4, 9, 12, 13, 18, 24, 25, 31, 32, 34, 37, 42, 43, 44, 47, 53, 57, 72, 88, 96, 123)
Persons and organizations concerned. People who have an interest in any decisions made or activities conducted by an organization.

Materialities (P. 12, 32, 42, 43, 123)
In the context of CSR, "materiality" refers to significant items that need to be worked on. Materiality items are selected in terms of how they reflect significant effects that an organization has on the economy, environment, and society, and how they have an actual impact on evaluations and decisions made by stakeholders.

Responsible care (P. 9, 42, 44, 45, 53, 54, 64, 67, 73, 75, 78, 83, 120, 121)
Activity that assures environmental safety and health in all stages of a chemical material's existence from development to manufacturing, distribution, utilization, final consumption, disposal, and recycling; publishes process results; and promotes dialogue and communication with the public. (Japan Chemical Industry Association)

GRI Standards Comparison Table

This report has been prepared in accordance with the GRI Standards : Core option.

General Disclosures

GRI Standard – General Disclosures		Page number (title)
1. Organizational profile		
102-1	Name of the organization	P99: Corporate Data Website (Corporate profile) https://www.sumibe.co.jp/english/company/outline/index.html
102-2	Activities, brands, products, and services	P33: Sales Revenue Breakdown by Segment, Composition Ratios and Major Products P34-39: Business Overview by Segment P99: Corporate Data 131st Annual Securities Report P6-7/155: Business Description Online (Product information) https://www.sumibe.co.jp/english/product/index.html
102-3	Location of headquarters	P99: Corporate Data Website (Corporate profile) https://www.sumibe.co.jp/english/company/outline/index.html
102-4	Location of operations	P100: Group Companies P101: Sumitomo Bakelite Group P108-115: Site Report 131st Annual Securities Report P9-10/155: Affiliated Companies Website: Group Companies (Overseas) https://www.sumibe.co.jp/english/company/overseas/index.html
102-5	Ownership and legal form	P99: Corporate Data P88: Corporate Governance
102-6	Markets served	P100: Group Companies 131st Annual Securities Report P6-7/155: Business Description
102-7	Scale of the organization	P73: Number of Group Employees and Executive Officers P99: Corporate Data P100-101: Group Companies P102-103: Financial Data 131st Annual Securities Report P2-3/155: corporate profile P4/155: Management Indicators, etc. of the Submitting Company P11/155: Employees P36-37/155: Status of major facilities (number of employees at each plant and company on the far right) P41-42/155: Major Shareholders Website (Corporate profile) https://www.sumibe.co.jp/english/company/outline/index.html
102-8	Information on employees and other workers	P73: Breakdown of employees by region, by age, and by gender 131st Annual Securities Report P36-37/155: Main Facilities (Number of Employees at Each Plant and Company at Right)
102-9	Supply chain	P97: Procurement Initiatives> Basic Approach
102-10	Significant changes to the organization and its supply chain	P4: Included organizations (addition of SB Kawasumi Laboratories and Kawasumi Laboratories [Thailand]) P101: Sumitomo Bakelite Group
102-11	Precautionary Principle or approach	P94: Risk Management P52-53: Environmental Management P69: Reducing Risk Relating to New Business
102-12	External initiatives	P121: Environmental Protection Activities
102-13	Membership of associations	P120: Memberships in Leading Organizations
2. Strategy		
102-14	Statement from senior decisionmaker	P6-9: Message from the President
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	P6-9: Message from the President P4: Basic Policy of the Sumitomo Bakelite Group, and Sustainability Promotion Structure P95: Code of Conduct for Employees P97: Procurement Initiatives > Basic Approach P68: Basic Quality Management Policy for Fiscal 2021 P82: Basic Policy on Profit Distribution Website (Corporate profile) https://www.sumibe.co.jp/english/company/philosophy/index.html Website: (Pruchasing transactions > Procurement) https://www.sumibe.co.jp/english/company/purchasing/index.html

GRI Standard – General Disclosures		Page number (title)
4. Governance		
102-18	Governance structure	P44-45: Sustainability promotion system P88-89: Corporate Governance P52-53: Environmental Management 131st Annual Securities Report P46-51/155:Corporate Governance
5. Stakeholder engagement		
102-40	Stakeholders stakeholder groups	P32: Relationship with Stakeholders
102-41	Collective bargaining agreements	P81: Labor-Management Relations 131st Annual Securities Report P11/155: Labor Unions
102-42	Identifying and selecting stakeholders	P42-43: Promoting Business That Helps Solve Social Issues P32: Relationships with Stakeholders
102-43	Stakeholders stakeholder engagement	P32: Relationship with Stakeholders
102-44	Key topics and concerns raised	P32: Relationship with Stakeholders P42-43: Promoting Business That Helps Solve Social Issues
6. Reporting practice		
102-45	Entities included in the consolidated financial statements	P4: Boundary P101: Consolidated subsidiaries (45 companies) 131st Annual Securities Report P9-10/155: Affiliated Companies
102-46	Defining report content and topic Boundaries	P4: Editorial Policy P42-43: Promoting Business That Helps Solve Social Issues P124: Basis to disclose topics identifiedas material
102-47	List of material topics	P42-43: Promoting Business That Helps Solve Social Issues P124: Basis to disclose topics identifiedas material
102-48	Restatements of information	P4: Boundary
102-49	Changes in reporting	P4: Included organizations (addition of SB Kawasumi and Kawasumi Laboratories [Thailand]) P101: Sumitomo Bakelite Group
102-50	Reporting period	P4: Applicable period
102-51	Date of most recent report	P4: Published
102-52	Reporting cycle	P4: Published
102-53	Contact points for questions regarding the report	Back cover: Inquiries
102-54	Claims of presorting in accordance with the GRI Standards	P4: Editorial Policy P123-125: GRI Standards Comparison Table
102-55	GRI content index	P4: Editorial Policy P123-125: GRI Standards Comparison Table P125: Independent Assurance Report
102-56	External assurance	P4: Editorial Policy P125: Independent Assurance Report

Basis of to disclose topics identified as material

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

Topics determined to be material

GRI Standard Specification Items		Page number (title)
GRI 300 Series (Environmental Standards)		
GRI 301 Materials (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P52-53: Environmental Management P59: Medium- to Long-term Environmental Targets and Results P61: Reducing Material Loss
103-2	The management approach and its components	P59: Medium- to Long-term Environmental Targets and Results P61: Reducing Material Loss
103-3	Evaluation of the management approach	P59: Medium- to Long-term Environmental Targets and Results P61: Reducing Material Loss
301-1	Materials used by weight or volume	P58: Material Flows and Investments in Environmental Protection
GRI 302 Energy (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P52-53: Environmental Management P58: Material Flows and Investments in Environmental Protection
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P52-53: Environmental Management
103-3	Evaluation of the management approach	P52-53: Environmental Management
302-3	Energy intensity	P60: Environmental Performance P118: Definitions/Calculation Method
302-4	Reduction of energy consumption	P52-53: Environmental Management P60: Environmental Performance P118: Definitions/Calculation Method
GRI 304 Biodiversity (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P83: Biodiversity Conservation Initiatives
103-2	The management approach and its components	P83: Biodiversity Conservation Initiatives
103-3	Evaluation of the management approach	P83: Biodiversity Conservation Initiatives
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P83: Biotope and Visiting Guest Lesson Initiatives
GRI 305 Emissions (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P52-53: Environmental Management
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P52-53: Environmental Management
103-3	Evaluation of the management approach	P52-53: Environmental Management P61: Reducing Material Loss
	When reporting on GHG emissions targets, the reporting organization shall explain whether offsets were used to meet the targets, including the type, amount, criteria or scheme of which the offsets are part.	• Offsetting not used until fiscal 2021.
305-1	Direct GHG emissions (Scope 1)	P4: Editorial Policy P58: Material Flows and Investments in Environmental Protection P118: Trends in Environmental Performance P118: Definitions/Calculation Method
305-3	Other indirect greenhouse gases (GHG) emissions (Scope 3)	P60: Environmental Performance
305-4	GHG emissions intensity	P60: Environmental Performance
GRI 306 Waste (2020)		
103-1	Explanation of reporting the material topic and its Boundary	P52-53: Environmental Management
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P52-53: Environmental Management
103-3	Evaluation of the management approach	P52-53: Environmental Management P61: Reducing Material Loss
306-1	Waste generation and significant waste-related impacts	P58: Material Flows and Investments in Environmental Protection P61: Reducing Material Loss P63: Initiatives for Resource Recycling P63: Waste Management
306-2	Management of Significant Waste-Related Impacts	P58: Material Flows and Investments in Environmental Protection P61: Reducing Material Loss P63: Initiatives for Resource Recycling P63: Waste Management
306-3	Waste generated	P61: Reducing Material Loss
GRI 307 Environmental Compliance (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P95-96: Compliance P52-53: Environmental Management
103-2	The management approach and its components	P95-96: Compliance P52-53: Environmental Management
103-3	Evaluation of the management approach	P95-96: Compliance P52-53: Environmental Management
307-1	Non-compliance with environmental laws and regulations	P96: Monitoring

GRI Standard Specification Items		Page number (title)
GRI 308 Supplier Environmental Assessment (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P97: Procurement Initiatives
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P97: Procurement Initiatives
103-3	Evaluation of the management approach	P97: Procurement Initiatives
308-2	Negative environmental impacts in the supply chain and actions taken	P97: CSR Survey of Suppliers
GRI 400 Series (Social Standards)		
GRI 401 Employment (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P73: Recruiting and Employment P78: Human Resources Development
103-2	The management approach and its components	P73: Recruiting and Employment(The items for which policies are to be set are stated.)
103-3	Evaluation of the management approach	P73: Recruiting and Employment
401-1	New employee hires and employee turnover	P73: Number of Group Employees and Executive Officers
GRI 403 Occupational Health and Safety (2018)		
103-1	Explanation of reporting the material topic and its Boundary	P64: Safety and Security
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P64: Safety and Security
103-3	Evaluation of the management approach	P64: Safety and Security P46-47: Fiscal 2021 Highlights of Sustainability Activities P64: Machinery and Equipment Risk Reduction Activities, Risk Reduction Activities relating to Chemical Substances
403-1	Occupational Health and Safety Management System	P116: Management System Certification Status
403-2	Hazard Identification, Risk Assessment, Accident Investigation	P64: Occupational Health and Safety Management System P64: Machinery and Equipment Risk Reduction Activities, Risk Reduction Activities relating to Chemical Substances P65-66: Occupational Accident Figures P116: Management System Certification Status
403-3	Occupational Health Services	P81: Health Management
403-4	Worker Participation, Consultation, and Communication in Occupational Health and Safety	P64: Occupational Health and Safety Management System P65: Health and Safety Education P81: Labor-Management Relations
403-5	Worker training on occupational health and safety	P65: Health and Safety Education
403-6	Promotion of worker health	P81: Health Management (TOPIC)
403-7	Prevention and Mitigation of Occupational Health and Safety Impacts Directly linked by business relationships	P68: Product Liability
403-9	Work-related Injuries	P64: Machinery and Equipment Risk Reduction Activities P64: Risk Reduction Activities relating to Chemical Substances P65-66: Occupational Accident Figures (Reason for omission) Although we have obtained information related to accidents involving subcontractors and other non-employees, we have not calculated the total number of hours worked for 2021 because there were no industrial accidents. We will consider the possibility of disclosing such information in the next year or two.
GRI 404 Training and Education (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P78: Human Resources Development
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P78: Human Resources Development P78-79: The Group's in-house training institute, "SB School"
103-3	Evaluation of the management approach	P78: Human Resources Development
404-2	Programs for upgrading employee skills and transition assistance programs	P75: Regarding Retirement Benefit Obligations P78-79: The Group's in-house training institute, "SB School"
GRI 405 Diversity and Equal Opportunity (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P75: Employment of People with Disabilities P75: Initiatives to Promote the Advancement of Women P76: Work-Life Balance
103-2	The management approach and its components	P75: Employment of People with Disabilities P75: Initiatives to Promote the Advancement of Women P76: Work-Life Balance
103-3	Evaluation of the management approach	P75: Employment of People with Disabilities P75: Initiatives to Promote the Advancement of Women P76: Work-Life Balance
405-1	Diversity of governance bodies and employees	P88: Management System P73: Number of Group Employees and Executive Officers P75: Employment of People with Disabilities P75: Initiatives to Promote the Advancement of Women
GRI 414 Supplier Social Assessment (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P97: Procurement Initiatives

GRI Standard Specification Items		Page number (title)
GRI 414 Supplier Social Assessment (2016)		
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P97: Procurement Initiatives
103-3	Evaluation of the management approach	P97: Procurement Initiatives
414-2	Negative social impacts in the supply chain and actions taken	P97: CSR Survey of Suppliers
GRI 416 Customer Health and Safety (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P68: The Group's Basic Policy and System for Quality Assurance
103-2	The management approach and its components	P68: The Group's Basic Policy and System for Quality Assurance
103-3	Evaluation of the management approach	P68: The Group's Basic Policy and System for Quality Assurance
416-1	Assessment of the health and safety impacts of product and service categories	P67: Chemical Substance Management P68-70: Product Liability
GRI 419 Socioeconomic Compliance (2016)		
103-1	Explanation of reporting the material topic and its Boundary	P95: Compliance

GRI Standard Specification Items		Page number (title)
GRI 419 Socioeconomic Compliance (2016)		
103-2	The management approach and its components	P46-47: Fiscal 2021 Highlights of Sustainability Activities P95: Compliance
103-3	Evaluation of the management approach	P96: Whistleblower System P96: Monitoring
419-1	Non-compliance with laws and regulations in the social and economic area	P96: Monitoring

On-site audit by KPMG AZSA Sustainability Co., Ltd.

Nara Plant

KPMG

Independent Assurance Report

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

We were engaged by Sumitomo Bakelite Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators and environmental accounting indicators marked with ✅ (the "Indicators") for the period from April 1, 2021 to March 31, 2022 included in its Integrated Report 2022 (Full Online Version) (the "Report") for the fiscal year ended March 31, 2022, and the Company's self-declaration that the Report is prepared in accordance with the Global Sustainability Standards Board's GRI Sustainability Reporting Standards ("GRI Standards") at a core option.

The Company's Responsibility

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

Our Responsibility

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

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

Conclusion

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

Our Independence and Quality Control

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

Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 20, 2022

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The cover illustration depicts an image of the Ikoi no Mori biotope of the Shizuoka Plant. Ikoi no Mori features lush forest and flowering plants that change expression with each season. It is visited by kingfishers and other water birds. It is a place where quiet and motion coexist, and healing scenery can be enjoyed.

UD FONT

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Published: October 2022