SUMITOMO CHEMICAL

CSR REPORT 2009

Sustainable Chemistry

THE GLOBAL COMPACT
WE SUPPORT

Providing a Wide Variety of Products Contributing to a Range of Industries and to People's Lives

Focusing its efforts within six business areas, Sumitomo Chemical promotes Sustainable Chemistry through CSR management, and is currently working to boost profitability by continuously developing and supplying products and services that enhance people's lives.

Business Sectors

Basic Chemicals Sector

Inorganic chemicals, raw materials for synthetic fibers, organic chemicals, methyl methacrylate (MMA), alumina products, aluminum, etc.

MMA resin exhibiting outstanding transparency and weather resistance

Caprolactam, the raw material for nylon fibers

Petrochemicals & Plastics Sector

Petrochemical products, synthetic resins, synthetic rubber, synthetic resin processed products, etc.

Polyethylene for containers and wrapping film

Polypropylene for automobile parts and household products

Fine Chemicals Sector

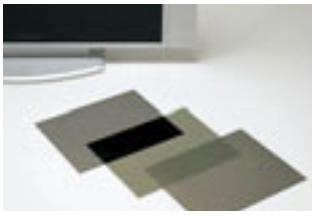
Functional materials, additives, dyes, pharmaceutical chemicals, etc.

Resorcinol, the raw material for adhesives for tires and flame retardants

Antigen 6C, an antioxidant for rubber products, including tires

IT-related Chemicals Sector

Optical products, color filters, semiconductor processing materials, electronic materials, compound semiconductor materials, etc.



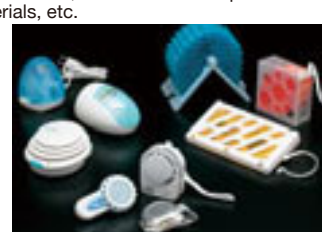
Polarizing film indispensable for LCD TVs

Photoresists used during the production of semiconductors

Agricultural Chemicals Sector

Agricultural chemicals, household insecticides, insecticides for epidemic prevention, feed additives, chemical fertilizers, materials for the prevention of tropical infections, agricultural materials, etc.

Agricultural pesticides for various crops

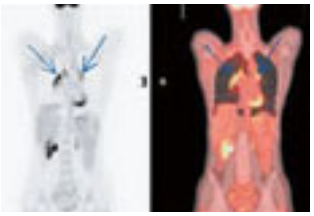


Household insecticides contributing to improvement of the living environment

Pharmaceuticals Sector

Ethical pharmaceuticals, diagnostic radiopharmaceuticals, etc.

Pharmaceuticals manufactured by Dainippon Sumitomo Pharma Co., Ltd.



Usage example of a PET diagnostic agent, effective for early diagnosis of malignant tumors

Company Profile

Inauguration	September 22, 1913
Initiation of business operation	October 4, 1915
Establishment	June 1, 1925

Business Performance in Fiscal 2008 (consolidated)

Net sales	1788.2 billion yen
Operating income	2.1 billion yen
Ordinary income	Deficit of 32.6 billion yen
Net income	Deficit of 59.2 billion yen

Capital expenditures	134.1 billion yen
R&D expenses	131.1 billion yen
Number of employees	26,902
Consolidated subsidiaries	126

(As of March 31, 2009)

CSR Report 2009

In fiscal 1998, Sumitomo Chemical Co., Ltd. began publishing its annual "Environment, Health and Safety Report" focusing on its Responsible Care (RC) activities, in particular those involving occupational health and safety, environmental protection, safety and disaster prevention, chemical safety, and product quality assurance.

The title of the report was changed to "CSR Report" in fiscal 2004 to reflect broader coverage of corporate social responsibility (CSR) initiatives, which include social and economic activities.

As well as making the report more concise and easier to understand by selectively introducing the wide range of unique activities we are involved in, we have included "TOPICS" (topical news and initiatives) and "VOICE" (employees' report, opinions and ideas) columns to ensure that readers across a broad spectrum can gain a solid understanding of Sumitomo Chemical's CSR activities. In addition, we have compiled detailed numerical data in a separate booklet titled "CSR Report 2009 DATA BOOK" for easy reference.

This report was prepared with reference to the Japanese Ministry of the Environment's "Environmental Reporting Guidelines" (2007 edition) and the "Environmental Accounting Guidelines" (2005 edition), and Global Reporting Initiative's (GRI) "Sustainability Reporting Guidelines" (third edition). KPMG AZSA Sustainability Co., Ltd. conducted an independent review of this report to ensure reliability and transparency of its content.

We welcome your feedback on this report.

Scope of this report

- Environmental performance (excluding environmental accounting and environmental efficiency)
The environmental performance data included in this report cover Sumitomo Chemical Group companies that have production divisions and also sales above a certain level or whose environmental impact is relatively large, namely Sumitomo Chemical and 16 Group companies in Japan, and 9 Group companies overseas. Environmental performance data for overseas companies are also available in the "CSR Report 2009 DATA BOOK."

- Environmental accounting
The environmental accounting data included in this report cover Sumitomo Chemical Group companies that have production divisions and also sales above a certain level, namely Sumitomo Chemical and 17 Group companies (12 domestic, 5 overseas).

- Environmental efficiency
The environmental efficiency data included in this report cover Sumitomo Chemical Group companies with production divisions, namely Sumitomo Chemical and 10 domestic Group companies.

In this report, "Sumitomo Chemical" and "Sumitomo Chemical Group" are distinguished as follows.

Sumitomo Chemical: Sumitomo Chemical Co., Ltd.
Sumitomo Chemical Group: Sumitomo Chemical and Group companies
(When "Group companies" are referred to, this does not include Sumitomo Chemical. The applicable scope of Group companies is indicated as necessary.)

Period covered by this report: April 1, 2008 – March 31, 2009
(with specific exceptions outside this time frame)

Date of publication: October 2009
(The next issue is scheduled for publication in October 2010.)

CONTENTS

As a Global Company, We are Committed to the Sustainable Development of Society.

■ CSR as the Roots of the Company

For Sumitomo Chemical, CSR (corporate social responsibility) signifies that our business activities must contribute to the sustainable development of society.

Sumitomo Chemical evolved from Sumitomo Fertilizer Works Ltd., founded in 1913 in an effort to solve environmental problems by producing fertilizers from sulfur dioxide gas generated by smelting operations at the Besshi Copper Mine in the Shikoku region of Japan. Thus, having originated as a company that sought to surmount environmental problems while also producing useful fertilizers, Sumitomo Chemical has, from the time of its founding, been a company that has embodied the ideals of CSR in all its efforts to contribute to society through its business. As it works to expand and develop its business operations, Sumitomo Chemical has always endeavored to help people lead fulfilling, comfortable lives, while serving as the backbone of a wide range of industries, from the automotive, home appliance, and IT industries, to the electronics and medical industries.

■ Harnessing the Power of Chemistry to Contribute to the Solution of Problems

Today humanity faces many challenges that require global solutions, including climate change and other environmental problems, securing food, resources and energy, and combating infectious diseases and poverty. As these problems become aggravated on a global scale, people now recognize that a chemical approach, or "the power of chemistry," is one of the sustainable solutions. Sumitomo Chemical takes a number of specific approaches to address these global issues by creating new products and developing more efficient processes based on its diverse technologies cultivated over many years.

The International Council of Chemical Associations (ICCA), an organization that represents the worldwide chemical industry, has made Climate Change & Energy one of its top priorities, and formed the Climate Change & Energy group, which recently issued a report quantifying the chemical industry's contribution to greenhouse gas emission reductions through the materials and components it provides to other industries. In order to realize further emission reductions through innovation and the propagation of high-performance chemical products, the group is working to identify a clear direction for the entire chemical industry and the role it can play in combating climate change by redrawing its roadmap for developing innovative technologies and suggesting workable policies. Sumitomo Chemical plays a central role in this endeavor, and, going forward, will proactively take a multinational approach to addressing these global issues, while forging broad-based partnerships, beyond its bounds as a corporation, with industry groups, universities, and other industries and organizations.

■ Responsible Care Initiatives

Sumitomo Chemical conducts voluntary Responsible Care (RC) activities aimed at preserving the environment and assuring safety, health and product quality throughout the lifecycles of product R&D, production, sales, commercial use, and disposal including recycling.

As regulations such as the EU's REACH are enacted, efforts to minimize risk throughout the lifecycle of chemical products are gaining worldwide momentum. Sumitomo Chemical has long had in-house research organizations specializing in safety, which, utilizing cutting-edge technologies, focus on the assessment and management of chemical products by positing the risks involved at each stage of the lifecycle. With its own next-generation in-house information management system SuCCESS (**S**umitomo **C**hemical **C**omprehensive **E**nvironmental, Health & **S**afety Management **S**ystem) launched in January of this year, Sumitomo Chemical will now be able to take advantage of legacy data accumulated over many years to manage all information on every chemical substance it handles. Thus,

we are working to better control chemical substance risks in terms of regulatory compliance as well as voluntary management.

■ Expanding Our Social Action Globally

Sumitomo Chemical engages in a variety of social actions, based on the belief that companies must grow hand in hand with society. We engage in dialogues with residents living in the vicinity of our plants and participate in a number of local civic activities. We also actively support educational programs by providing school science visits and accepting interns. In addition, by providing our insecticidal Olyset® Net mosquito net, we have been able to contribute not only to the prevention of malaria, but also to the development of local economies in Tanzania through the establishment of production facilities, which have created employment opportunities. Our support for the construction of school buildings in Africa and our Matching Gift program, where combined contributions from Sumitomo Chemical and its employees have been used to support tree-planting activities in Thailand, are just a few examples of how we are engaged in global initiatives.

■ Practicing our Business Philosophy and Promoting Sustainable Chemistry

With the globalization of our business operations, we are transforming into a company in which an increasing number of employees of different nationalities, cultures and values take part in Sumitomo Chemical's business. Amid this transformation, we felt that it was essential for all members of the Sumitomo Chemical Group to share the same business principles and corporate mission, which function as a managerial framework, and to this end, we formulated our Business Philosophy in January of this year. In addition to ensuring that all of our employees are fully versed in Sumitomo Chemical's Business Philosophy, we seek to contribute to the sustainable development of society on the basis of CSR management while maintaining a balance among society, Responsible Care and economics. Furthermore, we will continue to promote Sustainable Chemistry, through which products and technologies that support people's lives are delivered in an environmentally and socially friendly manner. I would greatly appreciate your continued understanding and support as we go forward.

Hiroshi Hirose
President of Sumitomo Chemical

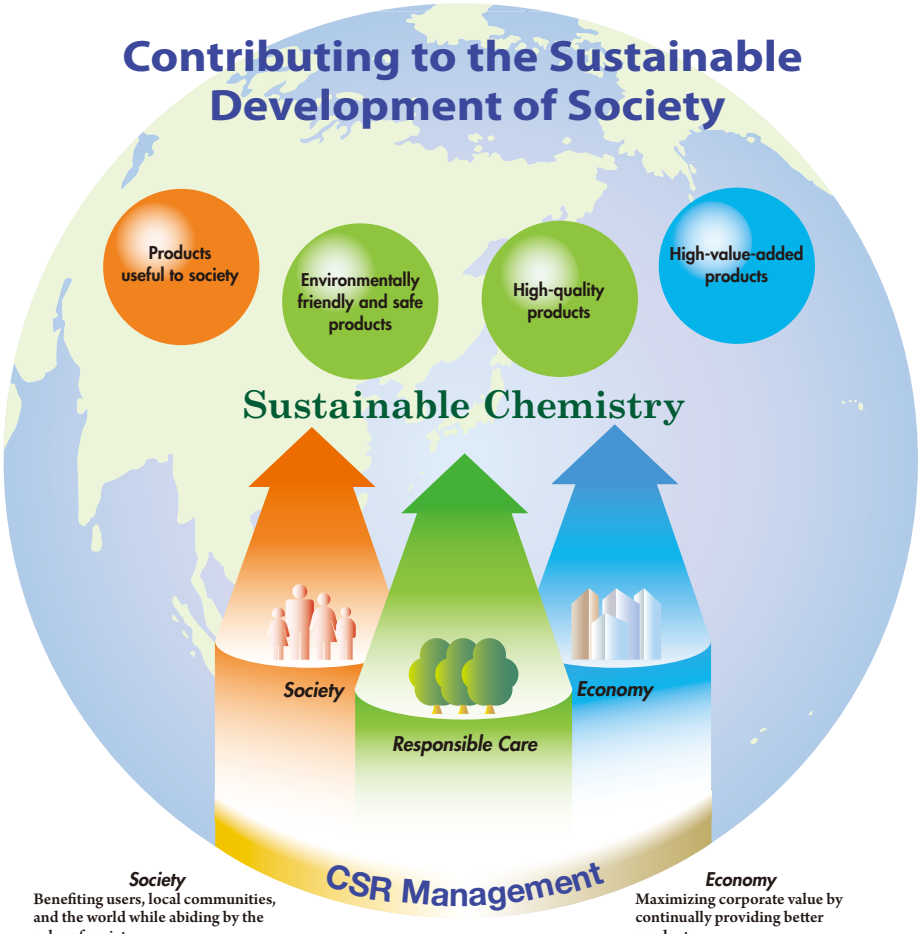
廣瀬　博

Sumitomo Chemical contributes to the sustainable development of society through "Sustainable Chemistry" built on its CSR-based management.

"Sustainable Chemistry" represents the concept of continuously providing useful products and services in an environmentally and socially friendly manner by exploiting the full potential of chemistry.

In practice, this involves the effective use of energy and natural resources as well as the development of chemical technologies that neither use nor generate chemicals harmful to humans or the environment.

Sumitomo Chemical is promoting CSR-based management that contributes to society with the products and services created through its practice of Sustainable Chemistry, while giving due consideration to the needs of society, Responsible Care, and economics in all aspects of its operations.



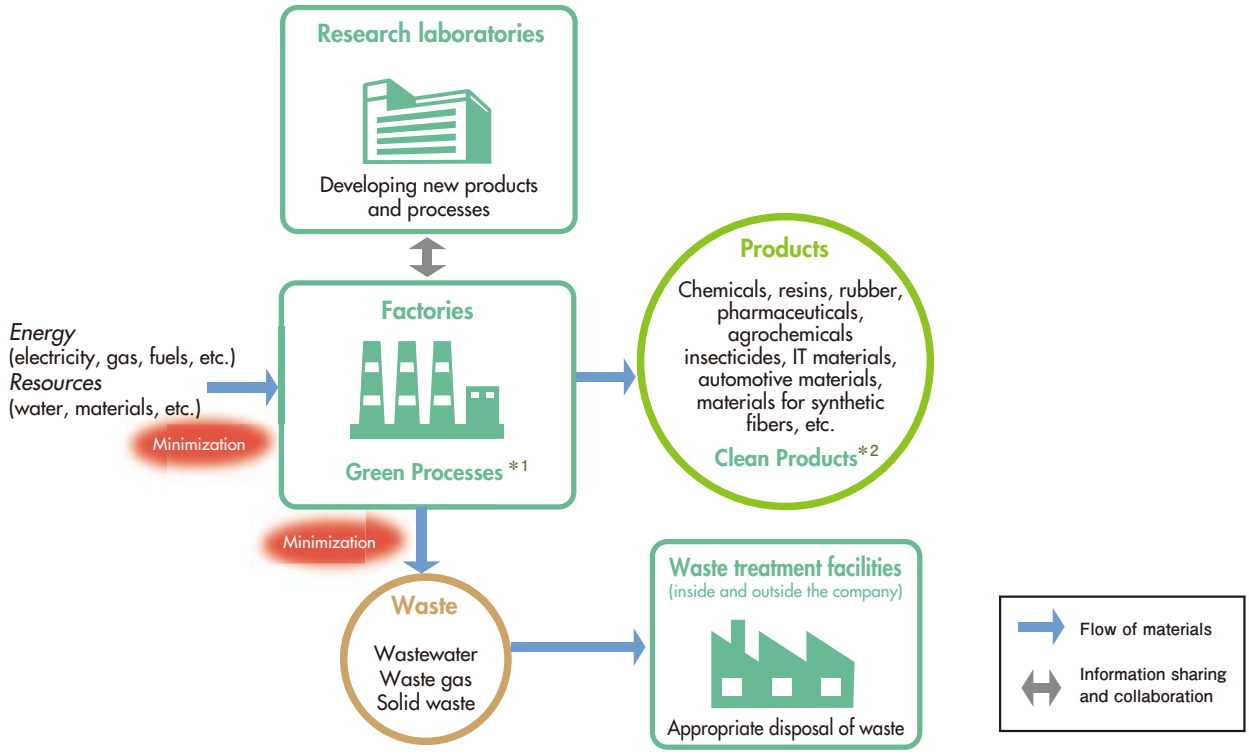
Sustainable Chemistry

The chemical industry plays an essential role in society: it supports people in leading fulfilling lives by delivering a variety of products related to the basic necessities of food, clothing and housing, and supplies materials to a wide spectrum of industries, including the automotive, home appliance, IT, electronics, and medical industries.

The chemical industry has contributed to the development of multiple industries and society through technological innovation. At present, human society is facing a variety of global problems, especially with regard to energy, resources, and the environment, and the chemical industry is expected to play an even greater role in solving these problems,

Sumitomo Chemical, as a member of the chemical industry, has defined its corporate mission as the achievement of Sustainable Chemistry, thereby providing high-performance, high-quality, and highly reliable products in a more environmentally friendly manner to help people live more fulfilling and comfortable lives while also contributing to economic growth and the sustainable development of society.

Concept of Sumitomo Chemical's Sustainable Chemistry



* 1. See "Green Processes" (p. 8). * 2. See "Clean Products" (p. 9).

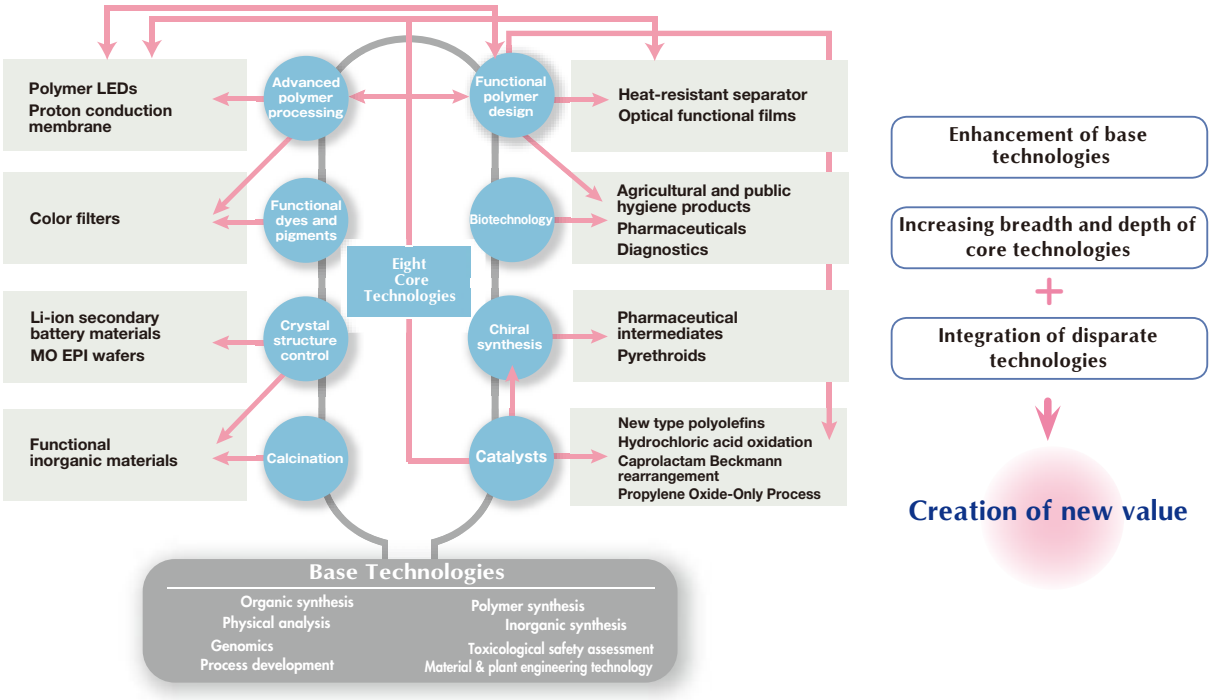
Creative Hybrid Chemistry

Sumitomo Chemical is endeavoring to achieve Sustainable Chemistry by further promoting the sustainable development of society and strengthening its international competitiveness as a global chemical company.

In order to achieve Sustainable Chemistry, it is necessary to have scientifically proven technologies. To this end, Sumitomo Chemical has been accumulating a variety of "base technologies" in organic synthesis, inorganic synthesis, polymer synthesis, physical analysis, toxicological safety assessment, genomic development, process development, materials and plant engineering technology, and others through extensive research activities over many years. In addition, through the development of products using our base technologies, we have expanded our "core technologies," namely advanced polymer processing, functional dyes and pigments, crystal structure control, calcinations, functional polymer design, biotechnology, chiral synthesis, and catalysts.

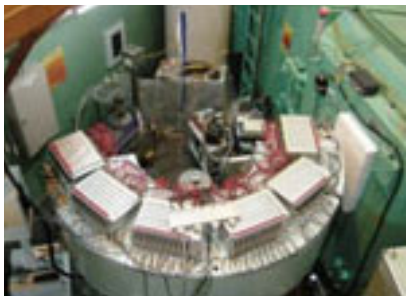
Sumitomo Chemical combines these "base technologies" and "core technologies" to develop its own unique technologies both broadly and deeply, and promotes linkages between these technologies and disparate technologies from both within and outside the company. Moreover, we integrate diverse ideas and values in our pursuit of Creative Hybrid Chemistry, which generates new value beyond the framework of chemistry.

Unique Technologies to Create New Value



Industry-Government-University Collaboration and Communication with Society

SPring-8 large synchrotron radiation facility of the Japan Synchrotron Radiation Research Institute (Hyogo Prefecture)



Nuclear Science Research Institute of the Japan Atomic Energy Agency (Ibaraki Prefecture)

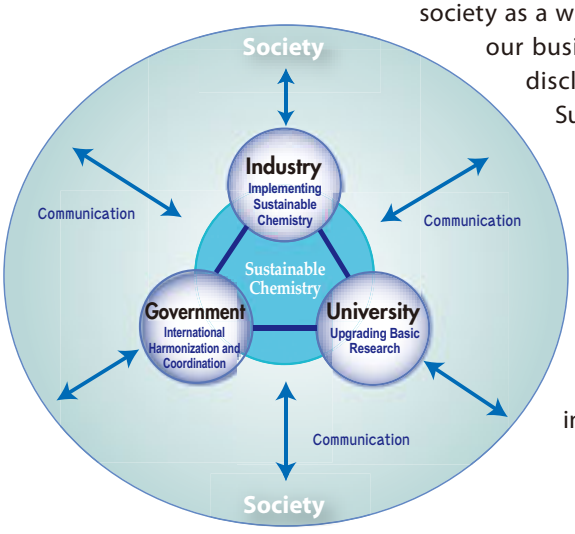
TSUBAME, the fastest supercomputer in Japan managed by the Tokyo Institute of Technology (Tokyo)

Photos provided by: Japan Synchrotron Radiation Research Institute, Japan Atomic Energy Agency, and Tokyo Institute of Technology

We at Sumitomo Chemical believe that close industry-government-university collaboration is vital to more effective realization of our Sustainable Chemistry. Within this framework, industries, administrative organizations taking charge of policy planning and public affairs from an international perspective, and universities both in Japan and overseas conducting basic research can strengthen their partnerships by playing their own distinct roles and taking advantage of their respective expertise. Sumitomo Chemical is actively promoting such collaboration in its efforts to enhance and accelerate Sustainable Chemistry.

In fiscal 2008, Sumitomo Chemical was engaged mainly in eight national projects, which can be classified into the following three areas: "technologies to create materials and products," "process technology," and "common key technologies." In "technologies to create materials and products," we have been participating in (1) R&D of environmentally friendly hydrogen fuel cells for early practical application, which is being promoted mainly by the New Energy and Industrial Technology Development Organization (NEDO) and (2) the development of base technologies for next-generation large polymer organic LED (PLED) displays fostered by a range of companies, including manufacturers of materials, home appliances, and equipment. With "process technology," we have been participating in joint research into bioethanol. This research is also led by NEDO and is aimed at the manufacture of bioethanol (which replaces gasoline by using non-food parts of plants such as the stems of sugarcane and rice straw) and the subsequent synthesis of propylene. In addition, we have been participating in the development of "common key technologies," including the Earth Simulator project led by the Japanese Ministry of Education, Culture, Sports, Science and Technology and projects using supercomputers such as TSUBAME. We are thus developing new technologies and products by seeking synergy between our proprietary R&D technologies and those derived from external players.

Meanwhile, we are fully aware of the importance of continuous dialogue with society as a whole for the continuation of our business. Thus, we continue to disclose our implementation of Sustainable Chemistry through industry-government-university collaboration, explain what results we have achieved in the end and what challenges we have encountered in the process, and listen attentively to the feedback we receive in return.



Green Processes and Clean Products

We need to use energy and resources, which are in limited supply, to manufacture chemical products. In the production process, unneeded substances (by products) or waste may also be generated. Sumitomo Chemical is committed to achieving Sustainable Chemistry on an even higher level by pursuing Green Processes, which minimize the environmental impact of manufacturing to the greatest extent possible, and developing Clean Products, which are safer, more environmentally friendly and of higher quality.

Green Processes

Caprolactam (Beckmann Rearrangement) Process

In the caprolactam (Beckmann rearrangement) process, caprolactam can be manufactured without producing the byproduct ammonium sulfate. This process also allows for a significant reduction in the amount of raw materials used as well as a shortened manufacturing process. In addition, it uses a safer catalyst.

Proprietary Propylene Oxide-Only Process (PO-Only Process)

In the propylene oxide-only process, propylene oxide can be manufactured without by-products by recycling cumene. Moreover, the facilities used for the process are more compact than that used for conventional processes, enabling high cost competitiveness.

Hydrochloric Acid Oxidation Process

In the hydrochloric acid oxidation process, hydrochloric acid generated as a byproduct in the manufacture of chemical products is recycled through conversion to chlorine using a catalyst and oxygen. This process is considerably more energy-efficient than conventional processes.

VOICE About the Propylene Oxide-Only Process

Koji Shinohara

Propylene Oxide Section, No.4 Manufacturing Department, Chiba Works

We began producing propylene oxide using this new process, which is the first of its kind in the world, at the Chiba Works in 2003 (with an annual production capacity of 200,000 tons). As a green process, this process makes effective use of reaction heat and cuts down on wastewater to achieve resource and energy savings, and is indeed friendly to both people and the Earth. In recognition of this process, we received the METI Minister's Award at the Eighth (2008) Green Sustainable Chemistry Awards held by the Green & Sustainability Chemistry Network. *

VOICE About the Hydrochloric Acid Oxidation Process

Yasuhiko Mori

Ehime Process Technology Group, Process & Production Technology Center

Sumitomo Chemical's hydrochloric acid oxidation process enables the manufacture of chlorine with the use of about one-fifteenth or less of the energy used in the salt electrolysis process, thereby contributing to the effective use of resources and substantial energy savings. The process also helps reduce emissions of carbon dioxide and is indeed an environmentally conscious technology. In recognition of the energy and resource savings realized through the process, we received the Fourth (2004) Green Sustainable Chemistry Award. The technology has attracted much attention both inside and outside Japan, and a number of chemical companies have already adopted this process.

* The Green and Sustainable Chemistry Network is an entity established for the effective and vigorous promotion of Green Sustainable Chemistry activities. It is composed of 25 organizations, including Japan Chemical Industry Association.

Foamed Polypropylene

Polypropylene resin is used widely for automotive parts, and the quest for fuel efficiency demands lighter weight. While foaming of polypropylene was an extremely difficult process using conventional technology, Sumitomo Chemical has succeeded not only in enhancing functionality, but also in saving weight by foaming resin without compromising its strength through the development of a proprietary forming process. This resin can also be recycled in the same way as ordinary polypropylene.

Sumitomo S-SBR (Solution Polymerization Styrene Butadiene Rubber)

In terms of fuel efficiency and safety, the role of road-gripping tire treads is so significant that it requires high-performance materials. Sumitomo S-SBR is a synthetic rubber material used for tire treads. It can simultaneously improve the two opposing characteristics of tires: low fuel consumption (energy conservation) and brake performance (safety).

Photocatalysts

Photocatalysts use light energy to decompose harmful substances in a safe and clean manner. They absorb ultraviolet light and visible light to demonstrate such effects as breaking down surrounding volatile organic compounds (VOCs), eliminating odors, and preventing dirt deposition. There are two types of photocatalysts: one is an ultraviolet light-responsive photocatalyst, effective outdoors, and the other is a visible light-responsive photocatalyst, also effective indoors. These are used for exterior building materials as well as curtains and blinds. Sumitomo Chemical offers these types of photocatalyst products in the form of a powder, a hydrosol, and a coating agent with an inorganic binder.

Nenchaku-kun Wettable Powder (Pesticide Derived from Natural Product)

Nenchaku-kun Wettable Powder is a unique pesticide whose only active ingredient is starch. Used to control red mites and aphids, it has been verified as non-harmful to beneficial insects like bumblebees that are used for pollination and other natural enemies of these pest insects. It is suitable for organic cultivation, cultivation using reduced agricultural chemicals, and Integrated Pest Management (IPM) because it is (1) safer to humans and animals; (2) eliminates concerns about residue in crops; and (3) bio-decomposes rapidly compared to conventional agricultural chemicals.

Sumifix HF (Environmentally Friendly Reactive Dye)

Reactive dyes are used widely for cellulosic fibers. However, they pose a variety of problems in that: (1) they use a large amount of inorganic salts in the dyeing process; (2) their low staining rates result in a significant environmental impact of the wastewater from the dyeing process; and (3) removing unstained dyes (unfixed residual dyes) requires washing at high temperatures for extended periods of time, consuming a large amount of energy. With its high level of fixation and good dyeing responsiveness, Sumifix HF enables us to achieve high fixing rates with less inorganic salt, and to significantly reduce the impact of discharged wastewater on the environment. In addition, on a molecular basis, the unstained dyes of Sumifix HF are designed to degrade after dyeing, simplifying the washing process and reducing energy consumption.

Super Engineering Plastics

Super engineering plastics are plastics with considerably greater heat resistance than typical engineering plastics. Sumitomo Chemical has been progressing toward expanding applications for two types of characteristic super engineering plastics: liquid crystal polymer Sumika Super LCP and polyethersulphone (PES) Sumika Excel. These are used in various fields—from electronics and electrical parts to automobiles and aircraft. Sumitomo Chemical's Super Engineering Plastics, which contain no flame retardants, have cleared top-level fire-retardant standards. They have also been evaluated as an excellent material in terms of environmental protection, because they can also be used for lead-free soldering.

Gottsu A (Microbial Pesticide)

Gottsu A is a microbial pesticide that is highly effective against whiteflies, which cause tremendous damage to vegetables grown indoors. Its effective ingredient is the spores of Paecilomyces tenuipes, which is one type of entomopathogenic fungi. The fungus invades the harmful insects, proliferates inside their bodies, and eventually kills them. Gottsu A is suitable for organic cultivation, cultivation using reduced amounts of agricultural insecticides, and Integrated Pest Management (IPM) because of its following characteristics: (1) It is highly effective even for whiteflies that are resistant to agricultural chemicals; (2) it is not classified as an agricultural chemical; and (3) it exerts a very low impact on insect natural enemies and can therefore be systematically combined with various biotic pesticides.

Sumitomo Chemical's CSR

Sumitomo Chemical dates back to the House of Sumitomo, a business with a history spanning more than three centuries. The fundamental principles of the House of Sumitomo are upheld from its founding to this day.

Sumitomo Chemical's Corporate Philosophy

Sumitomo Chemical's Corporate Philosophy is based on Sumitomo's Business Principles and is composed of the Business Philosophy, which integrates the company's business principles, mission and values; the Corporate Slogan and Statement, which outlines the commitment and pride to be shared in common by employees; and the Sumitomo Chemical Charter for Business Conduct, which lays out the code of behavior serving as the basis for the Company's compliance system.

Sumitomo's Business Principles

The first pledge in Sumitomo's Business Principles, advocating integrity and sound management, reflects the importance of maintaining the trust of the Company's business partners and of society as a whole. The second pledge calls for refraining from the pursuit of easy gains—conducting thorough investigations and giving serious thought to business decisions so as not to be blinded by the prospect of immediate gains.

While not expressly stated, another traditional concept applies: harmony between the individual, the nation and society. Sumitomo manifests this concept by seeking to benefit not only its own business, but also both the nation and society, and by the Company's emphasis on maintaining harmony between its interests and those of the public.

To this day, these principles are strictly applied throughout the various Sumitomo Group companies, including Sumitomo Chemical.

Sumitomo's Business Principles

Pledge 1

Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

Pledge 2

Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

Sumitomo Chemical's Business Philosophy

As the Sumitomo Chemical Group progresses in the globalization of business operations, its workforce is coming to represent an increasing diversity of cultures and values, and it is becoming increasingly important for all Group employees to share the same fundamental business principles and a sense of being members of the Group. We took a fresh look at our fundamental business principles, mission and values from the perspective of Sumitomo's Business Principles and committed them to writing on January 1, 2009.

Sumitomo Chemical's Business Philosophy

1. We commit ourselves to creating new value by building on innovation.

2. We work to contribute to society through our business activities.

3. We develop a vibrant corporate culture and continue to be a company that society can trust.

The specific meaning of these three sentences is as follows:

The first states the Company's fundamental ethos. This fundamental ethos encompasses not only the achievement of concrete goals such as economic profit, but also the more abstract vision of the ideal company we aim to be.

The second states our mission; the Company's raison d'etre. This expresses our role in society, which is to provide society with useful things as a member of society. This gives meaning to our existence as a company.

The third states our values. This expresses our way of thinking in setting out to realize our mission and raison d'etre, and the drive and attitude with which we approach them.

Sumitomo Chemical will make sure that all members of the Sumitomo Chemical Group share this Business Philosophy to further promote its global operations.

Corporate Slogan and Statement

Members of a cross-divisional taskforce discussed subjects such as "pride" and "commitment" to be further nurtured among employees of Sumitomo Chemical, and created the Corporate Slogan and Statement in March 2008.

Corporate Statement

Sumitomo Chemical started business in 1913 as a producer of fertilizers from sulfur dioxide gas emitted by copper smelters. This business, which solved the environmental problem of air pollution while meeting the social demand for more agricultural production, embodied the business philosophy of the Sumitomo family handed down from the 17th century.

"Our business must benefit society, not just our interests." Throughout our history of almost a century, we at Sumitomo Chemical have lived by this credo. We have worked to build better lives by developing various businesses that meet people's evolving needs. At the same time, we have continuously delivered technological innovation while paying special attention to safety, the environment and product quality.

Looking to the future, we will create new value beyond the boundaries of chemistry by combining a variety of ideas, views, and technologies. We will also continue to take up the challenges facing the globe, from meeting basic needs, to protecting the environment, addressing the issues of adequate supplies of food, energy, and other resources.

In this endeavor, each of us at Sumitomo Chemical will work together to enhance our capabilities, explore new possibilities every day, and overcome the challenges lying ahead with enthusiasm and a strong sense of mission.

Sumitomo Chemical will seek to continue to build trust and bring joy to people across the world through constant innovation.

Corporate Slogan

Creative Hybrid Chemistry for a Better Tomorrow

Sumitomo Chemical Charter for Business Conduct

The Sumitomo Chemical Charter for Business Conduct provides the basis for the Company's compliance system. (For compliance, see p. 14.)

Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed good citizens.
2. We will observe laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

TOPIC

Publication of a Booklet on the Corporate Slogan and Statement

In fiscal 2008, the taskforce discussed how to communicate the ideas contained in the Corporate Slogan and Statement and at length decided to publish the Statement Booklet to be distributed to employees of Sumitomo Chemical. The Statement Booklet, a compendium of Sumitomo's Business Principles, the Business Philosophy, and the Corporate Slogan and Statement, has been widely used for in-house training programs since the beginning of fiscal 2009. Also, we have created an English version of the booklet to enable all employees of the Sumitomo Chemical Group, including those overseas, to share the principles.

CSR Milestones

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

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

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

CSR Policy and Promotion System

Sumitomo Chemical has been promoting its CSR initiatives throughout the company, building on its implementation capabilities, by formulating its Basic CSR Policy and establishing the CSR Promotion Coordinating Board.

Basic CSR Policy

Sumitomo Chemical established its Basic CSR Policy in November 2004 based on Sumitomo's Business Principles and the Sumitomo Chemical Charter for Business Conduct. Under this Policy, specific goals are set and CSR activities are implemented to achieve them.

Basic CSR Policy

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

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

CSR Promotion Coordinating Board

Sumitomo Chemical has established a company-wide CSR Promotion Coordinating Board to promote CSR activities. The CSR Promotion Coordinating Board, consisting of members from each Business Sector, Works, corporate administration department, and communicates, and coordinates CSR-related activities and compiles company-wide CSR implementation plans.

The CSR Promotion Coordinating Board annually reviews the status of implementation in individual departments and reports their activities in an annual CSR Report for internal and external stakeholders.

The Coordinating Board is operated jointly by the General Affairs Department, the HR Development Department, the Corporate Communications Department and the Responsible Care Office. These in-house organizations, which serve as the secretariat for the Coordinating Board, regularly meet to share information in order to maintain consistency in its operations.

CSR Promotion Coordinating Board Organization

Corporate Governance

Sumitomo Chemical regards it as the very foundation of corporate governance to serve the interests of shareholders and other stakeholders amid changing social and economic conditions, and has endeavored to improve its approaches to this end.

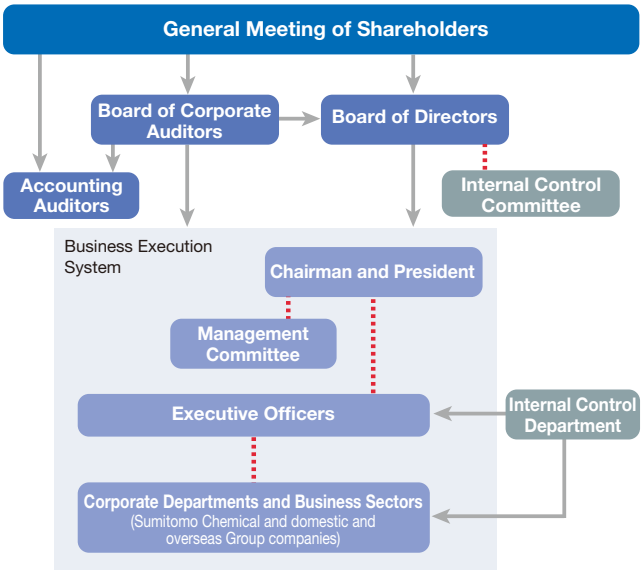
We will continue to implement measures to expedite important decision-making, define more clearly executive officers' responsibilities pertaining to the execution of duties, enhance and strengthen the compliance system and internal audits, and promote timely disclosure of information.

Management Structure

The Company's management structure currently consists of 11 directors and 28 executive officers (including those who serve in a dual capacity as directors). The Board of Directors ensures that important management decisions are appropriately made in accordance with laws and regulations, the Articles of Incorporation and the regulations concerning the Board, and also monitors and supervises the performance of the directors. The executive officers are responsible for ensuring that business operations are carried out in accordance with the Board's strategic management planning.

There are five corporate auditors, three of whom are from outside the Company (as of July 2009).

Corporate Governance Organization



Timely Disclosure

The Company's Corporate Communications Department, established exclusively for promoting and strengthening investor relations (IR) and public relations (PR) activities, continually provides shareholders, institutional investors, and media organizations with information useful for investment decisions, in a timely and fair manner.

Internal Control System

Sumitomo Chemical formulated its Basic Policy for Enhancement of the Internal Control System in 2006, established the Internal Control Committee in 2007, and has since been striving to build, maintain, and improve the system.

In fiscal 2008, the internal control reporting system as stipulated in the Financial Instruments and Exchange Act of Japan (J-SOX) began to be applied to financial reporting by listed companies. In response, the Sumitomo Chemical Group has been making a concerted effort to ensure the appropriateness of its financial reporting.

We consider the continuous development and enhancement of our internal control system as a necessary process in maintaining a sound organization, and believe this system should be actively utilized for the achievement of business objectives. We will continue our efforts to maintain and improve the system.

Internal Auditing Structure

Internal auditing is conducted by an Internal Audit Department that functions independently from the Company's operating departments.

The Internal Audit Department audits directors, executive officers and employees of the Sumitomo Chemical Group in the execution of their duties to ensure that internal controls are functioning effectively and business is conducted in a proper and appropriate manner. Specifically, the Department checks that effective and efficient business conduct is maintained, financial reporting is reliable, and business activities are compliant with laws and regulations. Furthermore, a Group Internal Auditing Committee has been established to improve the effectiveness and efficiency of internal auditing of both Sumitomo Chemical and its Group companies.

The Responsible Care Office conducts Responsible Care auditing for all matters concerning safety, the environment and the assurance of product quality.

Compliance

We conduct our business with the strong belief that compliance should constitute the cornerstone of corporate management and that we must not violate ethics or the rules of society in any aspect of operations. In 2003, in order to ensure the lawful and ethical conduct of business throughout our Company, we have created the "Sumitomo Chemical Charter of Business Conduct," which codifies the basic criteria for business conduct, and the "Sumitomo Chemical Business Conduct Manual," commonly called the "Compliance Manual," which sets forth concrete guidelines for all our employees, officers and Board members to follow. In order to achieve effective compliance management, we have established the Compliance Committee, which monitors and supports overall day-to-day compliance activities. For individual compliance items outlined in the Compliance Manual, special committees such as the Responsible Care Committee, the Antitrust Law Compliance Committee and the Internal Audit Working Group are working to ensure the compliance by our employees and others.

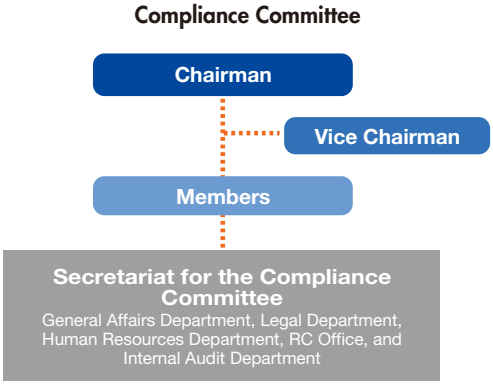
In addition, from the standpoint of strengthening consolidated management of Sumitomo Chemical Group companies and as part of our initiatives to establish solid internal control systems, we have been putting forth efforts to build and strengthen compliance systems in our consolidated Group companies operating both in Japan and overseas. We will continue to work in close cooperation with each of the companies to further enhance the compliance systems of the entire Group so that we will be able to gain the greater trust and confidence of society as a global company.

Sumitomo Chemical Charter for Business Conduct and Business Conduct Manual

We believe it is our social responsibility to conduct business to the highest ethical standards and act on our own responsibility. The “Sumitomo Chemical Charter for Business Conduct” spells out the basic guiding principles on which our compliance system is built. And the “Sumitomo Chemical Business Conduct Manual” has been developed on the basis of the Charter to provide specific rules for all our Board members, officers and employees to abide by in the performance of their respective activities, with a focus on our relations with society, customers, business partners, competitors, shareholders and investors, and employees.

Organizations for Compliance Management

The Compliance Committee monitors and supports the activities of the Company in ensuring that compliance-based management is always promoted in all operations throughout the Company. The Committee has the duty and authority to investigate and supervise legal and ethical compliance and call for corrective action as needed not only in Sumitomo Chemical itself but also in our consolidated Group companies both in Japan and overseas, currently totaling approximately 100 companies.



Speak-Up System

With the aim of preventing and resolving any violations of compliance, we have adopted an “open-door policy” that will help promote free and direct communication between superiors and subordinates in workplaces. There may be cases, however, where their immediate resolution through the ordinary channel of reporting to superiors appears difficult or impractical. In light of this, we have in place a “Speak-Up System” for our compliance program that enables employees and others working at our Company to report to the Compliance Committee or designated outside lawyers any violations or suspected violations of laws, regulations or Company rules. All information provided by an informant is kept strictly confidential, and the informant does not risk unfair treatment, such as dismissal, transfer or discrimination, for reporting incidents. The Speak-Up System aims at restraining illegal or unethical behavior as well as stimulating self-regulation against such behavior. In fact, we have been responding to each of the reports from informants promptly and in good faith in strict accordance with the purpose, objectives and procedures of this reporting system, thereby seeking further enhanced compliance management.

Promoting Compliance throughout the Sumitomo Chemical Group

We require consolidated Group companies to adopt compliance systems comparable to those of the Company, including the Compliance Manual and the Speak-Up System, in order to promote compliance-based management throughout the Group. With respect to overseas consolidated Group companies, we request each of them to create and adopt a Code of Ethics in place of the Company's Compliance Manual that reflects relevant laws, regulations and business practices legitimately followed in the countries in which they operate, and to build and establish an effective compliance system based on this Code. Nearly all of our current consolidated Group companies have introduced compliance systems. In order to further strengthen their compliance management, we are

providing each of our consolidated Group companies with a variety of support, including those for educational programs, which we consider appropriate according to the status of operation of their respective compliance systems.

Recent Initiatives

In April 2008, we updated the Company's Compliance Manual to reflect legislative and other changes such as amendments to or new enactment of Japan's various laws, revisions of our Company rules, and society's greater emphasis on compliance. In order to ensure that our employees and others are fully informed of the updates and further raise awareness of compliance, we conducted basic compliance educational seminars throughout Sumitomo Chemical, including at our Works and Laboratories.

In addition, we are supporting our consolidated Group companies in their efforts to enhance their compliance management, such as building systems that enable the timely updating of their Compliance Manuals for domestic companies or their Codes of Ethics for overseas companies in response to changes in laws, regulations and social conditions by means of, in the case of overseas companies, networking with local lawyers to acquire and examine the latest information on laws and regulations in their countries.

UN Global Compact

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

Contributing to Society through Our Business

Participation in the UN Global Compact reaffirms our commitment to building a broad, global network with international institutions in our active efforts to promote CSR based on the Sumitomo Spirit—our founding business principles.

The spirit of the Global Compact is fully consistent with the fundamental business principles of Sumitomo Chemical. That is, participation in the Global Compact does not represent a new undertaking for the Company, but rather an opportunity for every employee to deepen his or her commitment to working for the benefit of society and not merely for that of the Company.

Sumitomo Chemical will work to ensure a stable supply of its products with due consideration for the principles of the Global Compact regarding human rights, labor, the environment, and anti-corruption.

Participating in the Working Group on the 10th Principle (Anti-Corruption)

In December 2008, Sumitomo Chemical became the first Japanese company to participate in the Global Compact Working Group on the 10th Principle (Anti-Corruption). This Working Group, which comprises companies, NGOs, and others who have different interests, discusses the tools and measures to help companies combat corruption. As a member of the international community, we are determined to cooperate with a range of organizations through this Working Group toward the goal of preventing all forms of corruption.

The Global Compact's Ten Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

* The UN Global Compact is a United Nations initiative in which businesses display responsible and creative leadership and voluntarily implement measures to establish a worldwide framework in order that they may act as good corporate citizens and achieve sustainable growth.

Looking Back on the CSR Activities for Fiscal 2008

Sumitomo Chemical conducted the following CSR activities based on the key CSR initiatives determined for fiscal 2008.

Key CSR Initiatives and Achievements for Fiscal 2008

	Key CSR initiative	Achievement
General	**Instilling and enhancing the "CSR Mindset"**	- Convened the CSR Promotion Coordinating Board. - Held CSR Video Viewings at all workplaces to show Sumitomo Chemical's recent CSR topics.
	Strengthening internal control	- Established a J-SOX-compliant internal control system for the Sumitomo Chemical Group and implemented appropriate measures. - Established business standards for the Group and gradually began implementing them also at Group companies. - Reviewed the framework for company rules.
Social activities	**Conducting balanced social contribution activities**	- Conducted local cleanup activities around the premises of all workplaces. - Conducted activities to support educational programs for children, including "school science visits." - Organized and sponsored community sports events. - Gave support to malaria control through the Olyset® Net project. - Supported education in Africa. - Expanded the Matching Gift program. - Began participating in the TABLE FOR TWO program.
	Promoting dialogue with internal and external stakeholders	- Disseminated information through the CSR Report and reports for shareholders. - Disseminated information through factory tours, briefing sessions, and social gatherings to promote dialogue with various stakeholders. - Improved the workplace environment to ensure that each employee is motivated and fully demonstrates their abilities.
	Enhancing responsible procurement	- Revised the Procurement Code of Conduct to clearly state the Company's commitment to responsible procurement. - Established the Group's standards for procurement operations and clearly stated the Company's commitment to responsible procurement in it. - Created the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Check Sheets. - Renewed the "Procurement Information" webpage.
Responsible Care (RC) activities	**Aiming to achieve the annual RC targets for fiscal 2008**	- Implemented measures to achieve the major RC activity targets determined by the RC Committee. (See p. 36)
	Strengthening initiatives against global warming (including social activities)	- Proactively participated in the climate change initiatives implemented by the International Council of Chemical Associations (ICCA), Japan Chemical Industry Association (JCIA), and other industry associations. - Promoted energy conservation measures at its research labs and offices as well as at its manufacturing sites. - Fostered energy conservation at employees' households through labor-management cooperation. - Planted trees in Ranong Province, Thailand.
Economic activities	**Steadily implementing the Three-Year Corporate Business Plan aiming to achieve performance targets**	- Was not able to achieve the performance targets influenced by the world's economic downturn. - Steadily made progress in the basic initiatives set forth in the Corporate Business Plan, including the Rabigh Project.

Targets for CSR Activities for Fiscal 2009

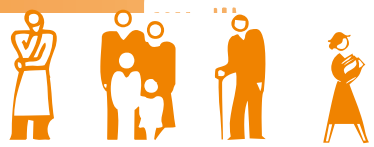
Sumitomo Chemical reported its achievements made during fiscal 2008 and determined the key initiatives for fiscal 2009 at a meeting of its CSR Promotion Coordinating Board held in March 2009. Based on these new initiatives, we will implement the CSR activities for this year according to specific objectives to be developed by individual departments. For fiscal 2009, we have set the key initiatives from the following seven perspectives.

CSR Promotion Coordinating Board (convened in March 2009)

Key Initiatives for CSR Activities for Fiscal 2009

	Key initiatives	
General	**Instilling and enhancing the "CSR Mindset"**	Raise general awareness of CSR activities through the CSR Promotion Coordinating Board and encourage each department to conduct and promote CSR activities.
Social activities	**Promoting balanced social contribution activities**	Promote balanced social contribution activities that continually differentiate the Sumitomo Chemical Group as a corporate group operating around the world.
	Promoting dialogue with internal and external stakeholders	Promote dialogue with a variety of stakeholders (customers, consumers, business partners, shareholders, employees, local residents, NGOs, administrative authorities, and the media) through the CSR Report, factory tours, and briefing sessions.
	Enhancing responsible procurement	Explain the newly established responsible procurement system to business partners and to domestic and overseas Group companies and promote related measures.
Responsible Care (RC) activities	**Endeavoring to achieve the annual RC targets set for fiscal 2009**	Achieve the annual primary targets for RC activities.
	Strengthening initiatives against global warming (including social activities)	Promote initiatives for the reduction of greenhouse gases at factories, research laboratories, offices, and employees' households to combat global warming, which is one of the important problems to be dealt with on a global scale.
Economic activities	**Endeavoring to further improve performance in a challenging business climate**	Identify problems from a new perspective and overcome problems to further improve performance amid the challenging business climate.

Social Activities



As a member of society, Sumitomo Chemical strives to enhance its relations with local communities and employees.

Major Social Activity Initiatives and Achievements for Fiscal 2008

	Initiative	Achievement	
Highlights	Conducting balanced social contribution activities	- Expanded the Matching Gift program.	●
		- Planted trees in Ranong Province, Thailand.	●●
		- Provided support for malaria control through the Olyset® Net project.	●
		- Supported education in Africa.	●
	Initiatives against global warming	- Encouraged CO_2 emission reductions at home through labor-management cooperation.	●
With local communities and society	Conducting balanced social contribution activities	- Conducted local cleanup activities at all facilities.	●
		- Conducted activities to support the development of children, including organizing "school science visits."	●
		- Held and supported community sports events.	●
	Promoting communication with local communities and others	- Held factory tours and briefing sessions at all facilities.	●
		- Promoted risk communication activities.	●
With business partners	Enhancing responsible procurement	- Revised the Procurement Code of Conduct so that it clearly states the Company's commitment to responsible procurement.	●
		- Established Group standards for procurement operations.	●
		- Created Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Check Sheets.	●
		- Updated the procurement webpage.	●
With employees	Expanding support for childcare	- Established childcare facilities at Ehime and Osaka Works.	●
		- Expanded the range of reasons for reduced working hours.	●
	Encouraging female employees to demonstrate their abilities	- Expanded support for female employees continuing their careers.	●
		- Increased the number of women employed and the number of female managers.	●
	Promoting global HR initiatives	- Established corporate branches in the four major global regions.	●
	Supporting employees in conducting social contribution activities	- Introduced a volunteer leave system.	●
	Promoting health management among employees	- Began participating in the TABLE FOR TWO program.	●●
		- Started special health checkup and guidance services to prevent metabolic syndrome.	●
		- Employed an industrial doctor to supervise employees' health throughout the company.	●
	Deploying human resources effectively	- Promoted global employment.	●
		- Managed a system to rehire retirees aged 60 or older.	●
	Continuing the employment of people with disabilities	- Continued the employment of people with disabilities in compliance with laws and regulations.	●
	Reducing actual working hours	- Approved the paid half-day leave system for employees to whom the flextime system (with no core working hours) applies.	●
		- Implemented measures to ensure that employees go home on time on "refresh days" (no overtime days).	●

● mark in the achievement column

This mark refers to the Key CSR Initiatives for social activities in the table on p.16.

Key CSR Initiatives
- ●…Conducting balanced social contribution activities
- ●…Promoting dialogue with internal and external stakeholders
- ●…Enhancing responsible procurement
- ●…Strengthening initiatives against global warming

Highlights

Matching Gift Program

In fiscal 2007, Sumitomo Chemical launched its Matching Gift program—a social contribution activity—in cooperation with its labor union. In this program, donations are solicited from directors, executives, and employees, and the Company matches the amount collected. The total is then donated. In fiscal 2008, we donated to ASHINAGA,*1 a private NPO, as part of our support for children's upbringing and education. We also made a donation to the Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA) *2 to support its tree-planting activities as part of our support for global environmental protection and the prevention of global warming.


Making donations to ASHINAGA (left) and OISCA (right)

VOICE Participating in the Matching Gift Program

Bruce L. Kirkpatrick
CSR Chairperson
Valent BioSciences Corporation

Valent BioSciences Corporation (VBC) officially announced its commitment to CSR to employees in July 2007 and at the same time decided to participate in the global CSR initiative implemented by Sumitomo Chemical.

VBC has chosen on biodiversity and environmental harmony as the main focus of its CSR. We decided to participate in Sumitomo Chemical's Matching Gift program (to support tree-planting activities), believing it was in keeping with our CSR focus and that it would give us the opportunity to strengthen our CSR activities. As a global company, participating in Sumitomo Chemical's global initiative would allow us to further strengthen our social activities. In fact, we were able to enhance our CSR activities as a result of participating in the program, and we received support from many of our employees.

Since we decided to participate in the Matching Gift program two years ago, quite a number of employees have joined this initiative. They appreciate the principles upheld by OISCA and are pleased that they are able to participate in such a worthwhile initiative.


Participating in the Community Reforestation Project promoted by OISCA in Ranong Province, Thailand

Voluntary Tree-Planting

Sumitomo Chemical is supporting tree-planting activities as part of its efforts to prevent global warming. In fiscal 2008, we began supporting the local reforestation project *3 promoted by OISCA in Ranong Province, located in the south of Thailand. This project is funded by Sumitomo Chemical's donations to the organization. The area where the Company is supporting the planting of about 62,500 mangrove trees extends over 25 hectares and is managed as "Sumitomo Chemical's forest." In February 2009 some Sumitomo Chemical employees volunteered to visit the Province and plant trees with the local residents.

VOICE Participating in the volunteer planting activities

Kazuo Kimura
Engineering & Maintenance Department,
Chiba Works

I participated in the volunteer activities because I wanted to know how the money we donated was actually being used.

I was able to work, eat and live with the local people and to really understand how important the forest is in their daily lives. The forestation culture has steadily taken root in the area and so I am now convinced that forestation is a sustainable activity. I am proud to have been able to participate.

* 1. ASHINAGA is a private NPO established to provide physical and mental support for children who have lost one or both parents because of illness, accident or for other reasons. The money donated to this organization is used to provide a scholarship fund for these orphans.
* 2. OISCA is a global NGO founded in 1969 with the aim of creating a "world where all people live side-by-side and overcome various differences to protect and nurture all foundations of life on Earth." OISCA is promoting tree-planting activities as part of its CO_2 reduction initiative for the prevention of global warming. The money donated to OISCA by Sumitomo Chemical is used to fund the Children's Forest Program undertaken by the organization as well as the local reforestation project (mangrove planting project) in Ranong Province, Thailand.
* 3. The local reforestation project is implemented through cooperation between the Thai government, the local residents, OISCA, and the supporting organization (Sumitomo Chemical) with a view to planting trees in a forest that has been damaged by destructive logging and restoring it to a rich natural environment.

Support for Africa

Today, between 350 and 500 million people around the world develop malaria every year and more than one million people die from it. Ninety percent of cases of the disease occur in the Sub-Saharan region of Africa (south of the Sahara desert), with most of the victims being children under the age of five. Furthermore, economic losses due to malaria are said to total approximately 12 billion dollars annually. Malaria thus represents a serious barrier to economic development in Africa. Preventing the spread of malaria is one of the Millennium Development Goals* upheld by the United Nations, and prompt measures to control this disease are urgently needed.

Amid these circumstances, the Olyset® Net, an insecticidal mosquito net developed by Sumitomo Chemical, has proven effective in preventing malaria. The Olyset® Net is unique because it is not only extremely durable but also retains its insecticidal efficacy for more than five years, even with repeated washing. Because it helps protect people from the mosquitoes that transmit malaria and is also both economical and highly effective, it has been recognized and endorsed by the World Health Organization (WHO) and other major global organizations. Sumitomo Chemical is thus involved in initiatives to support Africa in collaboration with national governments and international organizations toward the achievement of the Millennium Development Goals.

TOPIC

Participating in a High-Level Meeting on Africa's Development Needs

In September 2008, then President of Sumitomo Chemical Hiromasa Yonekura participated in a high-level meeting on Africa's development needs held concurrently with the General Assembly of the United Nations. This meeting was convened under the initiative of U.N. Secretary-General Ban Ki-moon, and world leaders participated in it in response to his request. Sumitomo Chemical is the first company to be invited to participate in the meeting, during which Mr. Yonekura spoke about the future development of the Olyset® Net business. Sumitomo Chemical also participated in the One World Against Malaria Summit jointly held by the United Nations, African countries, the private sector, and NGOs, where opinions were actively exchanged.

Then President Yonekura being interviewed by a journalist after the end of the meeting

* Millennium Development Goals (MDGs): Eight goals based on the Millennium Declaration adopted by the United Nations in September 2000 relating to issues such as poverty, education, the environment and human rights and action plans aimed at achieving them.

Olyset® Net manufacturing factory in Tanzania

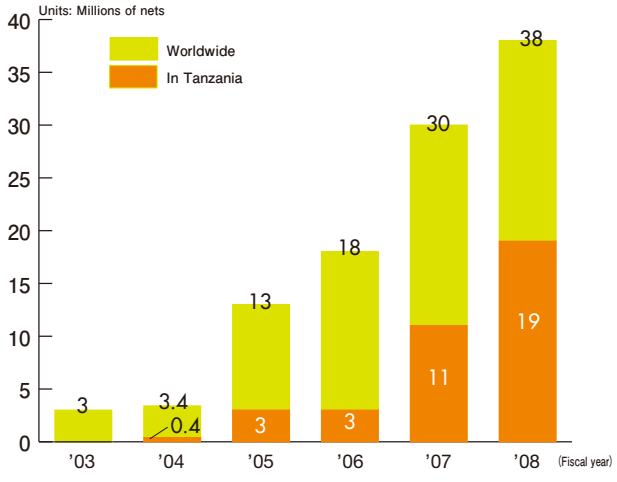
Upgrading Olyset® Net Production Capabilities

Since it began manufacturing the Olyset® Net, Sumitomo Chemical has been expanding the production capacities of its four Olyset® Net manufacturing facilities around the world to meet the increasing demand for the product and requests from the WHO, and it now has an annual production capacity of approximately 38 million nets worldwide (as of the end of March 2009). In 2003, we first provided a mosquito net manufacturer in Tanzania with the Olyset® Net technology free of charge, and since then we have been continually upgrading Olyset® Net production capabilities in the country. At present, local production capacity has reached 19 million nets annually, and this has also increased the number of workers engaged in the Olyset® Net business to approximately 4,000 persons. Our Olyset® Net business is thus contributing to local economic development and the creation of employment opportunities.

In order to meet the increasing demand for Olyset® Nets in Africa, we plan to establish a new production base in West Africa, which will raise our production capacity to 60 million nets per year in 2010.

Sumitomo Chemical will continue to supply its Olyset® Net to combat malaria.

Production Capacity for Olyset® Nets



Support for Children Who Will Lead the Next Generation

For Africa to overcome poverty and achieve autonomous economic development, it is essential to improve the environment for elementary education. Based on this recognition, Sumitomo Chemical has been supporting local education by using a portion of the revenues from its Olyset® Net business to fund the construction of educational facilities.

In collaboration with an NPO called "World Vision Japan," we have completed seven projects and are starting a new one in July 2009 for the construction of elementary and junior high school buildings, school canteens, and dormitories for teachers in Kenya, Tanzania, Uganda, Zambia and Ethiopia. (Some of these projects are being implemented jointly with other companies.)

Sumitomo Chemical is also giving financial support for school fees and supplies and will continue its educational assistance to Africa on a long-term basis.

Major Support for Africa in Fiscal 2008

Educational support
- School construction project in Uganda (to be completed in September 2009)
- Continuing support for the schools that have been constructed (a total of around 11 million yen over five years from 2007)
- Donation of PCs to Tanzania (about 1,000 units)

Provision of free Olyset Nets
- Donation of 20,000 nets to the WHO (for Comoros Islands in Africa)
- Donation of 4,000 nets to US NPO "NetsforLife"

Photo provided by World Vision Japan

Encouraging CO_2 Emission Reductions at Home through Labor-Management Cooperation

As a member of Team Minus 6%, which is a national project to prevent global warming, Sumitomo Chemical is encouraging reductions in CO_2 emissions at home through cooperation between employees and management, in addition to reducing CO_2 emissions in the office through the concerted efforts of all employees.

In April 2008, copies of the Household Eco-Account Book independently developed by the Company were distributed to all employees to enable them to calculate the amount of CO_2 emitted by their households. Since April 2009, employees have been taking on the challenge of reducing emissions from current levels.

Sumitomo Chemical employees will continue to implement anti-global warming measures, both in the office and at home.

みんなで止めよう温暖化
チーム・マイナス6%

Team Minus 6% Logo

VOICE About the Household Eco-Account Book

Yumi Higuchi
Responsible Care Office

In the course of engaging in the Household Eco-Account Book project as a member of the secretariat, I became more aware of global warming as a problem that affects us all. Before we can tackle this problem, I think it is first of all necessary to find out much more about it. I want to inform everybody about the Household Eco-Account Book and encourage more employees and their families to use it to find out how much CO_2 they are emitting.

New CSR section on the company Intranet

In June 2009, Sumitomo Chemical launched a new CSR section on its intranet to provide employees with an effective means of learning about the Company's CSR activities as well as easy access to CSR-related information including social action.

Hand in Hand with Local Communities and Society

Sumitomo Chemical strives to conduct a variety of social contribution activities in the belief that its business must be based on mutual prosperity with society.

Promotion of Social Action Unique to Sumitomo Chemical

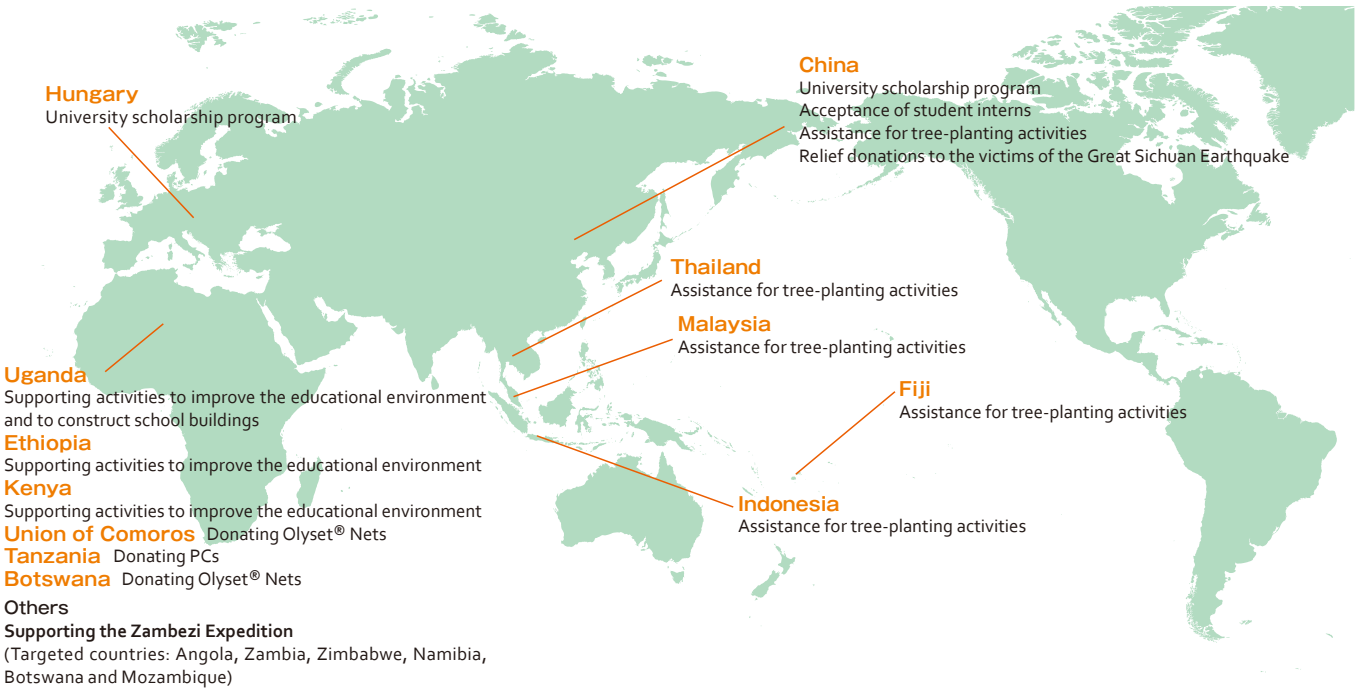
Sumitomo Chemical undertakes its social contribution activities with a focus on covering three different areas: coexistence with local communities, sustainable future-oriented support for society and responsible business as a global company.

Sumitomo Chemical has been promoting a variety of social contribution and local communication activities throughout the Group, plotting a matrix of its efforts along the vertical axes of: (1) Community Contribution supporting the communities in the vicinity of its worksites; (2) Future Contribution building a world for the next generation; and (3) Global Contribution providing assistance to the international community, and also the horizontal axes of: (1) securing safety and health, and protecting the environment; (2) raising children who will lead the next generation; and (3) assisting in natural disaster relief.

Diverse Social Contribution Activities

	Community Contribution	Future Contribution	Global Contribution
Securing safety and health, and protecting the environment	Organization of factory and laboratory tours RC dialogues and distribution of local newsletters	Malaria control campaign, free provision of Olyset® Nets, and other support Investment in the World Bank's BioCarbon Fund TABLE FOR TWO program Matching Gift program (assistance for tree-planting activities)	
Raising children who will lead the next generation	Establishment of childcare facilities Launch of Young Inventors' Club, School Science Visits, etc. Sponsorship of community sports events for children Cooperation in civic and university courses Acceptance of student interns and environmental technology trainees Matching Gift program (educational assistance for children)	Educational assistance to Africa University scholarship programs in China and Hungary	
Assisting in natural disaster relief	Relief activities after typhoons and other disasters Provision of public access to corporate facilities in the event of major disasters		Relief donations for victims of hurricanes, earthquakes, etc.

Global Social Contribution Activities (Fiscal 2008)



With Local Communities

Sumitomo Chemical's offices and facilities are endeavoring to disclose information and promote communication with local residents on a daily basis by organizing tours of their manufacturing and research facilities, providing public access to their premises for community events, and holding local dialogue meetings, thereby helping residents to gain a deeper understanding of the Company's business as well as building and maintaining good relationships with local communities.

Tours of Manufacturing and Research Facilities

Sumitomo Chemical's Works and Research Laboratories organize tours of their facilities as a way of educating local children, who will lead the next generation, and as a way of disclosing information to local residents and governments.

As a unique example of activities in fiscal 2008, the Ehime Works held the Child-Parent Summer Holiday Science Class in which participants enjoyed scientific experiments and craft work during the factory tour. The comments received from participants included: "It was a very enjoyable experience. Both parents and children learned a lot from the tour." The Osaka Works also offered a public factory tour .

Child-Parent Summer Holiday Science Class (Ehime Works)

VOICE About the Public Factory Tour

Kentaro Shigemoto
General Affairs Department, Osaka Works

I decided to organize the public factory tour because local residents asked us to provide even small groups with opportunities to tour our plants. We issued an invitation for people to participate in a tour of our Works through a public relations magazine that we distribute to local communities, and eight people took advantage of the opportunity. On the day, participants visited our environmental management facilities, and we subsequently received comments such as: "The Works does take the local environment into consideration and I am happy to know that we have such wonderful plants in our community." As an employee who works at the Oita Works, I would like to maintain close relations with local residents and respond to their needs.

Plant tour held for members of the public (Osaka Works)

Community Beautification Activities

Sumitomo Chemical's offices and facilities are also conducting cleanup and beautification activities around their premises and actively participating in Community Cleanup Events.

Community beautification activities (Misawa Works)

Participating in the cleanup campaign implemented by Nagoya City (Nagoya Branch)

Participating in and Supporting Community Events

As part of their local communication activities, Sumitomo Chemical's offices and facilities participate in local events and support them by providing public access to their premises. For example, the Oita Works participated in the Honba Tsurusaki Dance Festival and the Osaka Works sent volunteer employees to support the Table Tennis Championship for the Disabled. These activities are much appreciated by local communities every year.

Participating in a local traditional dance festival held in Tsurusaki (Oita Works)

Volunteers supporting the Table Tennis Championship for the Disabled (Osaka Works)

VOICE Participating in Volunteer Cleanup Activities

Shiho Yamada
Production Management Department, Chiba Works

We cleaned up the green belt around the plant, and I was surprised that the amount of trash we collected was much greater than expected. Participating in this volunteer activity increased my motivation to protect the local environment.

Contributing to the Future

Sumitomo Chemical is engaged in a variety of activities tailored to the particular needs of communities. These activities, which harness our special expertise as a chemical company, include accepting local senior high school and university students as interns and providing elementary and junior high school students with School Science Visits as a way of supporting the education of young people on whom the future depends.

Accepting Student Interns

The internship program is intended to provide students with the opportunity for work experience related to their chosen subject area or future careers and with a view to helping them foster their own work ethics or career development plans. Sumitomo Chemical has accepted two students annually as interns under the Eco-Internship program offered by the Japanese Ministry of the Environment since fiscal 2007. Moreover, the Company's Works and Laboratories are accepting local senior high school and junior technical college students as interns.

Training Eco-Internship students (Osaka Works)

Local senior high school interns (Okayama Plant)

TOPIC

Accepting Eco-Internship Students

Sumitomo Chemical accepted two students (one undergraduate and one graduate) in August 2008 under the Eco-Internship program implemented by the Japanese Ministry of the Environment. The Company provided them with a training program focused on the management of chemical substances using a broad range of activities such as lectures, on-site tours, and risk assessment workshops.

The results were reported at the Eco-Internship Symposium held in December 2008, where the two interns who had received training from Sumitomo Chemical offered comments such as "The training has given us a great opportunity to understand the common factors and differences between what we study every day and what companies are actually doing," and "I strongly felt the importance of taking action from a broader perspective when it comes to the environment."

An intern trained at Sumitomo Chemical reporting on his activity at the MOE Eco-Internship Symposium 2008

Giving Special Lessons at Elementary and Junior High Schools

Sumitomo Chemical's Works and Laboratories send lecturers to elementary and junior high schools, where they offer School Science Visits or classes on environmental issues to stimulate children's interest in science and contribute to the promotion of science education. Every year the lecturers prepare creative programs to show children how interesting science is and engage in fun exchanges with them.The Chiba Works launched the Ichihara-Sodegaura Young Inventors' Club to commemorate the 35th anniversary in 2002 of the start of operations, hoping to contribute to developing and invigorating the local community. This club has been running activities that are energetically supported by employees and retirees from the Works, local school teachers, and local residents, all of whom are eager to help with the activities.

School science visit (Gifu Plant)

Ichihara-Sodegaura Young Inventors' Club (Chiba Works)

Promoting Sports

The Works and Laboratories also sponsor or support various sporting events with the aim of providing local children with opportunities to develop mentally and physically through sport.

A football competition for children held in Tsurusaki (Oita Works)

VOICE Serving as a Teacher for Environmental Education

Akira Murata
Environment & Safety Department, Osaka Works

As part of a School Science Visit on environmental education for elementary school pupils, I gave the children a lesson on the importance of water before taking a tour of the local water purification facilities. I explained the use of water and wastewater purification methods adopted by the Osaka Works, using examples related to household situations that were familiar to the children in order to make the explanations easier to understand. In my capacity as an environmental counselor, I also referred to general environmental topics, which helped the children to understand the details of the lesson. They then moved on to the water purification facilities and learned how tap water is treated and supplied.

Environmental education (Osaka Works)

Contributing to the World

As a global company developing its businesses all around the world, we are actively engaged in CSR activities unique to Sumitomo Chemical to promote protection of the global environment and the sustainable development of society.

Supporting Malaria Control Campaigns

Sumitomo Chemical has been supporting various anti-malaria initiatives by supplying our Olyset Net free of charge to the governments of African countries, US NPOs, and international organizations, in addition to helping prevent malaria through our business.

Sumitomo Chemical provided support for the "Zambezi Expedition" campaign organized by the Roll Back Malaria Partnership in April 2008. In this campaign, the expedition team journeyed in a boat down the Zambezi that runs in the southern part of Africa to distribute Olyset Nets, pharmaceuticals, and other essentials to people living in the basin. The team also reported back to the world about the situation in the area and asked for cooperation beyond national boundaries to prevent and control malaria.

Princess Astrid of Belgium presenting Olyset® Nets to local people

Zambezi Expedition (Zambia)

Sumitomo Chemical will continue to support a variety of malaria control campaigns.

Donating PCs to Tanzania

In response to a request from the Embassy of the United Republic of Tanzania in Japan, Sumitomo Chemical donated approximately 1,000 PCs that had been used in the Company to Tanzania to improve the level of education in the country. For information security reasons, however, all the data and applications, including the OS were removed from the PCs before donation, which made them unusable. To make them usable once again, NEC and Novell kindly cooperated with us and created setup CDs free of charge for an open-source OS.

Then Managing Executive Officer Takao shaking hands with His Excellency E.E.E. Mtango, Ambassador Extraordinary and Plenipotentiary of Tanzania

Scholarship Programs in China and Hungary

Sumitomo Chemical has established scholarship programs to provide educational support in regions that have close relations with the Company.

At present we are providing scholarships for students at the Dalian University of Technology in China, the Budapest University of Technology and Economics, and the University of Veszprem in Hungary.

We hope that these programs will encourage students and promote international friendship.

Activities for Donating to Society

Sumitomo Chemical regards donating as an integral part of its vital social responsibility as a corporation and makes donations based on a consideration of all factors including their social impact, long-term continuity, and urgency. For the Great Sichuan Earthquake in May 2008, we made donations through the Japanese Red Cross Society to support local relief and recovery efforts. In fiscal 2008, we made a total of 438 donations totaling 260.08 million yen (see p. 2 in the DATA BOOK).

A Japanese Red Cross Society worker (far left) giving supplies needed for winter to victims of the Earthquake

Photograph provided by the Japanese Red Cross Society

Regional Safety and Risk Communication

Sumitomo Chemical is committed to promoting mutual understanding with various stakeholders including local communities through information sharing. To this end, we give first priority to increased information disclosure and the promotion of dialogue.

We are also making efforts to improve the landscape and environment at our worksites based on their feedback.

Company-Wide Promotion of Risk Communication Activities

Sumitomo Chemical actively works to improve risk communication by developing company-wide policies on risk communication and further identifying challenges and tasks.

Localized Information Disclosure by the Works

CSR reports and other materials are issued annually by the Company and all its Works. Works versions are called "Report on the Environment, Health and Safety," and compliment the company-wide CSR Report with regard to local efforts. In addition, three Works (Ehime, Osaka and Oita) publish local newsletters as the source of area-specific information.

Engaging in a Variety of Risk Communication Activities

Each Works engages in a variety of risk communication activities for various purposes. These include risk communication model projects carried out jointly with local governments, environment and safety support projects for domestic and overseas governments and businesses, regular meetings with local residents and dialogues with the community based on cooperation within the chemical industry.

Company-wide policy	Promoting communication with society
Challenges	●Increased information disclosure ●Promoting dialogue
Tasks	●Information disclosure through the report on the environment, health and safety and local newsletters ●Broad risk communication ●Cross-divisional implementation

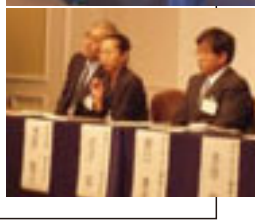
TOPIC

The Osaka Region RC Regional Dialogue (Osaka Works)

In November 2008, the 5th Osaka Region RC Regional Dialogue was held by the Japan Responsible Care Council (JRCC) and its 18 local member companies at a hotel in Osaka City.

A total of 170 people from member companies as well as from local communities, governments, schools, NPOs, and related companies participated in this dialogue meeting. Member companies reported on the results and examples of their RC activities, and then participants exchanged opinions.

As one of the member companies, Sumitomo Chemical introduced its various initiatives with a focus on its CSR activities and regional communication by presenting video snapshots of its global activities such as the anti-malarial initiatives through its Olyset Net as well as local support activities undertaken by the Osaka Works.



VOICE Improving the Landscape and Environment of the Premises

Masashi Sogabe
General Affairs Department, Osaka Works

The Osaka Works is located close to residential areas, and in order that our operations do not cause any concern to local residents, we take all necessary precautions with regard to safety, disaster prevention, and environmental protection. As a factory located in an urban area, we consider it important to assimilate into the neighborhood by improving the landscape. We have systematically taken a number of actions such as implementing measures against white smoke from the smokestacks, building a fountain, coordinating the colors of the buildings, and planting trees. For tree planting in particular, we not only increased the planted area but also chose what to plant with careful attention to the local ecosystem. As a result, wild birds such as starlings and wagtails often visit our premises, creating a refreshing and relaxing atmosphere.

We receive favorable comments from local residents, who say "Thanks to the Works, I can better appreciate seasonal transitions" and "The Works looks just like an urban park."

Hand in Hand with Business Partners

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

"Responsible procurement" refers to the preferential purchasing of raw materials and packaging materials from suppliers who are committed to the fulfillment of CSR.

Sumitomo Chemical has been implementing a variety of initiatives including responsible procurement seminars and surveys on suppliers' responsible procurement.

Responsible Procurement Initiatives in Fiscal 2008

Reflecting Our Responsible Procurement in the Company Rules

In July 2008, we revised our Basic Procurement Principles with a view to further promoting responsible procurement, strengthening compliance as a global company, and enhancing the internal control system. The revised version clearly states that Sumitomo Chemical will "give preference to those suppliers that are committed to CSR." In addition, we revised the Procurement Code of Conduct and the Raw Material Procurement Operation Rules. We also clearly state our basic responsible procurement policy in the Group Business Standards of Procurement that apply to both domestic and overseas Group companies.

Establishing a New Responsible Procurement System

(1) Creating a guidebook and check sheets for responsible procurement

We have reviewed our conventional procurement process and established a clearer responsible procurement system to promote responsible procurement among Sumitomo Chemical and Group companies.

Under the new system, we ask suppliers to address the specific items set forth in the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook. Sumitomo Chemical aims to help its suppliers address their issues by monitoring and providing feedback on the results of their self evaluation using the Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets and help them implement their improvement plans by repeating the PDCA cycle.

(2) Updating "Procurement Information" on Our Website

We have updated the "Procurement Information" section of our website to provide our stakeholders with more information about our responsible procurement initiatives. Suppliers can now download the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets from the website and evaluate themselves based on the evaluation criteria defined by the Company.

Extending Responsible Procurement to Group Companies

As part of the promotion of responsible procurement among Group companies both in Japan and overseas, Sumitomo Chemical held an information meeting to explain the new system as well as to provide an opportunity to exchange ideas.

(1) Information meeting with domestic Group companies

In November 2008, Sumitomo Chemical introduced the new responsible procurement system to 13 domestic Group companies and proposed that they collaborate in implementing responsible procurement.

(2) Information meeting with overseas Group companies

In February 2009, Sumitomo Chemical held its 4th Global Meeting on Raw Materials Procurement to explain the new responsible procurement system to eight overseas Group companies and provide them with an opportunity to exchange opinions.

Procurement personnel from Japan, China, India, Singapore, Saudi Arabia, Thailand and Taiwan at the 4th Global Meeting on Raw Materials Procurement

Responsible Procurement Initiatives for Fiscal 2009

In fiscal 2009, we will further promote responsible procurement based on the revised rules by implementing the new responsible procurement system and ensuring that responsible procurement is conducted appropriately among Group companies in Japan and overseas.

(1) Requesting that suppliers engage in responsible procurement

We will explain Sumitomo Chemical's new responsible procurement system to suppliers and ask them to evaluate their own CSR measures.

(2) Expanding the system to Sumitomo Chemical Shanghai and Sumitomo Chemical India

We will encourage responsible procurement among our suppliers in China and India through Sumitomo Chemical Shanghai and Sumitomo Chemical India.

(3) Expanding the system to domestic and overseas Group companies

We will explain in detail to Group companies in Japan and overseas how to use the new system as well as how to evaluate their suppliers.

Hand in Hand with Employees

Sumitomo Chemical is working to create a workplace environment in which individual employees can feel motivated and make the most of their abilities.

Initiatives in Fiscal 2008

Introduction of a New Training Rotation System

Since fiscal 2004, Sumitomo Chemical has been carrying out systematic training rotations of younger employees to ensure future placement of individuals in positions for which they are best suited.

To date, nearly 200 employees have undergone training rotations. In fiscal 2009, we plan to introduce a new system based on our new human resources policy. Specifically, we will establish a basic system for the career development of younger employees and apply this system to all types of employment agreements regardless of workplace. We will implement this system after setting the criteria for the training rotations.

Special Leave System for Employees Accompanying Spouses Working Overseas

With the globalization of the economy, the number of employees posted overseas, whether from Sumitomo Chemical or other companies, has been increasing. In light of this, we have established a special leave system, with the aim of supporting employees in continuing their careers as well as retaining our human resource talent, whereby employees going to live abroad with their spouses who have been assigned overseas are able to take up to three years' leave.

Introduction of a Rehabilitation Work System

To help employees who have taken long-term leave for psychological reasons to return to work more easily, we have introduced a rehabilitation work system, in which the working days, working hours, and work responsibilities are reduced for up to three months to enable employees to return to normal work slowly.

Response to the Citizen Judge System

Since the launch of the citizen judge system in Japan on May 21, 2009, if employees of Sumitomo Chemical are chosen as judges, they will be allowed to take paid holidays to act as a citizen judge and also to receive a daily allowance from the court. We have thus improved the work environment to enable employees to fulfill their public responsibilities in the new citizen judge system.

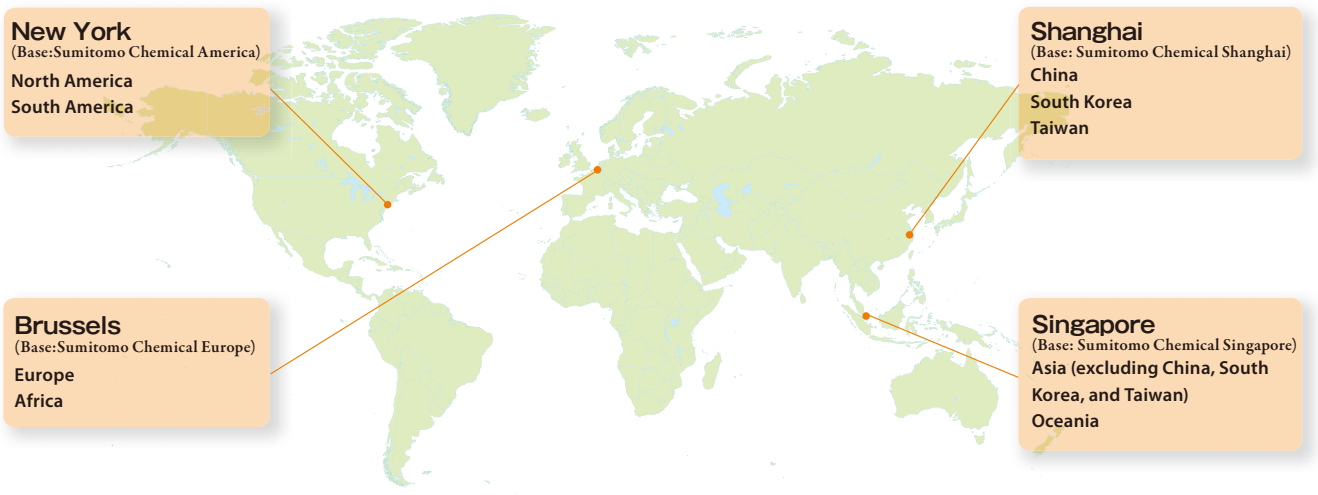
Establishing Corporate Branches

Sumitomo Chemical has established corporate branches within its four overseas bases to improve the efficiency of Head Office functions in further developing its global business.

The branch in Singapore started personnel-related operations in March 2008 and from January 2009, branches in New York, Brussels, and Shanghai also started the same personnel operations sequentially.

The branches will play an important role in implementing the Company's global human resources policy, including communicating with and notifying Group companies within the respective region of global human resources policies, collecting information on regional labor laws and customs, global recruiting, collecting information on human resources, and development and training of human resources.

Corporate Branches (Four Bases and their Territories)



Participating in the TABLE FOR TWO program

Sumitomo Chemical has been participating in the TABLE FOR TWO program since May 2008 to promote employees' health and contribute to society.

The Company serves healthy menu options at cafeterias at its sites according to the criteria set down by the "TABLE FOR TWO" (TFT) organization. When employees choose to eat any of the healthy meals, 20 yen per meal is donated to developing countries. This enables the Company to help prevent famine in developing countries and to help employees avoid obesity and lifestyle-related diseases at the same time. Also, as a Matching Gift, the Company matches the donation for TFT. Donations to this organization totaled ¥2,541,200 as of March 2009.

VOICE The TABLE FOR TWO Program

Takayuki Miyauchi
Internal Control Promotion Department

Since the Company introduced the TABLE FOR TWO program in 2008, I have often chosen the healthy meal option, which contains less salt than ordinary meals and is served with a side dish. The meals are also delicious. They are just what someone like me, who could develop metabolic syndrome, needs. Thanks to the TFT program, I can maintain my health and make a social contribution at the same time. I am impressed by the unique idea.

An example of the TFT healthy menu options at Tokyo Head Office

Human Resource System for Boosting Employee Morale and Motivation

Role-Based HR System for both Managerial and Non-Managerial Employees

Since 2001, Sumitomo Chemical has been implementing an HR system for managerial employees based on their roles and responsibilities. In April 2008, the Company thoroughly revised its HR system for non-managerial employees, basing it more closely on the principles applied to managerial employees. Consequently, the Company now has an HR system that is consistent for both managerial and non-managerial employees.

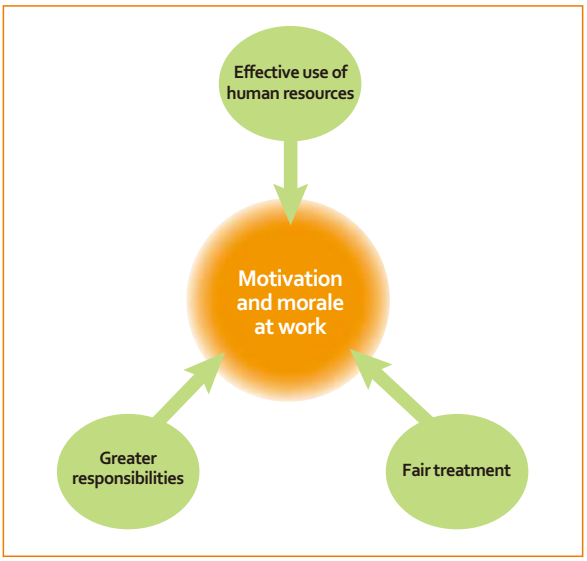
Evaluating Employees' Behavior

Both managerial and non-managerial employees are evaluated not only for Performance but also for Competencies and Behavioral Processes (managerial employees) and Attitude (non-managerial employees). The aim of this system is not the pursuit of short-term achievements, but rather the fostering of employees and medium- to long-term business development.

Compliance and CSR Evaluations

Employees are evaluated for their commitment to compliance and Responsible Care (safety, the environment and product quality) conducted as part of CSR in order to enhance the awareness of compliance and CSR that is vital to corporate management.

Vision of the HR System



In the HR system for non-managerial employees, highly motivated and capable employees are assigned greater responsibilities and employees who have made efforts to contribute to the Company are duly rewarded, which in turn increases employees' motivation and morale at work.

Respecting Diversity and Creating a Comfortable Workplace Environment

Working Hours

Sumitomo Chemical continuously implements measures for improving employees' work-life balance and also seeks to further raise employees' motivation and morale by offering ways to enhance this balance through shortened working hours and increased time off. (See Table 1)

Employee Assistance Programs for Childcare and Nursing Care

Sumitomo Chemical has established various employee assistance programs to enable employees to work while taking care of their children and families. (See Table 2)

In April 2008, we obtained approval from the Ministry of Health, Labour and Welfare to use the "Kurumin" mark, which certifies a business operator as supporting the upbringing of children who will become the leaders of the next generation.

Employees' Physical and Mental Health

Sumitomo Chemical has developed its comprehensive Sumika Health Improvement Plan (SHIP). Also, the Company has assigned an industrial doctor to centrally manage the health of employees in January 2009, and has been implementing a variety of measures to help employees manage and improve their health.

With regard to mental health, employees are now able to receive counseling services and obtain a simple stress diagnosis from external specialist institutions (in person or by telephone or email) as a result of the introduction of the Employee Assistance Program (EAP). The Company also places a special focus on mental health education at the seminars held for new employees and for employees who have just been promoted to higher positions

With regard to physical health, in April 2008, the Japanese government issued a mandate to health insurance associations to ensure that insured persons and their dependents aged 40 or older undergo a special health checkup and receive health guidance for metabolic syndrome. In response, the Company plans to have all employees, regardless of age, undergo a special health checkup and have employees aged 35 or older receive guidance in the prevention and early detection of lifestyle-related diseases, in cooperation with its health insurance association.

On-Site Childcare Facilities

The Ehime and Osaka Works began operating on-site childcare facilities in April 2008, where preschool children, including infants, can play and learn together. The Osaka Works also accepts children of local residents at its childcare facilities. At present, the Chiba Works is constructing a new childcare facility, which is scheduled to open in October 2009.

Childcare facility at the Osaka Works

Table 1 **Measures Relating to Working Hours**

Item	Description
Reduction of designated working hours (April 2006)	Daytime workers —1,952 hours to 1,888 hours Shift workers —1,918 hours to 1,883 hours
Introduction of a "refreshment day" (April 2006)	Employees are encouraged to leave work early on the weekly "refreshment day," which is designated by each individual workplace.
Change in the number of annual paid holidays (April 2007)	Twenty days granted to all new employees in the first year
Increase in the number of employees eligible for half-day paid holidays (April 2008)	Employees under the flextime program without any core time can also take half-day paid holidays now.
Introduction of a volunteer leave system (April 2008)	Employees can now take paid volunteer leave of up to two consecutive days a year.

Table 2 **Assistance Programs for Childcare and Nursing Care**

Item	Description
Nursing care leave (paid)	Up to 20 days per event; available when taking care of sick children or nursing family members
Nursing care leave (unpaid)	Available for up to one year
Childcare leave (unpaid)	Available for up to 18 months, regardless of the reason
Maternity leave (paid)	Available once a month, when the applicant undergoes an antenatal examination under the Maternal and Child Health Act
Reduced working hour system	Reduction of working hours by up to three hours per day for employees with children in the third grade of elementary school or younger, or for employees nursing family members

Diversified Employment

Sumitomo Chemical seeks and recruits capable talent, regardless of age, background, gender or nationality, for a wide range of areas according to its business plans. In fiscal 2008, the Company recruited 187 university graduates, including 13 foreign nationals and 237 mid-career applicants, including 5 foreign nationals.

Protection of Human Rights

Sumitomo Chemical has been promoting various initiatives including training programs to educate employees on human rights issues and responsible behavior.

Sumitomo Chemical has undertaken company-wide efforts to prevent sexual harassment and other disturbing behavior. In order to create a workplace where employees can demonstrate their skills regardless of gender, the Company is continuously working to raise awareness among employees through training for new managers on sexual harassment and other problems.

VOICE Entering Sumitomo Chemical

Zhang Xiao Jie (from China)
Process Technology Group, Process & Production Technology Center (Chiba)

I work on the development of optical film. At first, I felt very uneasy because I knew little about the work, but now I am glad to be making daily progress in my studies. I would like to cooperate with colleagues regardless of nationality and fulfill my role in the workplace.

VOICE Entering Sumitomo Chemical

Lu Chunjiang (from China)
Engineering & Maintenance Department, Ehime Works

I feel that my Japanese is improving through the communication I have with my manager and colleagues in the in-house criteria study meetings and through writing daily business reports. I am also pleased that both my Japanese and my mechanical design skills are improving.

Initiatives for Developing World-Class Professionals

Sumitomo Chemical implements training rotations and offers a variety of human resources development programs in line with its new HR system, with a view to enabling personnel to fully demonstrate their abilities as world-class professionals who can contribute to the Company's global expansion.

Enhanced Human Resources Development Programs

In June 2007, the Company established its HR Development Center as an organization for implementing efficient and effective human resources development, and has also formulated new company-wide policies on human resources development and training that deploy systematic and focused measures.

In fiscal 2008, we held training seminars for non-managerial employees in line with the aims of the new HR system, including training for employees being promoted. As a way to promote communication and build vibrant workplaces, we provided training for managers to enhance their managerial abilities.

In April 2009, the HR Development Center was renamed the Human Resources Development Department and became independent of the Human Resources Department to enhance its HR development functions.

Training seminar (on presentation skills)

Trainer System

Sumitomo Chemical introduced a trainer system in January 2008, under which older employees who are highly skilled and have an aptitude for teaching the young are certified as trainers. These trainers provide instruction and advice to younger employees to facilitate their development and to ensure the succession of skills from generation to generation. As of April 2009, a total of 52 employees have been certified as trainers throughout the company.

Responsible Care Activities

Sumitomo Chemical is committed to implementing Responsible Care (RC), which is a voluntary initiative undertaken by the chemical industry to ensure safety, preserve the environment, and maintain product quality throughout the life cycle of its products and to gain the further trust of society through continuous dialogue.

Responsible Care Management

Sumitomo Chemical regards Responsible Care as one of its top management priorities. RC activities are conducted voluntarily by chemical companies for safety, the environment, and product quality throughout the product life cycle of chemical substances from development to disposal. We are expanding these activities globally—not only to all of Sumitomo Chemical's operations in Japan, but also to all of our overseas Group companies.
By steadily promoting these RC activities, Sumitomo Chemical will continue to protect the global environment, work to achieve zero accidents and disasters, ensure the safety of chemicals, and maintain and improve our high product quality in order to fulfill our responsibilities as a corporate citizen while gaining the further trust of society.

Promoting Responsible Care Activities in Full Coordination with Group Companies

Corporate Policy on Safety, the Environment and Product Quality

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

Policy on Responsible Care Activities and the Key Initiatives

Sumitomo Chemical has formulated its Policy on Responsible Care Activities based on its Corporate Policy on Safety, the Environment and Product Quality. We clearly identify the key Responsible Care initiatives to be implemented according to the Policy and incorporate them into the specific activity targets and plans we set annually.

Our key initiatives are classified into the five areas of occupational health and safety; security and disaster prevention; environmental protection; product quality assurance; and chemical safety.

Responsible Care Organization

Sumitomo Chemical has a Responsible Care Committee to ensure the execution of the PDCA cycle* for Responsible Care activities. This Committee is chaired by the executive vice president in charge of Responsible Care and composed of the executive officers responsible for the business sectors; executive officers in charge of the corporate departments (General Affairs, Legal, Human Resources, Corporate Communications, and Logistics Departments and Corporate Planning & Coordination, Finance & Accounting, Procurement, and R&D); and the general managers of the Works.

Corporate Policy on Safety, the Environment and Product Quality

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

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

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

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

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

Hiroshi Hirose
President
Sumitomo Chemical Company, Limited
廣瀬 博

* The PDCA (Plan-Do-Check-Act) cycle is the process of making a plan, carrying it out, evaluating the results, and improving the plan.

Policy on Responsible Care Activities

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

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

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

Formulating Group Standards for Responsible Care

Sumitomo Chemical has formulated Group standards for Responsible Care with the aim of strengthening the internal control and management efficiency of the Sumitomo Chemical Group. The standards set forth the basic Responsible Care requirements to be met by the Group, including policies, measures, and procedures. Implementing these standards will further enhance Responsible Care activities and management at Sumitomo Group companies both in Japan and overseas.

Sharing Information with Group Companies

Sumitomo Chemical regularly holds Responsible Care meetings (domestic and global meetings) where those in charge of Responsible Care at Sumitomo Chemical Group companies share and discuss various issues in order improve the caliber of the Group's overall Responsible Care activities.

Supporting the Initiatives of the ICCA

The ICCA* positions climate change and energy policies as well as Responsible Care among the priority global challenges for the chemical industry that require strong leadership. The Council has launched Leadership Groups to examine these issues, which comprise the top executives of its major member companies. Sumitomo Chemical serves as the Leader of the Chair (Vice-Chair) of the Groups and strongly supports the initiatives undertaken by the ICCA for the sustainable development of the chemical industry.

* The International Council of Chemical Associations (ICCA) is an organization of chemical industry associations that represent the world's manufacturers and producers of chemical products.

TOPIC

Responsible Care Global Meeting Held

In March 2009, Sumitomo Chemical held its third Responsible Care Global Meeting at its Head Office in Tokyo. This meeting was attended by Responsible Care managers from 18 overseas Group companies. At the meeting, Sumitomo Chemical and all participating Group companies reported on their own Responsible Care activities, topics and challenges, and participants actively discussed and exchanged opinions.

Third Responsible Care Global Meeting

TOPIC

Certified as an Eco-First Company

The Japanese Ministry of the Environment launched its Eco-First program in April 2008. Under this program designed to encourage leading companies in each industry to promote further environmental activities, companies submit Eco-First commitments to the Minister of the Environment on their advanced environmental protection measures, including those for the management of chemical substances and for the prevention of global warming. In November 2008, Sumitomo Chemical became the first diversified chemical company to be certified as an Eco-First company by the Ministry.

We will check the progress made on the initiatives committed to, report the results to the Ministry of the Environment regularly, and disclose the details widely to the public. (See p.68 for the full text of Sumitomo Chemical's Eco-First commitments.)

Naoya Kanda, Executive Vice President of Sumitomo Chemical, presenting the Eco-First commitments to Tetsuo Saito, Minister of the Environment

Verifying a Diverse Range of Items for More Effective Responsible Care Activities

Responsible Care Audits

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

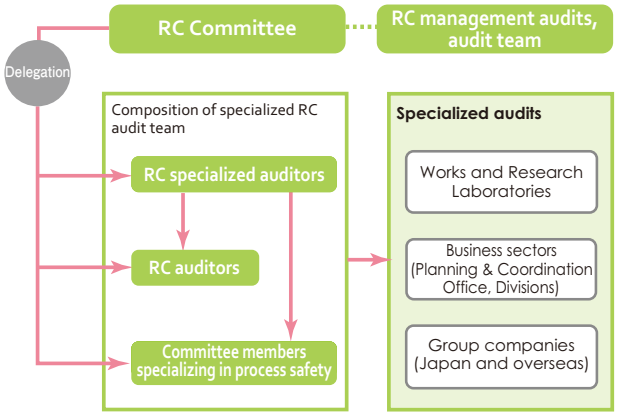
Sumitomo Chemical's Works and Research Laboratories are subject to two types of Responsible Care audits: (1) specialized audits, in which Works staff first conduct evaluations using checklists and then specialists conduct audits; and (2) management audits involving Responsible Care Committee members led by the executive vice president in charge of Responsible Care.

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

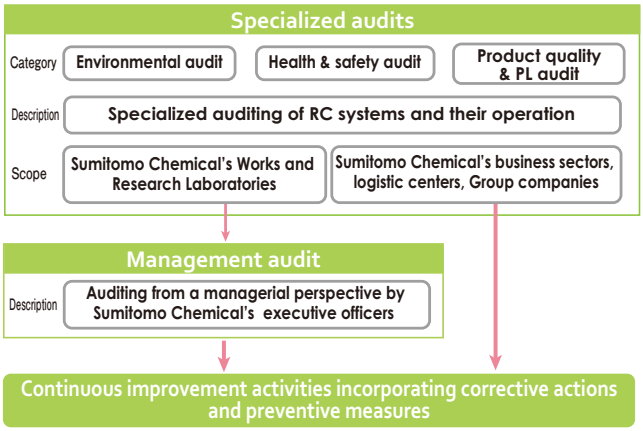
Fiscal 2008 Responsible Care Audit Results

Responsible Care specialized audits and management audits were conducted at the Works and Research Laboratories in Ehime, Chiba, Osaka, and Oita. In addition, a total of 36 specialized audits were conducted on the business sectors, logistics centers, and domestic and overseas Group companies. The results turned up no major issues of non-compliance with laws and regulations.

Responsible Care Auditing Framework



Responsible Care Auditing Flow (Overview)



VOICE **Comment from an Overseas Group Company Receiving a Responsible Care Audit**

Tomoharu Negishi
Deputy General Manager and Manager of the Quality Control Department
Zhuhai Sumika Polymer Compounds Co., Ltd.

Thanks to the Responsible Care audit, we were able to clarify our goals, and will make a concerted effort to raise our Responsible Care to a new level.

Zhuhai Sumika Polymer Compounds Co., Ltd., which is located in the south of Guangdong, is a comparatively new company, having been established on May 8, 2005. The construction of the factory building was completed in 2006 and we began pilot operation of the factory in the same year. Subsequently, in 2007, we started commercial production and in 2008 we were able to move into the black.

We have so far received a total of 23 product quality audits by our customers. After every audit, we made improvements based on the audit results, thereby improving our quality level and also substantially increasing the motivation of employees.

Our main product is colored polypropylene compounds for automobiles. We have an annual production capacity of 10,000 tons, and we will soon complete the construction of our long-awaited second production line.

In fiscal 2008, we received a Responsible Care audit from Sumitomo Chemical. We had been operating the factory with a focus on safety, health, product quality, the environment, and compliance, and had been making improvements on a case-by-case basis through our committees, for example. The Responsible Care audit made it possible for us to determine the direction our company should move in and set more specific action targets.


Risk prediction training activities by the Inspection Section of the Quality Control Department

In addition to the conventional committee activities (the 5S'*), in the latter half of 2008, we introduced risk prediction training as a proposed activity for improvement. In fiscal 2009, we plan to incorporate training for managers and key personnel into our annual training program.

The average age of our employees is a young 26.1 years, and driven by the power of these young people, we will conduct more aggressive activities toward further improvement as a team with the cooperation and guidance of Sumitomo Chemical.

* The 5S' stand for *seiri* (sorting), *seiton* (setting in order), *seiso* (sweeping for cleanliness), *seiketsu* (standardization for maintaining the preceding 3S'), and *shitsuke* (maintaining discipline).

Results of Fiscal 2008 Responsible Care Activities

Sumitomo Chemical has set specific targets for its Responsible Care activities in all areas of environmental protection, occupational health and safety, security and disaster prevention, chemical safety, product quality assurance, and auditing.

Target Sharing and Follow-up on the Status of Activities throughout the Entire Group

The Sumitomo Chemical Group regards sustainable environmental management to improve productivity while reducing environmental impact as one of its top priorities. To meet this challenge, we have set targets to be shared throughout the Group and are making efforts to achieve them.

Initiatives Undertaken by Sumitomo Chemical and Domestic Group Companies

Sumitomo Chemical has set Group targets for fiscal 2010 to be met by the Company and 16 domestic Group companies for unit energy consumption, unit CO_2 emissions, the volume of PRTR emissions, and the amount of waste disposed of in landfills, and the companies are implementing specific initiatives to meet these targets.

For the initiatives undertaken by each of the companies, Sumitomo Chemical conducts follow-up surveys and provides guidance to any of the companies whose initiatives have been deemed inadequate to enable all companies to achieve the shared targets. For the targets of companies' individual initiatives, which form the basis for the Group targets, see pages 17 and 18 of the DATA BOOK.

TOPIC

Recycling Waste and Reducing CO_2 Emissions through the Manufacture of Solid Fuel

EGS Co., Ltd. completed a facility for manufacturing solid fuel (RPF*) from waste on the premises of Sumitomo Chemical's Ehime Works. At this waste recycling facility, we manufacture RPF using old paper and waste plastic, both of which are difficult to recycle into materials. RPF is now attracting attention as a substitute for conventional fossil fuels because of its many advantages such as high calorific value, ease of treatment, low ash content, and low price compared with fossil fuels.

RPF manufacturing facility

In addition, by converting old paper into fuel and thus promoting the use of biomass, we can contribute to reducing emissions of the greenhouse gas CO_2.

The facility has the capacity to manufacture approximately 4,500 tons of RPF annually, and this RPF is mainly used as auxiliary fuel in boilers at paper manufacturing plants.

Michikazu Sano
Manager, No. 1 Environmental Management Department
EGS Co., Ltd.

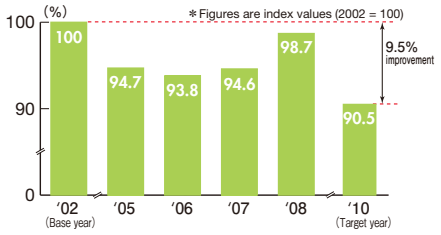
* RPF is an abbreviation for refuse paper & plastic fuel.

Initiatives Undertaken by Overseas Group Companies

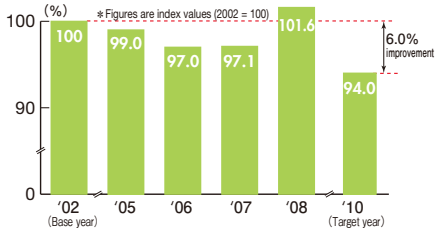
Overseas Group companies (nine companies) have also set common targets for primary environmental performance in line with domestic initiatives. With the target year for such activities set at fiscal 2010, follow-up surveys are regularly conducted to confirm that the activities are on track to meet their targets. (For the targets and achievements of overseas Group companies, see p.19 of the DATA BOOK.)

Performance Improvement Targets and Actual Results at Sumitomo Chemical and Domestic Group Companies

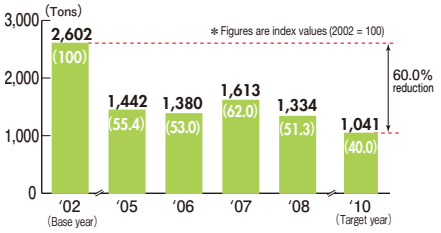
● **Unit Energy Consumption Index**



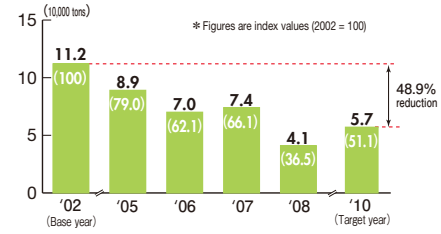
● **Unit CO_2 Emission Index**



● **PRTR Emissions (into the air and water)**



● **Landfill Disposal Amount**



◆ Data for fiscal 2005 to 2007 have been revised to increase accuracy

Primary Responsible Care Initiatives: Targets and Progress

	Category	Target	Measures Taken	Object
Environmental Protection	Sustainable environmental management	Promotion of sustainable environmental management	Making economic activities and environmental protection compatible	Non-consolidated/ Group
	Global environmental protection	Prevention of global warming	Reduction in CO_2 emissions	Non-consolidated
				Group
		Prevention of ozone layer depletion	Reduction of CFC emissions	Non-consolidated/Group
	Establishment of a recycling-based society	Energy savings	Improvement in unit energy consumption	Non-consolidated
				Group
		Waste reduction	Reduction in the amount of generated waste; promotion of recycling	Non-consolidated
				Group
		Reduction in water use	Improvement in unit water usage	Non-consolidated
	Preservation of the living environment and prevention of health hazards	Appropriate chemical substances management Proper handling of PRTR substances	Promotion of risk management according to the environmental risk	Non-consolidated
				Group
		Reduction in VOC emissions	Reduction in VOC emissions	Non-consolidated
		Prevention of soil and groundwater contamination	Promotion of soil and groundwater contamination risk management	Non-consolidated/ Group
		PCB countermeasures	Proper storage and disposal of PCB waste	Non-consolidated/ Group
		Prevention of accidents causing environmental contamination	Reduction of environmental risks involving operating activities	Non-consolidated
Safety	Promotion of occupational health and safety	Prevention of occupational accidents	Elimination of accidents resulting in lost workdays for employees of Sumitomo Chemical and contractors/affiliate companies Use of Occupational Safety and Health Management System (OSHMS) to reduce potential occupational safety risks	Non-consolidated
			Prevention of problems caused by human factors	
	Promotion of disaster prevention activities	Prevention of major accidents	Reduction of process-related risks	Non-consolidated
	Promotion of chemical safety management	Ensuring chemical safety	Enhancement of safety information and proper management of chemical substances	Non-consolidated
	Promotion of safety activities in logistics	Ensuring safety, environmental protection, and maintaining product quality during logistics operations	Reducing risk of occupational accidents and injury in logistics; Promotion of a transport system that exerts less impact on the environment; Promotion of measures to prevent quality irregularities in logistics	Non-consolidated
Auditing	Continuous improvement of Responsible Care activities Strengthening of corporate governance	Use of audits to evaluate and improve Responsible Care activities Strengthening of compliance	Promotion of integrated Responsible Care activities and Responsible Care audits throughout the Group Determination of priority areas for auditing: zero accidents, measures to strengthen compliance	Non-consolidated/ Group
Quality Assurance	Promotion of quality assurance activities	Prevention of quality problems (including PL problems)	Enhancement of the quality system by understanding and managing potential risks Promotion of TQM by improving awareness of quality assurance activities Response to new regulations in Japan and overseas	Non-consolidated

● Target achieved or satisfactory progress
■ To be achieved

Target	Performance in Fiscal 2008	Achievement Status
Promote measures to fulfill the commitments made under the Ministry of the Environment's Eco-First program Meet the environmental protection and management targets for the Group Study the possibility of introducing environmental efficiency indicators within the Group Introduce material flow cost accounting (MFCA) on a trial basis	Achieved definite results for each of the items Conducted follow-ups to ensure targets will be achieved Evaluated the environmental impact assessment according to the JPEIX and LCA methods	●
Reduce unit CO_2 emissions from fossil fuels for captive consumption by 15% relative to fiscal 1990 levels by fiscal 2010	Unit CO_2 emissions increased by 7.2% relative to the previous fiscal year Emissions, however, decreased by 16.9% relative to fiscal 1990	●
Reduce unit CO_2 emissions by 6% relative to fiscal 2002 by fiscal 2010	Unit CO_2 emissions increased by 1.6% relative to fiscal 2002	■
Eliminate the use of refrigeration units that use specified CFCs as coolants by fiscal 2025	Promoted systematic replacement of refrigeration units No coolant leakages occurred	●
Reduce unit energy consumption by 20% relative to fiscal 1990 by fiscal 2010	Unit energy consumption increased by 9.7% from the previous fiscal year (but decreased by 11.9% relative to fiscal 1990)	■
Reduce unit energy consumption by 9.5% relative to fiscal 2002 levels by fiscal 2010.	Reduced unit energy consumption by 1.4% relative to fiscal 2002	■
Reduce landfill disposal amount by 90% relative to fiscal 1990 by fiscal 2010 Stop the disposal of red bauxite through sea dumping by fiscal 2015	Reduced the disposal amount of landfill by 16.3% relative to the previous fiscal year (82.7% reduction relative to fiscal 1990) Continued to study specific ways to promote sustainable development of the alumina products business and cease sea dumping	●
Reduce landfill disposal amount by 48.9% relative to fiscal 2002 levels by fiscal 2010	Reduced landfill disposal amount by 63.5% relative to fiscal 2002	●
Reduce unit water usage by 25% relative to fiscal 1990 levels by fiscal 2010	Improved unit water usage by 22.4% relative to fiscal 1990 *	●
Reduce emissions (into the air and water) of substances subject to the PRTR Act by 50% relative to fiscal 2002 levels by fiscal 2010	Reduced total emissions by 52.3% relative to fiscal 2002	●
Reduce emissions (into the air and water) of substances subject to the PRTR Act by 60% relative to fiscal 2002 levels by fiscal 2010	Reduced total emissions by 48.7% relative to fiscal 2002	●
Reduce VOC emissions by 30% relative to fiscal 2000 levels by fiscal 2010	Reduced VOC emissions by 4.4% relative to fiscal 2000	■
Keep hazardous materials strictly within Company premises. Inspections and improvements needed for this purpose are to be conducted. Company premises are to be under continuous monitoring/supervision	Soil contamination survey, evaluations, and required remediation currently near completion Monitoring of groundwater near boundaries has confirmed levels of hazardous materials are below those stipulated by environmental standards Continued monitoring of groundwater	●
Promote appropriate storage and recovery of PCB waste and complete PCB waste treatment by March 2014	Continued the strict recovery and appropriate storage of PCB waste Completed pre-registration with JESCO: Treatment completed at some Works (Sumitomo Chemical)	●
Achieve complete elimination of accidents and major problems	Achieved target of zero accidents and major problems	●
Frequency rate of lost-workday injuries: ≦ 0.1; Severity rate of lost-workday injuries: ≦ 0.01 Frequency rate of lost-workday injuries = (number of lost-workday injuries/man hours) x 1,000,000 Severity rate of lost-workday injuries = (number of lost-workdays/man-hours) x 1,000	There were two accidents resulting in lost workdays at Sumitomo Chemical and five in total at its contractors/affiliate companies, and thus the targets were not achieved Sumitomo Chemical: Frequency rate of lost-workday injuries: 0.16; severity rate of lost-workday injuries: 0.001 Contractors/affiliate companies: Frequency rate of lost-workday injuries: 0.50; severity rate of lost-workday injuries: 0.018	■
Eliminate major accidents	Achieved target of zero major accidents Conducted process risk assessment and implemented safety measures Systematically implemented a long-term earthquake retrofitting plan	●
Conduct various studies and risk assessments and enhance safety information related to Responsible Care for chemical products	Conducted health and environmental risk assessments of gases before treatment and after emission into the atmosphere, environmental risk assessments for effluent and discharged water, occupational safety risk assessments of chemical substances handled by the Company, and consumer safety risk assessments of newly developed chemicals, and worked to improve the risk assessment levels	●
Promote advanced measures for management of chemical substances	Promoted voluntary programs to compile a database of existing findings and information, and built and started operation of a new comprehensive chemical product management system to appropriately manage the collected safety information and make more effective use of it	●
Achieve zero accidents resulting in lost workdays at partner logistics companies Reduce annual unit energy consumption by 1% Achieve the management target for logistics quality irregularities (reduce major incidents to eight or fewer)	Zero accidents achieved by partner logistics companies Reduced annual unit energy consumption by 5.4% relative to the previous fiscal year Reduced the number of logistics quality irregularities below the target level (three serious incidents)	●
Reinforce the Responsible Care audit system Reinforce Responsible Care audits at Sumitomo Chemical and its Group companies	Increased the number of Responsible Care auditors and established a system in which the audits of Group companies would be conducted by two teams, in response to an increase in the frequency of Responsible Care audits Strengthened compliance audits to check compliance with relevant laws and regulations	●
Continue implementation of Basic Measures to Prevent Major Product Quality Problems	Re-formulated the Policy to Prevent Major Product Quality Problems to be more useful as well as helpful in raising awareness of quality assurance by incorporating case studies (both failures and successes) from inside and outside the Company Implemented measures to improve product quality awareness: (1) solicited quality assurance slogans and displayed them at all of Sumitomo Chemical's offices and facilities; and (2) continued to award "product quality prizes"	●

* The water usage amount used to calculate unit water consumption includes the amount of water consumed by some Group companies

Group Company Initiatives

The Sumitomo Chemical Group is making concerted efforts to further enhance and promote Responsible Care activities globally

Dainippon Sumitomo Pharma

Promoting Environmental Protection Activities for a Better Global Environment

Hiroshi Yamaga
General Manager of the Environment & CSR Promotion Department
Dainippon Sumitomo Pharma Co., Ltd.

Dainippon Sumitomo Pharma has made improving its environmental management system and reducing waste, the release of chemical substances and emissions of greenhouse gases one of its top priorities. We have set improvement targets for each of these items and have been strengthening measures to achieve the targets.

To improve our environmental management system, we now have ISO 14001 certification at four plants and two research laboratories, giving us a system that will enable more effective and efficient environmental protection activities throughout the company.

As for waste reduction, we have steadily increased our recycling rate. In fiscal 2008, the Ibaraki Plant received a prize from the Minister of Health, Labour and Welfare at a ceremony to commend facilitators of the 3Rs (Reduce, Reuse, and Recycle). * 1

To limit the release of chemical substances, we have introduced equipment to recover the solvents dichloromethane and chloroform at two of our plants, which helps reduce emissions of these substances into the air.

To limit greenhouse gas emissions, we have systematically introduced energy-saving equipment (gas cogeneration and ice thermal storage systems, among others). With the expansion of our business, however, greenhouse gas emissions from our major facilities have increased approximately 2.2 times since fiscal 1990, and this will require us to take more radical action involving more proactive capital investment.

The most important and fundamental precondition for a prosperous and comfortable society is a sound global environment, and Dainippon Sumitomo Pharma is committed to proactively and systematically contributing to maintaining and improving the global environment through our environmental protection activities.

TOPIC

Award from the Minister of Health, Labour and Welfare in Recognition of Our Contribution to the 3Rs

In recognition of its continuous reductions in the generation of waste and achievement of zero emissions, Dainippon Sumitomo Pharma's Ibaraki Plant received a prize from the Minister of Health, Labour and Welfare at a ceremony to commend facilitators of the 3Rs (Reduce, Reuse, and Recycle) for fiscal 2008.

Ibaraki Plant

The Ibaraki Plant has a long history as a pharmaceuticals manufacturing plant, having started operations in 1962 in Ibaraki City, in the northern part of Osaka. In 2000, the Plant implemented an ISO 14001-certified environmental management system, and has since been proactively conducting environmental protection activities based on this system. Among these activities, the 3Rs combine ISO 14001-related activities and proposals for in-house improvement and all employees, both as groups and as individuals, are making efforts to reduce, reuse and continuously curb the generation of waste. We have designated staff specifically for recycling, and they are cooperating with waste treatment companies to further improve our recycling rate.

As a result, we (1) were able to reduce the generation of waste every year and reduce it by 32% (274 tons) in 2007 in spite of a 26% increase in production, compared with the base year (2000); and (2) were able to reduce our final landfill disposal amount by 97% (112 tons) in 2007 relative to fiscal 2000 through recycling, and finally achieve zero emissions. * 2

We were awarded the prize in recognition of the above achievements. Encouraged by this honor, we will continue to improve our 3R activities and, through our efforts to combat global warming, will contribute to global environmental protection and the local community.

Kiyoyuki Okano
Environment & Safety Group
Operations Management Department
Ibaraki Plant,
Dainippon Sumitomo Pharma Co., Ltd.

* 1. This awards program is conducted by the Reduce, Reuse, Recycle Promotion Council managed by Clean Center Japan. This program awards individuals, groups, schools, plants, and others that have achieved outstanding results in activities to promote the 3Rs (Reduce, Reuse, and Recycle) in waste management.

* 2. At Dainippon Sumitomo Pharma, "zero emissions" means that the ratio of the final landfill disposal amount to the total waste generated is below 1%.

Petrochemical Corporation of Singapore

Achievements by Employees, all of whom Maintain a High Awareness of the Importance of Health, Safety, and the Environment

Chong Ming Cheong
Responsible Care Manager
Petrochemical Corporation of Singapore (Private) Limited

Petrochemical Corporation of Singapore (Private) Limited (PCS) is the upstream company of the Singapore Petrochemical Complex located on Jurong Island, which is the largest hub of Singapore's petroleum and petrochemical industries. We have two ethylene crackers with an annual production capacity of 1.9 million tons of olefins. We supply power to the entire Complex and also provide it with common facilities and services.

We have a corporate culture in which all employees, including those in our partner companies, are highly aware of the importance of safety and have a strong motivation to participate in safety activities. As a result, they have achieved excellent results in their workplaces in terms of health, safety and the environment (HSE). We have nurtured this corporate culture by encouraging employees and partner companies to participate in safety awareness activities and by strictly implementing measures to ensure compliance with the health, safety, and environmental standards set for our workplaces.

PCS has an HSE management system in place, which incorporates a comprehensive program focusing on occupational health and safety, process safety, emergency responses, preparations for emergencies, and environmental protection. In 1999 we started to implement Responsible Care and have since been committed to continuously improving our performance.

In 2004, as one of the measures to enhance its HSE-focused culture, PCS introduced a Behavior-Based Safety (BBS) program. Under this program, employees of PCS and its partner companies point out unsafe behavior to one another through a process of observation and feedback and are encouraged to report near misses and share related information. In addition, in-house meetings are held to report on accidents that took place inside and outside the company, to introduce examples of best practices implemented in the industry, and for participants to learn more about HSE. Employees on shift work and in our partner companies are also given many opportunities to learn about HSE through documentation available at the beginning of their work shift or at meetings held during working hours.

The management and employees of PCS and its partner companies have quarterly dialogue meetings to share information and promote smooth communication. We also have an HSE committee comprising all our partner companies that formulates HSE-related action plans for PCS. Through this committee, we are encouraging HSE activities among all the employees of our partner companies. In addition, we give monetary rewards to employees of PCS and its partner companies who achieve their safety targets.

As a responsible corporate citizen, PCS cooperates with other companies and participates in the Corporate & School Partnership program, which is intended to support environmental projects implemented by local schools. In 2008, we became a corporate sponsor for the opening ceremony of ComChest Green* and planted sapota trees in the Labrador Nature Reserve.

PCS has an ISO 14001-certified environmental management system and an OHSAS 18001-certified occupational health and safety management system. We will use these systems to continue to fulfill our role as a responsible corporate citizen.

Planting sapota trees in the Labrador Nature Reserve
(Center: President Suzuki of PCS)

* ComChest Green is a park established in the Labrador Nature Reserve by Community Chest, the fund-raising division of the Singapore government.

Environmental Performance of the Sumitomo Chemical Group (Environmental Impact and Environmental Accounting)

Sumitomo Chemical collects and totals the Group's environmental data, including data on its energy and resource consumption, production quantities, and environmental impact (e.g. release of pollutants into the air and water). We also introduced environmental accounting for the Group and continuously publicize the results.

Primary Environmental Performance (Fiscal 2008)

Sumitomo Chemical Group | Sumitomo Chemical

INPUT Energy and Resources *1

Energy	Sumitomo Chemical Group	Sumitomo Chemical
Electricity	2,326	1,404
Gas/Fuel	465	377
(Calculated as kl of crude oil)	1,861	1,027
	Thousands of kl	Thousands of kl

Exhaustible resources	Sumitomo Chemical Group	Sumitomo Chemical
Hydrocarbon compounds *2	289	269
Metals (excluding rare metals) *3	12.1	11.4
Rare metals *4	0.019	0.004
	10,000 tons	10,000 tons

Water *5	Sumitomo Chemical Group	Sumitomo Chemical
	1,848.3	543.5
Industrial water	96.9	66.2
Drinking water	1.0	0.4
Seawater	1,718.9	448.9
Groundwater	29.2	26.1
Other water	2.3	1.9
	Millions of tons	Millions of tons

Sumitomo Chemical Group *6

Use of PCB/CFCs		
No. of electrical devices containing PCBs	1,386 units	708 units
PCB volume	45.3 ㎥	40.7 ㎥
No. of refrigeration units using specified CFCs as coolant	93 units	28 units

OUTPUT Product Manufacturing and Environmental Impact

Products (Calculated on the basis of ethylene production) *7	Sumitomo Chemical Group	Sumitomo Chemical
	238	146
	10,000 tons	10,000 tons

Water pollutant emissions	Sumitomo Chemical Group	Sumitomo Chemical
COD	1,571	1,437
Nitrogen	2,212	2,194
Phosphorus	54	53
Substances subject to the PRTR Act	180	158
	Tons	Tons

Waste material	Sumitomo Chemical Group	Sumitomo Chemical
Waste generated	272	55
Landfill	41.2	7.7
(final disposal)		
On-site landfill	0	0
External landfill	41.2	7.7
Red bauxite sea dumping	493	493
	Thousands of tons	Thousands of tons

Atmospheric emissions	Sumitomo Chemical Group	Sumitomo Chemical
Greenhouse gases (six gases)		4,404
CO_2 *8		4,351
N_2O		53
HFC		0.2
PFC		0
Methane		0.1
Sulfur hexafluoride		0
Emissions from energy use (CO_2)	6,468	3,765
Captive fuel consumption *9	4,659	2,110
Purchased electricity and steam	1,809	1,655
	Thousands of tons of CO_2	Thousands of tons of CO_2
Others		
NOx	4,864	2,729
SOx	4,023	1,427
Soot and dust	273	169
Substances subject to the PRTR Act	1,154	394
	Tons	Tons

* 1. See p.19 of the DATA BOOK for performance data for major overseas Group companies related to energy consumption, CO_2 emissions, water usage, and landfill disposal amounts.
* 2. In the calculation method for the use of hydrocarbon compounds by the Sumitomo Chemical Group, it was found that there was duplication of data. The data for fiscal 2008 were recalculated after correcting the error.
* 3. Calculations include the following 12 metals: iron, gold, silver, copper, zinc, aluminum, lead, platinum, titanium, palladium, gallium, and lithium.
* 4. Calculations include the following seven rare metals: nickel, chromium, tungsten, cobalt, molybdenum, manganese, and vanadium.
* 5. In the calculation method for the use of water by the Sumitomo Chemical Group, it was found that data for some Group companies were omitted. The data for fiscal 2008 were recalculated after correcting the error.
* 6. Group companies consist of the following 16 domestic Group companies: Dainippon Sumitomo Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumitomo Joint Electric Power Co., Ltd.; Sumika Color Co., Ltd.: Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika Kakoushi Co., Ltd.; Asahi Chemical Co., Ltd.; Shinto Paint Co., Ltd.; Sumitomo Dow Ltd.; Sumika Bayer Urethane Co., Ltd.; Nihon Oxirane Co., Ltd.; and Sumika Agrotech Co., Ltd.
* 7. Certain assumptions were made in calculations due to the difficulty of obtaining weight-based figures for some products.
* 8. The method used for calculating CO_2 emissions (i.e. CO_2 emission coefficient, types of greenhouse gases targeted for calculation, and emission sources) has remained unchanged since the calculation of environmental performance data was started.
* 9. CO_2 emissions originating from energy (electricity and steam) sold outside the Sumitomo Chemical Group are not included. Emissions from Sumitomo Joint Electric Power Co., Ltd., however, are included, as sales of energy from its primary business.

Evaluation of Environmental Protection Costs and Economic Effects through Environmental Accounting

Sumitomo Chemical continuously gathers and evaluates data on environment-related expenses, investments, and economic results in line with the Company's environmental accounting system introduced in fiscal 2000.

In fiscal 2008, the Company conducted a trial project for the introduction of material flow cost accounting, which enables the detailed examination of losses (of materials, energy, etc.) at manufacturing plants in terms of physical and monetary units. This project was undertaken at a plant manufacturing pharmaceutical intermediates on the premises of the Osaka Works. For details of the trial project, see p.45.

Items Pertaining to Environmental Accounting

(1) Period: Fiscal 2008 (April 1, 2008 to March 31, 2009)

(2) Scope: Sumitomo Chemical and 17 major consolidated subsidiaries (12 in Japan and five outside Japan) *1

(3) Composition (Classification): Based on Ministry of the Environment guidelines

(4) Independent review: Conducted by KPMG AZSA Sustainability Co., Ltd.

* 1. Dainippon Sumitomo Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumitomo Joint Electric Power Co., Ltd.; Sumika Color Co., Ltd.; Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika Kakoushi Co., Ltd.; Nihon Oxirane Co., Ltd.; Sumika Agrotech Co., Ltd.; Dongwoo Fine-Chem Co., Ltd.; Sumitomo Chemical (Singapore) Pte. Ltd.; The Polyolefin Company (Singapore) Pte. Ltd.; Sumika Technology Co., Ltd.; and Sumika Electronic Materials (Wuxi) Co., Ltd.

Environmental Protection Cost

(Unit: 100 million yen)

Classification		Main Implementation Details	Fiscal 2007				Fiscal 2008			
			Non-consolidated		Consolidated		Non-consolidated		Consolidated	
			Investment	Expenses	Investment	Expenses	Investment	Expenses	Investment	Expenses
Business Area Costs			11	153	50	227	11	167	24	248
Breakdown	Pollution Prevention Costs	Prevention of air pollution, water pollution, soil contamination, noise pollution, odors, ground subsidence, etc.	(9)	(113)	(48)	(158)	(8)	(120)	(20)	(168)
Breakdown	Global Environmental Protection Costs	Prevention of global warming and ozone layer depletion, and other measures	(0)	(0)	(0)	(3)	(0)	(0)	(0)	(4)
Breakdown	Resource Recycling Costs	Resource and energy conservation, water conservation and rainwater usage, waste reduction/disposal treatment, recycling, etc.	(2)	(40)	(2)	(66)	(3)	(47)	(4)	(76)
Upstream/Downstream Costs		Green purchasing, recycling, recovery, remanufacturing and appropriate treatment of products, recycling costs associated with containers and packaging, environmentally friendly products and services, etc.	0	0	0	2	0	0	3	2
Administrative Costs		Costs associated with environmental education, environmental management systems, the monitoring and measuring of the environmental impact of business activities and products, environmental organization operations, etc.	0	7	0	13	0	6	0	12
R&D Costs		Development of products with attention to environmental safety, research into energy-saving processes, etc.	1	30	1	31	0	43	0	44
Social Activity Costs		Protection of the natural environment and enhancement of its scenic beauty and greenery, support for community initiatives aimed at environmental protection, support for environmental preservation groups, environment-related paid contributions and surcharges, etc.	0	5	0	8	0	5	0	8
Environmental Remediation Costs		Environmental rehabilitation of contaminated environments and other environmental damage, reserve funds to cover environmental recovery, etc.	0	1	0	1	0	0	0	0
Total			12	196	51	282	11	221	27	314

Economic Effects *2

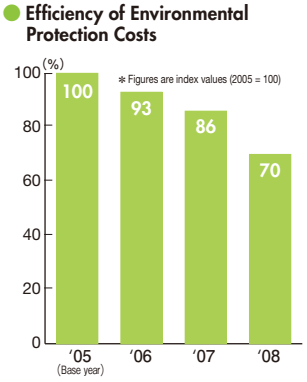
(Unit: 100 million yen)

Results	Fiscal 2007		Fiscal 2008	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Reduced costs through energy conservation	10	12	8	9
Reduced costs through resource conservation	11	13	8	10
Reduced costs through recycling activitiess	29	32	29	31
Total	50	57	45	50

* 2. Economic effects are limited to those achieved through energy conservation, resource conservation, and recycling activities, and are calculated on the basis of firm evidence.

TOPIC

Improving the Efficiency of Environmental Protection Costs



In fiscal 2009, we began implementing measures to improve the efficiency of our environmental protection costs (the ratio of production to total environmental protection costs) through the thoroughgoing pursuit of high cost-effectiveness. The efficiency rate has been declining year on year (by 30% in fiscal 2008 from the fiscal 2005 level). To reverse this trend, we will introduce more effective environmental protection activities.

Environmental Performance at Works (Environmental Impact and Environmental Accounting)

All Sumitomo Chemical Works and Plants determine the details of activities to be conducted to implement their environmental policies, and assess and reduce the environmental impact of their operations. They identify priority challenges based on company-wide environmental performance improvement targets, then formulate quantitative environmental impact reduction targets, and implement measures to achieve these targets.

Initiatives that have achieved outstanding results are shared at regular corporate-level meetings attended by personnel in charge of environmental protection from the Head Office, Works, Plants, and Research Laboratories. The information is shared to improve environmental performance throughout the Company.

Ehime and Ohe Works

[Ehime Works]
Main products: Inorganic and organic chemical products, feed additives, synthetic fiber materials, fertilizers, IT-related materials, aluminum hydroxide and alumina products, super engineering plastics, and pharmaceutical and agrochemical intermediates
No. of employees * 1:1,585 (including the Ohe Works)
Message from the General Manager: At the Ehime Works, we take effective measures to solve environmental problems based on policies of safe and stable operations, waste elimination, and speedy work, and we are committed to becoming a complex that can contribute to the local community and earn its trust.

[Ohe Works]*
Main products: Optical functional films and heat-resistant separators
Message from the General Manager: At the Ohe Works, our basic policies are ensuring safe and stable operations and promoting Responsible Care in cooperation with the companies to which we outsource production. We will continue our efforts to solve environmental problems targeting zero critical accidents and disasters, as well as environmental problems in collaboration with Sumika Assembly Techno Co., Ltd., working to ensure the peace of mind of the local community.

Mino Uemura
General Manager
Ehime Works

Kazushi Tan
General Manager
Ohe Works

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	576,000 kl	Products * 3	610,000 tons
Exhaustible resources	560,000tons	CO_2 * 4 (atmosphere)	2.23 million tons
Water	88million tons	NOx (atmosphere)	620 tons
		SOx (atmosphere)	785 tons
		COD (water)	928 tons
		Landfill amount	7,192 tons

Environmental accounting

Investment	220 million yen
Expenses	9.08 billion yen
Economic effect	3.18 billion yen

* In April 2009, the manufacturing facilities producing components and materials for IT device components at the Ehime Works became independent, and are now operating as the Ohe Works

Chiba Works

Main products: Propylene oxide, styrene monomer and other organic chemical products, polyethylene, polypropylene and other synthetic resins, and synthetic rubber
No. of employees * 1: 1,340
Message from the General Manager: Employees at the Chiba Works are making daily concerted efforts in their support for the startup of the Rabigh Project and to ensure safe and stable operation of the Chiba Works. This fiscal year, we will pursue the target of "four zeros" (zero accidents and disasters, zero environmental problems, zero quality problems, and zero manufacturing losses) under the watchwords, "Seriousness," "Thoroughness," and "Lateral development across all departments."

Tsutomu Konaka
General Manager
Chiba Works

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	733,000 kl	Products * 3	750,000 tons
Exhaustible resources	2.16 million tons	CO_2 * 4 (atmosphere)	1.82 million tons
Water	429 million tons	NOx (atmosphere)	1,779 tons
		SOx (atmosphere)	457 tons
		COD (water)	116 tons
		Landfill amount	148 tons

Environmental accounting

Investment	580 million yen
Expenses	4.38 billion yen
Economic effect	280 million yen

Osaka Works

Main products: Pharmaceutical bulk and intermediates, photoresists used in the manufacture of semiconductors and display materials, polymer additives, dyestuffs, and fungicides for fruit trees and vegetables
No. of employees * 1: 894
Message from the General Manager: The Osaka Works is located in the center of the city and surrounded by residential areas. For this reason, we believe that it is important to promote mutual prosperity with the local community. We will continue to make safety first priority by achieving zero accidents, zero disasters, and zero pollution so that local residents can rest assured about the safety of the Works. We will also promote communication with local communities and contribute to society through plant tours, school science visits, and support for sporting events.

Osamu Maruyama
General Manager
Osaka Works

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	21,000 kl	Products * 3	20,000 tons
Exhaustible resources	10,000 tons	CO_2 * 4 (atmosphere)	40,000 tons
Water	1 million tons	NOx (atmosphere)	26 tons
		SOx (atmosphere)	< 1tons
		COD (water)	149 tons
		Landfill amount	50 tons

Environmental accounting

Investment	30 million yen
Expenses	890 million yen
Economic effect	110 million yen

* 1 No. of employees as of March 31, 2009.
* 2 Energy values (1,000 kl) are crude oil equivalent.
* 3 Products values (10,000 tons) are ethylene equivalent.
* 4 CO_2 values (10,000 tons) include emissions originating from energy use, environmental treatment, and processes.

Oita Works

Main products: Agricultural insecticides, herbicides and fungicides, and polymer additives
No. of employees * 1**:** 337
Message from the General Manager: The Oita Works, which is approached via a road lined with Japanese cinnamon trees, celebrates its 70th anniversary this year. We will make this an opportunity to proactively take on the challenge of achieving our vision of the Works we wish to become in 10 years' time, which forms the basis of our plant policies and our medium-term plan under the Company's Corporate Business Plan. We focus daily on making safety top priority while also maintaining cooperative relationships with local residents.

Hiroyuki Takahashi
General Manager
Oita Works

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	46,000 kl	Products * 3	40,000 tons
Exhaustible resources	60,000 tons	CO_2 * 4 (atmosphere)	170,000 tons
Water	20 million tons	NOx (atmosphere)	190 tons
		SOx (atmosphere)	168 tons
		COD (water)	193 tons
		Landfill amount	17 tons

Environmental accounting

Investment	90 million yen
Expenses	2.07 billion yen
Economic effect	640 million yen

Misawa Works

Main products: Household and public health insecticides and agricultural insecticides
No. of employees * 1**:** 128
Message from the General Manager: The Misawa Works continues its production activities in a nature-rich environment. Our employees all work closely together to raise the level of our initiatives for safety, the environment, and product quality, as well as our efforts to prosper together with the local community.

Shinichiro Nagata
General Manager
Misawa Works

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	15,000 kl	Products * 3	10,000 tons
Exhaustible resources	< 10,000 tons	CO_2 * 4 (atmosphere)	43,000 tons
Water	2 million tons	NOx (atmosphere)	57 tons
		SOx (atmosphere)	10 tons
		COD (water)	18 tons
		Landfill amount	2 tons

Environmental accounting

Investment	30 million yen
Expenses	500 million yen
Economic effect	20 million yen

Gifu Plant

Main products: Pharmaceutical chemicals
No. of employees * 1**:** 157
Message from the General Manager: The Gifu Plant gives first priority to safe and stable operations under our slogan, "Reliable products and GMP for advanced quality management." We work round the clock to provide customers with the highest quality pharmaceutical chemicals.

Shinji Kawamura
General Manager
Gifu Plant

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	4,000 kl	Products * 3	5,000 tons
Exhaustible resources	10,000 tons	CO_2 * 4 (atmosphere)	14,000 tons
Water	1 million tons	NOx (atmosphere)	20 tons
		SOx (atmosphere)	3 tons
		COD (water)	7 tons
		Landfill amount	121 tons

Environmental accounting

Investment	90 million yen
Expenses	410 million yen
Economic effect	20 million yen

Okayama Plant

Main products: Pharmaceutical chemicals
No. of employees * 1**:** 158
Message from the General Manager: The Okayama Plant, once a supplier of synthetic dyestuffs to the textile industry, now manufactures pharmaceutical chemicals. We will soon celebrate the 94th anniversary of our operations within the Setonai-kai National Park area. Based on the principle of safe and stable operations, all employees at the Plant will endeavor to make it more friendly to people and the Earth, thereby gaining more trust from local residents and promoting harmony with nature.

Tetsuhiko Watanabe
General Manager
Okayama Plant

Fiscal 2008 Environmental Performance and Other Key Results

Input		Output	
Energy * 2	10,000 kl	Products * 3	20,000 tons
Exhaustible resources	10,000 tons	CO_2 * 4 (atmosphere)	30,000 tons
Water	2 million tons	NOx (atmosphere)	37 tons
		SOx (atmosphere)	4 tons
		COD (water)	25 tons
		Landfill amount	145 tons

Environmental accounting

Investment	40 million yen
Expenses	370 million yen
Economic effect	260 million yen

Promoting Sustainable Environmental Management

To achieve advanced Sustainable Environmental Management, Sumitomo Chemical has been proactive in assessing and formulating environmental efficiency indicators that incorporate various types of environmental impact and introducing material flow cost accounting, an environmental management accounting method, on a trial basis.

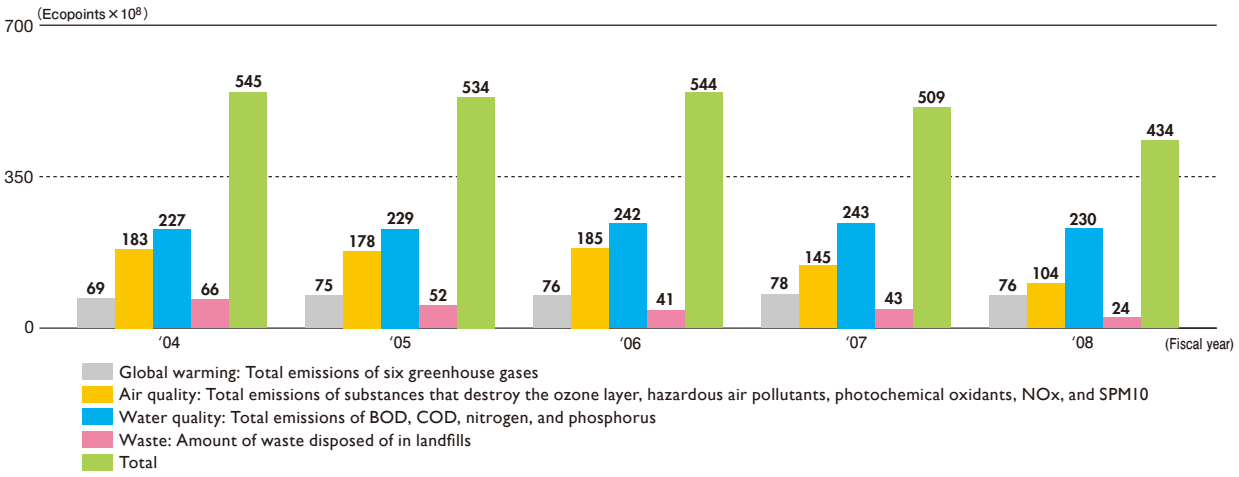
Studying Practical Application of Environmental Efficiency*1 Indicators Using JEPIX*2

Sumitomo Chemical has continuously participated in the JEPIX Benchmark Project, a project organized by Professor Nobuyuki Miyazaki of International Christian University, in order to further deepen its understanding of JEPIX.

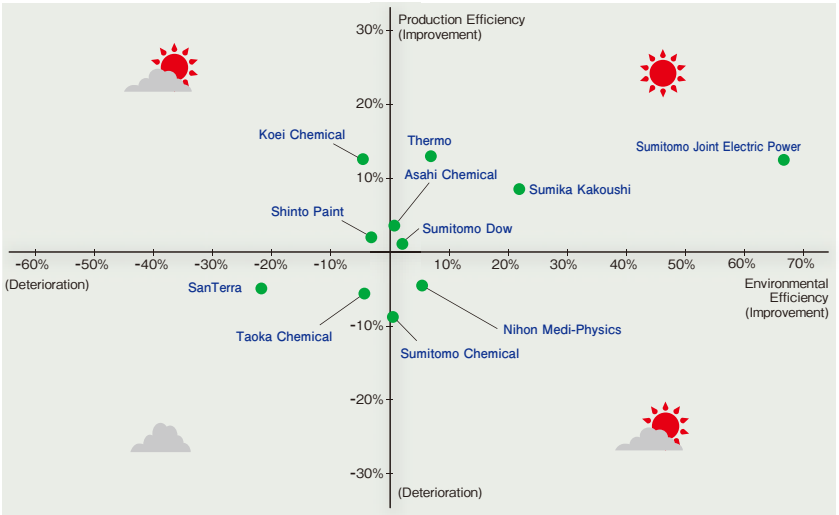
Since fiscal 2004, we have been examining the effectiveness of JEPIX as a management strategy indicator for the Sumitomo Chemical Group.

Again in fiscal 2008, we calculated the environmental efficiency of the Group and carried out various assessments and analyses. We will continue to verify the effectiveness of the indicators by continuing to make detailed examinations.

Breakdown of Aggregate Values for Environmental Impact (Ecopoints) (for the Sumitomo Chemical Group)



Relationship between Environmental Efficiency and Production Efficiency (Sumitomo Chemical Group)



This graph shows fiscal 2008 year-on-year percentage increases or decreases in efficiency indicators with 100 representing fiscal 2007 values.

- Environmental efficiency = Output (tons) or sales (in units of 100 million yen)/Ecopoints
- Production efficiency = Output (tons) or sales (in units of 100 million yen)/Energy consumed (kl)

*1. Environmental efficiency: Figures such as output, sales, and power generation divided by the amount of environmental impact aggregated on the basis of the JEPIX method (Ecopoints)

*2. JEPIX (Environmental Policy Priorities Index for Japan): This method, which employs a uniform single indicator called "ecopoints" to evaluate environmental impact, is derived from the Swiss LCIA Eco Scarcity methodology. The current method evaluates the discrepancy between targets (e.g. laws and environmental policies) and actual conditions based on material flow data.

Trial Use of Material Flow Cost Accounting

Making "Visible" the Waste at Manufacturing Facilities

In July 2008, Sumitomo Chemical applied to participate in the fiscal 2008 demonstration project implemented by the Ministry of Economy, Trade and Industry for the introduction of material flow cost accounting (MFCA), and our application was accepted.

Subsequently, from September 2008 to February 2009, we started trial use of MFCA for our representative products at the Osaka Works' manufacturing facilities for pharmaceutical intermediates.

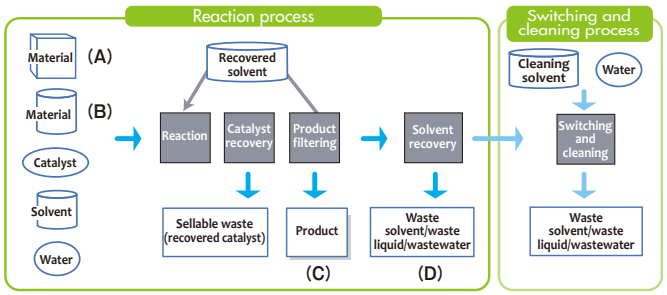
We conducted this trial with a team of experts in manufacturing, production management, accounting, and environmental protection at the Osaka Works and Tokyo Head Office and received the support of external consultants. The following is an outline of the manufacturing processes targeted for MFCA and the results of the calculations.

Capitalizing on the knowledge and experience gained from this project, we will evaluate the effectiveness of MFCA and make more detailed examinations in order to formulate and conduct specific follow-ups (proposals for improvement and their implementation) after making visible the generation of waste at our manufacturing facilities. We intend to make extensive use of this accounting method.

Outline of Manufacturing Processes Targeted for Trial Use of MFCA (at the Osaka Works' Manufacturing Facilities for Pharmaceutical Intermediates)

The trial was conducted at the manufacturing facilities for pharmaceutical intermediates, which are engaged 24 hours a day in the manufacture of a variety of products in small amounts using batch reactions. The manufacturing process is divided into a reaction process (reaction, separation, and recovery) and a switching and cleaning process (the production line is cleaned before the manufacture of a different product is started on the same line). In the reaction process, products are manufactured through multiple chemical reactions. Solvents used for the reactions are recovered and recycled for reuse, and any loss of solvent is made up for by the input of fresh solvents. Catalysts used in the reactions are partially recovered as valuable resources.

Outline of the Manufacturing Process at the Osaka Work's Manufacturing Facilities for Pharmaceutical Intermediates



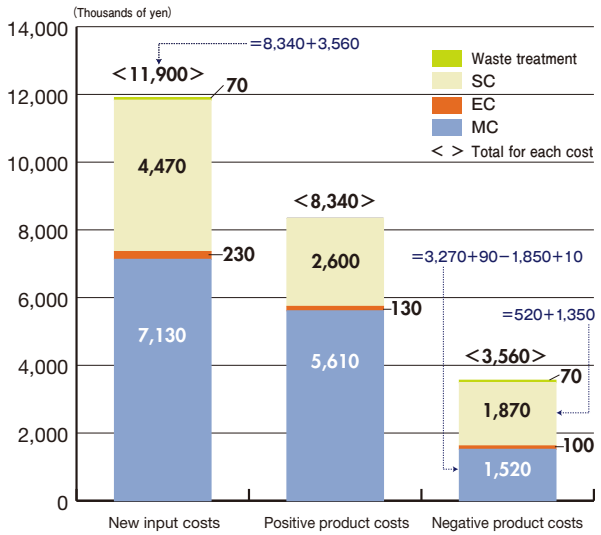
Chemical reaction A+B C+D
(A, B: Direct materials, C: Positive product, D: Negative product)

Results of MFCA Calculations (Osaka Works' Manufacturing Plant for Pharmaceutical Intermediates)

(Units: 1,000 yen/batch)

Costs		Reactions	Switching and cleaning
New input costs (total)		12,160	1,510
(Excluding waste treatment costs)	New input MC ＊1	8,880	90
	New input SC ＊2	3,120	1,350
	New input EC ＊3	160	70
Pretreatment costs per process (total)		0	0
(Excluding waste treatment costs)	Pretreatment MC	0	0
	Pretreatment SC	0	0
	Pretreatment EC	0	0
Input costs per process (total)		12,160	1,510
(Excluding waste treatment costs)	Input MC	8,880	90
	Input SC	3,120	1,350
	Input EC	160	70
Positive product costs (total) ＊4		8,340	0
	Positive product MC	5,610	0
	Positive product SC	2,600	0
	Positive product EC	130	0
Negative product costs (total) ＊5		3,850	1,550
	Negative product MC	3,270	90
	Negative product SC	520	1,350
	Negative product EC	30	70
	Waste treatment costs	30	40
MC savings through in-process recycling		1,850	0
Sales of recycled materials		10	0

Values changed for public announcement



Excluding sales from recycling, integrated values for the processes

＊1. MC stands for material costs.
＊2. SC stands for system costs (direct labor costs, indirect labor costs, equipment depreciation costs, and other process costs).
＊3. EC stands for energy costs (electricity, fuel, service, and other expenses).
＊4. Positive product costs refer to the costs involved in manufacturing products.
＊5. Negative product costs refer to the costs involved in production and treatment of byproducts or waste.

Environmental Protection Activities

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

Multi-Faceted Approach to Energy Conservation and the Prevention of Global Warming

Target	Performance in Fiscal 2008
Reduce unit energy consumption by 20% relative to fiscal 1990 by fiscal 2010	Consumption increased by 9.7% from the previous fiscal year (but decreased by 11.9% relative to fiscal 1990)
Reduce unit CO_2 emissions from fossil fuel for captive consumption by 15% relative to fiscal 1990 by fiscal 2010	Emissions increased by 7.2% from the previous fiscal year (but decreased by 16.9% relative to fiscal 1990)

Summary of Initiatives

Sumitomo Chemical aims to achieve its targets for energy savings and CO_2 emissions through strategic implementation of the Proposed Medium-Term Initiatives for Reducing Energy Costs. We have made wide-ranging and multi-faceted efforts to save and use energy more efficiently and have achieved satisfactory results. These include improving equipment operation methods, streamlining processes, improving the energy efficiency of facilities and equipment, radically improving processes through the use of our proprietary catalyst technology, and collaborating with neighboring companies to realize energy savings.

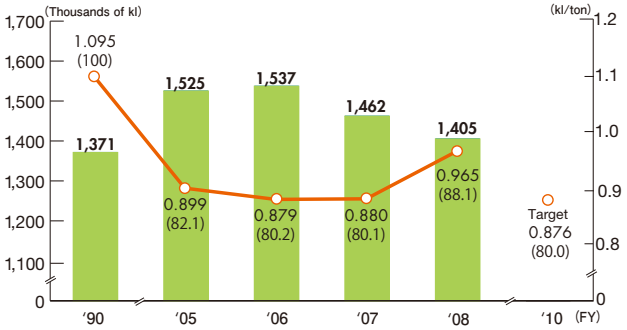
We will continue to step up these efforts while providing downstream companies with even more functional and attractive products in the energy and IT fields using our unique technologies, thereby further contributing to the creation of a low carbon society.

In March 2005, Sumitomo Chemical invested in the Bio-Carbon Fund established by the World Bank, and are also conducting specific ongoing studies on the utilization of Kyoto Mechanisms.*

Greenhouse Gas Totaling System

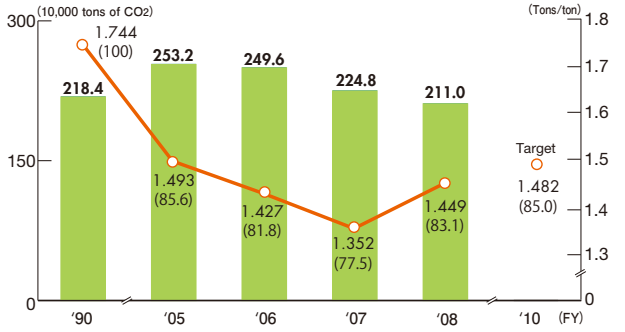
In April 2007, we started operation of our own Greenhouse Gas Totaling System developed in-house. We are using this system for emission reporting required under the Act on Promotion of Global Warming Countermeasures. Furthermore, we are conducting necessary reviews, including technical examinations, on the system to make it more transparent and improve the quality of data to be input into the system.

Energy Consumption and Unit Energy Consumption



Energy consumption (thousand kl in terms of crude oil)
Unit energy consumption (kl/ethylene ton in terms crude oil)
* Figures in parentheses are index values (fiscal 1990 = 100).
* Data for fiscal 1990 and for fiscal 2005 to 2007 have been revised to increase accuracy.

CO_2 Emissions from Fossil Fuel for Captive Consumption and Corresponding Unit Emissions



CO_2 emissions from fossil fuel for captive consumption (10,000 tons of CO_2)
Unit CO_2 emissions (tons of CO_2/ton of ethylene)
* Figures in parentheses are index values (fiscal 1990 = 100).
* Data for fiscal 1990 and for fiscal 2005 to 2007 have been revised to increase accuracy

* Kyoto Mechanisms refer to the three mechanisms provided under the Kyoto Protocol, which are (1) emissions trading (countries mutually trade surplus emission rights); (2) Joint Implementation (JI) (developed countries jointly invest in greenhouse gas reduction); and (3) Clean Development Mechanism (CDM) (developed countries help developing countries in greenhouse gas reduction).

Assessments and Analyses of Unit CO_2 Emissions by Product

We are promoting more effective and efficient CO_2 emission reductions by calculating the volume of CO_2 emissions from each plant and product and identifying specific problems. (See p. 10 in the DATA BOOK.)

Volume of CO_2 Emissions

(10,000 tons of CO_2)

FY	Total Emissions	Energy Origin		Environmental Treatment		Process*
		Fossil Fuel Consumption	Purchased Electricity/Steam	Incineration	Effluent	
1990	368.7	218.4	103.8	28.2	2.2	16.1
2005	482.8	253.2	161.9	31.1	2.8	33.8
2006	479.4	249.6	159.9	29.9	2.9	37.1
2007	471.1	224.8	176.9	28.2	2.7	38.5
2008	435.1	211.0	165.5	21.8	2.2	34.6

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

* Process: Refers to manufacturing process emissions from chemical reactions (sources other than fuel consumption).

VOICE Initiatives Undertaken by the ICCA

Toshimasa Nakai

General Manager of the Process & Production Technology Planning & Support Department

The International Council of Chemical Associations (ICCA) has launched an initiative known as the Energy & Climate Change Leadership Group, headed up by Sumitomo Chemical's Chairman, Hiromasa Yonekura. The Group, which is mainly steered by Japan, the United States, and the EU, is chaired by Satoshi Kawachi, Senior Advisor to Sumitomo Chemical, and has set up four taskforces comprising members from Japanese, European, and U.S. companies and regional chemical associations.

The four taskforces are respectively focusing on (1) the quantification of efforts made to reduce greenhouse gas (GHG) emissions; (2) reformulation of its technological innovation roadmap; (3) quantification of the chemical industry's contribution to energy conservation using a life cycle assessment (LCA) method; and (4) establishment of a common energy efficiency assessment indicator through benchmarking.

As a result of activities conducted by the taskforces, the ICCA published a report titled "Innovations for Greenhouse Gas Emission Reductions" on life cycle quantification of carbon abatement solutions enabled by the chemical industry, which was presented in Rome in July 2009.

VOICE Reduction of Utility Gas Consumption

Yukio Mori

Technical Office, Tsukuba Research Laboratory

In the past, the efficiency of steam generation decreased in winter because of a large difference in temperature between the boiler combustion chamber and the outer wall surface. Meanwhile, in summer, the temperature of the chamber rose due to heat release from the outer wall, which worsened the work environment.

In fiscal 2008, to solve these problems, the Tsukuba Research Laboratory reinforced the insulation on the outer wall of the gas-powered boiler installed as a heat source for its heating system and hot water supply, thereby improving the steam generation efficiency (per unit of gas consumed) and the work environment while reducing the use of utility gas by approximately 3%.

At present, we are making efforts to improve unit energy consumption by 1% annually, just as the Works are doing. We will continue to look for ways to conserve energy in the future.

VOICE Reduction of Steam Consumption

Yoshihiro Kawamura

No. 1 Manufacturing Section, Manufacturing Department, Misawa Works

The Misawa Works is located in Aomori, one of Japan's coldest areas. To prevent the coagulation of process fluids in winter, we implement anti-freeze measures for machines and pipes using steam heat, meaning we consume a large quantity of steam in winter. We have been reducing steam losses by improving insulation and appropriately managing steam traps (automatic valves used to discharge water droplets from steam passing through pipes and equipment), and, in fiscal 2008, we began measures to optimize the layout of steam pipes.

As one of such measures, we examined the plants that manufacture insecticide intermediates (DS3 and DS7) to find out the causes of steam loss. Our investigation revealed that because the two plants shared the same main pipe, even when the DS3 plant, which has a lower operating rate than the DS7 plant, was not in operation, there were still losses through the steam traps, since steam was always passing through those pipes.

To solve this problem, we installed a new main pipe for the exclusive use of the DS7 plant and optimized the layout of the steam pipes, thereby achieving the "complete suspension of steam supply" during times, such as winter, when the DS3 plant is not in operation. This has resulted in a reduction of 800 tons (equivalent to approximately 70 kl of heavy oil) in our annual steam consumption.

Systematically Reducing the Release of PRTR*1 Substances and VOCs*2

Target	Performance in Fiscal 2008
Reduce total releases of substances subject to the PRTR Act (into the air and water) by 50% relative to fiscal 2002 by fiscal 2010	Releases decreased by 8.9% from the previous fiscal year (and by 52.3% relative to fiscal 2002)
Reduce releases of volatile organic compounds (VOCs) by 30% relative to fiscal 2000 by fiscal 2010	Releases decreased by 11.5% from the previous fiscal year (and by 4.4% relative to fiscal 2000)

Summary of Initiatives

Sumitomo Chemical is systematically reducing the release of substances subject to the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (the PRTR Act) based on the Sumitomo Chemical PRTR Strategy. This strategy is made up of four items: the main item of "risk management based on environmental risk," and three supplementary items. The three supplementary items are "release ranking assessments," "cooperation with the industry and community," and "utilization of the environmental impact aggregation method," which all serve as emission management systems.

The PRTR Strategy is a powerful driving force for achieving our target of reducing the release of PRTR substances.

Sumitomo Chemical PRTR Strategy

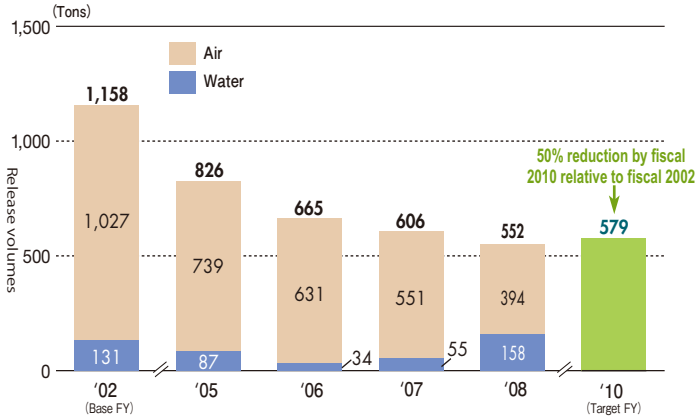
1. Risk management based on environmental risk
2. Release control based on release ranking assessments
3. Release control in cooperation with the industry and community
4. Release control using the environmental impact aggregation method

Response to the Revision of the List of Substances Subject to the PRTR Act

In response to the revision of the list of substances subject to the PRTR Act, which was announced by the Japanese government in 2008, Sumitomo Chemical conducted and has now completed environmental risk assessments of about 40 substances the Company uses that have been newly included on the list. We are also planning to identify the substances for which we must take reduction measures and to quantify the specific reduction amounts.

During fiscal 2009, we will set new company-wide reduction targets and systematically implement necessary reduction measures from fiscal 2010 onwards.

Total Releases of Substances Subject to the PRTR Act



VOICE Reducing the Release of Vinyl Acetate into the Air

Tatsuya Ishida

No.1 Polyethylene Section, No. 2 Manufacturing Department, Chiba Works

The Chiba Works has been systematically reducing the release of vinyl acetate into the air. (Our factory emits more vinyl acetate than any other substance subject to the PRTR Act.)

In fiscal 2006, we began to safely incinerate vinyl acetate gas emitted from the ethylene vinyl acetate emulsion plant by inducing the emitted gas into a flare stack. In addition, in fiscal 2007, we completed work on a new boiler-equipped facility to treat vinyl acetate gas emitted from the polyethylene plant. As a result, in fiscal 2008, we were able to reduce emissions of vinyl acetate at our factory by approximately 80% relative to fiscal 2002.

We will continue to strengthen our measures to further reduce the release of chemical substances.

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

* 2. Volatile organic compounds (VOCs): The general term for organic compounds that are volatile and enter the atmosphere in a gaseous state. VOCs include a large variety of substances such as toluene, xylene, and benzene. VOCs are one of the leading causes of air pollution such as photochemical smog.

Initiatives to Reduce Air, Water and Sensory Pollution

Target	Performance in Fiscal 2008
Continue to keep emissions of SOx, NOx, soot and dust, COD, nitrogen, and phosphorus at or below voluntary control standards	Emissions were continuously kept at or below voluntary control standards
Reduce the water usage rate by 25% relative to fiscal 1990 by fiscal 2010	The rate increased by 20.2% from the previous fiscal year, but decreased by 22.4% relative to fiscal 1990

Summary of Initiatives

Sumitomo Chemical works actively to preserve the purity of the atmosphere and water resources through the development of numerous technologies designed to prevent air and water pollution; to reduce the amount of SOx, NOx, and soot and dust released into the atmosphere; and to reduce amounts of COD, nitrogen, and phosphorus released into waterways.

Furthermore, the Company uses water efficiently and plays an active role in preserving the air and water environments.

We are also making efforts to minimize offensive odors, noise, and vibrations as well as light pollution and landscape disturbances—so-called "sensory pollution," which, while not harmful, are unpleasant to people. To this end, we are seeking to make further improvements by soliciting the opinions of people living close to our facilities, in addition to complying with legal standards and limits agreed on with local governments.

TOPIC

Reducing Environmental Impact of Wastewater and Odor by Newly Establishing an Activated Sludge Treatment Facility

In recent years, the Ehime Works has been taking measures against increased environmental impact caused by wastewater and problems with odors due to the expansion of its plant facilities. In particular, higher air temperatures in summer have caused a drop in performance of the activated sludge treatment facility.

To solve these problems, we have established a new wastewater treatment facility that is designed to treat wastewater with activated sludge, using the oxygen aeration method, and is equipped with a regenerative deodorization furnace.

Activated sludge treatment facility using the oxygen aeration method

The facility is now under pilot operation. Following the launch of full-scale operations, the facility will substantially reduce the environmental impact of wastewater and odors, thereby contributing to the safe and stable operation of the factory and enhancing harmony with the surrounding environment.

Hideki Takagi
Environmental Management Section
Environment & Safety Department
Ehime Works

VOICE Measures to Reduce Odors

Nobunaga Ando
Production Planning Department, Oita Works

Because the Oita Works is located in a residential area, we have been proactively implementing measures to reduce odors from our plants so as to not cause any problems for our neighbors. Our plant handles a particularly wide range of chemical substances and what we produce changes from time to time. Odors are therefore generated from various sources and are mixed. The first step in eliminating odors is to identify their sources and remove them. If this is insufficient, however, we also need to implement post-treatment procedures, such as recovery and decomposition.

Recently, we identified a new source of mixed odors at the Oita Works—amine compounds. Following our discovery, we sealed the tank that was emitting the odors and installed cleaning equipment that uses sulfuric acid, which had some effect against the odors.

We will continue to make efforts to reduce odors and further strengthen improvement measures to facilitate prompt responses to new odors.

Minimizing Waste Landfill by Promoting the 3Rs*1

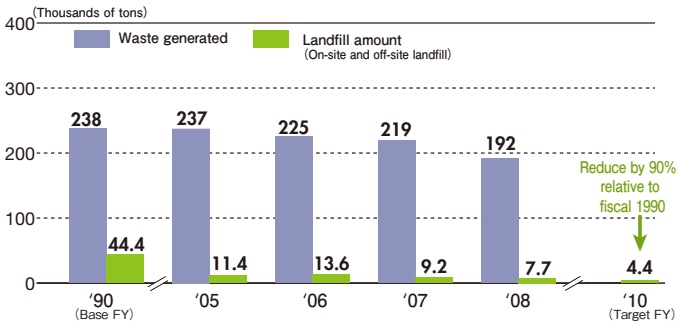
Target	Performance in Fiscal 2008
Reduce industrial waste landfill disposal amount by 90% relative to fiscal 1990 by fiscal 2010	The amount decreased by 16.3% from the previous fiscal year (and by 82.7% relative to fiscal 1990)

Sumitomo Chemical is committed to minimizing the amount of landfill waste through (1) curbing the generation of waste by improving the product yield and by using more efficient neutralizers, decolorants, filtering agents, catalysts, and emission gas treatment agents and thus reducing the amounts of these materials used; and (2) systematically promoting the 3Rs through measures such as recycling sludge incineration ash and waste quartz sand into materials for cement.

At present, zero emissions*2 targets have been achieved at four (Chiba, Osaka, Oita, and Misawa) of the five Works.

* 1. 3Rs: Reduce, reuse, and recycle
* 2. Zero emissions at Sumitomo Chemical: Disposal of less than 3% of generated waste in landfills

Generated Waste and Landfill Disposal Amount



Studies for Ceasing the Sea Dumping of Red Bauxite

Target	Performance in Fiscal 2008
Cease sea dumping of red bauxite by fiscal 2015	Specific measures are being studied to cease all sea dumping and continue to develop our alumina products business

Red bauxite is the residue of natural bauxite from which aluminum hydroxide, the raw material for alumina products, has been extracted. This substance is composed of insoluble mineral constituents and saltwater.

Currently, Sumitomo Chemical disposes of red bauxite in the ocean in accordance with Japanese laws such as the Act on Prevention of Marine Pollution and Maritime Disaster.

This means conducting analytical tests required by law to ensure the safety of disposal as well as additional measures to ensure the substance is dumped in an appropriate manner.

The revision of the Act on Prevention of Marine Pollution and Maritime Disaster, which came into effect in fiscal 2007, made it mandatory to obtain a permit for the disposal of red bauxite at sea. We obtained this permit from the Minister of the Environment in fiscal 2006.

In addition, Sumitomo Chemical has developed a policy to switch to the use of imported aluminum hydroxide as a raw material, which generates no red bauxite, and aims to cease all sea dumping of red bauxite while continuing to develop its alumina products business. We have already begun studies on shifting to the new material as soon as possible.

Moreover, in fiscal 2008, we teamed up with a cement company to recycle red bauxite into cement material and succeeded in recycling approximately 2,900 tons.

Strengthening Risk Management of Soil and Groundwater Pollution

Target	Performance in Fiscal 2008
Keep hazardous materials strictly within Company premises Keep Company premises under surveillance by conducting related investigations and remediation and implementing continuous monitoring	Survey, evaluation, and necessary remediation work for soil pollution are continuing at the sites. Monitoring of groundwater near boundaries has confirmed that levels of hazardous materials are below those stipulated by environmental standards. (Monitoring of groundwater is ongoing.)

Sumitomo Chemical encourages the entire Group to continuously ensure thorough compliance with voluntary management policies centered on confining hazardous materials strictly to within the Company premises and ensuring the careful management of these materials on-site. The Company also assesses pollution risks when selecting or relocating business operations domestically or overseas by checking the land use history and conducting ground pollution surveys.

Proper PCB Waste Recovery, Storage and Treatment

Target	Performance in Fiscal 2008
Recover and store PCB waste appropriately and complete treatment by March 2014	Continued the proper recovery and storage of PCB waste (treatment already completed at some of the Works)

In accordance with the Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes, Sumitomo Chemical recovers PCB waste (from capacitors, transformers, and other electric devices that contain PCB insulating oil). The Company then stores this industrial waste, which is subject to special control, in specified areas within the Company's waste storage facilities, thereby ensuring strict control of these materials.

We plan to complete treatment of all our PCB waste by March 2014, ahead of the July 2016 deadline specified under the Law by commissioning the work to Japan Environmental Safety Corporation. (Treatment in the Osaka district has already been completed.)

The insulating oil of devices that are believed to contain no PCBs is analyzed for PCB content when their use is discontinued, and any substances with PCB levels exceeding 0.5 mg/kg (low-concentration PCB waste) are collected and stored as PCB waste, as legally required.

Implementing a Plan to Eliminate the Use of Refrigeration Units That Use Specified CFCs

Target	Performance in Fiscal 2008
Discontinue the use of refrigeration units that use specified CFCs as coolants by fiscal 2025	Replaced the units with those using alternative coolants according to the plan (no leakage of coolants reported)

Sumitomo Chemical has a strict policy governing management of cooling devices that use specified CFCs (CFC11, CFC12, CFC113, CFC114, and CFC115), which are thought to cause serious damage to the ozone layer. The Company is committed to ensuring that CFCs are not released into the atmosphere as a result of any tampering with these devices, and carries out proper recovery, transportation, and destruction of specified CFCs from refrigeration units when they are taken out of use. Based on our basic policy, we are systematically promoting a shift to refrigeration units using alternative coolants.

Receiving Recognition for Our Initiatives

Sumitomo Chemical is promoting sustainable environmental management through a variety of Responsible Care initiatives, and has received recognition from a number of organizations and groups for these efforts.

Date	Event	Organizer	Description
May 2004	Received the highest award under the environmental management (sustainability) rating program for fiscal 2003	Sustainable Management Forum of Japan	Recognized for high-level CSR management
Feb. 2005	Received verification under the pilot Responsible Care (RC) verification program	Japan Responsible Care Council (JRCC)	Contributed to the creation of the JRCC's RC verification program (the first member company to be verified under the pilot program)
Dec. 2005	Received an incentive award in the corporate performance category of the (first) Environmental Efficiency Award 2005	Japan Environmental Efficiency Forum	Recognized for improving environmental efficiency and other activity results
Feb. 2007	Received the grand prize at the PRTR Awards 2006	Center for Environmental Information Science	Recognized for the proper management of chemical substances and promotion of risk communication
Dec. 2007	Received financing based on environmental responsibility ratings (project for promoting environmentally conscious management)	Development Bank of Japan	Recognized for high-level environmentally conscious management (the first chemical company to be included)
Oct. 2007 and Aug. 2008	Participated in the Ministry of the Environment's Eco Internship program (first and second rounds)	Japanese Ministry of the Environment	Recognized for providing sophisticated, technical internship training programs (and fully cooperating with the Ministry to present the results at meetings)
Nov. 2008	Certified as an "Eco-First company"	Japanese Ministry of the Environment	Made an "Eco-First commitment" (Became the first diversified chemical company to be certified as an "Eco-First company")

Safety Initiatives

Sumitomo Chemical is working to ensure the safety and health of employees based on the fundamental principle of making safety first priority.

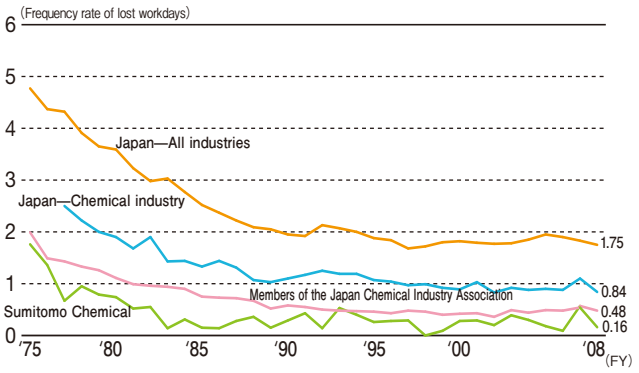
Occupational Health and Safety Activities for Disaster Prevention

Safety Performance in Fiscal 2008

In fiscal 2008, two accidents resulted in lost workdays (accident frequency rate of lost-workday injuries: 0.16), with another five such accidents occurring at contractors (accident frequency rate of lost-workday injuries: 0.50). Analysis of accidents occurring among employees of Sumitomo Chemical from fiscal 2002 onward—including details of the work being performed, whether they took place during regular or irregular operations, and the level of risk prediction—revealed that almost no accidents had taken place during work. Instead, most of the accidents had occurred during pre- or post-work activities or in attempts to solve problems with processes and equipment. Focusing our attention on these factors, we are now planning a project to identify hazardous activities, evaluate the risks, and implement measures to reduce these risks in addition to conducting conventional risk and hazard identification activities.

The number of accidents among contractors' employees has been increasing slightly since fiscal 2001. In fiscal 2008, there were five accidents resulting in lost workdays, which involved "falls," "entanglement in machinery," "contact with hazardous substances," and others. Falls in particular often lead to serious injuries, and we are therefore pursuing closer cooperation with contractors through the development of mutual trust and good communications while reconfirming the fundamental principle of "ensuring occupational health and safety through a concerted effort with contractors."

Frequency Rate of Lost Workdays *



TOPIC

Chiba Works' Safety Training Equipment

Safety zone training facility

Roof plank training facility

The Chiba Works has begun operation of a new hands-on safety training program utilizing a safety training facility completed in December 2008.

While employees have traditionally received safety training filtered through media such as written documents and videos, this new equipment is designed to allow them to physically experience potential risks at their workplaces, thereby increasing their sensitivity to those risks and improving safety. We expect this facility will serve as very effective training tool.

The facility was planned and is operated by a group of contractors engaged in construction and various operations at the Chiba Works.

Isao Nishida
Engineering & Maintenance Department
Chiba Works

TOPIC

Preventing Heat Stroke in Summer

In fiscal 2007, an employee of a contractor who was working at the Oita Works suffered heat stroke. In fiscal 2008, to prevent similar problems, we implemented the following countermeasures.

(1) Using the PA system to provide employees with safety instructions based on the predicted possibility of heat stroke and changes in the outside temperature
(2) Installing a "cool booth" (see photos below)
(3) Distributing chilled beverages and salty candies
(4) Holding a seminar on the prevention of heat stroke, presented by an invited industrial doctor
(5) Ensuring that all newcomers to the factory receive training on the prevention of heat stroke

"Cool booth": exterior (above) and interior (right)

Seiki Goto
Engineering & Maintenance Department
Oita Works

*Frequency rate of lost-workday injuries: Number of victims suffering lost-workday injuries per actual working hours x 1,000,000
Frequency rate of lost workday injuries = (Number of victims suffering lost-workday injuries) / (Actual working hours) x 1,000,000

A Variety of Measures to Address the Asbestos Problem

Surveying Buildings Constructed Using Materials Containing Asbestos

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

Manufacturing Equipment that Uses Materials Containing Asbestos

Some of our manufacturing equipment makes use of sealing and heat insulating materials that contain asbestos, and we are gradually replacing these materials with asbestos-free alternatives. There is no danger of exposure to asbestos during the normal operation of this manufacturing equipment.

If, however, there is a risk of dust being produced when handling these sealing and heat insulating materials, we take measures to prevent exposure, requiring persons handling the materials to wear protective clothing, for example. (Sealing materials do not produce dust when handled normally, but will, for example, when they are cut. Under such circumstances, anti-exposure measures, such as wearing protective clothing, become necessary.)

Maintaining the Health of Former Employees of Sumitomo Chemical

If former employees who have handled materials containing asbestos while working at Sumitomo Chemical so request, we will arrange for them to have a physical examination and will discuss their concerns with them, regardless of the degree to which they handled the materials in question. So far we have organized physical examinations for 1,431 persons, 18 of whom have been deemed eligible for workers' compensation insurance benefits under the Workers' Accident Compensation Insurance Act. 77 persons were issued a Health Check Note. Three persons have been deemed eligible for special bereaved family compensation under the Act on Asbestos Health Damage Relief (as of the end of March 2009).

Information on these physical examinations is also provided on the Sumitomo Chemical website.

VOICE

Industrial Safety and Disaster Prevention Activities at the Utajima Pilot Production Department of the Osaka Works

Mitsuo Kono
Utajima Pilot Production Department
Osaka Works

The Osaka Works conducts disaster prevention drills as well as training for the emergency taskforce in order to prepare for possible accidents or emergencies. We conduct these drills regularly in accordance with the related manuals to better enable us to respond quickly to emergency situations, such as taking precise measures to prevent the spread of pollutants.

In the Utajima district, we conducted training for the emergency taskforce in October 2008 based on the scenario of an accident at the Fine Chemicals Research Laboratory. We also regularly conduct similar training at other plants.

Training for the emergency taskforce

TOPIC

Fiscal 2009 Occupational Health and Safety Poster

Slogan:

"Eliminating risks through heightened sensitivity, achieving zero accidents by alerting each other to problems"

We have created this slogan to encourage all employees of Sumitomo Chemical to have higher awareness of safety and be more sensitive to risks so that they can better identify and eliminate any latent risks in the workplace—even those that are not so serious—and make workplaces even safer. We are also asking all employees to work together to create a free and open atmosphere where anyone can point out problems to others at any time in order to achieve the ultimate goal of zero accidents.

Nobuchika Iwata
Material Property Science Group
Tsukuba Research Laboratory

Poster:

The illustration on the poster is designed to communicate the following message: Make a concerted effort to identify workplace risks by becoming more sensitive to them. Then, formulate an action Plan (P); Do (D) safety activities in line with the plan; Check (C) the effectiveness of the activities; and Act (A) accordingly to incorporate the results into the next planning phase.

Nobuko Nishiyama
Technical Office
Tsukuba Research Laboratory

Making Safety Top Priority and Working to Build a Comprehensive Security and Disaster Prevention System

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

The foremost mission of disaster prevention management is to prevent unforeseen plant accidents by ensuring process safety and plant integrity. Plants must also be protected against natural disasters and terrorist attacks. Stringent risk assessments are therefore conducted, in addition to continuous safety improvement and comprehensive voluntary safety management. In fiscal 2008, there were no major accidents at Sumitomo Chemical, but, unfortunately, accidents occurred in succession in April and May of 2009. In response, we are implementing measures to prevent similar accidents and reinforce safety management.

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

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

(1) Examination of Process Safety

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

(2) R&D Safety Confirmation

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

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

(3) Plant Safety Confirmation

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

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

Moreover, we are improving the operating manuals and checklists to prevent erroneous operations, strengthening operational management capabilities, clarifying the judgment

VOICE Monitoring System for Preventing the Intrusion of Suspicious Individuals

Koichi Fukuda
Environment & Safety Department
Ehime Works

In fiscal 2006, the Ehime Works introduced a monitoring system for preventing suspicious individuals from entering the premises.

A variety of substances are handled at the chemical plants, and, in light of recent events, implementing security measures has become one of our top priorities.

Specifically, we have installed combinations of sensors and video monitoring equipment at key locations on the premises. In the event that an intrusion is detected, the security and disaster prevention taskforce's management office will be alerted by the sounding of an alarm and the staff will be able to monitor the movements of the intruder via the cameras.

Image taken by the monitoring system for preventing intrusion by suspicious individuals

In the future, we plan to conduct security drills using this system and to make further efforts to ensure prompt and appropriate responses in case of emergency.

VOICE Disaster Prevention Drills at the Misawa Works

Yukihisa Takisawa
Environment & Safety Section
Misawa Works

We implement a variety of measures to prevent plant accidents and also conduct comprehensive disaster prevention drills in preparation for emergency situations.

In fiscal 2008, we conducted joint training with the Misawa City fire department, which included extinguishing a fire in its early stage, providing relief to victims, preventing the fire from spreading, and notifying the relevant authorities. We also conduct training for an accident scenario involving the release of chemical substances into the air. Such training includes measuring the level of concentration of the chemical substance in the atmosphere around the Works and making a public announcement about the accident.

After the drills, we hold group meetings to identify and discuss improvements and incorporate these into future training.

Disaster prevention drill

criteria for emergency measures and communications, and further enhancing safety measures, including fail-safe systems for facilities. We are thus working to strengthen safety management throughout the Company, with the ultimate aim of achieving zero accidents and disasters.

Emergency Safety Measures Based on the Risk Management Program

Sumitomo Chemical places the highest priority on the safety of people, including the people living near its manufacturing facilities and those entering the premises of those facilities. We do this by examining accident-scenario risks for toxic substances handled at the facilities with reference to U.S. standards. The main accident simulation software tool used at the Company's Works and Research Laboratories is TRACE, made by SAFER Systems in the United States. This simulation software enables us to estimate the distribution of concentrations of toxic substances released into the air. At the Ehime Works, weather data measurements taken at points around the site are collected in real time and used to establish capabilities for minimizing damage from possible chemical accidents.

Advanced Self-Administered Safety Management

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

Self-Administered High-Pressure Gas Safety Management Authorized by the Ministry of Economy, Trade and Industry

Sumitomo Chemical ensures the safety of high pressure gas-related operations at its 47 manufacturing facilities, which are all certified as an "Accredited Completion (Safety) Inspection Executor" under the Japanese High Pressure Gas Safety Act. Since obtaining the certification in 1987, the Chiba Works has continually renewed its accreditation, most recently in May 2009. The Ehime Works also obtained the certification in 2002 and renewed it in March 2008. The stable and ongoing operation of the manufacturing facilities of these two Works is thus assured as facilities obtaining this certification from the Minister of Economy, Trade and Industry—in recognition of outstanding safety technology and management systems and satisfaction of the conditions stipulated by law—are permitted to conduct self-administered safety inspections in place of some of the inspections stipulated under relevant legislation.

Ministry certification involves a prior audit by an inspection team (comprising academics and other experts) to assess the validity of daily safety inspection data and safety management systems. Sumitomo Chemical has received high evaluations in each certification renewal audit.

Acquisition Status of Certification as an Accredited Completion (Safety) Inspection Executor

Works	Region	Date Certified	No. of Facilities Certified
Ehime Works	Niihama	March 2008	13
	Kikumoto	March 2008	6
Chiba Works	Anesaki	May 2009	11
	Sodegaura	May 2009	17

Chlorine Gas Leaks at the Ehime Works (in Kikumoto)

The Ehime Works experienced two incidents involving chlorine gas leaks in April and May 2009. We would like to take this opportunity to offer our most sincere apologies to everyone who was affected, including those who suffered health effects and local people living near the Works, for the serious concern and inconvenience caused by the accidents.

We deeply regret these accidents and are currently implementing a series of measures to prevent a re-occurrence. These measures include the enhancement of fail-safe system functions to prevent gas leaks even in the event of unpredictable circumstances as well as the enhancement of quality management during the installation of related equipment, including inspection of the equipment at the time of its delivery to us. We will continue to make efforts to achieve zero accidents and disasters under the basic principle of "making safety first priority" to enable us to manufacture our products in a truly reliable and safe manner and thereby regain the trust of local residents and other stakeholders.

Overview of the April accident
Date: April 15, 2009
Location: Ehime Works' manufacturing facilities in Kikumoto
Details: Following regularly scheduled repair work of the electrolytic plant, where preparations were being made for the resumption of operations, a large amount of chlorine gas leaked into the air from a tower facility designed to absorb and render harmless the chlorine contained in gas emitted during processing. The leak was caused by an operator error.
Damage: Children near the facilities and employees of Sumitomo Chemical, its contractors, and affiliates who were working on premises described symptoms such as feeling ill, sore throat, and nausea. They received medical treatment and were hospitalized for follow-up examinations. Subsequently, no serious effects were reported for any of the victims.

Overview of the May accident
Date: May 13, 2009
Location: Ehime Works' manufacturing facilities in Kikumoto
Details: An electric power failure occurred because of a short circuit caused by a jig left inside the distribution board of the electric substation facility. As a result, the operation of the electrolytic plant and plants using chlorine experienced an emergency shut-down. Because of the blackout, operation of some of the equipment in the tower facility used for decomposing chlorine was suspended temporarily, allowing a large amount of chlorine gas to be released into the air.
Damage: Fortunately, no one suffered injury or ill-effects as a result of the accident.

Chemical Safety Management throughout the Life Cycle of Chemical Products

Increasing Global Requirements for Chemical Risk Reduction

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

For the implementation of SAICM, the chemical industry is implementing two programs, namely a program to encourage CEOs of chemical companies to sign a letter of commitment to the Responsible Care Global Charter and a program to promote the Global Product Strategy (GPS). Through these programs, the industry is pressing forward with risk-based management of chemical substances in terms of both regulations and voluntary initiatives. In addition, the industry is focusing on capacity building* and holding workshops on the management of chemical substances in a number of developing countries.

* Capacity building refers to providing developing countries with information about Japan's environmental improvement efforts and results, and supporting these countries in the improvement of their own capabilities. Various industries are cooperating with the Japan External Trade Organization (JETRO) in implementing capacity building programs.

Environmental Health Science Laboratory Playing a Central Role in Safety Research

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

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

Building a New System in Line with Global Trends

With an increase in international awareness of the need for appropriate management of chemicals, it is becoming extremely important for chemical companies to collect and manage chemical safety information in order to be able to properly respond to chemical regulations that are becoming stricter every year and ensure chemical safety based on risk assessments. In a proactive response to these trends, Sumitomo Chemical launched a program for compiling exist-

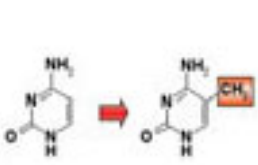
TOPIC

Development of Technologies for the Analysis of DNA Methylation in Epigenetics

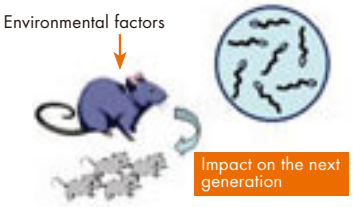
In recent years, epigenetics, which regulates gene expression through chemical modifications such as DNA methylation and histone acetylation, has been attracting a lot of attention as one of the mechanisms for explaining generation, differentiation, and carcinogenesis. It is implied that epigenetic abnormalities caused by environmental factors could lead to a variety of diseases including cancer, neurodegenerative disorders, and autoimmune diseases. Also, it is known that congenital anomalies in epigenetics induce nerve and immune abnormalities. Since the decoding of the human genome, epigenetics has been regarded as an important subject of research around the world, with numerous epigenetic studies being conducted, including examinations of genome-wide profiling, investigations of relationships with diseases, and toxicity-related research.

Sumitomo Chemical is focusing on the epigenetic mechanism of DNA methylation (regulation of gene expression through cytosine methylation) in particular, and is striving to develop a technology for the comprehensive analysis of DNA methylation as well as high-resolution analysis of the methylation of a specific gene. Although some reports point out that there is a link between transgenerational effects of endocrine disrupters and aberrant DNA methylation, Sumitomo Chemical has confirmed, using analytical technologies it has acquired to date, that there are no transgenerational effects observed with regard to its own products. (These results have been published by Inawaka et al. in the academic journal, *Toxicology and Applied Pharmacology, 2009*)

It is expected that these analytical technologies will enhance safety assessments of general chemical substances and agricultural insecticides, lead to the development of pharmaceuticals based on new working mechanisms, and have applications in the area of disease diagnosis. Sumitomo Chemical is committed to proactively continuing these research activities in order to meet these expectations.



Cytosine (left) and methylcytosine (right)



Assessment of the transgenerational impact of aberrant DNA methylation

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

We have traditionally used our advanced technologies to assess and manage all possible risks in every phase of the life cycle of our chemical products, from development, manufacture, marketing, and use to disposal, while at the same time building and managing our own information management systems. With the practical operation of SuCCESS, which went live in January 2009, we have now placed all information about safety, applicable laws and regulations, MSDSs and more for all chemicals handled by Sumitomo Chemical onto our intranet, where it can be accessed by all our employees for use in risk management activities.

Having considered how best to respond to the European Union's REACH legislation for chemicals, we are also assuming a variety of applications for our chemical products along the supply chain and verifying these by communicating with downstream customers and incorporating the information thus obtained into the risk assessments conducted for our products.

Active Participation in Voluntary Initiatives in Japan and Overseas

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

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

Animal Welfare

In the process of developing useful chemical substances and assessing their safety, a large variety of studies and evaluations are required. These assessments, however, cannot be completed without conducting tests using laboratory animals. Sumitomo Chemical advocates humane treatment of laboratory animals and applies the 3Rs of animal use and animal welfare: replacement, reduction, and refinement. Beyond the standards specified by current laws and regulations on animal care and use issued by the Japanese Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare and the Ministry of Agriculture, Forestry and Fisheries, we also have internal rules for conducting animal experiments and have established the Animal Welfare Committee to verify compliance with these rules and to ensure that animal experiments are conducted properly and appropriately with due consideration for animal welfare. Furthermore, we have been actively improving our system for educating specialists and developing alternative techniques that do not use animals.

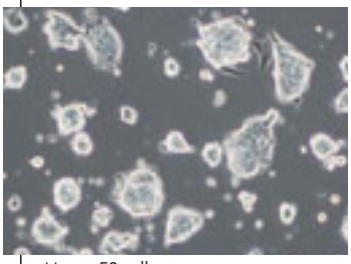
TOPIC

Safety Assessment and Research Using Embryonic Stem Cells

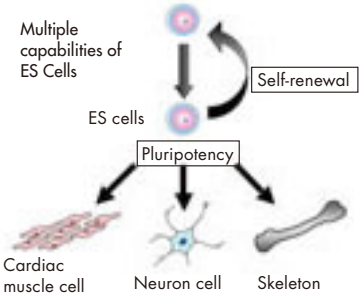
Embryonic stem (ES) cells are pluripotent, meaning they can differentiate into cells that compose a variety of organs, including the brain and heart, and blood. In addition, ES cells are capable of self-renewal. Some researchers have been successful in establishing ES cells from laboratory animals (mice and monkeys) and humans. ES cells are expected to be applied to regenerative medicine for the restoration of cells lost due to illness or injury. Recently, experiments to apply ES cells to the development of pharmaceuticals and to chemical safety assessments have been started, and Sumitomo Chemical is engaged in the development of a test system that takes advantage of the pluripotent properties of ES cells.

Teratogenicity tests represent one type of safety assessment. In these tests, chemical substances are administered to pregnant animals to assess the influence of the substances on their fetuses. About 10 years ago, a simple teratogenicity testing system using mouse ES cells was developed in Europe and has since been attracting considerable attention as an alternative method to animal experiments. Sumitomo Chemical assessed the performance of this technology three years ago, and it was revealed that the testing system could not be used as a general method—although it was effective for predicting the influence of certain chemical compounds (the prediction results were consistent with the animal testing results), it yielded erroneous predictions for a number of other chemical compounds. Subsequently, however, we improved the testing method and succeeded in improving the predictive performance. At present, we are beginning to use the improved method for the selection of candidate chemical compounds to be used in agricultural insecticides.

For this assessment system, we use only cultivated cells, eliminating the need to use animals. As well as providing an excellent alternative method to animal experiments, this system improves convenience, since testing can be started at any time by simply unfreezing frozen cells. We will make efforts to further improve the predictive accuracy and develop an even better testing system.



Mouse ES cells



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

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

Initiatives for Improving Logistics Safety and Quality

(1) Ensuring logistics safety in cooperation with logistics companies

To achieve the goal of zero accidents and disasters in our logistics operations, we are committed to ensuring compliance with our basic logistics rules and appropriate logistics management based on the sangen principle.*1 For example, to improve safety awareness and operational techniques of on-site workers, we regularly conduct a "forklift competition" and "trucking safety competition," thereby promoting across-the-board improvement of logistics operations as well as preventing accidents.

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

We are working to prevent erroneous shipments through the use of bar codes and RFID tags.*2 Because Sumitomo Chemical deals with products shipped in a variety of containers, including cans, bottles, paper bags, and flexible containers, we have established an IT system suited to each container shape, thereby reducing the possibility of erroneous shipments.

(3) Giving guidance and support to the RC activities of logistics companies

In order to support partner logistics companies in conducting safety and quality assurance activities, Sumitomo Chemical has created its unique logistics quality RC checklist. The logistics companies self-evaluate their RC performance using this checklist and Sumitomo Chemical gives guidance and support to the companies regarding any necessary improvements.

∗ 1. Sangen (literally, "the three gens") principle: Go to the site (genba), directly inspect the target (genbutsu) and check the reality (genjitsu)
∗ 2. Radio frequency identification (RFID) tags: Generic term for technologies used to identify individual items using radio waves. Recently, however, identification through the combined use of non-contact communication using radio waves and IC chips is becoming a mainstream RFID technology, and so RFID is now often used to mean a non-contact identification technology using IC chips. RFID tags are therefore also called "IC tags."

TOPIC

Certified as an Authorized Exporter under the Authorized Exporters' System

Under the Japanese Authorized Exporters' System, exporters who are certified by the customs authority as having displayed an outstanding level of compliance with relevant laws and regulations are permitted to follow simplified customs clearance procedures for prompt clearance. To be certified as an Authorized Exporter, exporters must have a compliance system in place to strictly govern self-managed export operations for the entire company. Such a system must include both executive-level management and employees involved in actual operations. Sumitomo Chemical was certified as an Authorized Exporter by the Tokyo Customs Office on March 11, 2009.

Notification of certification as an Authorized Exporter

Further Reduction of Environmental Impact from Logistics Operations

Sumitomo Chemical has been promoting a modal shift in logistics, including increasing the amount of transportation by rail and ship and employing larger transportation containers, in order to reduce the environmental impact of logistics operations. As a result of these efforts, we were accredited as an "Eco Rail Mark" company by the Japanese Ministry of Land, Infrastructure, Transport and Tourism in February 2009. In fiscal 2008, our domestic logistics divisions achieved a 5.4% and a 7.9% reduction in unit energy consumption from the fiscal 2007 and fiscal 2006 levels, respectively.

Promoting a modal shift by increasing the amount of transportation by rail and ship and using larger shipping containers, etc.

TOPIC

Promoting Rail Transportation as an "Eco Rail Mark" Company

The "Eco Rail Mark" system is implemented by the Japanese Ministry of Land, Infrastructure, Transport and Tourism to increase recognition by consumers of companies that are contributing to the solution of global environmental problems, which it is hoped will in turn encourage more companies to undertake a modal shift. Rail transportation is more environmentally friendly than other means of transportation, which is why the Ministry certifies companies that use rail transportation above a certain level as "Eco Rail Mark" companies.

Sumitomo Chemical is pressing forward with rail transportation and employing the use of larger shipping containers for long-distant land transport. In particular, the Chiba Works has launched a committee to enhance its logistics system using rail transport in partnership with Japan Freight Railway Company, Keiyorinkai Co., Ltd., and Keiyorinkai Tsuun Co., Ltd., with the aim of promoting bulk transport of its resin products.

エコレールマーク

Eco Rail Mark

Quality Assurance Initiatives

Sumitomo Chemical works to supply high-quality products and services that satisfy customers' needs and ensure safety in their use.

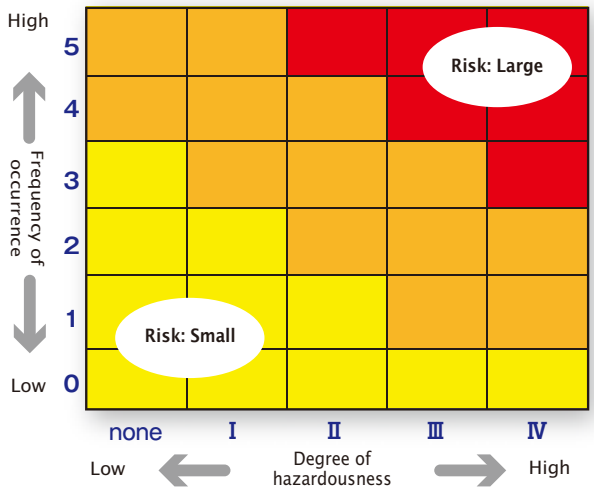
Measures Implemented throughout the Group

Global Quality Assurance Activities

The Sumitomo Chemical Group has been conducting quality assurance activities throughout the entire group. In fiscal 2008, Sumitomo Chemical again held information exchange meetings with domestic and overseas Group companies to share information about the Group's quality assurance-related policies and relevant social trends. In addition, we exchange information throughout the Group from time to time, not only through meetings but also through emails addressing each business sector and each product.

In fiscal 2008, in order to further promote quality assurance activities throughout the Group, we examined the introduction of global standards for our quality assurance operations and product safety operations. We will be able to introduce these standards in fiscal 2009.

Risk Assessment Method to be Shared by the Entire Group



Achieving Results in Individual Quality Assurance Activities

In September 2007, we began giving support to Sumika Polymer Compounds (UK) Ltd. for the improvement of its quality management technologies. These efforts were highly appreciated by one of Sumika's customers, Bosch und Siemens Hausgeräte GmbH, which presented the company with a BSH Suppliers Award for being one of its best suppliers.

Presented with a BSH Suppliers Award from Bosch und Siemens Hausgeräte GmbH, the largest home appliance manufacturer in Germany, for being one of its best suppliers

VOICE Quality Assurance and Management for the Olyset® Net

Hiroshi Okawa
Quality Assurance Department
Agricultural Chemicals Sector

At present, the Quality Assurance Department of the Agricultural Chemicals Sector is in the process of building a quality management system at each of the factories manufacturing our Olyset® Net anti-malarial, insecticidal mosquito nets. In order to build the system, however, we must first overcome the following four problems: (1) the Olyset Net factories are located in developing countries, where the concept of quality assurance is not yet established; (2) it takes time for us to visit the factories and support their quality management; (3) UNICEF, to which we supply Olyset Nets, conducts audits at the factories and instructs them according to the criteria set for developed countries; and (4) a quality management system should also be established at a new factory that is currently under construction to increase the supply of Olyset Nets. Now that we have identified them, we will devote ourselves to seeking solutions for these various problems.

The Olyset Net factories are located in Tanzania, Vietnam, and China, and we aim to obtain ISO certification for these factories by tackling these challenges.

Initiatives at Sumitomo Chemical

ISO- and GMP-based Quality Assurance Activities

Sumitomo Chemical conducts its quality assurance activities, having obtained ISO 9001＊1 certification for all five of its Works in Japan. Furthermore, in addition to obtaining ISO certification. We are also conducting GMP ＊2 quality assurance activities at our pharmaceuticals-related Works and Plants. In these activities, we repeat the PDCA cycle ＊3 to raise the level of our quality assurance.

Introducing a System to Enhance Communication with Customers

In order to respond to a variety of requests from customers, we introduced a quality information system (QIS) in fiscal 2002 and also a logistics-quality information system (L-QIS) in fiscal 2007.

In addition, at the end of fiscal 2008, we started the practical operation of SuCCESS (see p. 57). Under this system, we manage information about our products and raw materials centrally to formulate GHS＊4-compliant MSDS ＊5 drafts and MSDS Plus＊6 for green procurement, further strengthening communication with our customers.

Quality Assurance-Related Systems

Type of information	Management system	Introduction (FY)
Quality information	**QIS :** Quality Information System	2002
Logistics quality information	**L-QIS :** Logistic-Quality Information System	2007
Information about products and raw materials	**SuCCESS :** Sumitomo Chemical Comprehensive Environmental Health & Safety Management System	2008

＊1. ISO 9001: A set of international standards on quality management systems set out by the International Organization for Standardization.
＊2. Good Manufacturing Practice (GMP): Standards for managing the manufacturing management and quality control of pharmaceuticals, etc.
＊3. PDCA cycle: Composed of the following four steps to ensure continuous improvement of business operations: plan, do, check, and act.
＊4. Globally Harmonized System of Classification and Labeling of Chemicals (GHS)
＊5. Material safety data sheet (MSDS): A data sheet containing information necessary for the safe handling of chemical products (properties, handling methods, safety measures, etc.)
＊6. MSDS Plus: A form developed by the Joint Article Management Promotion consortium (JAMP) to convey information on the substances subject to regulatory control contained in chemical products.

Activities for Promoting a Quality-Oriented Corporate Culture

Sumitomo Chemical believes that to strengthen its quality assurance, it is not only important to build systems, but it is also vital to raise individual employees' awareness of quality. Based on this idea, we give product quality awards to in-house organizations that have contributed significantly to quality assurance activities. The Company also asks both its employees and those of affiliated companies to propose product quality-related slogans, and outstanding proposals are continuously displayed throughout the Company in order to further enhance quality-oriented corporate culture.

Ceremony for product quality awards held in fiscal 2008

VOICE **Receiving a Special Prize for the Slogan for Quality Assurance Activities**

Hiroshi Sakaguchi
Design and Synthesis Group
Agricultural Chemicals Research Laboratory

I feel incredibly honored to receive a special prize for the slogan I proposed for quality assurance.

At present, I am engaged in challenging research to create new agricultural insecticides. In the research I'm conducting, a minor difference in the structure of chemical compounds could lead to the expression of unwanted activity and make synthesis difficult. I therefore conduct the research in a very meticulous manner. I am also committed to creating compounds which pose as little risk as possible to living organisms and ecosystems and manufacture with minimum environmental impact.

Let's work together to achieve "zero complaints" by managing risk for better quality assurance!

Slogan for quality assurance activities for fiscal 2009

Cross-Industry Initiatives

Building a Cross-Industry Product Information Communication System

In recent years people have been growing increasingly aware of the importance of global environmental protection. In response, companies are implementing measures to ensure "green procurement," which means companies preferentially select environmentally friendly materials and parts to be used in the manufacture of their products when procuring from suppliers. To properly implement green procurement, it is necessary for companies to provide their customers with appropriate information about a variety of materials that compose their products. Accordingly, the chemical industry, including Sumitomo Chemical, has been providing customers with information about the safe usage of products through the use of MSDS that provide information about the properties of and handling methods for chemical substances.

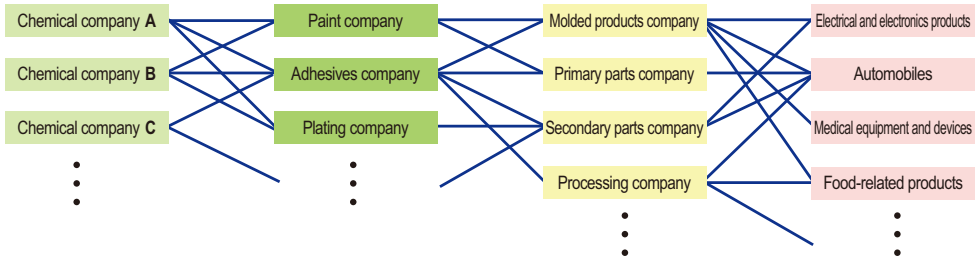
Due to the expansion of green procurement, however, the industry is now required to make improvements within the scope of the following issues: (1) with a complicated supply chain, there are a great many companies that need to be provided with relevant information; and (2) because relevant forms and items are not standardized, providing them requires considerable time and effort. These problems cannot be easily solved by a single company or industry. For significant improvements, cooperation among various companies is essential.

To promote such cooperation, Sumitomo Chemical established the Joint Article Management Promotion consortium (JAMP) in partnership not only with other companies in the chemical industry but also with manufacturers of intermediates and final products. Under JAMP, a wide range of companies are cooperating to establish a rational information communication system for regulated chemical substances contained in products.

Sumitomo Chemical believes it is important for companies to foster cross-industrial cooperation, not only for their own sake, but also for society and the environment. The activities of JAMP conducted through cooperation among a number of industries have been steadily achieving results and have attracted a great deal of attention from overseas as well.

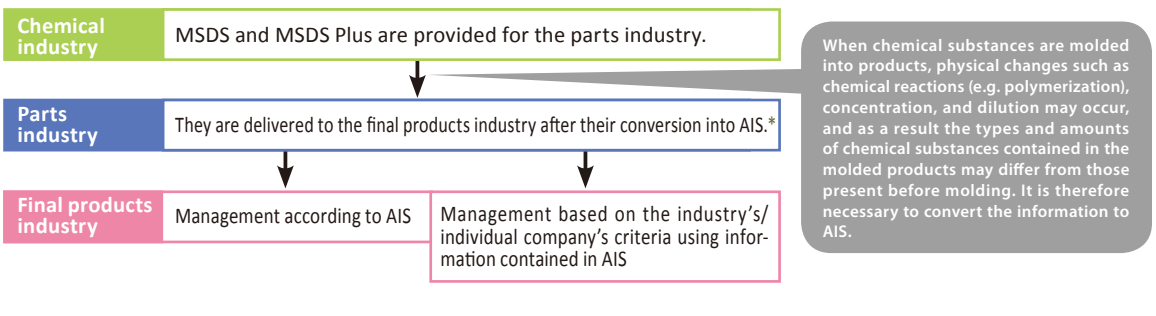
Problems Related to Green Procurement

Conceptual Diagram of a Supply Chain



- In a complicated supply chain, there are numerous companies who must be provided with relevant information.
- Providing the information requires a great deal of time and effort because the relevant forms and items are not standardized.

Information Communication Method Enabled by JAMP



* AIS (Article Information Sheet): A form developed by JAMP to convey information on the substances subject to regulatory control contained in molded products.

From Development to Sales—Sumitomo Chemical's Quality Assurance System

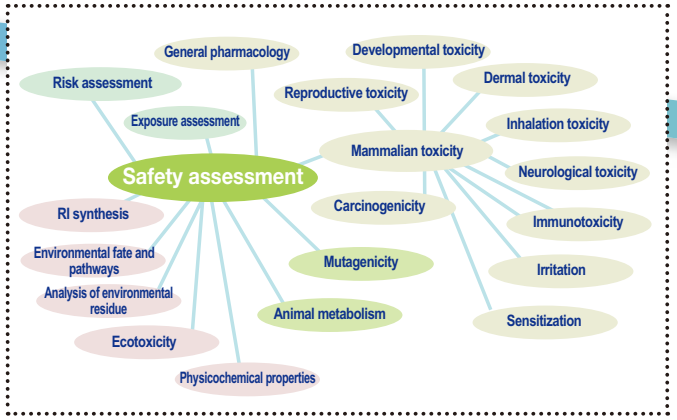
Sumitomo Chemical works to assure the development and manufacture of products that are safe by conducting comprehensive PL* risk assessments, including confirming that all legal requirements are met, at all main stages from R&D to industrial scale production through to commercial manufacturing.

1 Research and Development

At the Environmental Health Science Laboratory, researchers conduct health and environmental risk assessments based on the toxicological effects on animals, pharmacological effects, ecotoxicity, and physicochemical properties, making use of a wealth of information and a wide range of life science technologies. These assessments are used to perform PL risk assessments.

Meanwhile, researchers at the Process & Production Technology Center are involved in safety assessments related to disaster prevention at each stage from R&D to manufacturing. The results are used to perform PL risk assessments.

Items Subject to Safety Assessment



The Company works to products and services needs and ensure safety

4 Product Inspection

Product inspections are conducted under appropriate test conditions using specified testing methods to evaluate whether or not products meet specified criteria. In addition to specifications, data on factors such as changes in amounts of impurities that have a significant effect on product quality assurance are also checked in order to provide customers with products of consistent quality.

5 Storage and Transport

Inventory and orders received are strictly controlled and products are delivered to customers in strict accordance with their orders. Drivers are instructed always to carry a yellow card (emergency contact card) containing emergency contact information and emergency measures to be taken in the event of an accident during transport.

6 Sales

Material safety data sheets (MSDS) are prepared and provided to customers along with related safety information in a thorough and timely manner.

* Product liability (PL) refers to the liability that the manufacturer, seller, and those related to the manufacture and sale of a product assume for any damage to the life, physical health or property of consumers, users, or third parties caused by a defect in the product.

2 Industrial Scale Development

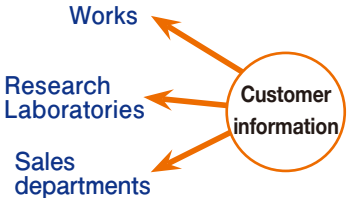
The Research Laboratories and the Process & Production Technology Center develop technologies that enable the safe manufacture of products according to plan. After quality is checked during the industrial scale production stage, commercial manufacturing is started.

3 Production Management

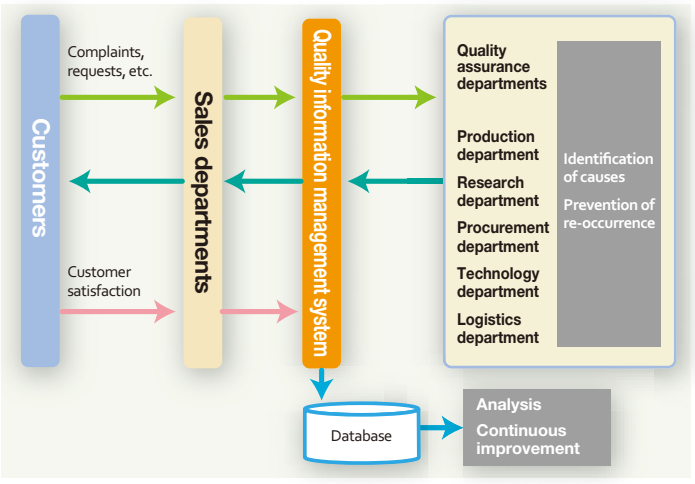
Standardized production manuals are prepared for manufacturing in order to provide customers with products of consistently high quality. When any production process is to be changed, the impact on product quality is assessed in advance in accordance with the Process Change PL Guidelines in consultation with the concerned departments before any changes are implemented.

supply high-quality that satisfy customers' in their use.

In order to prevent major product quality problems, the Company implements its Guidelines for Preventing Major Quality Problems.



7 Customer Information



Complaints, requests and other information from our customers are shared among the Works, Research Laboratories and sales departments, and the collected information is utilized effectively to handle complaints promptly and appropriately, and to improve product quality.

Economic Activities

Focusing its efforts in its six core business sectors, Sumitomo Chemical promotes Sustainable Chemistry through CSR management, and is currently working to boost profitability by continuously developing and supplying products and services that enhance people's lives.

Three-Year Corporate Business Plan (Fiscal 2007-2009)

In April 2007, Sumitomo Chemical launched the current Three-Year Corporate Business Plan. Under this Corporate Business Plan, we have implemented a number of projects, including accomplishment of the Rabigh Project, aiming to reach new heights as a global company. The Rabigh Project, which we regard as our top priority, started operation in April 2009 and has been running smoothly. We are also making steady progress in further strengthening our core businesses and developing new businesses in each Business Sector.

Nevertheless, due to the rapid economic downturn from the latter half of 2008, we have not been able to achieve our initial business performance targets. The entire Sumitomo Chemical Group must radically reassess its business operations, reduce expenses, streamline personnel functions, and select its capital and R&D investment targets even more rigorously to improve profitability in this challenging business climate. We intend to formulate new management strategies based on an analysis of the projected business environment 10 years and 20 years from now and on our long-term management vision, and we will incorporate the results into our new Three-Year Corporate Business Plan to be implemented in fiscal 2010.

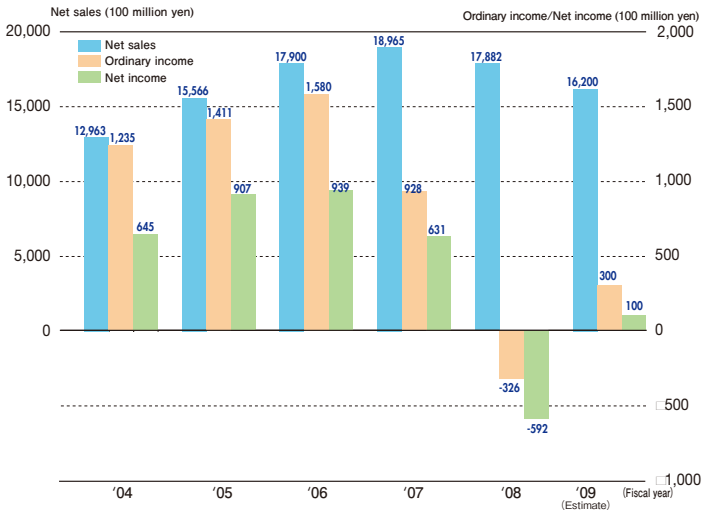
Basic Principle of the Three-Year Corporate Business Plan

Sumitomo Chemical aims to achieve and consolidate high profitability and secure sustained growth potential to generate the added value our shareholders expect in our business as we work to reach new heights as a global company.

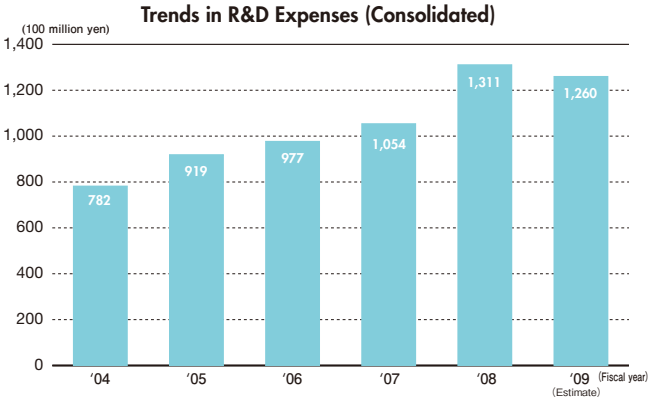
Basic Initiatives

1. Complete the Rabigh Project.
2. Enhance global management.
3. Enlarge the value-added components of every business sector.
4. Expand the Company's businesses in the life sciences and IT-related materials, and strengthen their competitiveness.
5. Strengthen capital investment and R&D in new fields to pave the way to further growth.
6. Ensure thorough legal compliance and promote CSR.

Trends in Net Sales, Ordinary Income and Net Income (consolidated)



Trends in R&D Expenses (Consolidated)



Highlight

The Rabigh Project Starts Operation

Ethane cracker (December 2008)

The world-scale integrated petroleum refining and petrochemical complex constructed in Rabigh, on Saudi Arabia's Red Sea coast, started operation in April 2009.

Overview of the Rabigh Project

Sumitomo Chemical started the Rabigh Project as a joint venture with the Saudi Arabian Oil Company (Saudi Aramco) to establish a world-scale integrated oil refinery and petrochemical complex by (1) constructing a high olefin fluid catalytic cracker (HOFCC) at the existing refinery and by (2) constructing a new petrochemical plant with an ethane cracker for cracking ethane gas and facilities to manufacture a variety of derivatives at Saudi Aramco's oil refinery. The oil refinery, which has a crude oil processing capacity of 400,000 barrels per day, is located at Rabigh on Saudi Arabia's Red Sea coast. The complex is supplied with ethane gas, which is less expensive than the naphtha used as the primary feedstock at petrochemical plants in Japan and elsewhere in Asia, and economies of scale from the massive complex will make Sumitomo Chemical's petrochemical business highly cost-competitive. The complex produces petroleum products with capacities of 2.8 million tons of gasoline and 2.9 million tons of naphtha as well as petrochemical products with capacities of 900,000 tons of polyethylene, 600,000 tons of ethylene glycol, 700,000 tons of polypropylene, and 200,000 tons of propylene oxide. Saudi Aramco is marketing the petroleum products and Sumitomo Chemical is mainly responsible for marketing the petrochemical products.

Future Developments in the Petrochemical Business

Sumitomo Chemical concluded the agreement to establish Rabigh Refining and Petrochemical Company (Petro Rabigh) with Saudi Aramco in August 2005, and in April 2009, approximately three years after the start of construction, the ethane cracker that serves as the primary plant for the integrated complex started operation.

Sumitomo Chemical now has three bases of petrochemical production, in Saudi Arabia (Rabigh), Singapore, and Japan, and we will take advantage of the unique strengths and features of these production bases to implement marketing strategies aimed at expanding our petrochemical business globally. We will take advantage of our production base in Saudi Arabia, which is one of the most competitive in the world, to actively develop our business not only in high-growth Asian markets such as China, but also in Europe, with its geographic proximity to Saudi Arabia. In Singapore, we have developed our business by observing trends in the needs of areas that are important to the petrochemical business, and we will further strengthen this strategic advantage to supply mainly premium products. In Japan, which serves as Sumitomo Chemical's "mother plant," we are leveraging our technologies and R&D capabilities cultivated over many years of meeting customers' needs for high-quality, high-performance products to develop more advanced technologies and higher value-added products.

Starting a Joint Feasibility Study for Phase II

In April 2009, Sumitomo Chemical and Saudi Aramco signed a memorandum of understanding to launch a feasibility study for Phase II of the Rabigh Project as an extension of the Project that started operation this year, and are currently undertaking a detailed study toward implementation of this Project. Under the Phase II Project, we plan to construct new plants to produce high value-added petrochemical products using 30 million standard cubic feet of ethane per day and approximately 3 million tons of naphtha annually. This plan seeks to develop the Petro Rabigh complex beyond its current scope. We will complete this feasibility study in the third quarter of 2010 and if both Sumitomo Chemical and Saudi Aramco agree on the feasibility of Phase II, Petro Rabigh will oversee construction of the plants, with the aim of starting operations in the third quarter of 2014.

Summary of Business Sectors

Methyl methacrylate (MMA) products

Basic Chemicals Sector

The Basic Chemicals Sector provides manufacturing industries with a wide variety of products, including industrial chemicals, alumina products, methyl methacrylate (MMA) products, and aluminum.

In the MMA sheet business, demand is expected to increase mainly for use as optical materials for liquid crystal displays and as materials for signboards, lighting, construction, and store fixtures. In addition to the existing bases of operation in Japan and Thailand, Sumitomo Chemical established Sumipex TechSheet Co., Ltd. in Taiwan as a new base for the manufacture and sale of acryl sheets, and the company started operating in January 2009. In this way, we are building global capabilities for supplying products in a precise and prompt manner to meet the needs of individual customers.

Demand for caprolactam, the raw material for nylon synthetic textile fibers, has been decreasing since the latter half of 2008 because of the global economic recession, but we anticipate demand growth over the medium to long term and will continue to streamline the business while supplying high-quality products to customers to meet their exact needs in a timely manner.

In addition, photocatalysts are attracting attention as environmentally friendly products. We supply both ultraviolet-light photocatalysts for outdoor use and visible-light photocatalysts for indoors use while also working to develop new applications.

Polyethylene products

Petrochemicals & Plastics Sector

The Petrochemicals & Plastics Sector is engaged in the manufacture and sale of a wide range of petrochemical products, including synthetic resins such as polyethylene and polypropylene, synthetic rubber, and organic chemicals like propylene oxide.

The world-scale integrated oil refining and petrochemical complex constructed under our Rabigh Project in Saudi Arabia started operation in April 2009 (see p.65). This gives us a fourth production base for polypropylene, in addition to our operations in Singapore, North America and Japan, making our polypropylene supply capabilities the largest of any Japanese chemical manufacturer, with an annual production capacity of 2 million tons. We are also further globalizing our business in polypropylene compounds, used in automobile bumpers and interiors, by expanding existing facilities and establishing new production bases, including one in Thailand.

In our polyethylene business, we are working to develop new markets for our Easy Processing Polyethylene (EPPE), which combines high strength and ease of processing, while expanding the market for its use as a high value-added low-density polyethylene.

Resorcinol used in adhesives for tires

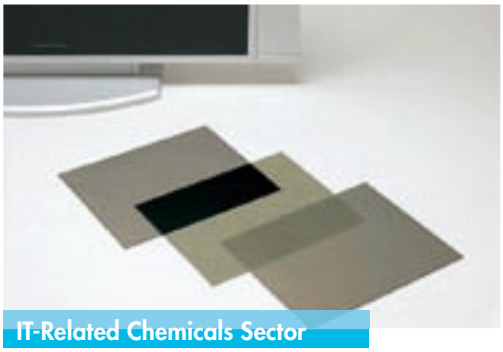
Fine Chemicals Sector

The Fine Chemicals Sector is engaged in the manufacture and sale of chemical products such as resorcinol, additives for rubber and polymers, and pharmaceutical chemicals such as active pharmaceutical ingredients and pharmaceutical intermediates.

Resorcinol is used as a raw material in adhesives for binding tire rubber with reinforcing material, in adhesives for wood, and in flame-retardants. We have established new manufacturing facilities for resorcinol at the Oita Works to increase our production capacity.

Polymer additives are chemical products that are added to synthetic resin and rubber to help prevent degradation of these materials during manufacture, processing, and use. Sumitomo Chemical is working to develop higher performance, higher value-added additives to meet the needs of our customers for greater differentiation.

As one of the world's leading manufacturers of pharmaceutical chemicals, we possess a quality assurance system for active pharmaceutical ingredients and pharmaceutical intermediates that is compliant with the latest Good Manufacturing Practices (GMP), and take advantage of our organic synthesis and industrial-scale production technologies to create new business opportunities in closer cooperation with major European and US pharmaceutical manufacturers.



Polarizing film, an indispensable component of LCDs

IT-Related Chemicals Sector

The IT-Related Chemicals Sector is engaged in the manufacture and sale of liquid crystal display (LCD) materials such as polarizing film, photoresists used in processing semiconductors, super engineering plastics, and heat-resistant separators for lithium-ion secondary batteries.

Demand for polarizing films is expected to increase in the medium to long term, because the market for LCDs for large TVs and other equipment is expanding even in the face of the current global economic downturn. Sumitomo Chemical has production bases for these films in Japan, South Korea, Taiwan, China, and Poland, and can respond flexibly and promptly to demand from LCD panel manufacturers.

Sumitomo Chemical has developed argon fluoride (ArF) immersion resists for use in state-of-the-art semiconductor manufacturing processes and established a dedicated facility for the production and evaluation of these resists at the Osaka Works (in Kasugade). We will go forward with the development of new products in response to further advances in semiconductor manufacturing processes, including photoresists for extreme-ultraviolet (EUV) lithography systems, which represent the next-generation in circuit formation technology.

Herbicides for a variety of crops

Agricultural Chemicals Sector

The Agricultural Chemicals Sector is engaged in the manufacture and sale of agricultural chemicals such as insecticides, fungicides, herbicides, and plant growth regulators, fertilizers, household and public hygiene insecticides, products to prevent tropical infections, and feed additives.

In Japan, we are expanding our market share and the scope of the business by developing new proprietary products and through acquisitions and partnerships. In addition, we provide agricultural producers with total solutions by combining the supply of agricultural chemicals and fertilizers with a variety of technical services and support for the distribution of agricultural products. Outside Japan, we focus on the product fields and geographical regions in which we have strengths, and we are focusing our business resources on insecticides and fungicides for fruit trees and vegetables and plant growth regulators in order to survive the intense competition with large manufacturers.

In the vector control business, which handles products for preventing tropical infectious diseases, we are expanding sales of our Olyset® Net, a long-lasting insecticidal net used to combat malaria, mainly in Africa (see p.20).

In the feed additives business, we manufacture and sell DL methionine, a type of essential amino acid used mainly in poultry farming. As a leading manufacturer of feed additives in Asia, we will continue to expand our business to meet the growing demand in Asia, particularly China.

Amlodin® (therapeutic agent for hypertension and angina pectoris)

Pharmaceuticals Sector

The Pharmaceuticals Sector is centered on Dainippon Sumitomo Pharma's ethical pharmaceuticals business and Nihon Medi-Physics' diagnostic pharmaceuticals business.

Dainippon Sumitomo Pharma focuses its efforts on its four strategic products: Amlodin® (a therapeutic agent for hypertension and angina pectoris), Gasmotin® (a gastroprokinetic agent), Prorenal® (a vasodilator), and Meropen® (a carbapenem antibiotic), as well as on Lonasen® (a new agent for the treatment of schizophrenia) and Avapro® (for the treatment of hypertension), with the aim of strengthening profitability in Japan. The company is also focusing its business resources on Lurasidone (a therapeutic agent for the treatment schizophrenia) as an entry point for expanding its business into global markets.

Nihon Medi-Physics specializes in the research and development, manufacture, and supply of diagnostic pharmaceuticals for single photon emission computerized tomography (SPECT) and diagnostic radiopharmaceuticals for positron emission tomography (PET), a procedure considered useful in the early diagnosis of diseases such as malignant tumors. The company is also developing its business in the medical treatment field through products such as Oncoseed (radiotherapy equipment used in brachytherapy for the treatment of prostate cancer) and Metastron (a radiopharmaceutical used to relieve the pain caused by bone metastasis of tumors).

Full Text of the Eco-First Commitments (see page 33)

Eco-First Commitments

Initiatives we are Undertaking for Global Environmental Protection
as an Environmentally Advanced company

November 11, 2008

To **Tetsuo Saito**,
Minister of the Environment

Hiromasa Yonekura
President of Sumitomo Chemical Co., Ltd.

米倉弘昌

As a leader in the chemical industry, Sumitomo Chemical Co., Ltd. considers the appropriate management of chemical substances fundamental, and not only observes strict compliance with all relevant laws and regulations, but also works to ensure safety, environmental protection and product quality throughout the lifecycle of its products. The Company engages in public dialogue to gain the further trust of society and undertakes voluntary activities (Responsible Care activities) to contribute to the sustainable development of global society.

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

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

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

- We will work to improve unit energy consumption by 25% at all our Works and unit CO_2 emissions from the captive consumption of fossil fuels by 20% over fiscal 1990 levels by fiscal 2015.
- As a member of the Japan Petrochemical Industry Association, we are committed to the HEART Project with a view to developing and commercializing innovative energy-saving technologies to recover low-temperature heat (130 degrees Centigrade and lower) generated by our petrochemical plants that has not been recycled and reuse it at our manufacturing plants by fiscal 2015.
- We will promote a modal shift in logistics and upsize transport containers to improve the efficiency of our logistics divisions, thereby improving their unit energy consumption by 1% annually.
- In cooperation with the labor union, we will implement measures to help prevent global warming through the reduction of household CO_2 emissions by encouraging employees to make continuous efforts to reduce CO_2 emissions at home.

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

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

Sumitomo Chemical Co., Ltd. will monitor the progress made in the above initiatives, make the results publicly available, and report them to the Ministry of the Environment on a regular basis.

SUMITOMO CHEMICAL

Independent Review by KPMG AZSA Sustainability Co., Ltd.

KPMG

Independent Review Report on "Sumitomo Chemical CSR Report 2009"

To the Board of Directors of Sumitomo Chemical Company, Ltd.

1. Purpose and Scope of our Review

We have reviewed "Sumitomo Chemical CSR Report 2009" (the "Report") of Sumitomo Chemical Company, Ltd. (the "Company") for the year ended March 31, 2009. Our engagement was designed to report to the Company, based on the results of our review, the credibility of the environmental and safety performance indicators, environmental accounting indicators, and social performance indicators (the "Indicators"), and other descriptive information for the period from April 1, 2008 to March 31, 2009 included in the Report.

The Report, including the identification of material issues, is the responsibility of the Company's management. Our responsibility is to independently report the results of our procedures performed on the Indicators.

2. The Standards and the Criteria used in our Review

We conducted our review referring to the "International Standard on Assurance Engagements 3000" (December 2003) issued by the International Federation of Accountants (IFAC) and in accordance with the "Practice Guidelines for Assurance Engagements on Sustainability Information" (February 2008) issued by the Japanese Association of Assurance Organizations for Sustainability Information, with the criteria which are the standards the Company formulated (the "Company's Standards") drawing upon references including the "Environmental Reporting Guidelines (Fiscal Year 2007 Version)" (June 2007) issued by the Ministry of the Environment of Japan and the "Sustainability Reporting Guidelines Version 3.0" (October 2006) issued by the Global Reporting Initiative.

3. Procedures Performed

We have performed the following review procedures:

(1) With respect to the Company's policies for compilation of the Report, interviewed the Company's responsible personnel.
(2) Assessed the Company's Standards used for collecting, compiling and reporting the Indicators.
(3) With respect to the way of collecting the Indicators and the process flow of calculating them, interviewed the Company's responsible personnel and reviewed the systems and processes used to generate the values of the Indicators.
(4) Compared the Indicators on a sample basis with the supporting evidences to test the conformity in collection, compilation and reporting of the Indicators to the Company's Standards.
(5) Made on-site inspections of the Company's facilities domestic.
(6) Evaluated the overall statement in which the Indicators are expressed.

4. Results of the Procedures Performed

We believe that our review procedures provide a reasonable basis for our conclusion.

Based on our review, nothing has come to our attention that causes us to believe that the Indicators in the Report are not collected, compiled and reported, in all material respects, rationally and in accordance with the Company's standards.

Our firm and engagement members have no interest in the Company which would have to be disclosed pursuant to the provisions of the Assurance Standard for Environmental Reports (pilot version) issued by the Ministry of the Environment of Japan.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
October 15th, 2009

VOICE Reviewing the Sumitomo Chemical CSR Report 2009

Akira Kajiwara
Senior Manager
KPMG AZSA Sustainability Co., Ltd.

I have prepared this report regarding items deserving praise and items requiring future consideration that I noticed in the process of independently reviewing the Sumitomo Chemical CSR Report 2009.

In the CSR Report, the section describing the Company's social activities has been improved in comparison to previous reports.

For example, at the beginning of the sections, a table describing the initiatives and achievements is inserted to help readers understand the activities at a glance. Also, regarding Sumitomo Chemical's support for Africa through the supply of its Olyset® Net (insecticidal mosquito net) as one of the CSR activities for which it has been highly praised, I think showing the year-on-year progress quantitatively in a graph will catch the interest of readers. Examples of other social activities are introduced, including the consistent local contributions made by the Company's sites as well as its overseas support activities. The volume of text in this year's CSR Report has been considerably reduced compared to last year's, making it easier to read. This shows that the Company has taken the needs of a variety of readers into account.

Nevertheless, even in the disclosure of information on the social activities that the Company has been actively promoting, there is room for improvement. For example, only the basic direction is described for many of the items included in the table of targets and achievements, and too few specific details are given. One reason for this is that it is not possible to verify whether or not the PDCA cycle for CSR activities has been successfully executed. Also, though important targets and results are shown, it is not possible to determine to what extent progress toward the target has been made. In addition, some of the targets for CSR activities for fiscal 2009 are similar to those given in the previous CSR Report, and readers will not be able to understand clearly whether or not these targets are carried over from the previous fiscal year. Furthermore, I think the Company should have disclosed information on its CSR performance on a consolidated basis in the CSR Report. In future reports, I recommend that the Company consider disclosing information on CSR performance for its overseas Group companies as well.

Some information may be rather difficult for readers to understand, including information on some CSR activities, and I think that the Company needs to give specific explanations using numerical data. The GRI guidelines also advise companies to analyze their social challenges and business operations, identify the areas in which their stakeholders expect them to disclose information, and report their policies and performance in those areas in their CSR Report accompanied by numerical data. Sumitomo Chemical might consider following these guidelines more closely.

Now that its petrochemical complex under the Rabigh Project has started operations, Sumitomo Chemical will be increasingly required to show its management policies more clearly from a global perspective. I hope the Sumitomo Chemical Group will take on the challenge of setting and achieving higher targets in order to make a further leap as a global company and become a world leader in their CSR achievements.

Responsible Care®

As a Responsible Care company, Sumitomo Chemical voluntarily implements policies that take safety, the environment, and health into consideration in all processes, from chemical substance development to disposal. The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.

PRTR 2006 Awards

The PRTR Awards are designed to acknowledge companies and business establishments that understand the purpose of the PRTR system, take the initiative in chemical substance management and actively promote communication with local residents to gain their understanding. The logo may only be used by companies that have received the Grand Prize at the PRTR Awards.

Only companies and organizations participating in the national campaign against global warming — Team Minus 6% — are permitted to display this logo.

Sumitomo Chemical actively promotes a support program for employees who choose to continue working while raising children. Companies that introduce practical measures to cope with the declining birthrate under the Act on Advancement of Measures to Support Raising Next-Generation Children are permitted by the Ministry of Health, Labour and Welfare to use the "Kurumin" certification mark.

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