

Integrated Report 2023

Year Ended March 31, 2023

Innovation for the Earth

SEKISUI

SEKISUI CHEMICAL CO., LTD.

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In addition to organizing the Group's promising new endeavors together with its existing growth businesses as a part of efforts to achieve its 2030 long-term vision, we have taken steps to upgrade and expand the disclosure of information relating to intangible assets, including the intellectual property that underpins the Group's operations in the Integrated Report 2023.

This report is available in PDF format in Japanese and English and can be downloaded from the following URL.

▼ Japanese Edition

<https://www.sekisui.co.jp/ir/document/annual/>

▼ English Edition

<https://www.sekisuichechemical.com/ir/report/annual/>

Organizations Covered

In principle, this report covers SEKISUI CHEMICAL CO., LTD. and its consolidated subsidiaries.

Applicable Period

Includes fiscal 2022 (April 1, 2022 to March 31, 2023) and the Medium-term Management Plan as well as other details to August 2023.

In Editing This Report

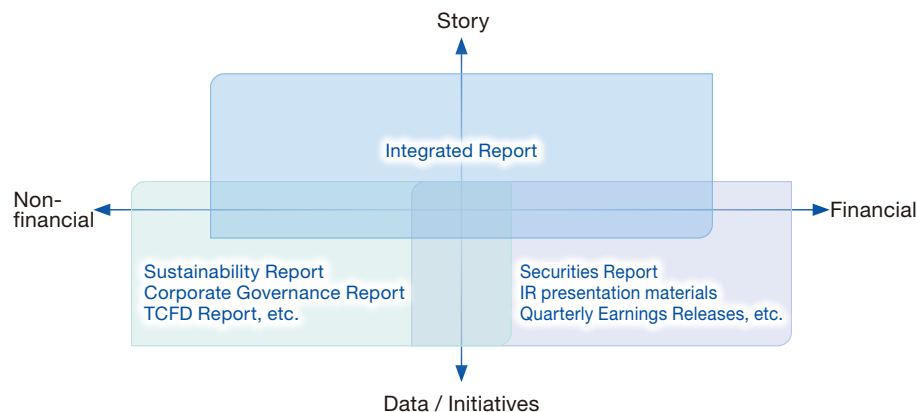
In editing this report, we referred to the International Integrated Reporting Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade, and Industry (METI).



Cautionary Notes

The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management's judgment of information available at the time this report was produced. Changes in key factors could cause actual performance results to differ materially from these forward-looking statements. Figures denominated in billions of yen in this integrated report are rounded off to the nearest first decimal place. In addition, those denominated in millions of yen are rounded down to the nearest million yen.

SEKISUI CHEMICAL Group Information Disclosure System



SEKISUI CHEMICAL Group reports on its management strategies aimed at creating corporate value, its financial and non-financial approach as well as related data and initiatives in a comprehensive manner in its Integrated Report.

Moreover, we continuously disclose explanatory materials on our management strategy, including financial results and non-financial data, in our Annual Securities Report and IR financial results presentation materials.

Details of the Group's ESG management and sustainability activities as well as comprehensive non-financial information are disclosed in the Sustainability Report.

Website Information

▼ Investor Relations

<https://www.sekisuichechemical.com/ir/>

Securities Report

https://www.sekisuichechemical.com/ir/report/financial_report/

Presentations

<https://www.sekisuichechemical.com/ir/presentations/>

▼ Sustainability

Sustainability Report

https://www.sekisuichechemical.com/sustainability_report/report/

TCFD/TNFD Report

https://www.sekisuichechemical.com/sustainability_report/report/#tcf

Innovation for the Earth

To realize a sustainable society, we support the basis of LIFE and will continue to create peace of mind for the future.

Viewing changes in the social environment as a business opportunity, SEKISUI CHEMICAL Group is working to continuously generate innovation to help resolve social issues drawing on the solutions created by its varied and diverse technologies as well as the trust it enjoys with its stakeholders. By contributing to the Earth and people's lives, we are endeavoring to enhance the sustainability of society in concert with efforts to secure our sustainable growth as a company.

SEKISUI CHEMICAL Group's Principles

SEKISUI CHEMICAL Group's Principles comprise the three elements of Corporate Philosophy, Group Vision, and Management Strategy. Far from consistently enjoying a favorable tailwind, SEKISUI CHEMICAL Group has overcome a host of challenges since its foundation in 1947 through the underlying strength of its Corporate Philosophy 3S principles, which were established based on the following intent.

The difference between people living their lives in accordance with ideals and those simply going where the currents and eddies of life take them becomes ever more apparent as the long years of their lives pass. The same is true of business. Only when employees mass under a common ideal arising from a basic

policy of business management can the company demonstrate its great power as a corporate community.

For the Group to achieve sustainable growth in an increasingly uncertain world, it is imperative that every employee take the initiative and independently participate in constantly overcoming each challenge to respond swiftly to changes in the market, and that efforts are made to accelerate preparations for megatrends and to steadily implement measures that contribute to solving social issues. Adopting a long-term outlook, we will work to continue generating innovations that contribute to social issues.

Group Vision

Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment, by continuing to open up new frontiers in Residential and Social Infrastructure Creation and Chemical Solutions.



Corporate Philosophy The 3S Principles

Service

At SEKISUI, we serve our stakeholders by creating social, environmental and economic value through responsible business practices.

Speed

At SEKISUI, we accelerate innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times.

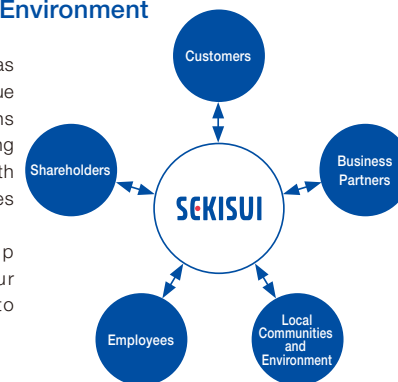
Superiority

At SEKISUI, we contribute to society by helping to solve social issues with our superior technologies and quality.

Five stakeholders for SEKISUI CHEMICAL Group: Customers, Shareholders, Employees, Business Partners, Local Communities and Environment

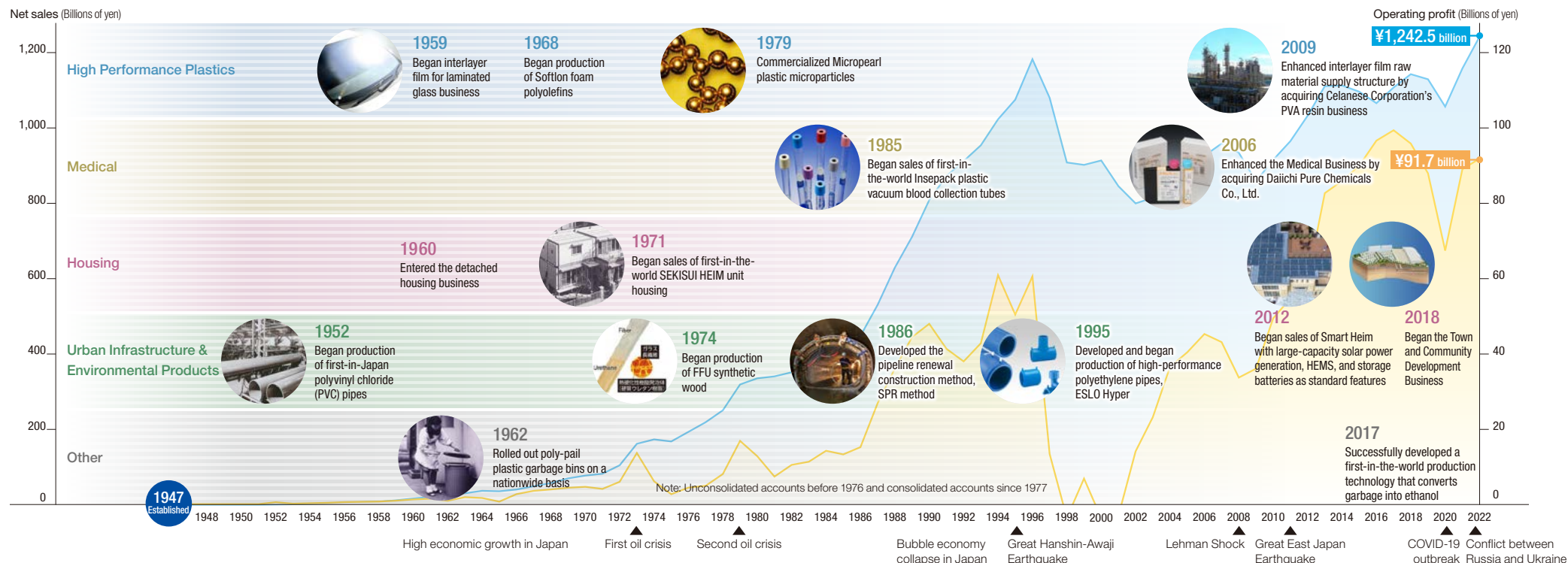
Positioning its five stakeholders as partners in improving corporate value and assessing their expectations and requests, as well as resolving society-wide issues together with them, leads to great opportunities for SEKISUI CHEMICAL Group.

We will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.



SEKISUI CHEMICAL Group Accomplishments

With its roots in Nippon Chisso Hiryo K.K., founded by Shitagau Noguchi, SEKISUI CHEMICAL Group was established in 1947 by seven young employees aiming to comprehensively launch a business based on plastics, a new miracle material at the time. Guided by our 3S Principles (Service, Speed, Superiority) over the ensuing period, we have dared to challenge new businesses and frontiers while ushering in a new era focusing mainly on plastic-related technologies and products.



1947-: Foundation

Established Process Creation Business as Pioneers in Plastics

SEKISUI CHEMICAL Group took on the challenge of being the first in Japan to engage in plastic processing using domestically produced injection molding machines. We contributed to Japan's postwar reconstruction by bringing new changes to people's lives through plastic products such as daily necessities, tapes and films, PVC pipes, and poly-pail plastic garbage bins. In 1960, SEKISUI House Sangyo Co., Ltd. (now SEKISUI House Co., Ltd.), was spun off as a separate company after we entered the housing field. In 1963, we aggressively expanded operations, which included becoming the first Japanese manufacturer to make a foray into the United States.

1966-: Development

Improved Management Framework and Developed Next-generation Businesses

With high economic growth in Japan drawing to a close, we improved our management framework based on restructuring and our basic philosophy of respecting employees and business partners while contributing to society through plastics. We began Sekisui Heim industrialized modular houses and the Medical Business as the next wave of growth businesses. The Company was awarded the Deming Prize, the highest honor for TQC,* in 1979 for company-wide TQC activities.

* TQC: Total Quality Control

1980-: Growth

Launched High-performance Products and Expanded the Housing Business

With commercialization of next-generation products progressing since the late 1970s, we saw growth particularly in the social infrastructure, housing, and medical fields. We implemented organizational reforms to enhance our ability to meet customer needs, while launching new materials, technologies, and products to address more sophisticated user needs and social issues. We expanded after-sales services in the Housing Business, through which strong growth has driven earnings. In 1997, we began selling houses equipped with solar-power generation systems.

1999-: Resurgence

Adopted a Three Company System and Initiated CSR Management

The Company reorganized from a seven-division to a three-company system, engaged in business selection and concentration, and pursued globalization to overcome the business crisis following the collapse of the bubble economy in Japan. At the same time, we promoted CSR management under the Three Prominences: Environment to achieve sustainable growth by balancing the economy and ecology; CS & Quality to improve CS (customer satisfaction) together with enhancing quality; and Human Resources to support the growth of employees to maximize their strengths.

2008 onward: Transformation

Proactively Pursuing Strategic Investment and Evolving from CSR to ESG Management

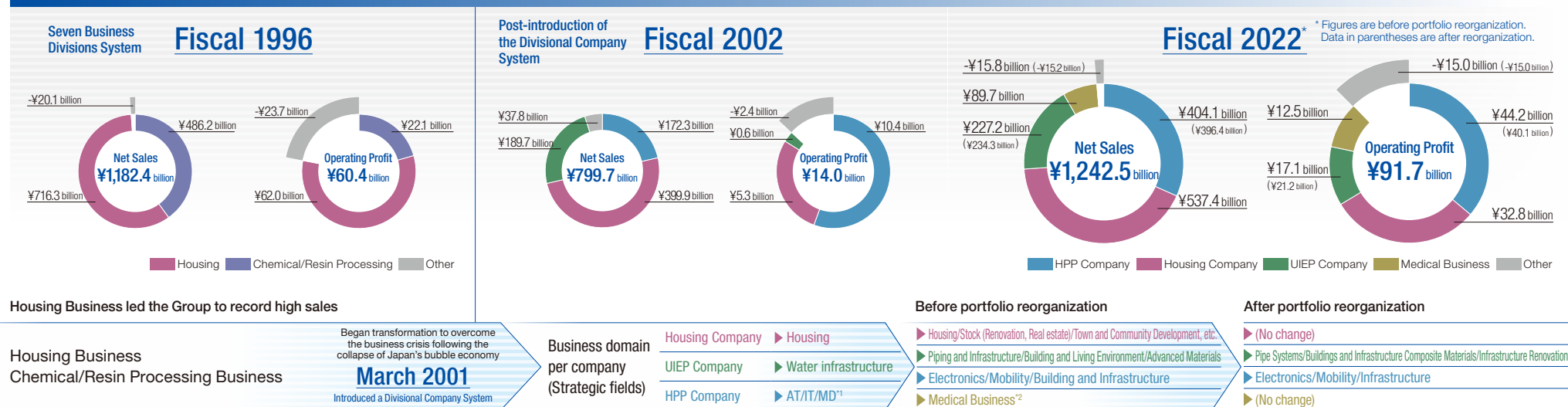
We are improving profitability along with expanding our businesses by pursuing investment strategies that clarify strategic fields and by enhancing our business structure. We have significantly increased sales of the High Performance Plastics Company by expanding our lineups of high-performance products. In 2020, we formulated our new Long-term Vision. As part of this, we are pursuing the evolution of CSR management—an integral part of our operations—into ESG management to realize social and corporate sustainability by taking a more strategic approach to environmental and social issues.

SEKISUI CHEMICAL Group Accomplishments

We have worked to transform our business portfolio to achieve growth while anticipating and identifying changes in society and business (Adaptability).

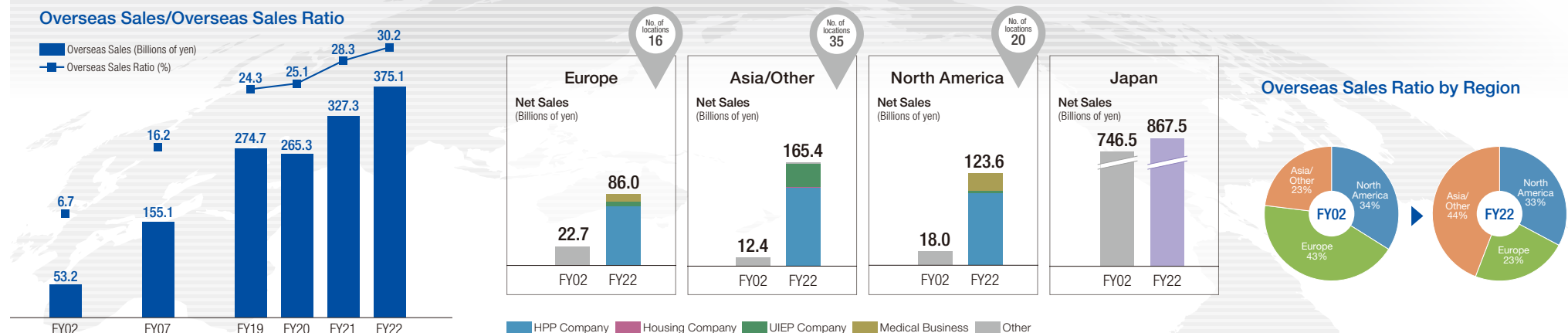
We took steps to reorganize our business portfolio in October 2022 owing to the increasingly overlapping nature of certain aspects of the HPP and UIEP companies due to the expansion of business domains in recent years. Through reorganization, we are working to more efficiently engage in operations and utilize assets by further expanding its business and improving productivity.

Business Portfolio Transformation



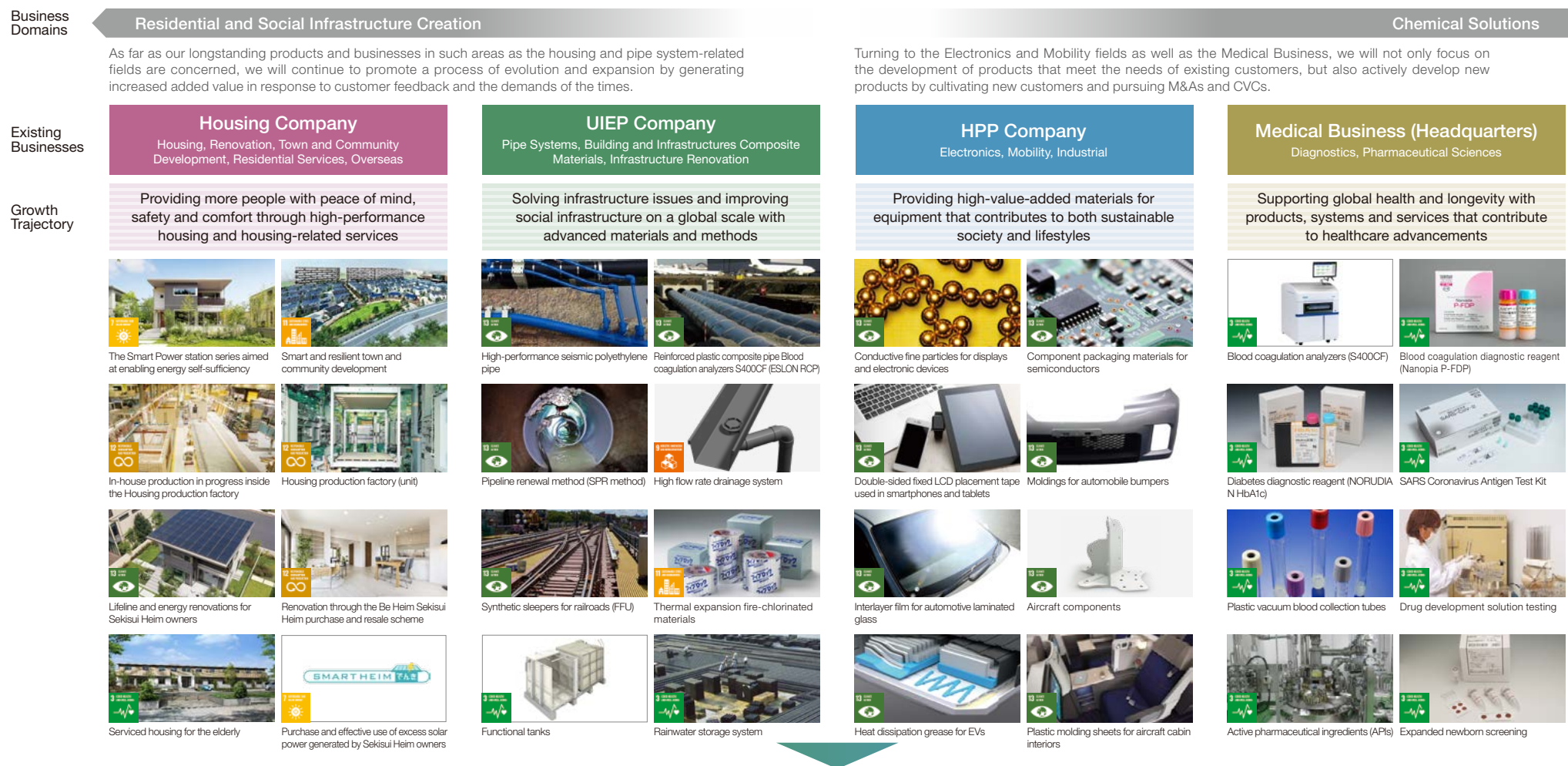
*1 AT (automotive materials), IT (IT-related materials), MD (medical products) *2 The Medical Business was spun off from the High Performance Plastics Company in fiscal 2019 as new company candidate to accelerate growth.

Global Expansion



SEKISUI CHEMICAL Group's Business Domains

SEKISUI CHEMICAL Group is active in the Residential and Social Infrastructure Creation and Chemical Solutions fields. Its business is comprised of four segments, namely the three Housing, Urban Infrastructure & Environmental Products (UIEP), and High Performance Plastics (HPP) companies as well as the Medical field. Moving forward, we will develop products and services that solve social issues in each of the Residential, Advanced Lifeline, Innovative Mobility, and Life Science domains by fusing our existing businesses from the perspectives of technology, business opportunities, and personnel exchange and creating synergies.



Creating products and services in the four domains to solve social issues while giving rise to fusion and synergy in existing businesses

Strategic are map — (P.26)

Residential
(Housing)

Innovative Mobility
(Electric/Mobility)

Advanced Lifeline
(Social Infrastructure)

Life Science
(Health and Medical)

Message from the President & CEO



CEO MESSAGE

Positioned at the heart of efforts to realize its Long-term Vision, SEKISUI CHEMICAL Group has launched its Drive 2.0 Medium-term Management Plan.

SEKISUI CHEMICAL Group will demonstrate its growth potential to stakeholders by steadily increasing sales of Products to Enhance Sustainability to over ¥1 trillion and improving both capital and profit efficiency while generating innovations that help solve social issues.

August 2023

President & CEO

A handwritten signature in white ink that reads "Keiichi Kato".

Message from the President & CEO

Q The frequency of events held in person has increased as the impact of COVID-19 has gradually dissipated. What are your thoughts on the many changes that have occurred as a result of the pandemic?

There are indeed signs that life is slowly returning to normal. This is especially so after the government's decision to downgrade the legal status of the pandemic to a category V infectious disease from May 2023. On a personal note, I have participated in a growing number of face-to-face events. I have in fact seen how seriously managers and their subordinates view the need to engage in challenging action during such in-house events as town hall style meetings with the president and top management in 2023. This has reinforced the importance of in-person communication. Seeing firsthand people's facial expressions and reactions while gaining a feel for the mood of deliberations are defining features of face-to-face communication. Having said this, I do not personally see the need to engage entirely in in-person communication. Without forgetting the lessons learned from COVID-19, I think it is more important to search for the optimal balance of efficiency and productivity, including work-life balance.

Q How do you rate the previous Medium-term Management Plan?

SEKISUI CHEMICAL Group positioned the previous Medium-term Management Plan as a first step toward realizing its Long-term Vision and as an engine in its bid to secure sustainable growth. Looking back, results throughout fiscal 2022 were mixed. In the first half, operating profit exceeded plans prompting expectations that the Group was well within reach of achieving its goal of ¥100 billion. In the second half, however, operating profit fell below plans. In addition to the prolonged slump in market conditions reflecting surplus inventories of products and components in the Electronics field, this was largely due to the drop in consumer confidence in the housing sector on the back of inflation. As a result, operating profit fell below the target

set under the previous Medium-term Management Plan, coming in at ¥91.7 billion. Despite this mixed performance, I recognize that we were able to secure an increase in sales and profit, surpassing the levels recorded in fiscal 2019 prior to the pandemic. Moreover, EBITDA, an indicator of the Group's earning power hit a record high at ¥142.1 billion. The fact that we were able to increase our earning power despite the harsh operating environment, including COVID-19, the prolonged shortage



of semiconductors, and sharp rise in raw material and fuel prices, is testament to the collective efforts and resolve of all SEKISUI CHEMICAL Group employees to undertake structural reforms and pass on higher costs to product prices. In addition, the Group announced details of its Strategic Area Map as a compass for realizing its Long-term Vision in April 2022. Looking at this Map in more detail, the steady bio-refinery, perovskite solar cell, and other progress made in areas that we have positioned as new innovation domains is providing a certain amount of new business drive as we prepare for long-term growth. From an in-house perspective, I feel that front-line employees are becoming increasingly aware that their efforts are contributing to society. I also believe that ESG management-based business operations are becoming more prevalent. SEKISUI CHEMICAL Group's goal is to become a sustainable company. Against this backdrop, the Company's management has received the recognition of certain external organizations. In specific terms, SEKISUI CHEMICAL CO., LTD. was selected as one of the 2023 Global 100 Most Sustainable Corporations in the World index for a sixth consecutive year.

Q What thoughts were put into the Drive 2.0 Medium-term Management Plan as a means to realize the Vision 2030 Long-term Vision?

SEKISUI CHEMICAL Group announced details of its Long-term Vision in 2020, the year I was appointed president & CEO, as an expression of its ideal vision in 2030. Looking ahead, I suspect uncertainty will continue to cloud the business environment, as exemplified by the global outbreak of COVID-19. Against this backdrop, I recognize the inherent risk that the Group's business may take a sudden turn for the worse in the event of a major unforeseen circumstance should it continue to draw up management strategies that are only an extension of its existing businesses. SEKISUI CHEMICAL Group's Long-term Vision, Vision 2030, is therefore a rallying call for the entire Group to share with a healthy sense of crisis. Under the banner of this Vision, we will work toward continuous growth while generating further change. In a bid to achieve our stated goals, we launched the Medium-term Management Plan, Drive 2.0, as an important 2nd phase from fiscal 2023. This Medium-term Management Plan is positioned at the heart of efforts to realize our Long-term Vision.

First and foremost, I would hope that Drive 2.0 firmly clarifies the Group's growth path to all stakeholders. Recognizing the need to implement structural reforms in response to the pandemic, growth investments were limited under the previous Medium-term Management Plan. I am therefore concerned that our Long-term Vision for 2030 may appear to deviate slightly from our current situation in the eyes of stakeholders.

I am acutely aware of the need to foster expectations toward growth based on a trust in management, and then improving capital and profit efficiency to increase corporate value. Of equal importance is the need to foster expectations, not only from outside the Group, but also among Group employees. Under Drive 2.0, we will nurture expectations toward growth by accelerating the creation of new business areas while improving capital efficiency through growth in existing businesses based on efforts to strengthen the ESG management platform.

Message from the President & CEO

Q Can you provide us with an overview of the Drive 2.0 Medium-term Management Plan and numerical targets.

SEKISUI CHEMICAL Group has set the goal of securing record high sales and profit under the Drive 2.0 Medium-term Management Plan. In specific terms, we have identified targets for net sales, operating profit, and net income of ¥1,410 billion, ¥115 billion, and ¥82 billion, respectively. These targets reflect certain underlying assumptions regarding the external environment, including a partial recovery in the market and steady efforts to revise selling prices in similar fashion to the previous Medium-term Management Plan in response to the continued surge in raw material costs. In addition, we have set the sales target for Products to Enhance Sustainability at over ¥1 trillion as a KPI that embodies the sustainability of our management. Efforts to achieve this target will help drive the Group's growth while at the same time increasing the amount of the Group's contribution toward solving social issues. EBITDA, an indicator of earning power, is also projected to increase significantly, to ¥175 billion. Fiscal 2025, the final year of Drive 2.0, is the halfway point toward our Long-term Vision. In achieving our established goals, we will therefore be one step closer to realizing Vision 2030. Recognizing that efforts to consistently exceed an operating profit of ¥100 billion will gain widespread external acceptance while altering conditions from the Group's perspective, we will work achieve our operating targets as quickly as possible.

A key component of the Group's financial strategies is to secure the cash necessary to fund investments in growth. In addition to the forecast three-year total of ¥500 billion in operating cash flows, we will work to reduce cross-shareholdings and procure funds through debt to a maximum of ¥400 billion as required. Meanwhile, should the Group indeed increase its debt to this maximum of ¥400 billion, its debt-equity ratio is still estimated to remain below 0.5 times.

Moreover, we will allocate capital in a balanced manner. We will allocate ¥450 billion to strategic investment and ¥150 billion to normal investment of the total ¥600 billion in growth investments. As far as the ¥450 billion in strategic investments is concerned, we will set aside ¥300 billion for M&As, etc. and the remaining ¥150 billion to capital expenditures. In addition to investments for growth, we will allocate ¥140 billion to R&D expenditures. From the total of growth investments and R&D expenditures, more than 70% will be allocated on a priority basis to the High Performance Plastics (HPP), Medical, and new businesses, growth fields in the Medium-term Management Plan and Long-term Vision. (▶P.32)

Furthermore, SEKISUI CHEMICAL Group will strengthen returns to shareholders. To this end, we have increased the dividend payout ratio target to 40% or higher and will look to flexibly implement share buybacks and cancel treasury shares in line with various circumstances. (▶P.33)

Q Can you elaborate on each strategy under the new Medium-term Management Plan. First, how will you promote existing business growth?

In formulating the new Medium-term Management Plan, we analyzed and evaluated all existing businesses from multifaceted perspectives. This includes profitability, return on invested capital (ROIC), growth potential, strategic positioning, and the amount of the Group's contribution

toward solving social issues. We also clarified Growth Potential Business and businesses that we believe have the most growth potential as businesses and fields that will drive sustainable growth in the future. For example, we have identified as Growth Driving businesses the Mobility field, focusing on high-performance interlayer films as well as heat release and other materials for EVs, and the Performance Materials field, including overseas testing systems and resin sleeper FFUs for railways. Meanwhile, growth driving businesses include the Town and Community Development and Pharmaceutical Sciences Business. These growth driving businesses and businesses that we believe have the most Growth Potential Business are expected to generate more than 90% of the increase in EBITDA target set in Drive 2.0, and is where we will concentrate our management resources.

Q What specific initiatives will you pursue in the creation of new business areas?

Drawing on its core technology platform, SEKISUI CHEMICAL Group will accelerate steps to commercialize new business areas through internal and external fusion and M&As. We have for example taken steps to develop [perovskite solar cells](#), which are thinner and lighter than conventional silicon-based solar cells from the previous Medium-term Management Plan. This initiative boasts a host of possibilities, including installation on the sides of buildings and in such transportation infrastructure as railroad tracks and airports. SEKISUI CHEMICAL Group's perovskite solar cells are accordingly attracting substantial inquiries and interest from the Japanese government and local municipalities. I myself visited the Morigasaki Water Reclamation Center, where a demonstration trial with the Tokyo Metropolitan Government is underway. Although the technical hurdles are high, we believe that this project, if realized, will contribute significantly to society in the field of renewable energy. As an endeavor that we believe will evolve into a lucrative business, we will vigorously support the challenge toward early commercialization while further deepening collaborative ties with local governments and other companies.

Q Can you provide us with specific details of the Group's efforts to strengthen the ESG management platform.

We adopted an [ROIC Spread](#) approach under the previous Medium-term Management Plan to strengthen the ESG management platform. We are paying close attention to increasing our corporate value. In specific terms, this entails controlling non-financial capital costs and expanding the Spread through various means, including curbing such major incidents as misconduct, investing in the environment and human capital domains, and respecting human rights across the entire supply chain while at the same time working to improve ROIC, a key financial indicator. Building on these endeavors, steps have also been taken to ensure effective implementation by incorporating the ROIC Spread in the evaluation of each department's performance.

We deeply regret the incidence of such issues as nonconformity with building standards in residential complexes and detached houses under these circumstances. Recognizing the extremely grave nature of this incident, we are taking prompt action and implementing

Message from the President & CEO

thoroughgoing measures to prevent a recurrence, while working to further reduce risks and avoid a similar incident. We believe this will help in regaining the trust of stakeholders and as such will continue to work in unison to strengthen the ESG management platform with integrity. (▶P.63)

Q What are your thoughts on the Company's efforts to promote innovation and underlying strengths?

Through innovation, SEKISUI CHEMICAL Group draws on its technological strengths while accurately grasping market trends to provide unique, high-quality solutions that address social issues. Despite our status as a chemical company, we possess almost none of our own raw materials. Our strength lies in Process Creation which is the ability to select optimal materials in response to customers' requirements and provide high-value-added solutions. Complementing this strength, we also boast Adaptability in addressing the need to solve social issues in advance.

The Company's inherent strengths are underpinned by its [technology platform](#). As a pool of core technologies that is common throughout the Group, this platform is key to promoting fusion both internally and externally. One of the Group's mainstay businesses, for example, is its shatterproof interlayer films used for the windshields of automobiles. Here, PVA/PVB material, fine particle, precise synthesis, and various other technologies enhance the sound and heat insulation performance of the interlayer films, and they are also used in head-up displays (HUDs). Furthermore, the fine particle technology used in the Electronics field for conductive fine particles and heat insulation interlayer films is also applied to the Medical field for the diagnostic reagents used for blood cancers. In this manner, the Group's core technologies are commonly used in the seemingly different Mobility and Medical fields.

SEKISUI CHEMICAL Group has maintained an uncompromising approach toward addressing the requirements of its customers. This proven track record, grounded in the Group's technology platform, has helped build strong relationships of trust which are leading to a variety of new

opportunities. As a wellspring for the Group's Process Creation and Adaptability this virtuous cycle is contributing to the creation of a strong intellectual property network for each technology and the foundation of our sustainable growth.

Innovation only occurs when our technologies match prevailing trends and the intrinsic needs of customers. No matter how good a product or service may be, it is unlikely to develop into a business of any consequence if its purpose is self-serving. In our formative years as a company,

we failed to consider a matching need when pursuing several businesses. In each instance, our endeavors foundered. Recognizing that the growing selection and concentration approach toward development themes and the ability to capture significant demand by commercializing the right products and services are two sides of the same coin, we are today placing considerable importance on identifying market needs at an early stage and then initiating development. Moving forward, I will continue to encourage employees by constantly promoting this concept.

Q Have you personally taken up the challenge of creating innovation?

One of my most memorable experiences stems from efforts to improve the quality of interlayer films when a member of the technology section of the Minakuchi Plant. Responding to a customer complaint, we initiated steps to improve the moisture resistance of automotive interlayer films. Believing that our products would be more competitive on a global scale if improvements could be made, I took it upon myself to request a temporary transfer to the Minase research and development facility. Trying all kinds of additives, I took part in discussions with senior staff until late at night and systematically repeated experiments based on the hypotheses made. Through a process of trial and error, we finally developed a formula, which I believe is today the de-facto global standard for interlayer film additives. At the time, the scale of the interlayer film business was still small. Drawing on the Housing Company as a source of development funds, there was considerable pressure to succeed.

Another experience of note was when I was stationed in the United States, the home of the automobile industry, as an interlayer film technical service representative. SEKISUI CHEMICAL Group entered the U.S. cognizant of the fact that its failure to compete in the local market would extend to the rest of the world. Even though the SEKISUI CHEMICAL name was essentially unknown, the extremely fair treatment we enjoyed from business partners was a source of considerable encouragement. We would provide samples to the plants of business partners in the U.S. for evaluation, identify areas for improvement, and then provide additional samples. Properly addressing customers' requirements was a slow and extremely difficult endeavor. Despite the repetitive nature of this process, I felt a genuine sense of satisfaction and joy with each incremental improvement.

Q What are your thoughts toward investments in human capital?

Long before the importance of investing in human capital became a popular topic of conversation, we recognized that our employees are precious assets bestowed on us by society and positioned human resources as one of our key materiality issues. Over and above materiality, respect for human capital and human rights throughout the supply chain, including business partners, is the foundation of our business. SEKISUI CHEMICAL Group has identified the goals of doubling both its sales volume (the size of our business) and contribution under its Long-term Vision. We recognize that becoming an energized and engaged company where all employees thrive on challenges is the most important factor in achieving this vision. Moving forward, we will continue to focus on developing human resources to respond to the speed of business growth and change, and on placing the right people in the right place.



Message from the President & CEO

From my own perspective, I have made it a point to put forward themes that offer a reasonable degree of challenge when developing subordinates. Through a process of repeated discussion, I have set themes that are within reach if employees put in 110 to 120% effort. The goal here is to put in place an environment in which subordinates can readily accept each challenge and accumulate a track record of successful experiences. Based on the aforementioned, I believe that employees who can get things done and complete each task to the very end will enjoy considerable personal growth and become the Group's leaders of the future.

SEKISUI CHEMICAL Group took steps to substantially reform its human resources system for the first time in 20 years in 2022 to encourage employees to take on challenges. Once again, for my own part, I will continue to help put in place an environment that encourages employees to take on challenges by actively creating a culture that does not condemn failure. At the same time, I will promote investment in the training and reskilling necessary to meet each challenge.

As I mentioned in my introductory comments, SEKISUI CHEMICAL Group achieved increases in both revenue and earnings despite the difficult business environment in fiscal 2022. As a result, it is important to reward employees who helped produce these results. Moving forward, we have decided to raise wages by more than 4% in fiscal 2023 in the hope that each and every employee will continue to further express a challenging action and make efforts to realize our Long-term Vision.

Q Can you share with us any personal experiences or episodes regarding reskilling?

The many things I learned from studying statistical quality control after joining the Company were of considerable benefit in my actual work. Statistical quality control is rarely taught in schools. This concept is, however, extremely helpful to engineers in promoting efficient experiments and data processing. In these early days, calculation software did not exist. Inputting and analyzing experimental data were a manual task. Despite the growing automated nature of today's workplaces, this knowledge remains indispensable to employees involved in engineering and production. Expertise in statistical quality control helps in identifying the causes of problems, pursuing improvement methods, and promoting quality control activities in the workplace.

Q The Company reacquired SBT certification, which acknowledges companies that have set GHG reduction targets consistent with the Paris Agreement, in 2023. Can you provide us with details of Company's efforts to address environmental concerns.

SEKISUI CHEMICAL Group has positioned the environment as a key materiality issue. Having engaged in environmental management from an early stage, we are proud to be a member of a leading group of companies recognized for their environmental endeavors. As other companies accelerate their environmental initiatives in response to escalating climate change, we must leverage our position as a top runner in our field to look beyond the status quo and work to continuously contribute to the environment. We were the first company in the chemical industry to obtain SBT certification in 2018. With our GHG emissions reduction rate significantly higher than initially planned, we have further raised our 2030 reduction rate target and reacquired SBT certification. To

achieve the target, we will continue to promote the electrification of fuel-consuming facilities as well as the transition to low-carbon fuels. At the same time, we have set the material recycling rate as a new KPI, cognizant of our responsibility as a company that handles plastic products. We intend to promote the recycling of waste by increasing sales of products that contribute to resource recycling and resource conversion and further accelerate the reduction of Scope 3 emissions.

Q What are your thoughts on the Group's optimal business portfolio and the allocation of capital?

As a conglomerate that engages in a variety of businesses, there are instances where SEKISUI CHEMICAL Group is valued at a discount. Recognizing the need to allocate capital to growth areas on a priority basis, we believe that our diverse portfolio enables us to create value through synergies between businesses that cannot be achieved through a single business on its own. For example, in our Town and Community Development business, we provide customers with the added value of disaster prevention and mitigation together with safety and security by embedding our disaster-resistant infrastructure and high-performance materials beneath the towns that are lined with the Group's energy self-sufficient homes. From a financial point of view, maintaining businesses that generate stable cash within the Group's portfolio also has the advantage of securing resources for continuous investment in growth areas.

SEKISUI CHEMICAL Group's strategy to vigorously expand its growth investments while utilizing debt as and when required remains unchanged. Against this backdrop, we will undertake appropriate strategic capital investments and M&As in accordance with the Strategic Area Map, which serves as a compass to realize our Long-term Vision.

In Conclusion

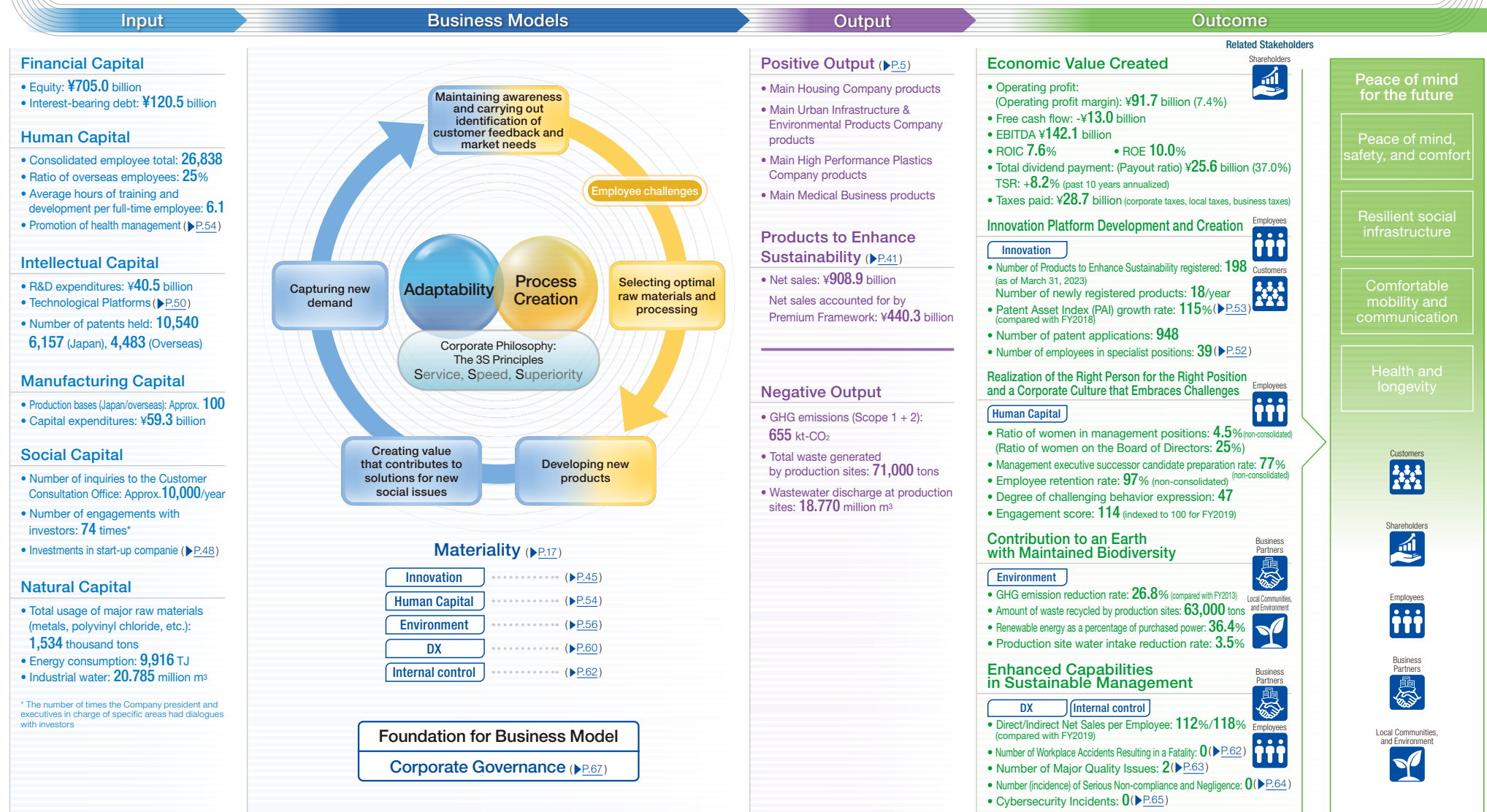
We recognize that constructive dialogue with our shareholders, investors, and other stakeholders is an extremely important opportunity for us to achieve sustainable growth and enhance our corporate value. We will continue to utilize the opinions and suggestions we receive through this dialogue in our management. As we work toward achieving our established goals, we ask for the continued support and understanding of all stakeholders.



Value Creation Process

Based on our varied and diverse technologies, as well as the trust we enjoy with our stakeholders, SEKISUI CHEMICAL Group views social issues from a strategic standpoint, and through innovation provides products and services that contribute to improved lifestyles and a healthier global environment for people around the world. Through the implementation of a business model that effectively leverages the six forms of capital, we aim to maximize outcomes and will successfully enhance the sustainability of society and achieve sustainable growth as a company.

Envisioned Macro Trends ■ More devastating natural disasters due to climate change ■ Resource and energy exhaustion ■ Longer healthy life spans



* Except where specifically indicated, all figures are actual results from fiscal 2022.

Commentary SEKISUI CHEMICAL Group's Value Creation Process Business Model

SEKISUI CHEMICAL Group's strengths are Process Creation and Adaptability. Through collaboration with varied and diverse stakeholders, the Company practices a business model centered on these strengths in a way that creates products and services that contribute to the solutions for environmental and social issues. By strengthening materiality through this cycle, the Company maximizes outcomes, as well as endeavors to maximize both sustainable corporate value growth and shareholder value.

Process Creation

SEKISUI CHEMICAL Group creates products by procuring the optimal materials as needed from outside and applying Process Creation in a way that generates additional value through advanced technologies. In this way, these products contribute to the solutions for social issues, where the resulting trust earned from customers helps the Company capture new demands and needs. Implementing this cycle in a sustainable, ongoing manner is the key to sustainable growth for SEKISUI CHEMICAL Group.

Adaptability

Adaptability involves efforts to capture the requests of customers and the needs for solutions to social issues, and incorporates these into development ahead of the competition. At the same time, it involves transforming the business portfolio in accordance with the conditions faced at the time, and continuously seeks to maximize synergy between businesses. Based on these two aspects, Adaptability endeavors to strengthen the earning power of the Company.

Maintaining awareness and carrying out identification of customer feedback and market needs



- Since establishing the Customer Consultation Office, SEKISUI CHEMICAL Group has received around 10,000 inquiries and opinions each year. The Company analyzes the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers.
- Through joint research between industry, government, and academia, SEKISUI CHEMICAL Group develops new products that possess the ability to contribute to the solutions for issues faced by local communities and local governments. (▶P.15 ESLO HYPER, ▶P.49 Perovskite Solar Panels)
- In order to promote operational efficiency for sales and marketing operations, SEKISUI CHEMICAL Group is advancing onsite training for DX related human resources. (▶P.61)

Capturing new demand

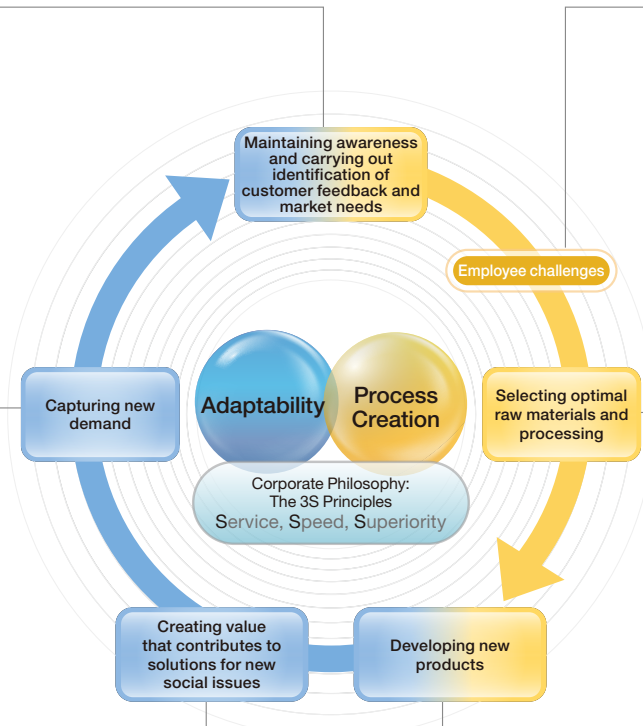


- As a business run by SEKISUI CHEMICAL Group, SEKISUI HEIM operates plants throughout Japan. Similarly, with its high ratio of overseas sales, the High Performance Plastics Company has built a global operations structure. These types of manufacturing systems situated close to their customers enable the Company to address customer demands in a timely manner. They also serve as the foundation for earning the trust of customers and for capturing new demand. (▶P.13)

Create Products to Enhance Sustainability That Help Solve Social Issues



- SEKISUI CHEMICAL Group receives advice and recommendations from the External Advisory Board regarding products that contribute to the solutions for issues faced by both the natural and social environments in an effort to certify Products to Enhance Sustainability and to expand sales of these. (▶P.41)
- SEKISUI CHEMICAL Group holds workshops on new technologies and prior cases for each issue aimed at technologies, development, and market transformations necessary to achieve long-term goals related to carbon neutrality and the circular economy. Likewise, it is arranging these into task forces to promote activities regarding promising themes.



Employee challenges



- Through the Vision Caravan (▶P.18), which serves as an opportunity for dialogue between management and employees, SEKISUI CHEMICAL Group encourages employees to empathize with the Corporate Philosophy and Vision, and to take the initiative in changing their own behavior.
- In order to appropriately assess the actions taken by employees to undertake the challenge of achieving the Long-term Vision, SEKISUI CHEMICAL Group established a new human resources system in fiscal 2021. (▶P.55)

Selecting optimal raw materials and processing by developing technologies and fusion



- SEKISUI CHEMICAL Group possesses almost none of its own raw materials, which enables it to select the optimal materials in accordance with customer demands. Moreover, the Company's Technological Platforms (TPF, ▶P.50) serve as the foundation for technological development. Along with refining the prominence of each individual technology, the Company fuses multiple TPFs to develop products that stay one step ahead of changes in the social environment.
- Based on the TPF, SEKISUI CHEMICAL Group assigns employees with specialized expertise recognized internally and externally to Specialist Positions, and treats these employees accordingly. (▶P.52)

Developing new products



- Established by SEKISUI CHEMICAL Group in 2020 as a research facility, MINASE INNOVATION CENTER (MIC) generates interactions that transcend internal divisional companies, and engages in efforts to accelerate internal and external fusion and open innovation through active technological exchanges with start-up companies and through collaboration with other companies. (▶P.48)
- Intellectual property is a source of competitiveness as well as an important management resource that underpins SEKISUI CHEMICAL Group's growth and revenue. The Company therefore conducts competition environment analysis using information related to intellectual property, markets, and competition, and this serves as a starting point for its strategy development, intellectual property portfolio management, and other strategic intellectual property promotion activities. (▶P.53)
- SEKISUI CHEMICAL Group emphasizes quality compliance. In particular, the Company has established a quality management system to eradicate the root causes of incidents of quality irregularities and data falsification. The Company has also built a quality assurance system for goods purchased from suppliers, and engages in activities to ensure quality. (▶P.63)

Commentary SEKISUI CHEMICAL Group's Value Creation Process Business Model: Case Study

Mobility Field

Contributed to the development of automotive industry trend CASE* + α

*CASE: C (Connected), A (Autonomous), S (Shared/Service), E (Electric)

Establishing Production Sites in Sales Regions

| | Americas | Europe | Asia | Japan |
|-----------------------------------|----------|--------|---------|--------|
| Interlayer Film Production Plants | 2 sites | 1 site | 2 sites | 1 site |
| PVA Resin Plants | 1 site | 1 site | – | – |
| PVB Resin Plants | – | 1 site | – | 1 site |

SEKISUI CHEMICAL Group has established a global production system for interlayer films for automobiles. Services that can rapidly address the demands of customers build trust among customers and help quickly capture new demands.

High-performance interlayer films for Head-up Displays



New demand discovery cycle

Capturing new demand

Creating value that contributes to solutions for new social issues

Flow of EV Conversion

- Reduced CO₂ emissions volume (through ZEV regulations, etc.)
- Reduced dependence on fossil fuels for energy security
- Achieving carbon neutrality

Maintaining awareness and carrying out identification of customer feedback and market needs

Greater safety, lighter-weight car bodies, higher-quality design, and improved comfort



Interlayer film for automotive laminated glass
1960: Manufacturing of S-LEC Film launched
1987: Safety glass installation for domestic vehicles mandated by Japanese law

Developing new products



Development of products tailored to EVs



Heat release grease



Acquiring Technology through M&As

| Acquisition of Polymatech Japan Co., Ltd. | September 2017 |
|--|----------------|
|--|----------------|

The heat release grease used as a thermal countermeasure for EV batteries leverages a technology that is held by Polymatech Japan Co., Ltd. (currently, SEKISUI POLYMATTECH CO., LTD.), which was acquired in 2017. In light of recent trends in EV popularity, SEKISUI CHEMICAL Group plans to commence operations at a newly built production site in the US during fiscal 2023.

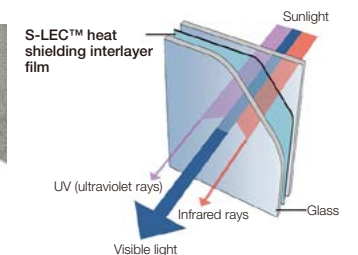
Selecting optimal raw materials and processing

PVA/PVB, microparticles, precise molding, surface treatment, and multilayer technology

High-performance interlayer films for heat shielding and sound insulation interlayer films

Developments Utilizing Patents

Heat insulation interlayer films rely on SEKISUI CHEMICAL Group's proprietary fine particle dispersion technologies that disperse microparticles with heat insulation functions uniformly in the resin of which interlayer films are made. This technology was perfected based on a patent held by the Company (▶P.52). This approach enables the film to both block ultraviolet rays as well as to significantly shield against heat rays, thereby helping to improve the comfort of automobile interiors.



Commentary SEKISUI CHEMICAL Group's Value Creation Process Business Model: Case Study

Housing Related Business

From building homes to support the lives of people in period of high economic growth to safe and secure urban planning to protect people's comfortable daily lives

□ Creating Towns and Communities in which Residents Can Live with Peace of Mind

SEKISUI CHEMICAL Group engages in unique town and community development throughout Japan that brings together the Company's prominent infrastructure technologies developed to provide resistance to natural disasters. The Company endeavors to set itself apart from competitors through the creation of sustainable towns and communities.



Developing smart and resilient towns and communities that are resistant to natural disasters



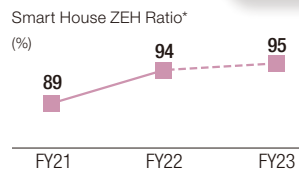
New Smart Power Station FR GREENMODEL



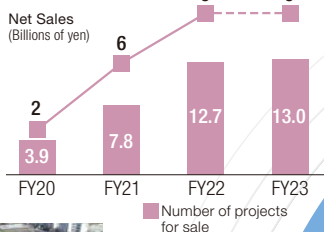
New e-PocketGREEN high-capacity storage battery

□ Enhancing Smart Features

Equipped with high-capacity solar panels and storage batteries, SEKISUI HEIM houses help reduce CO₂ emissions. They also enable residents to maintain their lifestyles even when lifelines are severed due to natural disasters and other events, thereby supporting safe living that provides peace of mind for all.



* Detached house order installation (excluding Hokkaido)



New demand discovery cycle

New challenges for housing

- Increasing numbers of vacant houses, resilience to increasingly frequent and severe natural disasters

Maintaining awareness and carrying out identification of customer feedback and market needs

Provided high-quality, high-performance housing to capture changes in housing demand



1960: Entered the housing business.
Launched sales of Sekisui House Type A, the first light steel frame house in Japan

Creating value that contributes to solutions for new social issues

Developing new products

Capturing current needs ahead of the competition, we promoted the installation of solar power generation equipment, thereby creating and evolving new markets.

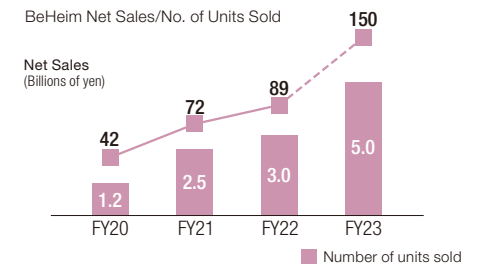
Employee challenges

Selecting optimal raw materials and processing

ハイムの買取&再販
BeHEIM

□ Expanding the Circular Housing Business

Based on the quality advantages of factory-built housing products, SEKISUI CHEMICAL Group purchases SEKISUI HEIM houses from customers at an appropriate price. In order to ensure the new owner can live securely in their home, the Company also carries out renovations at the time of purchase to enhance quality and performance, thereby increasing the real estate value.



Unit construction method from 1971
SEKISUI HEIM goes on sale (world first)

□ High-quality Factory-built Housing

| | |
|-----------------------------------|------------------------|
| Housing Unit Production Factories | 8 factories nationwide |
|-----------------------------------|------------------------|

One feature of factory-built SEKISUI HEIM houses is the Unit Construction Method, which handles 80% of the entire housing construction process at the factory. Along with contributing to solutions for solving issues such as carpenter shortages and skyrocketing construction labor costs, the Unit Construction Method also ensures reliable quality in accordance with design plans. The Company is currently aiming to further increase the ratio of production processes handled at factories, and is making investments to automate production factories.

Commentary SEKISUI CHEMICAL Group's Value Creation Process Business Model: Case Study

Pipe Systems Field

Resolving infrastructure problems, supporting social foundations, and protecting people's lives

□ Creating New Products through Industry, Government, and Academia Collaboration

The Great Hanshin-Awaji Earthquake that occurred in 1995 highlighted the importance of water lifelines during emergencies, in part due to the delays in firefighting efforts caused by disruptions in water used for firefighting. This recognition triggered the acceleration of joint research with universities and local governments towards the development of polyethylene water pipes, the first of which were selected for introduction just six months after the earthquake following extensive testing and verification.



1995: Developed and began production of first-in-Japan polyethylene pipes **ESLO HYPER** for water supply
Preventing damages and water leakage related to earthquakes and ground subsidence

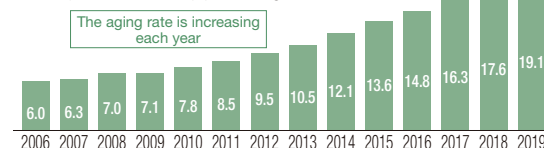
□ Working to Solve Japan's Aging Infrastructure Issue

Breakdown of Pipelines by Age (as of 2019)

| | |
|---|---------|
| Total Pipeline Length Exceeding the Statutory Useful Life (40 years) | 138,983 |
| Total Pipeline Length Older than 20 Years (excluding that exceeding 40 years) | 325,613 |

Based on the conventional SPR method's technology, SEKISUI CHEMICAL Group developed a design that increases strength and satisfies the required yield strength when using rehabilitated pipelines alone. This new design enables customers to rehabilitate sections of pipe that could not be saved with the conventional SPR method, such as extremely degraded pipes or those that had partially collapsed.

Pipeline Aging Rate (%) Total pipeline length exceeding the statutory useful life/Total pipeline length X 100



* Source 2022 Nationwide Water Supply Manager Meeting Materials (Japan's Ministry of Health, Labour and Welfare)

New demand discovery cycle

Environmental preservation

- Infrastructure conservation
- Intensification of natural disasters

ESLON Drop Shaft (Deep fall treatment system)

Increased utilization for handling rainwater storage pipe elevation difference related to increased demand for flooding countermeasures



Maintaining awareness and carrying out identification of customer feedback and market needs

Galvanized steel pipes for social problems related to hygiene and quality matters (such as reddening of water caused by rust)



1952: Began production of first-in-Japan **polyvinyl chloride (PVC)** pipes

Employee challenges

Selecting optimal raw materials and processing



1975: Began production of reinforced plastic composite pipes (**ESLON RCP**)

□ Expanding Applications that Leverage Strengths

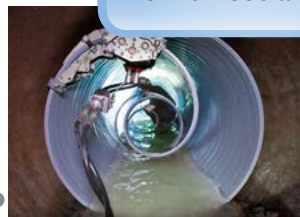
Using a multilayer structure composed of FRP and mortar, SEKISUI CHEMICAL Group achieved a balance between high strength and lighter weights. Given its resistance to corrosion, ESLON RCP also offers excellent durability. Based on both its performance and economy, ESLON RCP has been increasingly adopted in a wide range of fields and applications, including rainwater drainage pipes at major airports and water pipes for standard and low head hydro power facilities, for example.

Creating value that contributes to solutions for new social issues

Developing new products

1986 Developed the Pipeline Renewal Construction Method (**SPR Method**)

Achieved large-scale reductions in construction time and industrial waste by-products such as sediment by resolving sewer pipe deterioration problems without digging up roadways



Commentary SEKISUI CHEMICAL Group's Value Creation Process Business Model: Case Study

Medical Business

Expanding business domains and areas through M&As based on technologies held by the Company. Further expanding domains through product creation based on new technologies

SEKISUI MEDICAL TECHNOLOGY (SUZHOU) CO., LTD.



Expanding the business size by introducing new products in diagnostic reagents and devices and strengthening local production

Expansion of the Diagnostics Field

Acquired EIDIA Co., Ltd.

2015

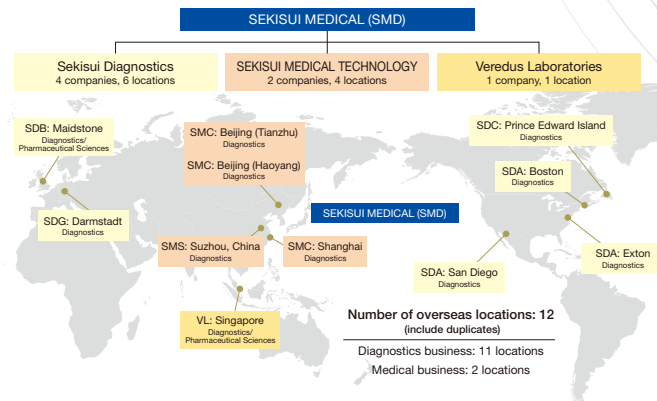
The Group expanded in the diagnostic area, including cancer diagnostics, acquiring new technologies.

Acceleration of Overseas Development

Diagnostic reagent business acquired of new technologies from Genzyme Corporation

2011

Established new diagnostic reagents companies in the US and the UK



Overseas expansion of fields and areas through introduction of own-company products

Full-fledged entry into the genetic POC field through the MDx (molecular diagnostics) Development Center and development of own-company products

Maintaining awareness and carrying out identification of customer feedback and market needs

Improved safety, shorter diagnostics times, higher diagnostics accuracy



Insepack

1985 First in the world to enable practical plastic vacuum blood collection tubes with superior strength

Group core technologies

- Microparticle control technologies (latex)
- Microparticle compounding and design
- Fine formation processes
- Design of functional plastics

Employee challenges

Selecting optimal raw materials and processing

Creating value that contributes to solutions for new social issues

Developing new products



Sekisui Diagnostics, LLC, San Diego

Acquisition of Technology through M&As

Acquired Daiichi Pure Chemicals

2006

Full-fledged entry into the diagnostics business
 Contracted services for biochemical diagnostic reagents, diagnostic reagents for influenza antigen testing, amino acids, and intermediary pharmacokinetic studies.

Key Issues (Materiality)

To further strengthen ESG management, which is the key to realizing the Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group is promoting measures centered on innovation, human capital, the environment, DX, and Internal Control.

Identification Process

Step 1: Extracting Issues

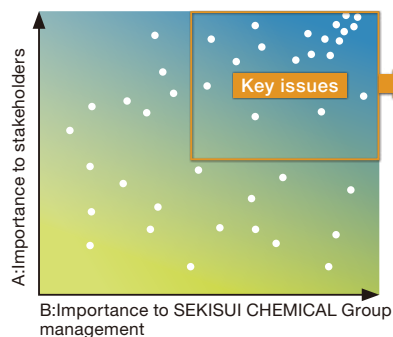
In line with the Corporate Philosophy System, extract issues based on social demands, including global guidelines such as the UN Global Compact, and feedback from customers, shareholders, and investors, as well as on other companies' trends.

Step 2: Identifying Key Issues

Prioritize issues along two axes: A. Importance to stakeholders and B. Importance to management. The former utilizes the SEKISUI Environment Sustainability Index (▶P.56), and considers the positive and negative impacts on communities and society. The latter utilizes the ROIC Spread (▶P.31), and estimates the degree of financial impact in the future. Key issues are then identified following deliberation by the Sustainability Committee (▶P.75).

Step 3: Authorizing Key Issues

Key issues deliberated by the Sustainability Committee are ultimately authorized by the Board of Directors. While key issues are revised as a rule every three years, when steps are taken to formulate the Medium-term Management Plan, SEKISUI CHEMICAL Group considers whether further revisions are required each year based on such factors as the status of the Group and changes in social conditions.



KPI Previous Medium-term Management Plan, Drive 2022, during FY2020–2022

| | | KPI | Fiscal 2022 Targets | Fiscal 2022 Results |
|-------------|---------------------------|---|---|---|
| | Output | Products to Enhance Sustainability and Premium Framework | ¥800 billion Includes Premium Framework ¥440 billion | ¥908.9 billion Includes Premium Framework ¥440.3 billion |
| Materiality | Investment for the future | Fusion | Increasing net sales through fusion | +¥50.0 billion (compared with FY2019) |
| | | Human Resources | Employee challenge action rate ^{*1} | 17% |
| | | Environment | Renewable Energy Ratio of Purchased Electricity | 20% |
| | | DX | Direct/indirect net sales per employee | FY2030: Direct productivity 15% increase Indirect productivity 40% increase (compared with FY2019) |
| | Risk reduction/avoidance | Internal control (Safety, Quality, Legal/ethical, Accounting, Information management) | Number of major incidents in the 5 fields | 0 |
| | | | BCP operating rate | BCP operating rate 100% (Establishment of PDCA) |

KPI Medium-term Management Plan, Drive 2.0, during FY2023–2025

| | | KPI | Fiscal 2025 Targets | |
|-------------|---|---|--|--|
| | Output | Products to Enhance Sustainability and Premium Framework | Drive the ability to create profit, contribute to solving social problems, and achieve sustainable management | Products to Enhance Sustainability and Premium Framework net sales |
| | | | | At least ¥1 trillion Includes Premium Framework ¥540 billion |
| Materiality | Foster Expectations for Growth (enhance preparations) | Innovation | Develop new products and steadily progress market launch in existing fields, and create and acquire new businesses | Number of open innovation |
| | | Human Capital | Create an energized and engaged company that enables diverse human resources to take on challenges and play an active role | Employee challenge action rate ^{*1} |
| | | | | Rate of successor candidate preparation ^{*2} |
| | | Environment | Aim to realize an earth with maintained biodiversity | Rate of GHG reduction(Scope1+2) |
| | Improve confidence (reduce capital costs) | | | Material Recycling rate of waste plastic (Japan) |
| | | DX | Revise work processes and drastically increase productivity | Direct/Indirect Net Sales per Employee |
| | | Internal control (Safety, Quality, Legal/ethical, Accounting, Information management) | Reduce operational risks that may damage corporate value on a global basis | Number of major incidents in the 5 fields |
| | | | | |

^{*1} Four options were given for the answer to the question "Does the following statement apply to you: I am taking concrete actions to engage in challenging action to realize Vision 2030": [1] Yes, [2] Somewhat applicable, [3] Somewhat not applicable, and [4] No. Until fiscal 2022, the Company only aggregated the total for answer [1]. In fiscal 2023, the Company redefined the indicator in a way that aggregates the totals for [1] and [2]. ^{*2} Number of successor candidates to the most senior business leader post ÷ Number of the same post

Coexistence in Mutual Prosperity with Stakeholders

We will build relationships of mutual prosperity with our five stakeholders—customers, shareholders, employees, business partners as well as local communities and the environment—while continuing to promote stable growth.

Creating Attractive Products and Services Based on Customer Feedback

SEKISUI CHEMICAL Group considers customer feedback as a valuable management resource and is committed to promoting innovation to maintain the quality of products under the motto “We consider customer feedback as the beginning of our manufacturing.” In this way, the Company provides value (goods and services) that meets customer expectations, and aims for continued long-term development and growth with the customer.

Enhancing Corporate Value by Direct Dialogue with Investors

We believe it is extremely important to engage in constructive dialogue with shareholders and investors in order to achieve sustainable growth. We therefore have put in place Active Engagement between Investors and Management as one of our key issues, while the CEO and director in charge of the Business Strategy Department are taking the lead in proactively holding financial results briefings and direct dialogues with shareholders and institutional investors to leverage our management strategy to enhance corporate value.

We are strengthening information dissemination on our website with an awareness of fair disclosure while striving to reflect as much as possible the opinions and questions received through these dialogues in the Integrated Report and other IR materials. To promote an understanding of initiatives intended to achieve the Long-term Vision, we hold ESG Management Briefings for institutional investors and analysts, as well as small group meetings with the CEO for sell-side analysts. Along with making the content of these available on the website, we also held IR events including tours of the MINASE INNOVATION CENTER.

Distributing Value to Stakeholders (Fiscal 2022)

SEKISUI CHEMICAL Group calculates the status of distribution based on financial statements by stakeholder, using GRI and other standards as a reference.

(Millions of yen)

| Stakeholder | Method of Calculating Amounts | Fiscal 2022 |
|--------------------------------------|---|-------------|
| Shareholders | Dividends | 25,100 |
| Business partners | Cost of Sales, Selling Costs/General Administrative Costs (Excluding Personnel Costs) | 926,822 |
| Employees | Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay | 224,034 |
| Local communities | Donations | 198 |
| Global environment | Environmental conservation costs | 26,373 |
| Government and administrative bodies | Corporate taxes, local taxes, business taxes | 28,727 |
| Creditors | Interest paid as part of costs apart from sales | 871 |

Vision Caravan Dialogue between Management and Employees

To disseminate our Long-term Vision and ESG management, we are conducting the Vision Caravan as an opportunity for dialogue between management and employees. At fiscal 2022 Vision Caravan events, management explained their own thoughts on realizing the Long-term Vision and ESG management, while employees deepened their understanding by discussing among themselves the connection between their work and ESG management. At the same time, executives commented and gave feedback on the presentation of content and questions, promoting a lively two-way dialogue.

Responsible Procurement

In March 2022, we signed the Declaration of Partnership Building to promote coexistence in mutual prosperity and collaboration with business partners in the supply chain and operators of businesses that create value. To assist in resolving social issues in the supply chain and achieve sustainable procurement, we have formulated Sustainable Procurement Guidelines and are working together with our business partners to realize a sustainable society.

▼ Declaration of Partnership Building

<https://www.biz-partnership.jp/declaration/8555-05-08-tokyo.pdf>

■ Sustainable Timber Procurement

To contribute to the eradication of deforestation and the sustainable use of timber resources, at SEKISUI CHEMICAL Group every effort is made to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements, such as FSC-certified wood. In addition, the Group conducts investigations into commercial distribution with regard to the logging area, tree species and quantity of timber materials to ensure traceability.

■ Responsible Mineral Procurement

SEKISUI CHEMICAL Group is also concerned about the issue of conflict minerals in the Democratic Republic of Congo and neighboring countries and has conducted surveys on the use of conflict minerals throughout the supply chain from an ESG perspective. In fiscal 2022, the Group surveyed domestic and overseas sites that handle minerals subject to this effort, including 3TG (tantalum, tungsten, tin, and gold), cobalt, and mica. In advance of the survey, the Group also held internal study meetings regarding the risks of child labor and other human rights abuses in addition to those on funding of armed forces in an effort to deepen the understanding of the survey.

▼ Procurement

<https://www.sekisuichechemical.com/about/outline/suggestion/>

Respect for Human Rights

Human rights initiatives

SEKISUI CHEMICAL Group considers respect for human rights as an enduring value that serves as a prerequisite and basis for business. We also recognize that enhancing the Group's sustainable management platform requires engaging in efforts to ensure respect for the human rights of business partners and as many stakeholders as possible beyond just SEKISUI CHEMICAL Group employees, and will therefore establish mechanisms for preventing human rights abuses on a global basis.

▼ Please refer to the following webpage for details of the SEKISUI CHEMICAL Group Human Rights Policy.

https://www.sekisuichechemical.com/sustainability_report/basic_policies/#anc-P01

Human Rights Due Diligence

When conducting human rights due diligence, the Group applies expert human rights knowledge from independent third parties and engages in earnest dialogue and consultation with our stakeholders.

* Human rights due diligence is the ongoing management process of identifying and assessing any potential negative impact on human rights (human rights risks) from a company's business activities, and if there are human rights risks, the process of creating mechanisms to prevent the impact from such risks on an ongoing basis.

In fiscal 2021, SEKISUI CHEMICAL Group implemented a human rights risk assessment targeting management at Group companies, including joint ventures, in all global areas, and management at on-site outsourcing companies. The Group also conducted this assessment targeting general employees, including indirect employees, at selected business locations. In fiscal 2022, the Group took corrective action regarding issues extracted during the assessments and conducted human rights interviews at two locations in Japan and abroad.

■ Identify and remedy human rights risk based on a human rights risk assessment (example)

The Group drafts employment agreements in workers' native languages in order to promote an understanding of employment agreements among foreign nationality workers employed at Group companies in Japan.

■ Conduct human rights interviews with foreign nationality employees at overseas production sites

Targets: Vietnamese workers employed at Sekisui Industrial Piping Co., Ltd. (Taiwan) of the UIEP Company

Implementation method: Questionnaire and a survey conducted by an external third-party organization based on the questionnaire results
Confirm the living environment through a housing observation

Survey content: Forced labor, freedom of association, the right to collective bargaining, equal pay, and prohibition of discrimination, etc.

Results: Although no notable negative impacts were revealed, it did identify preparing multilingual pay statements and internal factory signage, reducing the burden of living expenses, securing access to employee whistleblowing systems (▶P.64), and others as issues requiring priority action. In response to these issues, Sekisui Industrial Piping Co., Ltd. (Taiwan) formulated a remediation plan and will address these issues in stages.

Addressing Risks and Opportunities

To identify the risks for which SEKISUI CHEMICAL Group should prepare, we have broadly categorized each into business environment, strategic, and operational risks, and have further subdivided each category to comprehensively identify each. In light of geopolitical risks, new social demands, and other changes, we regularly conduct quantitative risk level assessments using a risk matrix composed of risk probability (frequency) and impact (result). Risk items that are especially serious are deliberated by the Sustainability Committee and Board of Directors. Based on these deliberations, steps are taken to determine countermeasures and policies, which are incorporated into management and action plans.

To quickly respond to various changes in the business environment, we discuss and make decisions during Board of Directors' meetings held monthly and the Budget Formulation Meeting held quarterly while working to review and disclose details of management plan indicators as well as financial conditions in a timely and appropriate manner. [▶ P.17 Materiality](#) [▶ P.66 Risk Management](#) [▶ P.75 Sustainability Promotion Framework](#)

| | Major Risks and Opportunities | Major Responses/Actions by SEKISUI CHEMICAL Group |
|----------------------------|--|--|
| Business environment risks | Economy and product market trends Risk <ul style="list-style-type: none"> • Downturn in demand due to trends in the economic environments of business areas where the Group does business, changes in public policy, and unforeseen events • Mobility, Electronics, Housing, Construction, Infrastructure, and other markets ▶ P.34-39 | <ul style="list-style-type: none"> • Capture demand by introducing high-value-added products that solve social issues to the market and by pioneering applications for these • Strengthen earnings power by reducing costs |
| | Raw material price volatility and procurement Risk <ul style="list-style-type: none"> • Volatility in steel, wood, polyvinyl chloride, olefin, and other petroleum-related raw materials owing to tightened or delayed supply due to changes in the balance between demand and supply as well as the impact of the trade policies of supplier countries • Stable supply of scarce resources | <ul style="list-style-type: none"> • Diversify the source of raw materials procurement • Implement cost-reduction measures on an ongoing basis • Maintain the margin between selling and raw material prices |
| | Foreign currency, interest rate, and owned asset price fluctuation Risk <ul style="list-style-type: none"> • Impact on the yen-translated amount of foreign currency-denominated transactions and items owing to fluctuations in the value of the yen against foreign currencies • Impact on the amounts of interest income and interest expense due to interest rate fluctuations • Losses on owned assets due to changes in the market and business environments, etc. | <ul style="list-style-type: none"> • Periodic review of internal currency exchange rates for foreign currency-denominated transactions (avoid discrepancies between plans and actual results) • Transitioning businesses deployed globally to local production |
| | Major earthquake, natural disaster Risk <ul style="list-style-type: none"> • Interruption of the Group's business activities due to such natural disasters as major earthquakes and tsunamis, or the spread of infectious diseases | <ul style="list-style-type: none"> • Engage in risk management and put in place the Crisis-management System • Implement business continuity plans (BCPs) |
| | Climate change and environmental issues ▶ P.20 Addressing Risks and Opportunities: Climate Change Risks Impact Analyses | |
| | Politics and Society Risk <ul style="list-style-type: none"> • Incidence of social and political turmoil due to terrorism, war, tariff retaliation measures, unexpected changes in policies, laws and regulations, racial discrimination, product boycotts, and other factors | <ul style="list-style-type: none"> • Collect trends and information in each country through regional headquarters (United States, Europe, China, ASEAN) • Establish swift response measures (ERM) • Human rights initiatives |
| Strategic risk | M&A/New Business/R&D Risk <ul style="list-style-type: none"> • Manifestation of business environment risks • Delays in development and business launch Opportunity <ul style="list-style-type: none"> • Expanded business scale and manifestation of synergy | <ul style="list-style-type: none"> • Strengthen preliminary investigations of potential M&A targets • Strengthen monitoring after M&A execution • Accelerate development through internal and external technology fusion • Effectively implement business reviews and design reviews |

| | Major Risks and Opportunities | Major Responses/Actions by SEKISUI CHEMICAL Group |
|------------------|---|--|
| Operational risk | Safety and health, industrial accidents Risk <ul style="list-style-type: none"> • Fire, explosion, or hazardous substance leaks • Incidence of major workplace accidents | ▶ P.62 Safety <ul style="list-style-type: none"> • Identify risks and regularly conduct onsite audits to prevent any incidence of risks occurring/Make corrective improvements through disaster-preparedness audits • Clarify equipment safety standards and promote safety activities • Develop human resources to take the initiatives in safety activities and create a culture for this • Improve emergency response measure skill levels |
| | Products / Quality Risk <ul style="list-style-type: none"> • Incidence of serious product accidents • Product recalls or discontinuation due to questions over safety, the environment, or statutory and regulatory compliance | ▶ P.63 Quality <ul style="list-style-type: none"> • Implement quality management across the entire process, from product development to design, production, and sales, and work to improve quality levels • Establish systems to thoroughly prevent quality data irregularities and falsification • Prevent quality issues through preliminary reviews at the development stage • Share information on onsite manufacturing improvements that support quality |
| | Compliance Risk <ul style="list-style-type: none"> • Unethical or criminal behavior • Violations of the Monopolies Act or fraudulent transactions • Unauthorized overwriting of data • Bribery • Harassment, etc. | ▶ P.64-65 Legal/Ethics, Accounting <ul style="list-style-type: none"> • Instill compliance awareness • Build and employ a whistleblowing system for internal and external use • Formulate internal regulations and guidelines and provide education • Provide ongoing compliance training by theme • Visualize accounting processes through the effective use of IT |
| | Information management Risk <ul style="list-style-type: none"> • Customer, technology, and other information leaks • Business suspension due to system failures resulting from cyberattacks or natural disasters, etc. | ▶ P.65 Information management <ul style="list-style-type: none"> • Strengthen cybersecurity monitoring systems • Formulate guidelines for handling personal information and build a data protection framework • Regularly strengthen employee training and ensure thorough information management by importance • Completely duplicate mission-critical systems |
| | Intellectual Property Risk <ul style="list-style-type: none"> • Costs involved in fighting disputes related to intellectual property and damage to reputation Opportunity <ul style="list-style-type: none"> • Management resources that support growth and profits | ▶ P.53 R&D / Intellectual Property <ul style="list-style-type: none"> • Secure strategic intellectual property, and maintain and manage acquired intellectual property • Conduct intellectual property training for employees • Conduct timely investigations to avoid intellectual property infringement • Implement strategic intellectual property management through the use of IP landscaping |

Addressing Risks and Opportunities Climate Change Risks Impact Analyses*

* Since fiscal 2021, we have adopted 1.5°C and 4°C scenarios.

Regarding climate change, we are investigating steps we can take to become aware of risks and opportunities, reduce risks, and turn risks into opportunities. We recognize climate change as a serious external risk. Accordingly, we have considered policies and countermeasures to address this risk when exploring medium- to long-term strategies and established an environmental medium-term plan. The environmental medium-term plan is then approved by the Board of Directors. We have implemented PDCA cycles to pursue climate change-related initiatives, based on the indicators and goals for the plans to promote addressing climate change-related risks. [▶ P.56 Environment](#)

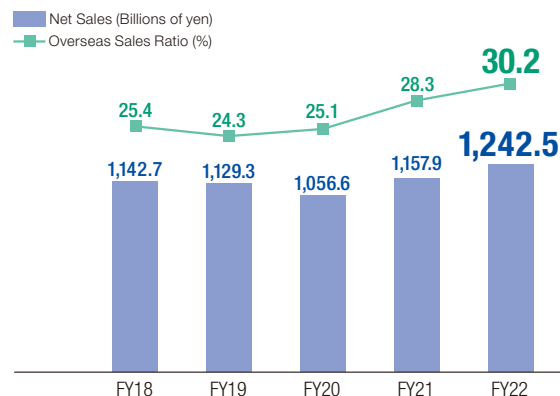
Bold type: Innovation-related items

| Type | Climate Change Risks | Financial Impacts | Business Risks | Business Opportunities | Response/Actions by SEKISUI CHEMICAL Group |
|------------|---|-------------------|---|---|--|
| Transition | Carbon tax increase | Large | <ul style="list-style-type: none"> <Medium to long term> • Increase in energy procurement costs • Decrease in sales due to adding costs to product prices | <ul style="list-style-type: none"> <Medium to long term> • Acquire business opportunities by differentiating through early response • Stabilization of energy costs by introducing renewable energy | <ul style="list-style-type: none"> • Accelerate the conversion to renewable energy and transform internal awareness by implementing an internal carbon pricing scheme under the Policy to Facilitate Renewable Energy Adoption • Improve effectiveness through public commitments such as SBT certification |
| | Regulations for energy savings/low carbon | Large | <ul style="list-style-type: none"> <Short term> • Increase in capital investment to strengthen energy conservation and renewable energy <Medium to long term> • Increase in introduction costs for renewable energy certificates, etc. | <ul style="list-style-type: none"> <Short term> • Increased sales from energy conservation/storage/creation businesses • Increased sales from CO₂-regulation compliant products | <ul style="list-style-type: none"> • Establish an ESG investment framework (¥40 billion/three years), including climate change action ▶ P.32 • Develop new energy creation technologies (e.g., perovskite solar cells) ▶ P.49 • Review green procurement standards as appropriate • Standardize housing with ZEH specifications ▶ P.43 |
| | Policies | Large | <ul style="list-style-type: none"> <Short term> • Increase in renewable energy procurement and waste treatment costs <Medium to long term> • Lose market share from loss of differentiation due to mandating of low-carbon products such as ZEH • Reduction of business opportunities due to stricter laws and regulations related to resource recycling | <ul style="list-style-type: none"> <Short term> • Increased need for technologies to reduce CO₂ during waste incineration <Medium to long term> • Increase in sales of new homes due to expansion of ZEH market from mandatory ZEH specs • Expanding opportunities for horizontally recycled products such as in-house and industry-wide collection | <ul style="list-style-type: none"> • Develop technology for creating ethanol from garbage (e.g., Biorefinery, BR) ▶ P.49 • Use purchased power after FIT (e.g., Smart Heim DENKI) • Expand Products to Enhance Sustainability ▶ P.41 • Consideration of expanding horizontal recycling of in-house plastic products (e.g., KYDEX buyback system, etc.) • Development of services to improve the recycling value of housing products (e.g., Be-Heim) |
| | Litigation | Medium | <ul style="list-style-type: none"> <Medium to long term> • Lawsuits against companies using fossil fuels | <ul style="list-style-type: none"> <Medium to long term> • Increase in business opportunities due to consumer trust earned from commitments to society | <ul style="list-style-type: none"> • Disclose environmental vision and 2050 GHG emissions reduction targets • Improve scores in various external benchmarking systems |
| | Replacement to low carbon products | Large | <ul style="list-style-type: none"> <Short term> • Increase in re-certification costs due to change of low-carbon materials <Medium to long term> • Changeover to lower carbon materials and processes | <ul style="list-style-type: none"> <Short to medium term> • Increase in business opportunities for Products to Enhance Sustainability that contribute to low carbonization <Long term> • Business expansion through prioritized procurement of resource recycling friendly designed products | <ul style="list-style-type: none"> • Use of LCA in planning, development and marketing (CFP, environmental impact other than climate change) • Use of learn from nature technologies and continuation of researcher subsidies • Promotion of renewable energy in factories (e.g., Smart Heim DENKI) • Reduction of factory waste and acceleration of resource recycling ▶ P.59 • Product development using bio-derived materials • Product development using recycled materials and increasing their use |
| | Development of decarbonization technology | Large | <ul style="list-style-type: none"> <Medium to long term> • Opportunity loss due to delay in introduction of decarbonization technologies | <ul style="list-style-type: none"> <Medium to long term> • Expand business opportunities by decarbonizing products • Creation of new businesses utilizing decarbonization technologies | <ul style="list-style-type: none"> • Development of CCU technologies in collaboration with different industries (e.g., collaboration with ArcelorMittal, S.A.) |
| | Change in consumer behavior | Medium | <ul style="list-style-type: none"> <Long term> • Decrease in sale of new cars • Opportunity loss due to inability to recycle resources and use decarbonization incentives | <ul style="list-style-type: none"> <Medium term> • Acquisition of incentives through resource recycling and visualization of decarbonized value <Long term> • Increase in profitability from shift to higher-performance products • Expansion of market for ICT-related products | <ul style="list-style-type: none"> • Efforts to improve resource recycling value through industry collaboration (e.g., CLOMA (for marine plastic issues)) • Development of highly heat-resistant, durable, and other high-performance products • Development of lightweight solar cells, heat release products |
| | Market uncertainty | Medium | <ul style="list-style-type: none"> <Long term> • Investments to stabilize power supply for dispersed renewable energies | <ul style="list-style-type: none"> <Long term> • Increase in sales of products to support a more dispersed society | <ul style="list-style-type: none"> • Sales of houses that realize energy self-sufficiency ▶ P.14 • Development of resource recycling technologies (e.g., BR, material waste recycle) ▶ P.59 |
| | Changes in consumer preferences | Medium | <ul style="list-style-type: none"> <Short to medium term> • Sales decline due to inability to keep up with sustainable lifestyle preferences <Long term> • Decrease in sales due to increased preference for sharing over owning | <ul style="list-style-type: none"> <Short to medium term> • Improve corporate brand and expand sales with products that support sustainable living <Long term> • Creation of new businesses to meet consumer preferences | <ul style="list-style-type: none"> • Promotion of sustainable town development businesses (e.g., ABINC certification of Asaka Lead Town) • Begin services using housing big data (e.g., Smart Heim DENKI) |
| | Industry criticism | Large | <ul style="list-style-type: none"> <Medium to long term> • Investor valuation decline for companies that do not decarbonize <Long term> • Decline in evaluation of companies that do not understand the biodiversity impact of decarbonization solutions | <ul style="list-style-type: none"> <Short to medium term> • Secure stable financing by demonstrating compatibility with resource circulation <Long term> • Consideration of nature-positive decarbonization solutions and high evaluation for product development | <ul style="list-style-type: none"> • Use of renewable energy by purchasing electricity after FIT • Promotion of reform and use of in-house system for planning and R&D (product environmental impact assessment) • Promotion of efforts to reduce the impact on nature and information disclosure (e.g., use of Land Use Score Card™) |
| Physical | Frequent typhoons | Large | <ul style="list-style-type: none"> <Short term> • Increase in damage such as in plant shutdowns and sales decrease • Increase in costs to control flooding and overflows • Decrease in sales due to supply chain disruption <Medium to long term> • Increase in insurance premiums | <ul style="list-style-type: none"> <Short term> • Increase in needs for resilient infrastructure • Increase in sales of products in areas with a high level of water-related risks • Increase in needs for equipment/facilities for disaster preparedness | <ul style="list-style-type: none"> • Understand water risks and implement countermeasures ▶ P.59 • Development of highly durable infrastructure • Accelerate infrastructure renewal in developed nations (e.g., SPR method) • Expand infrastructural business in developing nations ▶ P.37 • Development of disaster response products (e.g., drinking water storage systems) ▶ P.44 • In-house fusion mechanism for adaptive product development, task force projects |
| | Heavy rain/droughts | Large | | | |
| | Changes in rainfall patterns | Medium | <ul style="list-style-type: none"> <Short term> • Increase in costs for restructuring supply chain <Medium to long term> • Increase in heat stroke/other illnesses related to warming • Increase in air-conditioning/cooling costs | <ul style="list-style-type: none"> <Short term> • Increase in sales of heat insulating/heat shielding products <Medium to long term> • Increase in needs for pharmaceutical products/diagnostic drugs that contribute to treatments | <ul style="list-style-type: none"> • Explain procurement guidelines to raw material suppliers ▶ P.18 • Globally disperse production bases ▶ P.12 • Reinforcement of OEM structure in accordance with increase in illness |
| | Rise in sea level | Medium | | | |
| | Rise in average temperatures | Medium | | | |

The Financial Impacts in the table were evaluated in three categories: large, medium, and small, in light of the magnitude of the impact on related financial indicators. The risks and opportunities that become apparent are described in three stages: Short term (less than 3 years), medium-term (3 to less than 6 years), and long-term (6 years or more).

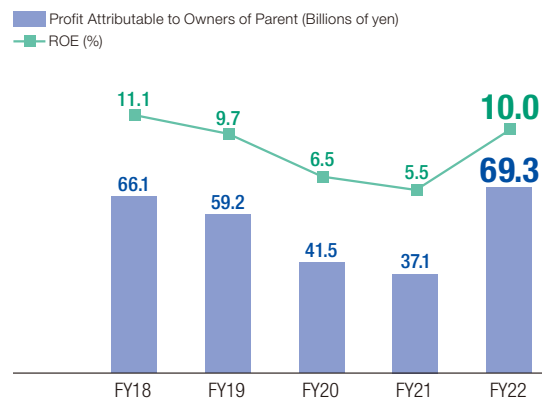
Financial and Non-financial Highlights

Net Sales/Overseas Sales Ratio



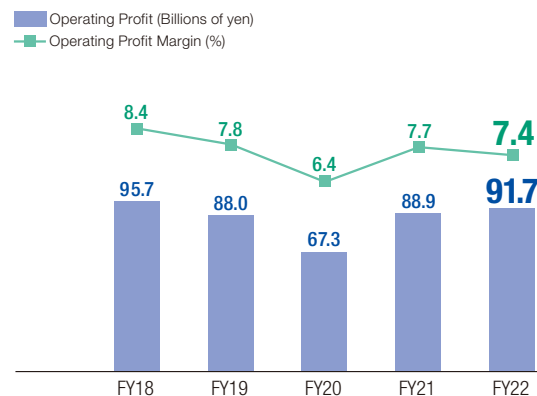
Despite a harsh business environment impacted by such factors as cuts in automobile production due to the semiconductor shortage, deterioration in electronics market conditions, and a downturn in the number of domestic housing starts, net sales reached a record high owing to the increase in sales of high value-added products as well as progress in improving selling prices and positive foreign exchange effects.

Profit Attributable to Owners of Parent/ROE



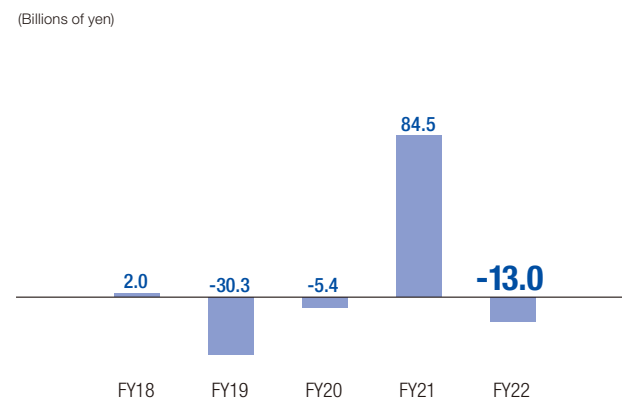
Substantial increase in non-operating income due to the impact of fluctuations in foreign currency exchange rates and the absence of impairment losses posted by SEKISUI AEROSPACE CORPORATION in the previous fiscal year.

Operating Profit/Operating Profit Margin



Operating profit increased owing to a variety of factors, including improvements in selling prices, an increase in sales of high value-added products, and cost reductions, which offset the significant impact of the soaring prices of raw materials, fuels, and component parts.

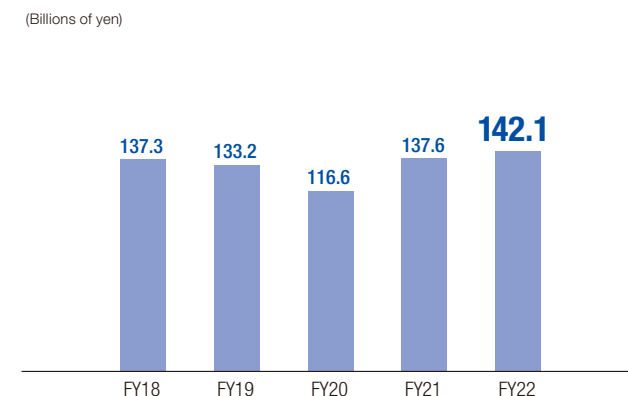
Free Cash Flow



Cash on hand declined mainly due to an increase in payments for capital expenditures and dividend payments.

Free Cash Flow = Cash Flows from Operating Activities + Cash Flows from Investing Activities - Dividends Paid

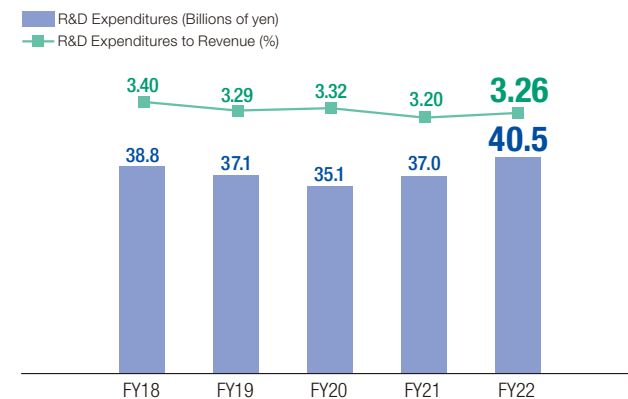
EBITDA



EBITDA reached a record high of ¥142.1 billion due to increased sales volume, sales growth from the shift to high value-added products, and efforts to manage costs, including the structural reform of business.

EBITDA = Operating Profit + Depreciation + Amortization of Goodwill

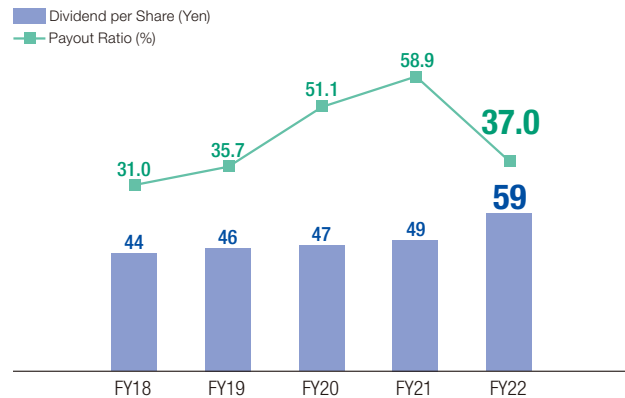
R&D Expenditures/ R&D Expenditures to Revenues



Expenditures came to ¥40.5 billion given efforts to promote R&D in the HPP Company as well as Medical and new businesses.

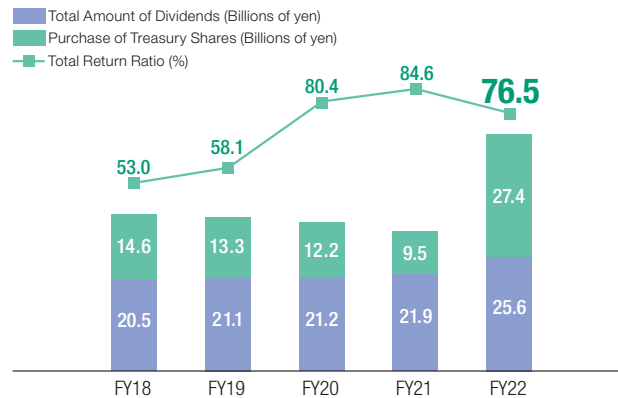
Financial and Non-financial Highlights

Dividend per Share/Payout Ratio



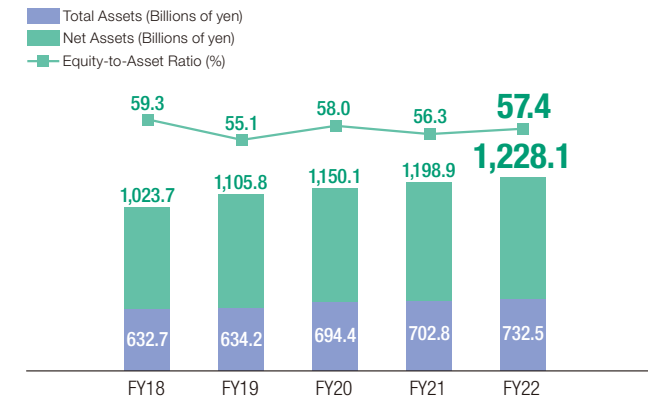
The annual dividend was set at ¥59 per share. This represented the 13th consecutive fiscal year of dividend increase. The Company will continue to provide stable and proactive returns to shareholders in the future.

Total Amount of Dividends/ Purchase of Treasury Shares/Total Return Ratio



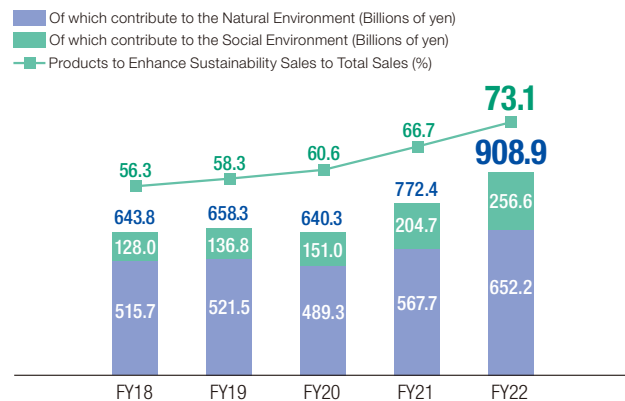
In addition to implementing flexible capital policies and improving capital efficiency, the Company purchased ¥27.4 billion (15 million shares) of its common stock as part of its proactive efforts to provide returns to shareholders.

Total Assets/Net Assets/ Equity-to-Asset Ratio



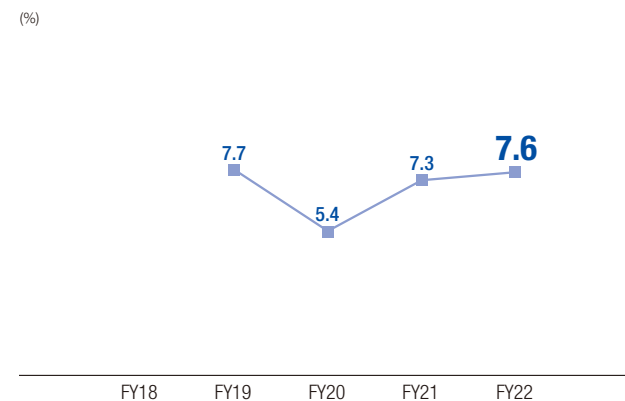
Total assets stood at ¥1,228.1 billion, an increase of ¥29.2 billion, mainly owing to the impact of fluctuations in foreign currency exchange rates.

Net Sales of Products to Enhance Sustainability (P.41)



Sales of Products to Enhance Sustainability came to ¥908.9 billion accounting for 73.1% of total sales. Under the Company's ESG management, every effort is being made to develop and expand Products to Enhance Sustainability that help drive the Company's growth by solving social issues.

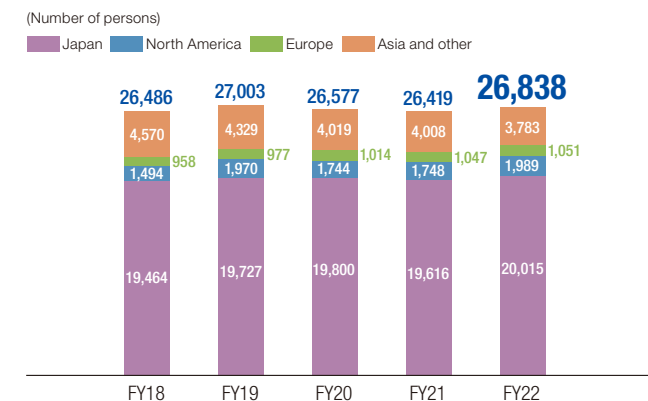
ROIC



Despite the substantial improvement in net profit after tax, the increase in ROIC was held to 0.3 percentage point owing to the impact of fluctuations in foreign currency exchange rates as well as increases in fixed assets and inventories on the back of soaring raw material prices.

Return on Invested Capital (ROIC) = After Tax Operating Profit/Average Invested Capital (Fixed Assets + Working Capital)

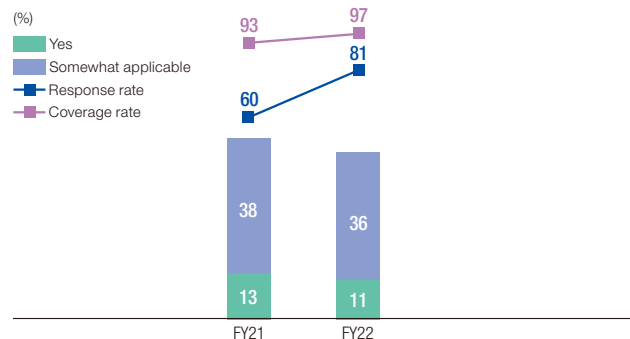
Number of Employees



While there was a decrease in certain areas due to structural reforms, the number of employees increased by 419 across the Group as a whole, to 26,838 owing to such factors as the upswing in consolidated companies and efforts to strengthen the production system.

Financial and Non-financial Highlights

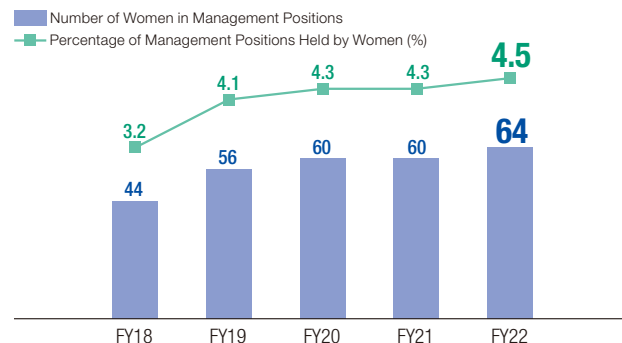
Employee Challenge Action Rate* (▶P.54)



It is important for each and every employee to break free from convention while continuously taking on challenges in order to realize the Long-term Vision. An analysis of results in fiscal 2022 indicates that many employees are confused about what exactly they need to do to take challenging actions.

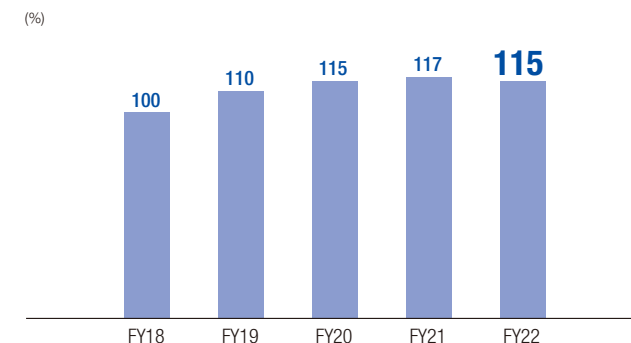
* The percentage of respondents who answered yes to the question, "I am taking concrete actions to engage in challenging action to realize Vision 2030." The percentage of respondents who answered yes or somewhat applicable from fiscal 2023.

Number of Women in Management Positions (SEKISUI CHEMICAL Non-consolidated)



SEKISUI CHEMICAL Group is working to support the retention and success of female employees as well as the appointment of women to management positions. In fiscal 2022, the ratio of female managers increased due to the appointment of new female managers.

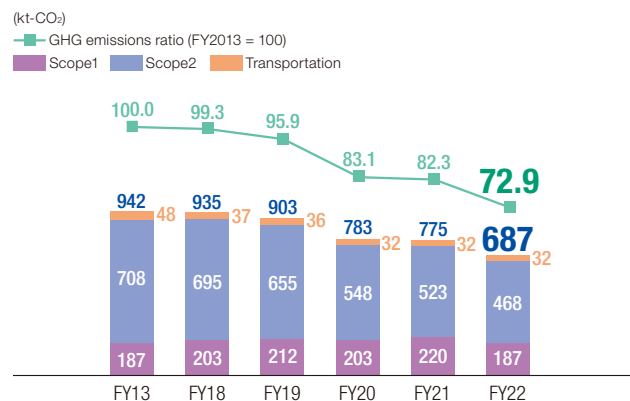
Patent Asset Index™ growth rate (▶P.53)



The Company regards intellectual property (IP) that has resulted from its R&D activities to be an important management resource underpinning SEKISUI CHEMICAL Group's growth and profitability as well as efforts toward the maximization of corporate value. Against this backdrop, we will engage in activities while referencing the Patent Asset Index™ (PAI).

* Patent Asset Index™ growth rate calculated using LexisNexis' PatentSight® patent analysis tool based on figures from five years ago. * The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based in the country of application for each patent with valid legal status, and adds them together to show the assets value of the patent. * Fiscal 2022 is the aggregate value as of April 2023.

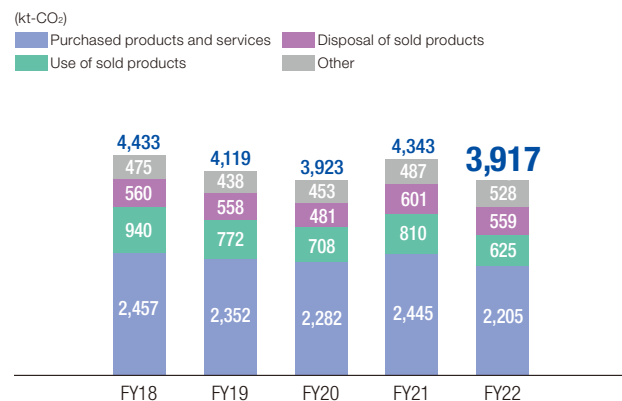
GHG Emissions from Business Activities (▶P.56)



In fiscal 2022, solar power generation equipment was installed at 15 business sites in Japan and overseas, bringing the total generated output to 9.3 MW. In addition, reductions in GHG emissions through the upgrade and renewal of equipment based on the environmental investments incentive program* from fiscal 2020 to fiscal 2022 was 127.5 kt-CO₂.

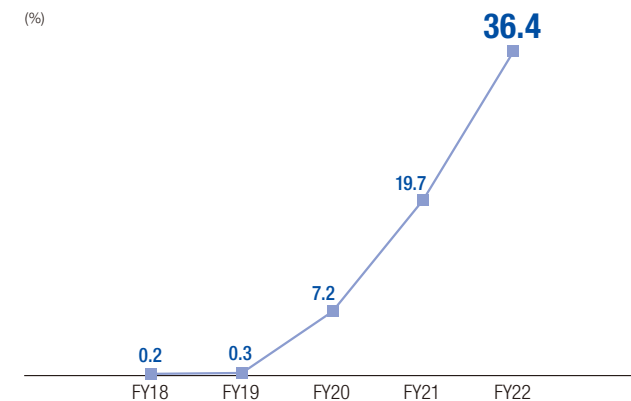
* Environment-Contributing Investments Incentive Program: Environmental investments strategically implemented to promote reductions in GHG emissions. This program is a form of internal carbon pricing, by which SEKISUI headquarters provides financial support to investing departments at a conversion rate of ¥30,000 per t-CO₂ of GHG emissions reduced.

GHG Emissions from the Supply Chain (Scope3)



SEKISUI CHEMICAL Group was successful in cutting back, albeit slightly, on its purchased products and services, even as its business expanded by mainly encouraging suppliers and shifting to bio-based and other resources. Efforts to promote a reduction in the use of sold products were driven by an increase in ZEH specification housing as a ratio of houses sold. With little or no progress made in reducing the disposal of sold products, we recognize the need to accelerate reductions through steady implementation of the Group's resource recycling strategy (▶P.59).

Renewable Energy Ratio of Purchased Electricity



The switchover to renewable energy sources was completed at 31 facilities in Japan and overseas by fiscal 2022. As a result, the ratio of purchased electricity derived from renewable energy came in at 36.4%.

Long-term Vision, Vision 2030

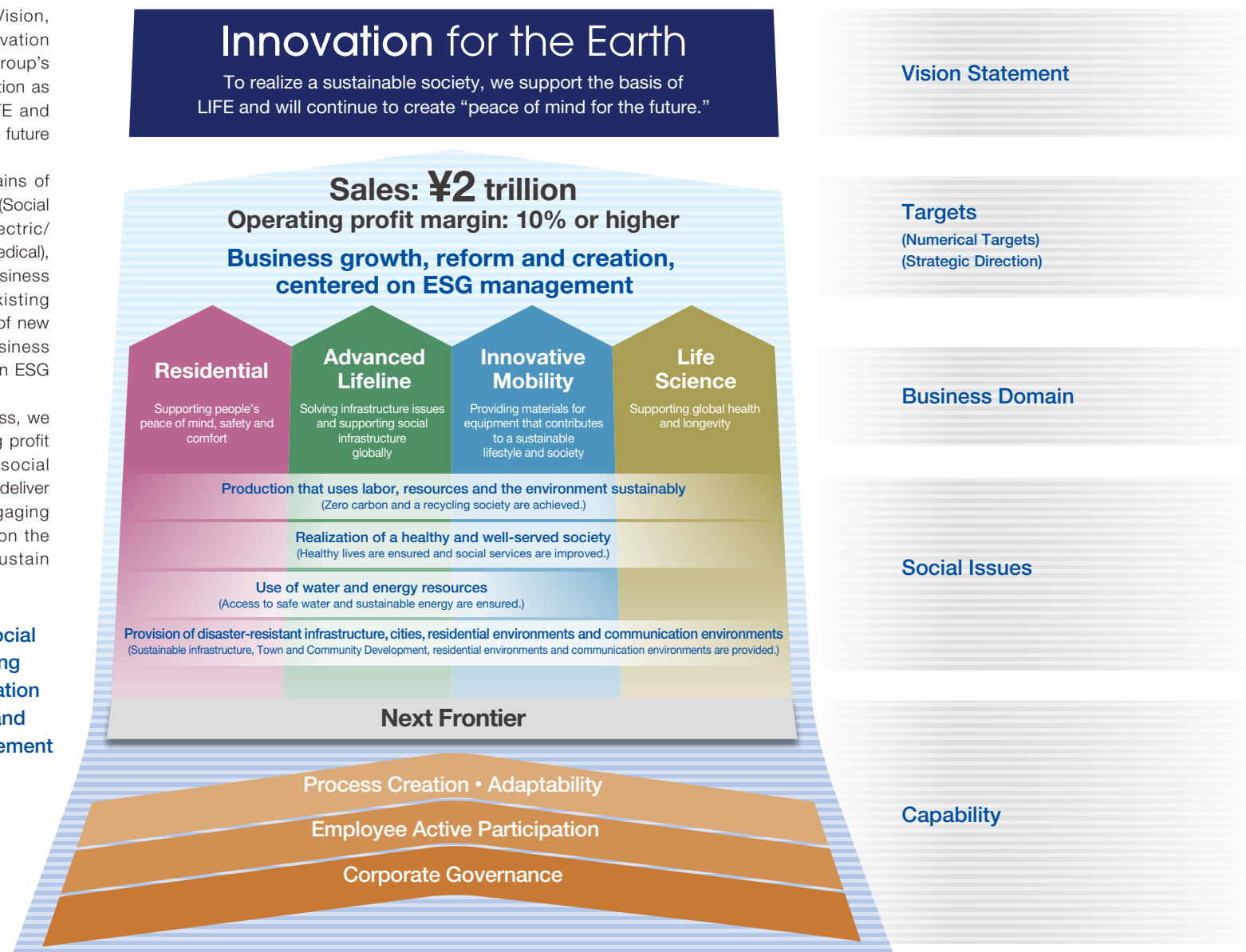
Aiming to Double the Group's Business by 2030 Centered on ESG Management

Vision 2030, the Group's Long-term Vision, presents the vision statement of Innovation for the Earth, which incorporates the Group's resolute will to continuously drive innovation as a means of supporting the basis of LIFE and continuing to create peace of mind for the future to realize a sustainable society.

This Vision lays down the four domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double the scale of our business by 2030 through the expansion of existing business while taking on the challenge of new domains along the strategy axis of business growth, reform, and creation centered on ESG management.

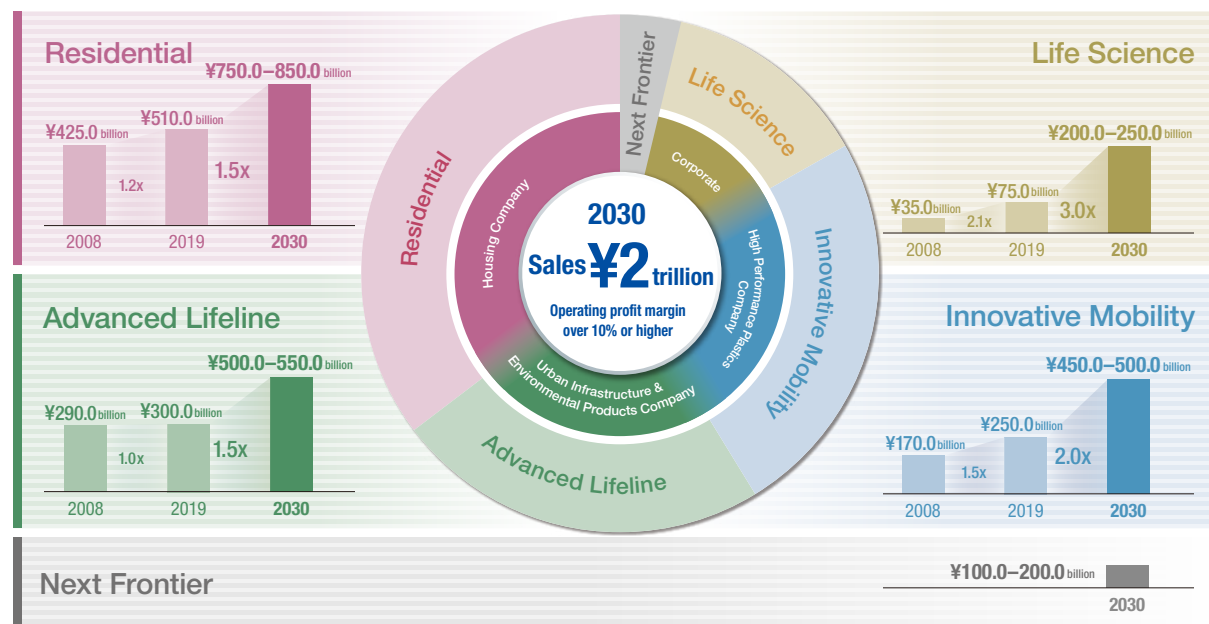
Working to double the Group's business, we will seek to increase sales and operating profit based on our contribution to solving social issues in each domain, and endeavor to deliver more sustainable contributions by engaging in operations that take into consideration the Group's management capability to sustain business.

Expand contributions to solving social issues through expansion of existing businesses and new business creation through business growth, reform and creation, centered on ESG management



Long-term Vision, Vision 2030

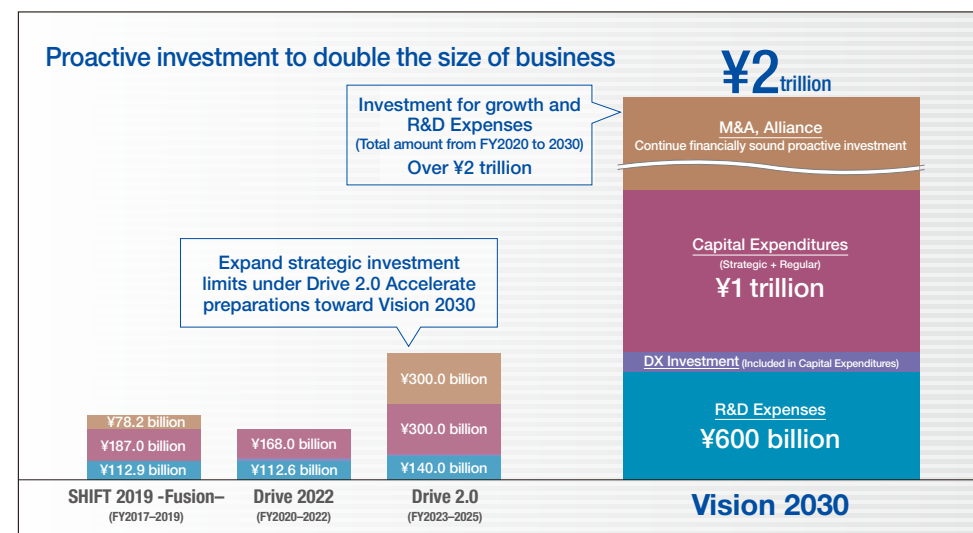
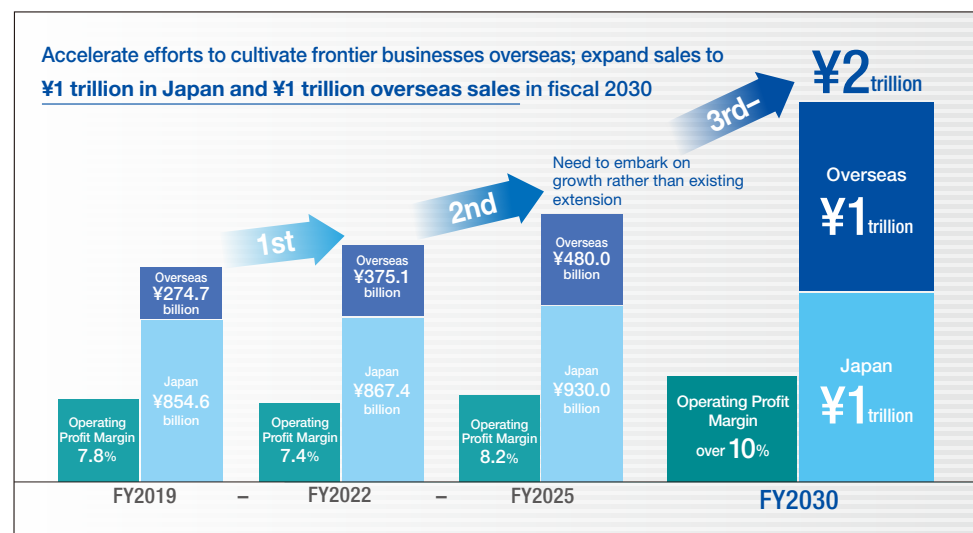
Growth Image and Strategic Investment



The expansion of business for which the Long-term Vision, Vision 2030, aims can only be achieved through substantial growth rather than the extension of existing businesses. Working to double its business and achieve net sales of ¥2 trillion by 2030, the Group will grow sales by 1.5 to 3 times in each domain and transform into an attractive company with diverse growth engines and a strong presence.

By taking up the challenge of pursuing innovation as an extension of core technologies in each domain, the Group will create new businesses and the next frontier for the new business domains in anticipation of major paradigm shifts. Along with aiming to achieve a scale of ¥1 trillion through domestic growth, the Group will accelerate efforts to cultivate frontier businesses without slowing its current pace of growth overseas as part of a plan to expand the scale of overseas business to ¥1 trillion, more than double that of today. When executing new investments including capital expenditures aimed at growth, the Group considers financial soundness and steps to increase the probability of return in anticipation of making investments exceeding ¥2 trillion in total value over the 10 years through 2030.

Under the fiscal 2020 to fiscal 2022 Drive 2022 Medium-term Management Plan, which the Group put in place as the first phase of its Vision 2030, energies were directed toward implementing structural reforms and strengthening profitability in the face of the prolonged impact of COVID-19. While trends in net sales surpassed plans over this period, growth investments were held to a certain level. Under the Drive 2.0 Medium-term Management Plan, a crucial second phase toward further growth, we will proactively expand strategic investments.



Long-term Vision, Vision 2030

Formulating a Strategic Area Map as a compass for realizing the Long-term Vision, Vision 2030

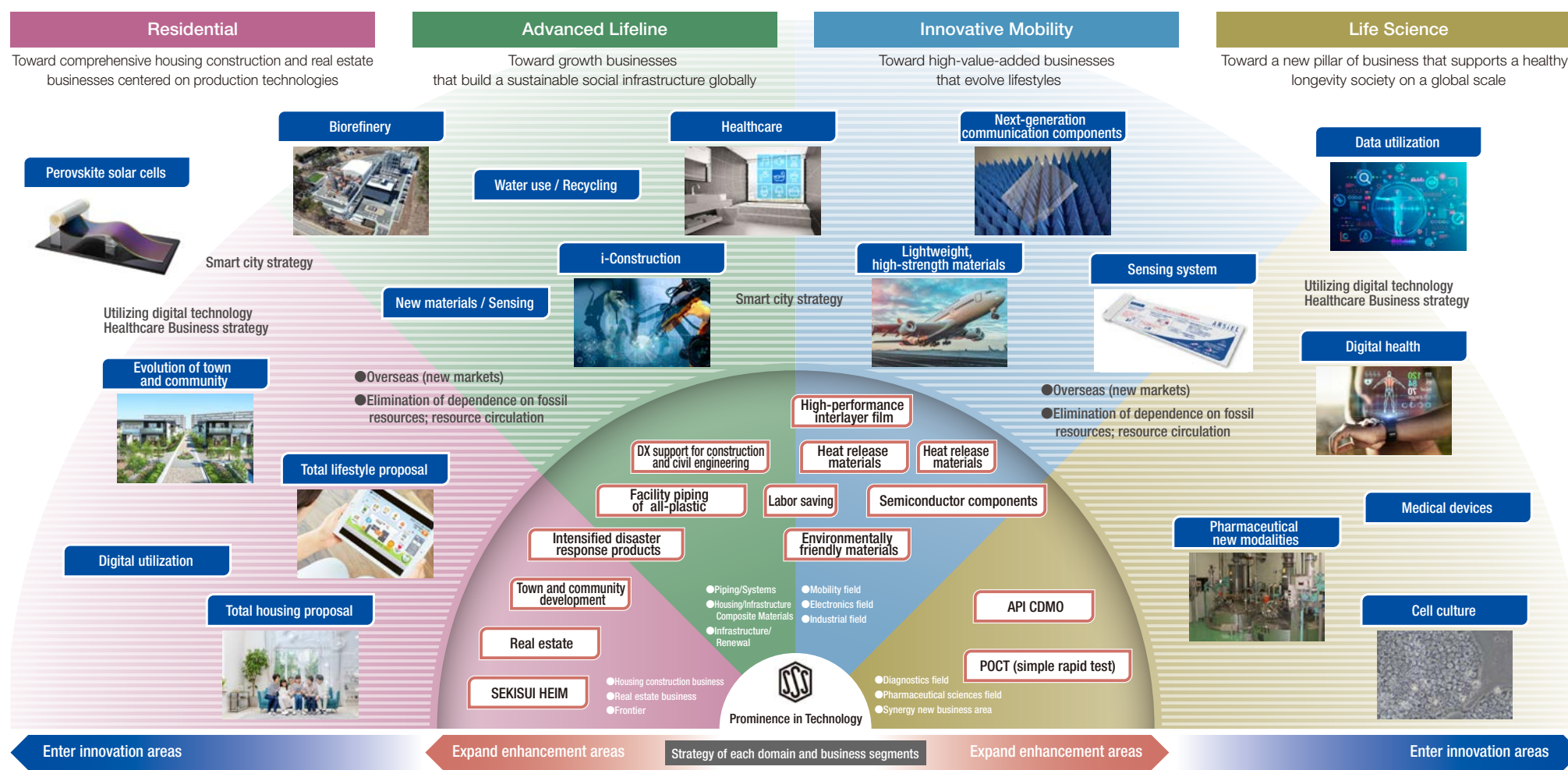
SEKISUI CHEMICAL Group will employ its Group-wide Strategic Area Map as a compass for realizing its Long-term Vision, expanding enhancement areas, and entering innovation areas. Every effort will be made to transform the portfolio of each business in four domains starting with the Group's prominence in technology. We have identified prioritized areas to be expanded by extending from existing businesses as enhancement areas. Moving forward, we will drive the Group's sustainable growth by concentrating funds in these areas.

Enhancement Areas

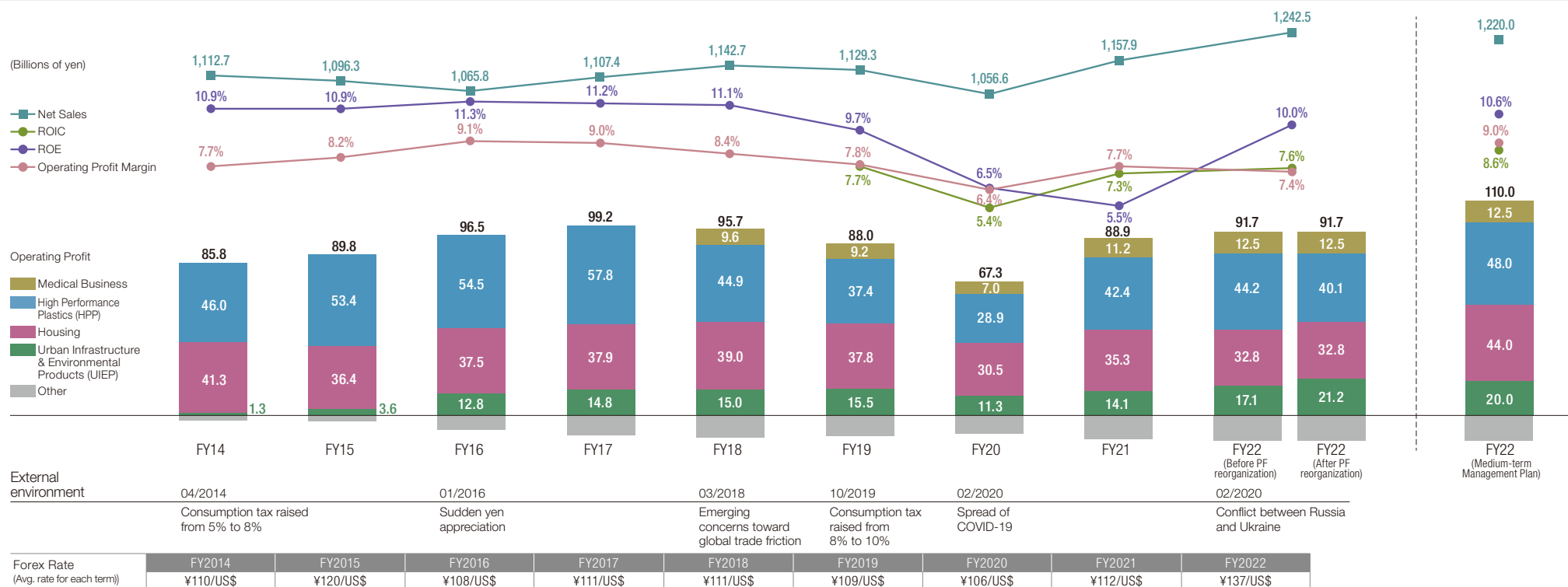
Prioritized areas to be expanded by extending from existing businesses

Innovation Areas

Areas where new innovations are created through fusion, etc. (▶P.29 Seven Major Themes → Promote Commercialization)



Review of the Medium-term Management Plan



SHINKAI-Advance 2016 (FY2014-2016)

SHIFT 2019 -Fusion- (FY2017-2019)

Drive 2022 (FY2020-2022)

Measures and Results

By specializing in strategic businesses and products and implementing structural reforms we were able to achieve growth in profit. We pioneered new markets and new fields through internal and external alliances. Over the period we commenced penetration of CSR management, initiated efforts to enhance governance, and established the Nomination and Remuneration Advisory Committee, etc.

Fusion accelerated over the period during which we targeted a balance between quantitative and qualitative growth. We made aggressive Investments to achieve growth, and net sales attributable to M&As rose. Strengthening ESG initiatives aimed at building a sustainable business base, we continuously earned high evaluations from GLOBAL100 and others.

Net sales, net income, and EBITDA all hit record highs on the back of structural reforms and thoroughgoing efforts to improve selling prices aimed at strengthening profitability. Took steps to introduce and instill ROIC management within the Group.

Challenges

- Return to sales growth
- Commercialization and building of frontier domains
- CSR management rollout and further penetration among employees

- Delays in securing returns on growth investments
- The speed of structural reform
- Strengthening ESG management

- Stagnant growth investments
- Carry over of business contributions through the use of M&As
- Target for the human resource KPI, employee challenge action rate, not achieved

Major M&As

June 2015
Operations commence at a CPVC plant in Thailand

December 2015
Acquired EIDIA Co., Ltd.

August 2017
Acquired management rights to Polymatech Japan Co., Ltd.

October 2017
Capital investment in Tien Phong Plastic JSC

December 2017
Operations commence at a new interlayer film production line in Mexico

December 2017
Acquired SoflanWiz Co., Ltd.

April 2018
Operations commence at a new automotive exterior parts plant in Japan

December 2018
Acquired Veredus Laboratories Pte. Ltd.

2018-2019
Operations commence at new foam plants in Thailand and China

November 2019
Acquired AIM Aerospace, Inc.

August 2020
Decision to increase pharmaceutical raw material production in Japan and the U.K.

October 2020
Operations commence in earnest at a new interlayer film production line in Europe

October 2020
Decision to increase production of FFU sleepers for railroads in the Netherlands

September 2022
Transfer of Xenotech shares

November 2022
Decision to increase production of foam materials in the U.S.

January 2023
Decision to increase production of heat release materials in the U.S.

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies

Amid an uncertain business environment, including trends in the prices of raw materials and fuels as well as fluctuations in foreign currency exchange rates, SEKISUI CHEMICAL Group launched the Drive 2.0 Medium-term Management Plan in a bid to make a further leap forward, drawing on the earning power built up under the Drive 2022 Medium-term Management Plan. Our policy is to realize our Long-term Vision through sustainable growth and by enhancing preparations. We aim to increase our corporate value through three strategies: Strategic Innovation, Organic Growth, and Strengthening Sustainability.

Three initiatives to enhance corporate value

| | |
|---|---|
| Strategic Innovation (1) -Accelerated Growth- | Create & acquire new businesses through material preparations <ul style="list-style-type: none"> • Enter innovation areas in the “Strategic Area Map” • Establish new business bases for the seven major themes • Establish a new bridgehead in the life science domain |
| Organic Growth (2) -Profitability- | Achieve steady growth of organic businesses and refine portfolio <ul style="list-style-type: none"> • Expand enhancement areas in the “Strategic Area Map” • Strengthen portfolio management (Optimal resource allocation) • Expand growth drivers and pursue consistent structural reforms |
| Strengthening Sustainability (3) -Reliability- | Strengthen the ESG management that contributes to sustainable growth and enhanced preparations <ul style="list-style-type: none"> • Strengthen Group-wide KPI for ESG management initiatives based on materiality • Strengthen corporate governance to support the corporate value creation, including the elimination of major incidents • Respond to social demands including initiatives for Human Rights and supply chain |



| Fiscal 2025 SEKISUI CHEMICAL Group's target values | |
|---|---|
| * Data in parentheses are compared with fiscal 2022. | |
| • Net sales | : ¥1,410.0 billion (+¥167.5 billion) |
| • Operating profit | : ¥115.0 billion (+¥23.3 billion) |
| • Operating profit margin | : 8.2% (+0.8%) |
| • Net income | : ¥82.0 billion (+¥12.7 billion) |
| • ROIC | : 8.5%(+0.9%) |
| • ROE | : 11.0%(+1.0%) |
| • Overseas sales | : ¥480.0 billion (+¥104.9 billion) |
| • EBITDA | : ¥175.0 billion (+¥32.9 billion) |
| • Sales of Products to Enhance Sustainability | : Over 1 trillion yen (+¥100.0 billion) |
| • Employee challenge action rate | : 60% (+13%) |

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

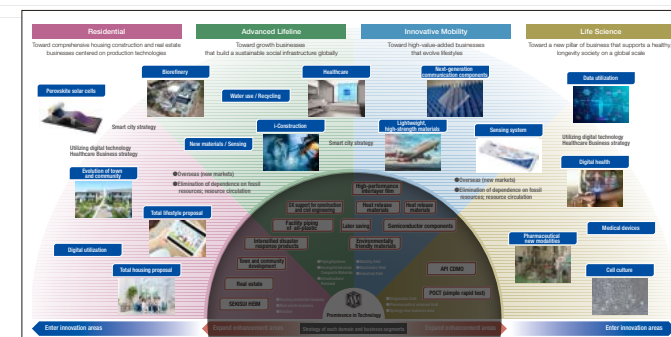
Basic Strategies 1 Strategic Innovation -Accelerated growth-


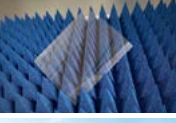





Aiming to enter innovation areas, placing considerable emphasis on enhancing preparations.

Steps taken to set seven major themes (▶P.45) to accelerate progress toward the commercialization phase through internal and external collaboration and other fusion initiatives, including M&As based on core technologies.

Our goals are to expand and ensure that domain growth contributes to the Group's business performance through the prompt establishment of a business base in a bid to realize our Long-term Vision.

Innovative Mobility Residential Advanced Lifeline Life Science Innovation areas



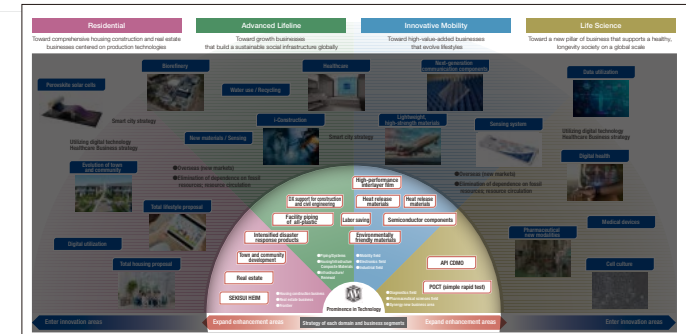
| Growth-potential businesses | | Key themes | Core technologies | Investment benefit realization schedule | | | |
|--|---|---|---|---|------|------|-------|
| | | | | 2023 | 2024 | 2025 | 2026– |
| Entry into aeronautical fields |  | <ul style="list-style-type: none"> Development of new applications Entry into the air mobility market | Molding technology | | | | |
| FY2025 business scale: From ¥19.0 billion | | | | | | | |
| Next-generation communication components |  | <ul style="list-style-type: none"> Collaboration with telecommunications companies Development of radio wave environment business | Film processing technology | | | | |
| FY2025 business scale: From ¥1.0 billion | | | | | | | |
| Smart city strategy |  | <ul style="list-style-type: none"> Fusion of town and community development as well as AI digital technologies | Advanced housing, town and community development | | | | |
| FY2025 business scale: From ¥25.0 billion | | | | | | | |
| Overseas development of infrastructure materials |  | <ul style="list-style-type: none"> Strengthening of overseas marketing | Infrastructure materials | | | | |
| FY2025 business scale: From ¥10.0 billion | | | | | | | |
| New area of pharmaceutical CDMO |  | <ul style="list-style-type: none"> Conversion of base CMO business to CDMO with new modality support | Synthesis of low molecular compounds, microbial cultivation | | | | |
| Consider expansion through M&As | | | | | | | |
| Perovskite solar cells |  | <ul style="list-style-type: none"> Development of 1 m width production technology Promotion of demonstration through external collaboration | Sealing, deposition, processing technology, etc. | | | | |
| FY2025 business scale: From ¥5.0 billion | | | | | | | |
| Biorefinery |  | <ul style="list-style-type: none"> Promotion of demonstration through external collaboration Establishment of resource circulation model | Microbial catalyst technology | | | | |
| Commercialization from FY2026 | | | | | | | |

Begin realizing benefits Realize benefits in earnest

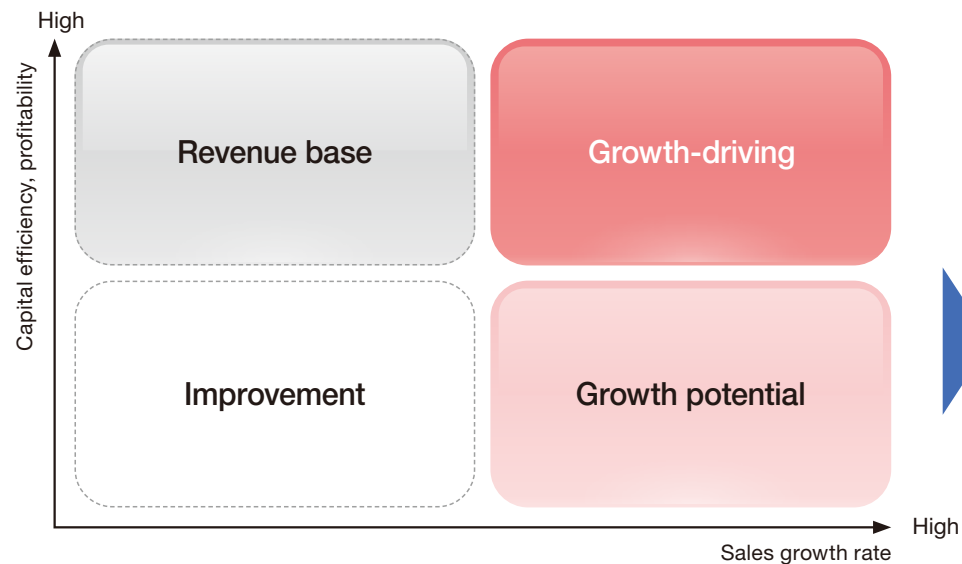
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 2 Organic Growth -Profitability-

Under the Drive 2.0 Medium-term Management Plan, every effort will be made to further strengthen business portfolio management. Taking steps to classify all 33 businesses into four quadrants, including growth-driving and growth-potential businesses, while clarifying roles on a strategic basis to ensure steady profit growth. Energies will be directed toward allocating resources with a priority on growth areas. The aim is to generate over 90% of the increase in profits (EBITDA) from these growth-driving and growth-potential businesses.



New portfolio management: Clarify the role of each business unit



1. Analyze and evaluate existing businesses from multiple perspectives

- Profitability (OPI margin), capital efficiency (ROIC), growth potential (sales growth rate)
- Strategic positioning, position in the industry, future prospects, competitiveness from an ESG perspective

2. Clarify the role of each business → Appropriately allocate management resources

| Portfolio | Business Segment | | | |
|---------------------------|---|-------------------------------|---|---|
| | High Performance Plastics Company | Medical Business | Urban Infrastructure & Environmental Products Company | Housing Company |
| Growth-driving businesses | Mobility (high-performance interlayer film, release materials, etc.) Electronics (semiconductor and display materials) | Overseas testing system | Pipe renewal Fire resistant and non-flammable materials Construction and industrial piping Performance materials (railroad sleepers, etc.) | |
| Growth-driving businesses | Molding products, sensing | Pharmaceutical science (CDMO) | | Town and community development Real estate (purchase and resale, etc.) |
| Revenue base (Example) | | | Piping business | Housing business Renovation business |
| Improvement | | | | |

Achieve more than 90% of incremental profit (EBITDA) from growth-driving and growth-potential businesses

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 3 Strengthen the ESG Management Platform -Reliability-

Strengthening the management base to support accelerated growth, profitability, and reliability. The table below sets out the materialities that are of significant importance to the Group's management and stakeholders. We will also strengthen our human capital initiatives by fostering a culture of challenge and increasing the number of business leaders who drive growth. Under the previous Medium-term Management Plan, we adopted return in invested capital (ROIC) as a new KPI. We utilize ROIC as a key indicator in efforts to reform the business portfolio in addition to capital efficiency improvement. Moreover, we will monitor how effectively each initiative related to long-term sustainability, which was stipulated as a key ESG issue, is helping to control the cost of capital.

SEKISUI CHEMICAL Group defines the difference between ROIC and the cost of capital as the SEKISUI Sustainable Spread (ROIC Spread), which measures the improvement of the Group's corporate value. We believe that if each employee is aware that his or her work contributes to reducing the cost of capital, this will ultimately lead to an increase in our corporate value and enhance our management ability to sustain business.

| Key issues | The Medium-term Plan policy | Proactive approach |
|---|--|--|
| Products to Enhance Sustainability | <ul style="list-style-type: none"> Achieve sales growth through each Company and business expansion strategy Create and expand products that solve issues by utilizing support programs and taskforce | Expand sales of products that drive improvement of social sustainability and our sustainable growth |
| Internal control | <p>Safety, quality, accounting, legal/ethical, information management</p> <ul style="list-style-type: none"> Improve risk foresight and prediction ability Strengthening the organizational self-purification ability (culture, and people) | Reduce and control operational risks to support business risk-taking |
| DX | <ul style="list-style-type: none"> Innovate global management base Accelerate DX in core areas Secure human resources for DX promotion | Secure and develop human resources for DX to drive business transformation leveraging digital technology |
| Environment | <ul style="list-style-type: none"> Contribute to solve climate change issues Promote resource recycling Minimize water risk and maintain water resources | Focus on creating carbon-free and low-carbon products as well as products using converted raw materials by viewing environmental issues as opportunities |
| Human capital | <ul style="list-style-type: none"> Realize assignment the right person to the right Foster a culture of taking on challenges Promote diversity | Develop and select business leaders and strategically reinforce specialized human resources (reskilling, etc.) |

Strengthening Management Ability to Sustain Business

Third indicator after sales and operating profit
Increase ROIC (return on invested capital) → **Target an increase of approx. 1% on an actual basis**

$$\frac{\text{after-tax Operating profit}}{\text{Invested capital}} = \frac{\text{after-tax Operating profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Invested capital (working capital* + fixed assets)}}$$

[Development of Measures]

- Expand marginal profit
- Improve productivity, reduce fixed costs

Sales

- Improve the probability of securing a return through effective capital investment
- Achieve optimal plant utilization, optimize inventory, etc.
- Manage asset levels and turnover ratios by expanding built-for-sale housing sales

* Working capital = Accounts Receivable + Inventory – Trade Payables – Advances Received

Consider identifying businesses and products that are below the cost of capital

Support long-term growth; Control financial and non-financial capital costs → Forward-looking investments in financial and non-financial capital from a medium-to long-term perspective

Financial strategies/capital policies: Leverage debt to invest aggressively in growth

Risk reduction/avoidance: Reduce risk by thoroughly implementing Safety, Quality, Accounting, Legal/Ethical, and Information Management

Investment for the future: ESG investment
(Undertake up-front investments in digitization, contributions to the environment, and human capital; foster a culture of taking on challenges (Reskilling, etc.))

Expansion of the SEKISUI Sustainable Spread (ROIC Spread)



Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Investment and Financial Strategies

With aspirations for continued growth, SEKISUI CHEMICAL Group will leverage debt as necessary while actively expanding strategic investments.

Although investments in growth diminished in part due to the prioritization of structural reforms in the wake of the lingering impact of the COVID-19 pandemic, during the previous Medium-term Management Plan the Group made steady progress with investment into growth areas, including increasing production capacity for heat release materials and active pharmaceutical ingredients.

Under Drive 2.0, the Group expanded the upper limit for strategic investments, including M&A investment, to ¥450 billion. The Group will also allocate 70% or more of investments, including those for research and development, with a focus on the High Performance Plastics Company, Medical Business, and new businesses.

Investment plan and capital allocation

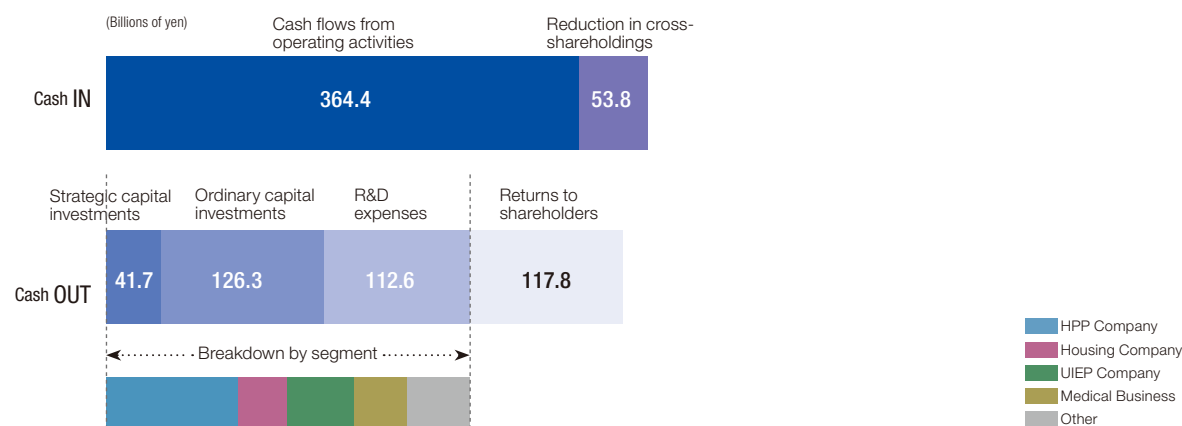
(Billions of yen)

| | FY20-22 Plan | FY20-22 Results | FY23-25 Plan |
|---|---------------------------|-----------------|---------------------------|
| Strategic investment | Investment limit 400.0 | 41.7 | Investment limit 450.0 |
| M&A, etc. | Investment limit 300.0 | 0 | Investment limit 300.0 |
| Capital expenditure | 100.0 | 41.7 | 150.0 |
| ESG investment (Included within the strategic investment and normal investment categories) | 40.0 | 31.4 | 30.0 |
| Normal investment | 100.0 | 126.3 | 150.0 |
| Total investment | 500.0 | 168.0 | 600.0 |
| R&D expenses | 130.0 | 112.6 | 140.0 |

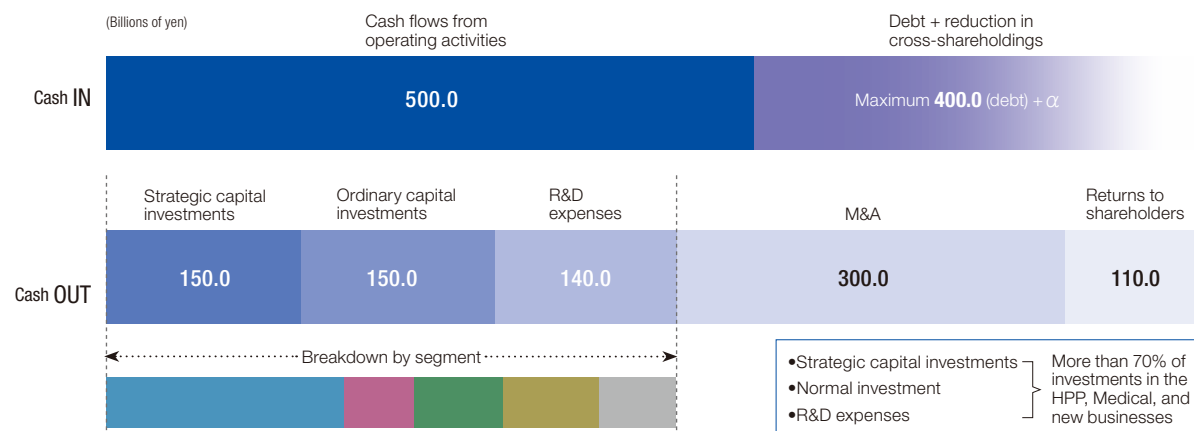
Major strategic capital investments (FY2020-2022)

- Increase in heat release materials production (U.S.)
- Increase in pharmaceutical raw material production (Japan, U.K.)
- Increase in foam material production (U.S.)
- Increase in FFU production for railway sleepers (the Netherlands)

Drive 2022 (FY2020-2022)



Drive 2.0 (FY2023-2025)

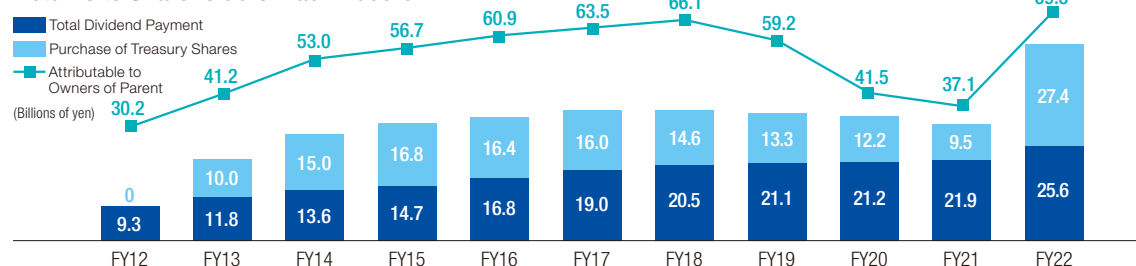


Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Returns to Shareholders

Under the Medium-term Management Plan, SEKISUI CHEMICAL Group will return profits to its shareholders more aggressively than ever before. The Company seeks to secure a dividend-on-equity (DOE) ratio of 3% or higher while targeting a payout ratio of 40% or higher on a consolidated basis, as a part of efforts to implement stable dividend measures in line with its performance. In addition, SEKISUI CHEMICAL Group has set a target of 50% or higher for its total return ratio, which includes the buyback of shares, so long as its D/E ratio is 0.5 or less. For this reason, the Company will implement additional returns as appropriate, taking into account the investment progress under the Medium-term Management Plan, cash position, and stock price. Moreover, the Company plans to retire treasury shares to no more than 5% of the total number of shares outstanding.

Returns to Shareholders Track Record



| | Previous Medium-term Management Plan | Medium-term Management Plan (FY2020-2022) |
|---------------------------------|--|---|
| Payout ratio | 35% or higher | 40% or higher |
| DOE | 3% or higher | 3% or higher |
| Total return ratio | 50% or higher if the D/E ratio is 0.5 or less | 50% or higher if the D/E ratio is 0.5 or less Implement additional returns as appropriate, taking into account the investment progress under the Medium-term Management Plan, cash position, and stock price |
| Cancellation of treasury shares | Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares | Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares |

| | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|-------|-------|--------|--------|-------|--------|-------|-------|-------|-------|--------|
| Profit attributable to owners of parent per share (yen) | 58.5 | 80.1 | 104.7 | 115.1 | 126.1 | 133.8 | 141.7 | 128.8 | 91.9 | 83.2 | 159.2 |
| Dividend per share (yen) | 18 | 23 | 27 | 30 | 35 | 40 | 44 | 46 | 47 | 49 | 59 |
| Payout ratio | 30.8% | 28.7% | 25.8% | 26.1% | 27.7% | 29.9% | 31.0% | 35.7% | 51.1% | 58.9% | 37.0% |
| Purchase of treasury shares (billions of yen) | 0 | 10.0 | 15.0 | 16.8 | 16.4 | 16.0 | 14.6 | 13.3 | 12.2 | 9.5 | 27.4 |
| Total return ratio ^{*1} | 30.8% | 52.9% | 54.0% | 55.5% | 54.5% | 55.1% | 53.0% | 58.1% | 80.4% | 84.6% | 76.5% |
| DOE ^{*2} | 2.4% | 2.7% | 2.8% | 2.8% | 3.1% | 3.3% | 3.4% | 3.5% | 3.3% | 3.3% | 3.7% |
| Cancellation of treasury shares (thousands of shares) | 7,000 | — | 12,000 | 10,000 | — | 10,000 | 8,000 | 8,000 | 8,000 | 5,000 | 15,000 |

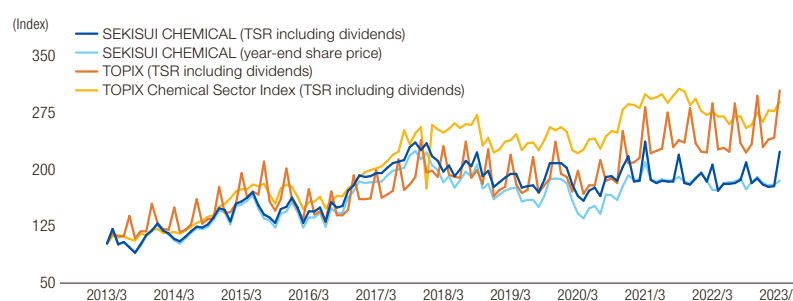
^{*1} Total return ratio = (Amount of treasury shares acquired + Total dividends) / Net income attributable to owners of parent ^{*2} DOE = Total dividend payment (full year) / Average equity

Details of SEKISUI CHEMICAL Group's total shareholders' return (TSR), including dividend and stock price fluctuation trends, are presented as follows. SEKISUI CHEMICAL Group raised the consolidated payout ratio to 40% in its return policy from fiscal 2023. We will continue to strive to maintain a stable dividend for shareholders and to increase corporate value.

Total Shareholders' Return (TSR including dividends)

| | Past 1 year | Past 3 years | | Past 5 years | | Past 10 years | |
|-----------------------------|-------------|--------------|------------|--------------|------------|---------------|------------|
| | Annualized | Cumulative | Annualized | Cumulative | Annualized | Cumulative | Annualized |
| SEKISUI CHEMICAL | +10.0% | +41.7% | +12.3% | +14.3% | +2.7% | +120.5% | +8.2% |
| TOPIX | +5.8% | +53.4% | +15.3% | +31.8% | +5.7% | +142.1% | +9.2% |
| TOPIX Chemical Sector Index | +4.8% | +30.4% | +9.3% | +16.2% | +3.1% | +184.9% | +11.0% |

TSR and Share Price Performance over the Past 10 Years*



* Figures are indexed to data as of March 31, 2013, as 100.

Share Price Trends

| | High (yen) | Low (yen) | Closing (yen) |
|------|------------|-----------|---------------|
| FY12 | 1,042 | 590 | 1,032 |
| FY13 | 1,448 | 900 | 1,073 |
| FY14 | 1,619 | 1,002 | 1,559 |
| FY15 | 1,752 | 1,193 | 1,386 |
| FY16 | 1,983 | 1,215 | 1,871 |
| FY17 | 2,350 | 1,732 | 1,856 |
| FY18 | 2,114 | 1,532 | 1,779 |
| FY19 | 1,986 | 1,142 | 1,433 |
| FY20 | 2,243 | 1,267 | 2,125 |
| FY21 | 2,187 | 1,648 | 1,759 |
| FY22 | 2,019 | 1,613 | 1,876 |

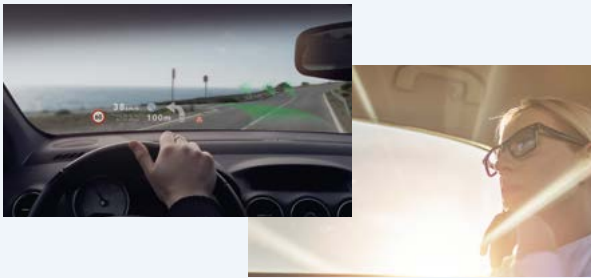
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Mobility Field

There are clear indications of a growth trajectory against the backdrop of a pickup in interest toward the electrification of automobiles and automated driving. In our mainstay interlayer film business, we are working to improve profitability by shifting to high-value-added products such as heat and sound insulation films and wedge-shaped interlayer films for head-up displays (HUDs), while further increasing added value by combining interlayer film functions.

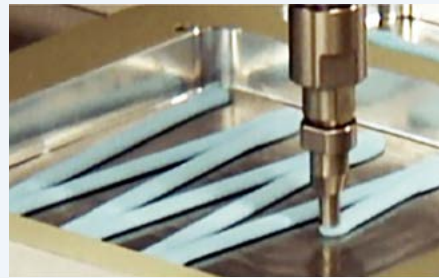
Growth-driving

HUD + insulation functionality



Heat insulation interlayer films reduce the rise in temperature inside vehicles attributable to direct sunlight while reducing air-conditioning load. Practical EV evaluations carried out by the Company confirm a reduction in power consumption of approximately 20%. This in turn provides energy savings for and helps extend the cruising range of EVs.

Heat release materials



Heat release materials contribute to longer battery life in response to requirements following the shift to EVs, and have characteristics including high thermal conductivity and low outgassing performance.

Aircraft components



The Company manufactures interior and exterior aircraft parts, carbon fiber-reinforced plastic (CFRP), and other composite molded products. These products contribute to lighter weight aircraft parts and higher fuel efficiency for transport equipment. Along with improving the product mix, such as by increasing the ratio of high-value-added engine components, the Company will employ existing technologies to expand deployment of these products to non-aircraft related sectors, including drones and the medical field.

Business Strategies

• Interlayer film

Increase the ratio of high-performance interlayer films (HUD-use / thermal- / and design-related)
HUD-use film growth* of 130% (2022→2025)

* On a sales volume basis

• Heat release materials

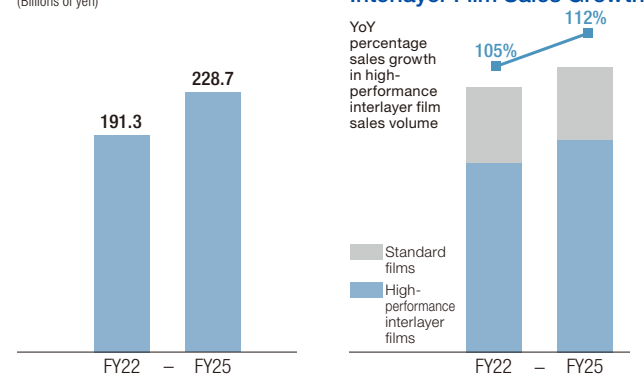
Accelerate EV-related sales growth mainly in Europe and the U.S. Heat release materials net sales growth of 200% (2022→2025)

• SEKISUI AEROSPACE CORPORATION

Expand the lineup of engine components and deploy products to non-aircraft sectors (drones, flying cars)

Mobility Field Net Sales

(Billions of yen)



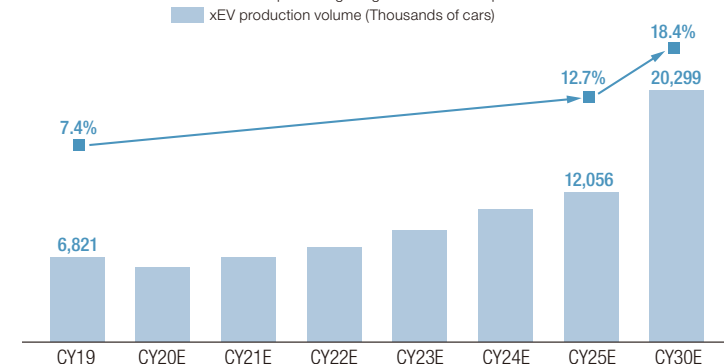
* FY2022 figures are YoY changes; FY2025 is compared with FY2022

KPI: High-performance Interlayer Film Sales Growth

YoY percentage sales growth in high-performance interlayer film sales volume

Trends in xEV Production Volume

(Thousands of cars)



Source: Prepared by the Company drawing from market-based forecast data in the xEV Market 2020 Report issued by Yano Research Institute Ltd.

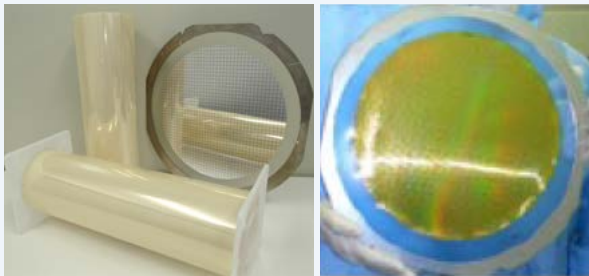
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Electronics Field

With the upswing in global semiconductor demand, the Electronics field is also performing well, especially for semiconductor-related products. In particular, the application of heat resistant Selfa®, a processing material that addresses the further miniaturization of semiconductors and Build-up (BU) dielectric film that boast high transmission performance (low dielectric properties) as well as strengths in suppressing substrate warpage required for multi-layered CPUs, is steadily increasing. In addition, we are aiming for further growth and the strengthening of our portfolio through the development of new products and entry into the market for next-generation displays that make use of the knowledge we have cultivated in the development and sale of liquid crystal products.

Growth-driving

Heat resistant Selfa®(semiconductor processing material)



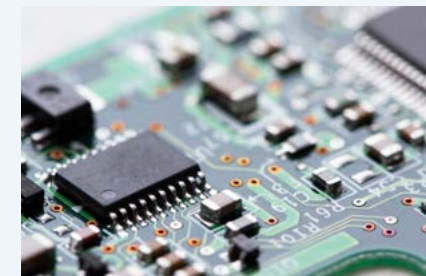
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components that have emerged with the evolution in telecommunications technologies to be processed without damage.

Build-up (BU) dielectric film



With strengths including superior transmission performance and warpage suppression, BU dielectric films have a track record for use in the multi-layer, large-area high-end IC package substrates that require these features.

Binder resins for electronic components (for MLCCs)



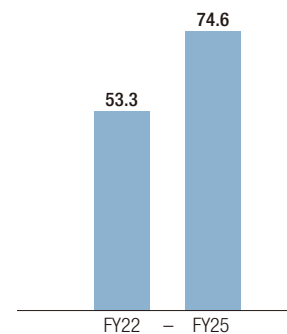
Based on the technical capabilities acquired through binders for interlayer films as the primary application for PVB, the Company's product design capabilities and technical service capabilities have received a highly positive response.

Business Strategies

- **Semiconductors / electronic parts**
Tapes for semiconductor processing use,
binder resins for MLCCs,
Build-up (BU) dielectric film sales growth
- **Exterior parts / mechanism components**
Biomass-type bonding materials (tape, foam),
elastic adhesive resin sales growth
- **Next-generation displays**
OLED sealant sales growth

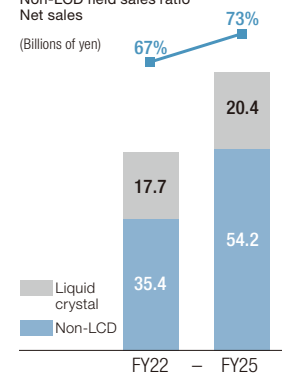
Electronics Field Net Sales

(Billions of yen)



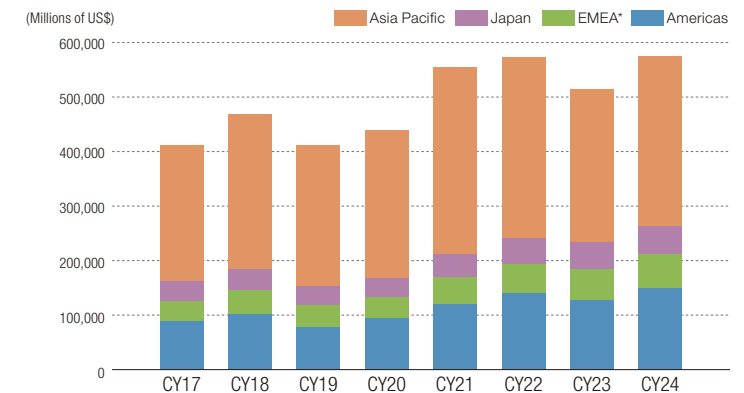
KPI: Focus on the Non-LCD Field

Non-LCD field sales ratio
Net sales
(Billions of yen)



Global Semiconductor Market Forecasts by Region

(Millions of US\$)



Source: In-house estimates based on various materials

* EMEA: Europe, Middle East & Africa

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Overseas Testing Systems and Pharmaceutical Sciences (CDMO)

Growth-driving

Growth potential

The Company will focus on expanding the diagnostics area and on increasing sales of new products as part of the Diagnostics Business in Japan and overseas. Overseas, in particular, the Company will enter the OTC^{*1} market and steadily launch MDx^{*2} products in the US. In China, the Company will continue to expand the coagulation area through a transition to domestic production, and enter the immunology area. In Asia, the Company will accelerate growth by concentrating on areas of strength and encouraging Group synergy. In the Pharmaceutical Sciences Business, the Company will capture new large-scale projects by strengthening the marketing and D^{*3} functions in the pharmaceuticals area, and will expand the CDMO business in the enzymes area by commencing full-fledged operations at a GMP^{*4}-compliant facility at a U.K. plant. Similarly, the Company aims to capture projects and expand business in the drug development solutions area by strengthening proposal capabilities.

^{*1} Standard pharmaceuticals that can be purchased without a prescription. ^{*2} Diagnoses that include the use of genetic testing ^{*3} Optimization of clinical trial drug production and synthesis methods ^{*4} A standard for pharmaceutical manufacturing and quality

Molecular Diagnostics (MDx) Development Center



At the Molecular Diagnostics Development Center in San Diego, USA, the Company is working to develop a genetic POC diagnostic reagent (μ-Chip) for respiratory infections, for example, and measuring devices. The Company will capture demand for genetic POC diagnostics, which is dramatically expanding across the globe.

CDMO



Based on the existing small molecular API CDMO business, the Company will also leverage M&As to establish a proposal-type CDMO business platform. By also expanding this platform to the medium and large molecule fields, the Company aims to strengthen relationships with pharmaceutical companies.

Chemosynthetic scaffolding materials



The scaffolding used to support regenerative medicine consists of affinitive materials designed to adhere cells in culture solutions to their containers. These utilize the same PVB resin of which the Company's interlayer films for laminated glass are made. The Company aims to launch these to the market in 2024.

Business Strategies

• Europe and the Americas

Enter the OTC market and expand genetic testing and other areas

• China

Promote domestic production; strengthen alliances

• Asia

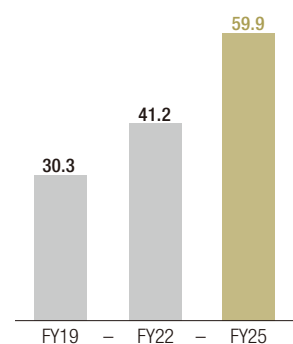
Bring new PCR products to the market; enter POC and coagulation markets

• CDMO

Expand the CDMO Business through the start of full-fledged operations at a U.K. GMP-compliant facility

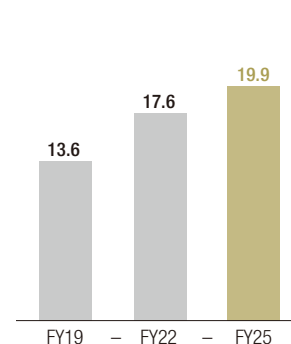
Overseas Diagnostics Field Net Sales

(Billions of yen)



Pharmaceutical Sciences Field Net Sales

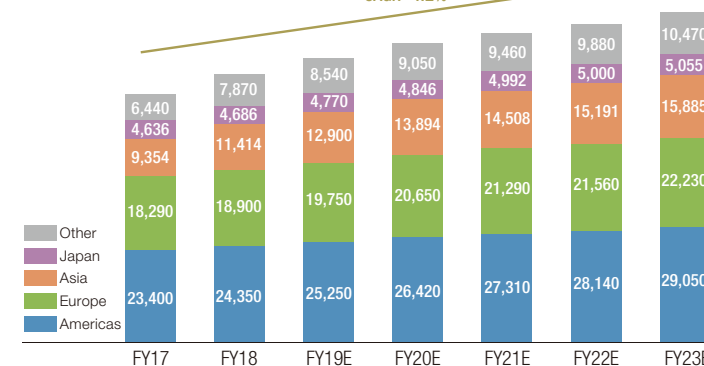
(Billions of yen)



Clinical Testing Market by Region

(Millions of US\$)

CAGR: 4.2%



Source: Fuji Keizai, Worldwide Clinical Reagent Market in 2019 (in Japanese)
Fuji Keizai, Clinical Reagent Market in 2019 No. 4: General Analysis and Corporate Strategy (in Japanese)

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Construction and Industrial Piping, Performance Materials, Fire Resistant and Non-flammable Materials, and Pipe Renewal

Growth-driving

Construction and Industrial Piping, Performance Materials, Fire Resistant and Non-flammable Materials, and Pipe Renewal are all growth-driving businesses belonging to the Urban Infrastructure & Environmental Products (UIEP) Company. Together, net sales from these four businesses account for nearly 33% of the UIEP Company's total sales. Therefore, the Company aims to achieve growth by expanding sales of prioritized products that help solve labor shortages, infrastructure aging, climate change, and other social issues, as well as by increasing overseas net sales. As an example, FFU for railway sleepers, a mainstay product of the Performance Materials Business, has a sales track record in 33 countries around the world, including the U.S., Australia, China, and countries in Europe. In addition to the recent difficulty of procuring high-quality wood given environmental considerations, this business has also seen the EU ban the use of creosote oil, employed as a preservative for wood, due to the risk of it being carcinogenic (banned since 2023 in the railway sector). As a result, the introduction of resin sleepers as a substitute for wood sleepers has accelerated. In response to this intensifying demand, the Company is constructing a new production plant in the Netherlands. Scheduled to commence operations during the second half of fiscal 2023, this move will increase production capacity 1.8 times compared with today.

Construction and Industrial Piping

Ultra-pure water piping



Smooth surface roughness on the inner surface of the pipe inhibits the growth of organisms and the risk of contamination. Orders are expanding for cutting-edge industries that require ultrapure water, especially in the semiconductor field, where miniaturization is advancing.

Performance Materials

Railway sleepers



Fiber-reinforced foamed urethane (FFU) railway sleepers boast excellent water-resistance, durability, and require no preservatives, thereby contributing to reductions in environmental impact. The Company is building a production base in Europe, where demand is strong, with the intent of commencing operations during the second half of fiscal 2023 as part of its efforts to accelerate overseas deployment.

Fire-protection and nonflammable materials

Noncombustible urethane



Thermal insulating urethane foam material for onsite use is the first organic material to receive inflammable certification from Japan's Ministry of Land, Infrastructure, Transport and Tourism. It contributes to preventing fires and accidents caused by ignition at construction sites.

Pipe Renewal

SPR method



Method to line the inner surface of existing pipes; in addition to eliminating the need to dig up roads, the SPR method helps reduce labor while shortening the time required for construction; unaffected by changes in the weather, the SPR method also reduces noise levels during construction; realizes substantial reductions in waste.

Business Strategies

• Construction and Industrial Piping

Leverage the lightweight, chemical resistance, corrosion resistance, and other characteristics of resin to accelerate the replacement of metal. Enhance production capacity to capture demand for investments in plants and facilities (semiconductor-related).

• Advanced Materials

Accelerate the overseas rollout of railway sleepers

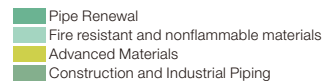
• Fire resistant and nonflammable materials

Create new markets through new products (fire control compartment penetration treating materials and sprayed foam thermal insulation materials)

• Pipe Renewal

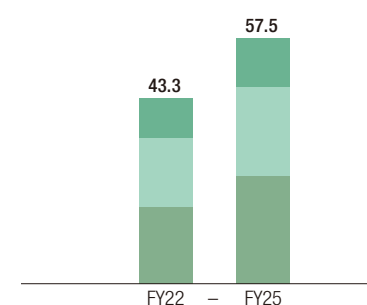
Introduce new methods that help shorten construction times and reduce impacts on surrounding environments. Capture new overseas customers

Net Sales for the Four Businesses



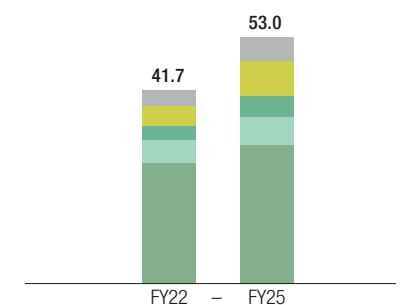
Prioritized Products Sales

(Billions of yen)



Overseas Sales

(Billions of yen)



Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Town and Community Development, Real Estate (purchase and resale, etc.), and Molding Products and Sensing

Growth potential

Initially launched in fiscal 2019, the Town and Community Development Business has come to fruition as a business that symbolizes the fusion between the Divisional Companies and the Group, thereby achieving significant outcomes. The Company has already completed the purchase of all properties scheduled for sale through fiscal 2025, and is now engaged in appropriate project progress management. At the same time, it is focusing on preparations for the next Medium-term Management Plan and brand evolution towards further business growth. The Real Estate Business will work to invigorate purchases and resale of properties through a capital and business alliance with Renoveru, Inc., which engages in the condominium renovation business. The Molding Products and Sensing Business, which belongs to the High Performance Plastics Company, develops high-sensitivity piezoelectric sensors used in applications ranging widely from mobile devices to automobiles and healthcare. The Company will expand the scope of this business to the nursing care and clinical fields.

Town and community development



The Town and Community Development Business brings together the Group's infrastructure materials to differentiate itself from its competitors by creating disaster-resistant and sustainable communities. With the number of projects steadily increasing, the Company will work to further expand the business.

Purchase and resale BeHeim brand



BeHeim purchases SEKISUI HEIM houses from customers at an appropriate price, at which point the Group renovates them to enhance quality and performance before reselling them. By passing on the value of real estate to the next generation, the Company generates benefits to both buyers and sellers while contributing to the development of a sustainable, recycling-oriented society by breaking away from the concept of scrap and build.

Monitoring sensor ANSIEL



Created by the application of our proprietary foam technology, this is a sensor designed to monitor people getting out of bed at care facilities. The detection accuracy, high customizability, and ease of installation help to prevent accidents and to reduce the burden on nursing care staff.

Business Strategies

• Town and community development

Strengthen land purchases and expand projects by increasing the number of full-time staff
Total sales projects 9→18 (2022→2025)

• Real Estate

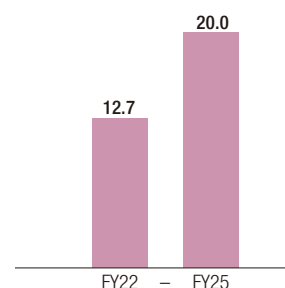
Expand the number of BeHeim houses sold through closer collaboration with the renovation business
89→270 (2022→2025)

• Sensing devices

Expansion into nursing care and clinical fields

Sales of Town and Community Development Business

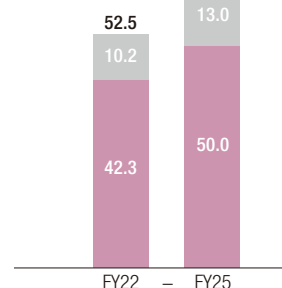
(Billions of yen)



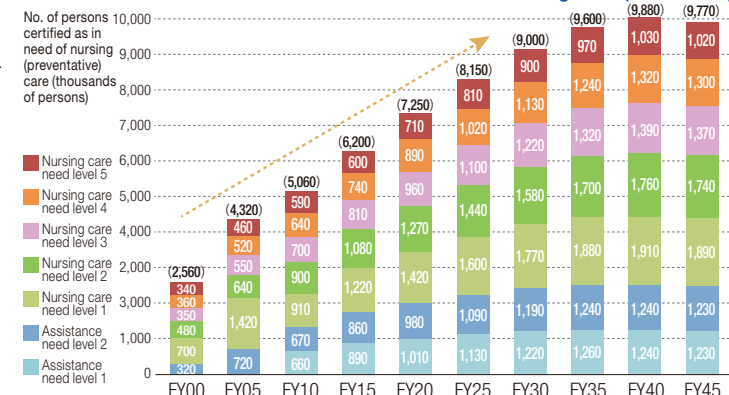
Sales of Real Estate Business

(Billions of yen)

■ Purchase and resale, etc.
■ Rental management, general brokerage, etc.



Future Estimates for Persons Certified as in Need of Nursing Care (Assistance)



Source: Ministry of Economy, Trade and Industry Report by the Study Group on Elderly Care Systems for Addressing the Future Supply-Demand Balance of Nursing Care April 2018

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Revenue Base Business Strategies (example): Housing Business, Renovation Business, Piping Business

Revenue base businesses reliably generate profits through business operations that pursue capital efficiency.

The cash acquired through these businesses will be allocated mainly to growth-driving businesses and growth potential businesses.

Revenue base

Housing business (SEKISUI HEIM)



The Company ensures the stable supply of high-quality (high earthquake resistance, airtightness, and heat insulation) housing through its revolutionary Unit Construction Method, where the vast majority of construction is conducted at the factory. The Company will focus on expanding sales of subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers.

Renovation business



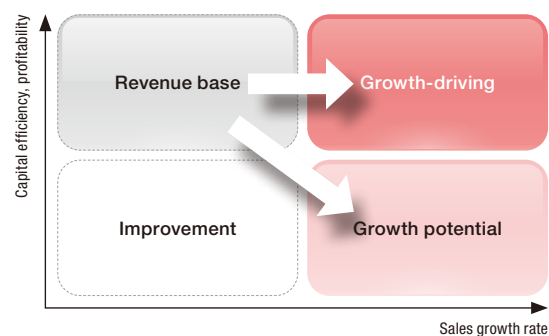
The Company proposes house repairs and renovations. Although efforts have concentrated on customers living in SEKISUI HEIM houses thus far, the Company will also focus its energies on renovations for non-Heim owners in order to further expand the business.

Piping business

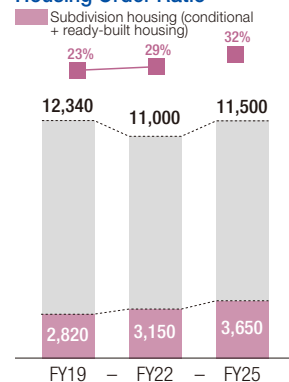


The Company supplies a wide range of piping materials from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants as well as other pipes for such social infrastructure as water supply/sewerage and gas supply systems that help shorten installation and construction periods. In addition to existing strengths in earthquake and corrosion resistance, the Company will enhance features, such as pressure resistance and high drainage, to accelerate substitution from metal piping.

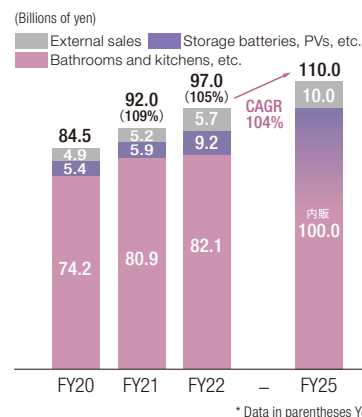
Allocate Cash Acquired through the Revenue Base



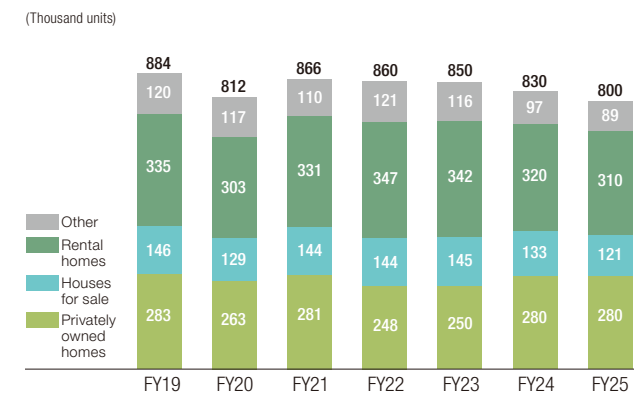
Number of Orders, Subdivision Housing Order Ratio



Orders by Renovation Product



New Housing Starts (By Type)



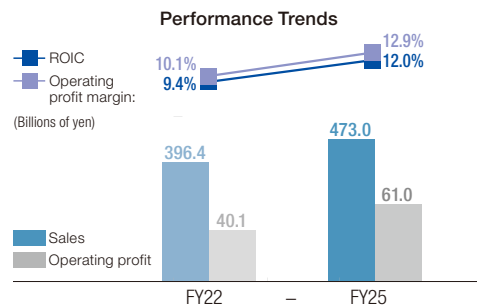
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Segment Information (Business Activities and Review of Fiscal 2022)

High Performance Plastics Company

Leveraging our proprietary fine particle, adhesion, precise molding, and other technologies, we provide advanced high-performance materials on a global basis that help bring about the further evolution of our customers' products and services for application in the Electronics, Mobility, and various other industries.

In fiscal 2022, automobile production declined across the globe, while the electronics market stagnated due to smartphone inventory adjustments starting in the second quarter. Despite working to offset these factors by improving selling prices, expanding sales of high-performance products, and reducing costs, the Company reported higher sales and lower profit.



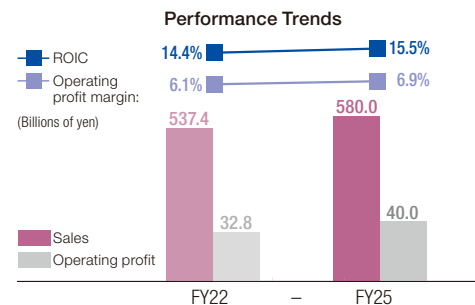
Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Further strengthen earnings power through a shift to high-performance products

Housing Company

The Housing Company is engaged in new housing construction activities as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. To date, the cumulative total of houses sold has exceeded 650,000. Drawing on SEKISUI CHEMICAL Group's prominence in infrastructure materials, the Housing Company is engaged in the nationwide development of smart and resilient cities in its Town and Community Development Business.

In fiscal 2022, the Housing, Housing Renovation, Real Estate, and Town and Community Development businesses all saw improved sales, resulting in a new record high for the Divisional Company's net sales. On the other hand, profit declined due to the impact of the soaring component prices, especially in the Housing Business.



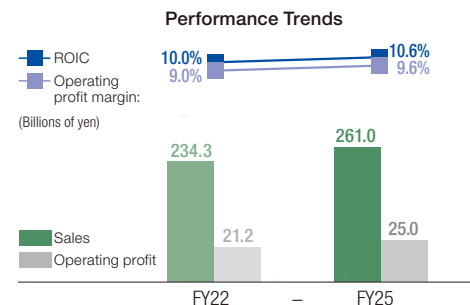
Main ROIC Improvement Measures

- Improve the land and stock of ready-built houses turnover rate
- Promote the automation and leveling of production and construction

Urban Infrastructure & Environmental Products Company

The UIEP Company manufactures and markets water sewerage and supply pipe systems, in which it has a leading share in Japan, while also engaging in construction materials supply businesses, which collectively form the company's core operating platform. We are striving to expand sales and create markets for products that help solve increasingly serious and complex social issues, including labor shortages, aging infrastructure, and climate change.

In fiscal 2022, the domestic non-housing market was sluggish and there was an impact from a decline in housing demand starting in the third quarter. As a result of securing profit through selling price improvements, solid capital investment demand in plants and facilities (semiconductor-related) in Japan and overseas, and other factors, the Divisional Company recorded higher sales and achieved a new record high for operating profit.



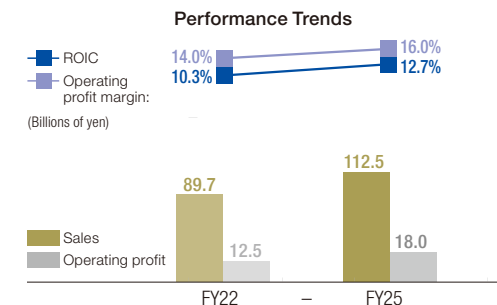
Main ROIC Improvement Measures

- Maintain raw materials and selling price margins
- Improve productivity by accelerating DX investment

Medical Business

Consisting of the Diagnostics Business, which manufactures and sells diagnostic reagents, automated analysis devices, and blood collection tubes, and the Pharmaceutical Sciences Business, which is composed of three sub-businesses, namely the Pharmaceuticals and Enzymes Business, the Drug Development Solution Business, and the SMCL Center, the Medical Business is expanding its business globally.

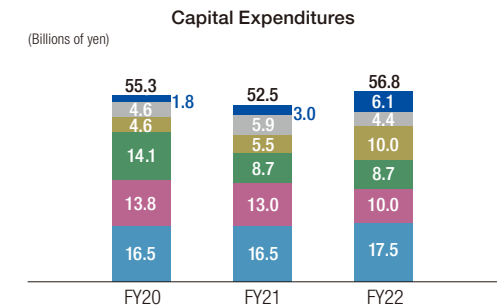
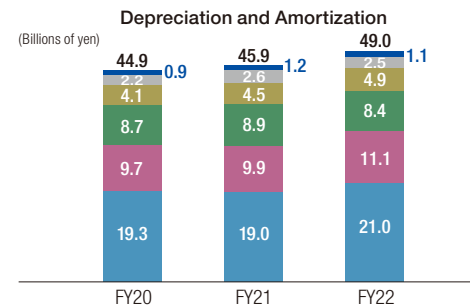
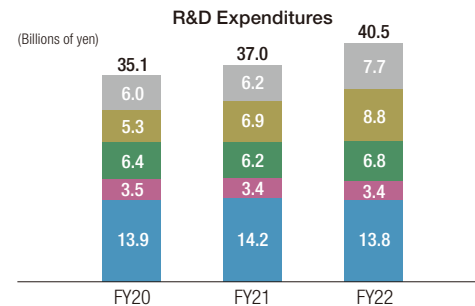
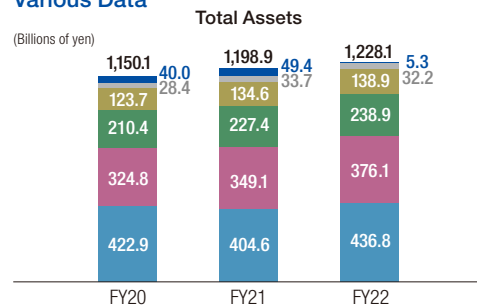
In fiscal 2022, diagnostics demand from outpatients suffering from lifestyle-related diseases recovered in Japan and overseas, sales of influenza test kits increased in the United States, and sales of new pharmaceutical ingredients in the Pharmaceutical Sciences business were firm. As a result, sales increased and the Divisional Company achieved a new record high for operating profit.



Main ROIC Improvement Measures

- Accelerate returns on growth investments
- Maintain appropriate inventory levels by product

Various Data



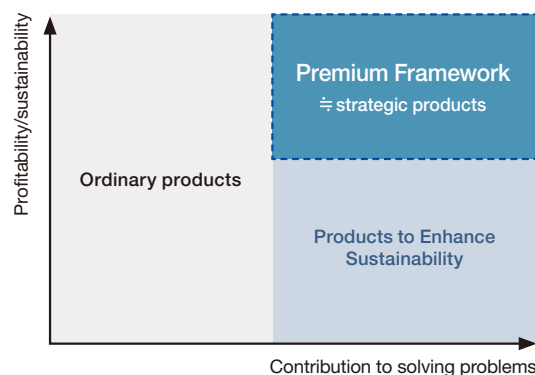
High Performance Plastics Company Housing Company Urban Infrastructure & Environmental Products Company Medical Business Other 全社・消去

Products to Enhance Sustainability

Basic Concept

SEKISUI CHEMICAL Group has positioned Products to Enhance Sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself. Through the creation and expansion of Products to Enhance Sustainability, the Group aims to help achieve the SDGs while improving its contributions and ability to solve social issues as well as grow as a company. The majority of our product lineups in the enhancement areas of the strategic area map (►P.26) are Products to Enhance Sustainability, and therefore indicate product lineups that will drive growth for the Group.

Products to Enhance Sustainability Concept

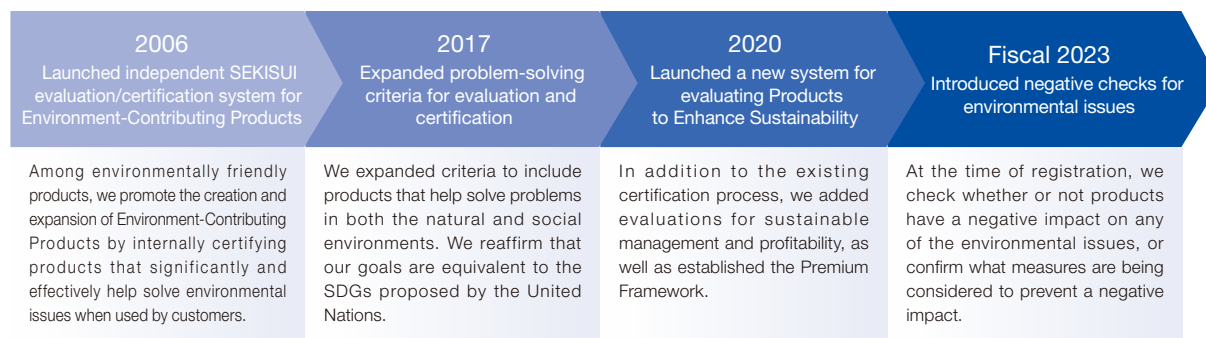


Typical Premium Framework products

ZEH-specification housing (Housing), FFU (UIEP)
HUD+ insulation interlayer films (HPP), blood coagulation/
POCT/pharmaceutical ingredients (Medical)

SEKISUI CHEMICAL Group has established the Premium Framework as a strategic framework for strategically expanding products that contribute to solving social issues and is committed to expanding this framework with medium-term targets. Our goal is to accelerate contributions to solving social issues by implementing strategies that balance the solving of social issues and profitability.

Evolution of System for Evaluating Products to Enhance Sustainability



Conduct Product Environmental Impact Assessments

SEKISUI CHEMICAL Group conducts environmental impact assessments during product planning, development, and all life-cycle stages. During the certification process, the Group determines the degree of contribution to solving social issues intended to be achieved by Products to Enhance Sustainability after their release based on internal standards and subject to these environmental impact assessments.

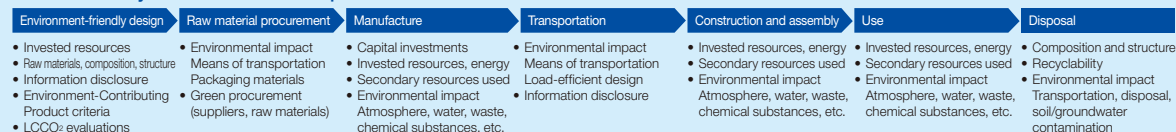
Compliance Evaluation

- Laws and regulations
- Self-regulation
- Requirements of industries, etc.

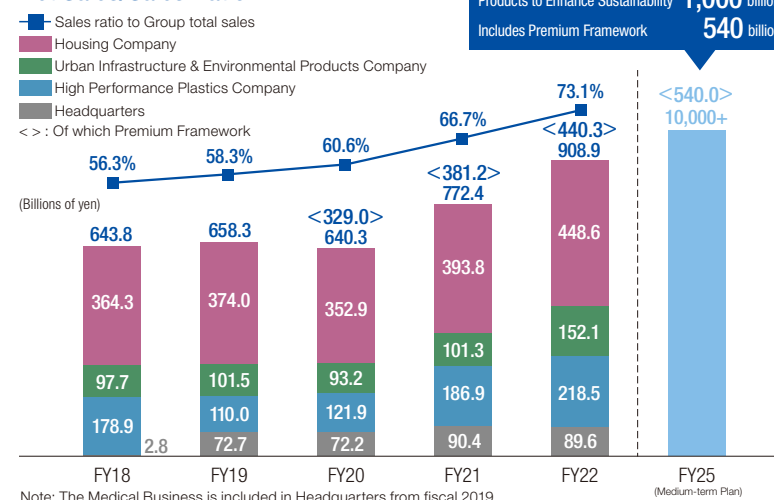
Chemical Substance Assessment

- Laws and regulations
- Prohibited substances
- Restricted substances

Product Life-cycle Environmental Impact Assessment



Products to Enhance Sustainability Net Sales/Sales Ratio



Number of Products to Enhance Sustainability Newly Registered

| FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | Number of registrations as of the end of March 2023 |
|--------|--------|--------|--------|--------|---|
| 18 | 5 | 12 | 28 | 18 | 198 |

Evaluations to Verify Sustainability

* After confirming the sustainability and potential risks of products through sustainability assessments, progress was made regarding Group-wide measures to update the risk management and supply chain management systems. In response, the implementation of sustainability assessments was concluded in fiscal 2022.

Internal Control

Is there a business plan or framework in place for handling accidents or disasters with serious business impacts that also considers issues such as safety, the environment, quality, compliance, and human rights?

Customer Satisfaction

In what ways do quality or service appeal to the customers who use Company products, how satisfied are they, and what kind of requests do they have?

Supply Chain Management

Are there structures or frameworks in place to prevent accidents or disasters that have serious business impacts on both this Company and the product-related supply chain?

Profitability

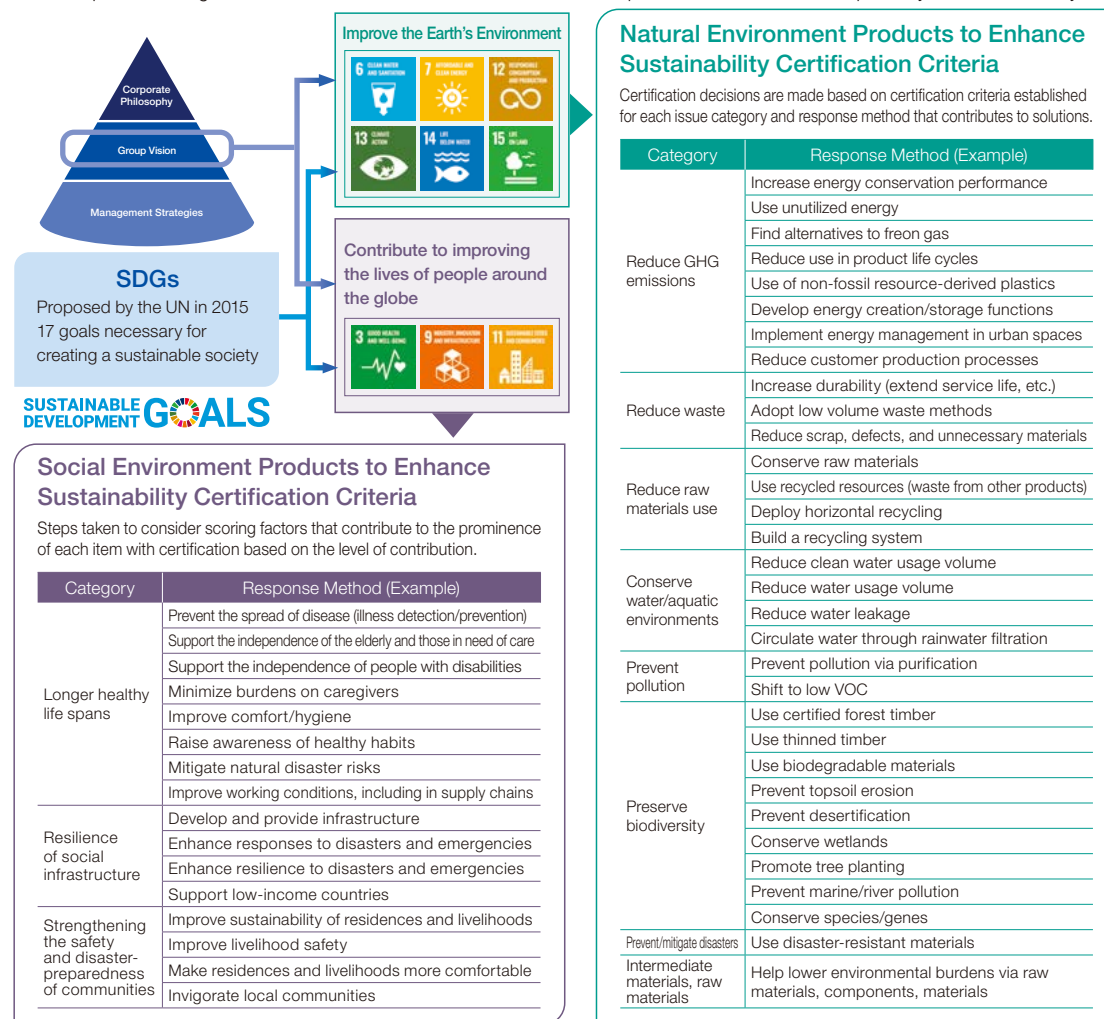
How much room is there to grow and what potential does the business have?

Products to Enhance Sustainability

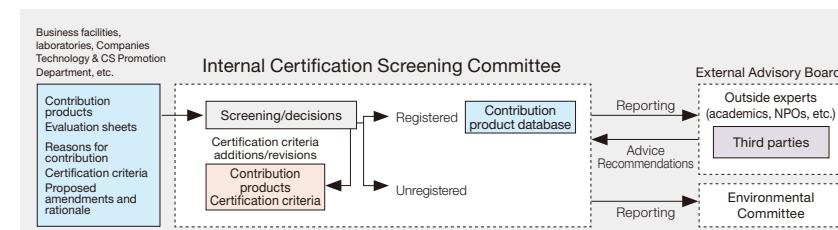
Products to Enhance Sustainability Certification

Products to Enhance Sustainability are products that make a significant contribution to solving social issues in the natural and social environments and are certified based on internal criteria. We accept the opinions and advice of outside advisors with various backgrounds in industry, government, and academia regarding these criteria, approaches, and the validity of results to ensure high standards and transparency.

We received advice on the significance of contributions made to the natural and social environments by newly registered products and how best to convey that significance. Advice was also received on the evolution and direction of the product system based on various inputs including confirmation of the need for consideration of multiple issues, which is also required by the EU Taxonomy.



Products to Enhance Sustainability System Operation/Certification Method



Internal Certification Screening Committee: Chaired by the Head of the ESG Management Department, this committee is composed of those responsible for related departments at the Corporate Headquarters, as well as for technology and business at the Divisional Companies

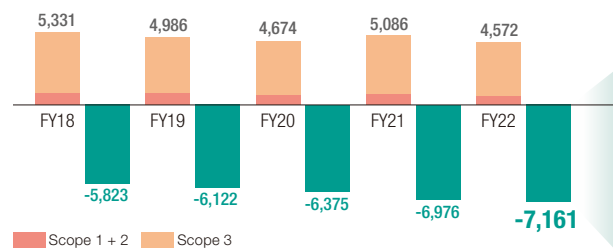
Outside Expert Members * Honorifics omitted

| Name | Affiliated Institution and Position | Specialist Areas | Anticipated Role(s) |
|---------------------|--|--|---|
| Masatsugu Taniguchi | Representative of the Resource and Environment Strategic Planning Office | <ul style="list-style-type: none"> Experience as a company manager Well versed in resource-centered environmental strategies, a leading figure who advocated natural capital management from an early stage | The giving of opinions/advice on management including natural capital and the product portfolio |
| Juichi Shibusawa | President Network for Coexistence with Nature (a specified nonprofit corporation) | <ul style="list-style-type: none"> Experience in business with a Ph.D. in agriculture As president of an NPO, implements activities for forest, community, and human resource development with environmental NPOs in Japan and other countries | The giving of opinions/advice on business related to the solving of social issues based on the spirit of three-way benefits (the buyer, seller, and society as a whole) The giving of opinions from a nature-positive perspective |
| Takehisa Kabeya | Senior Managing Director Sustainable Management Promotion Organization (SuMPO) | <ul style="list-style-type: none"> Experience as a government official at Japan's Ministry of Economy, Trade and Industry Promotes social change activities through environmental values, such as LCAs and support for regional revitalization | The giving of opinions from a life cycle perspective, the giving of opinions/advice based on regulations regarding environmental value and global trends |
| Minako Oishi | Nippon Association of Consumer Specialists (public corporation) ・コンサルタント・相談員協会 | <ul style="list-style-type: none"> Knowledge and experience concerning consumers and their demands Promotes activities that connect consumers, businesses, and government | From the standpoint of using products, the giving of opinions/advice based on requests, expectations, and matters of concern |
| Shoichi Saito | Executive Director, ESG Management Forum Nikkei Business Publications, Inc. | <ul style="list-style-type: none"> Experience with regard to ESG investment in financial institutions Leading figure in SDGs, green business, and climate change finance | Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/ green business |
| Mari Yoshitaka | Representative Director, Virtue Design Principal Sustainability Strategist, Research and Development Division, Mitsubishi UFJ Research and Consulting Co., Ltd. | <ul style="list-style-type: none"> Experience with regard to ESG investment in financial institutions Leading figure in SDGs | Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/ green business |

Products to Enhance Sustainability

Products that Reduce GHG Emissions and Contribute to Climate Change Mitigation

GHG Emissions from Corporate Activities and Contributions to Reducing GHG Emissions Made by Products to Enhance Sustainability

(kt-CO₂)

■ Scope 1 + 2 ■ Scope 3
■ Contributions to reducing GHG emissions made by Products to Enhance Sustainability

* Contributions to reducing GHG emissions made by Products to Enhance Sustainability are calculated using general-purpose products as a comparison, where the calculation indicates the contribution to reduction as the difference from comparison products given by MILCA (Japan Environmental Management Association for Industry), a calculation system based on the concept of LIME2.

For details on the calculation methods used for Scope 1, 2, and 3, see the [Sustainability Report](#).



Fiscal 2022 Contributions to GHG Emissions Reduction by Field

| Business Field | Contributions to CO ₂ Reductions (kt-CO ₂) |
|----------------|---|
| Housing | 1,127 |
| Infrastructure | 613 |
| Mobility | 4,040 |
| Electronics | 811 |
| Others | 571 |
| Total | 7,161 |

Mobility Field, Electronics Field

In these fields, we contribute to reducing GHG emissions at the production and usage stages of our customers' products. We are further expanding the degree to which we contribute by working to convert the electricity consumed at our production plants to renewable energy and by switching to alternative resources for our raw materials.

Mobility Field

Reduce fuel consumption and CO₂ by decreasing vehicle weights and through heat insulation

- Sound and heat insulation interlayer films
- Alveosoft vehicle floor material, etc.



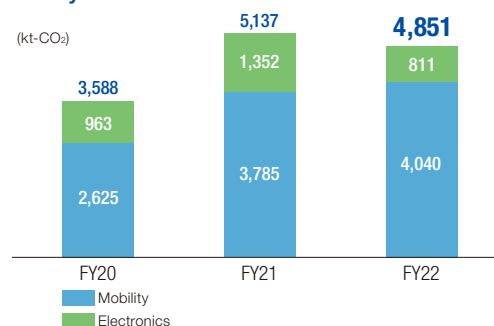
Electronics Field

Contribute to the performance of energy-efficient products and reduce CO₂

- Micropearl
- Conductive fine particles
- White solder resist
- UV sealants
- Heat-release materials



Contributions to GHG Emissions Reduction in the Mobility and Electronics Fields Account for Nearly 70% of the Total



Improve product durability and reduce CO₂ over the life cycle

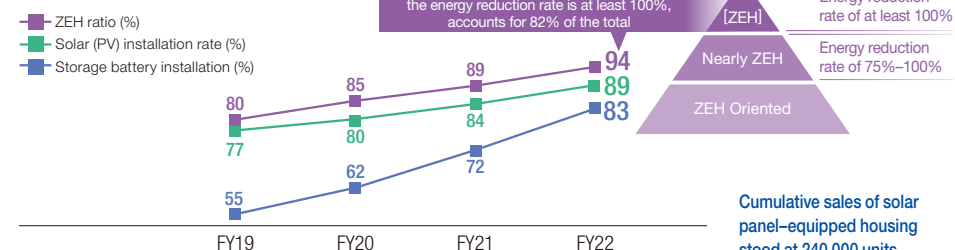
- Foam tape
- Double-faced adhesive tape for fixing of LCD components etc.



Housing

As one of the first companies to tackle environmental issues, we began selling houses equipped with solar panels in 1997. In 2012, we began contributing to energy creation, conservation, and storage through solar panels, HEMS (Home energy management system), and storage battery-equipped housing. By utilizing high-capacity storage batteries and large-capacity solar panels, we propose advanced lifestyles that eliminate electricity purchases wherever possible.

Smart House-related Indicators*1



*1 Rate of installation for detached housing orders

| Reference: Company data* | FY19 | FY20 | FY21 | FY22 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Installed solar panel area | 374,000m ² | 360,000m ² | 400,000m ² | 428,000m ² |
| Total installed solar panel capacity*2 | 50MW | 50MW | 60MW | 60MW |

*2 Cumulative installed solar panel capacity now exceeds 1,300 MW. As a result, total annual electricity generation is equivalent to the electricity consumed by a city with a population of 500,000 people.

Cumulative sales of solar panel-equipped housing stood at 240,000 units (approx.) as of March 31, 2023

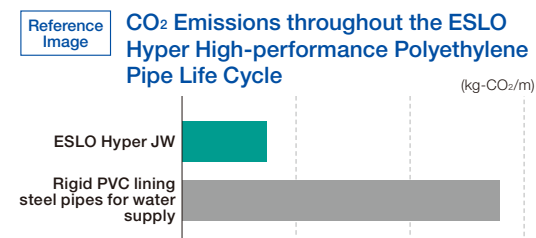


SMART HEIM さん

We also promote the effective use of renewable energy through the SMART HEIM DENKI Power Trading Service business and manage the BeHeim brand, through which we purchase and resell homes in a way that circulates upcycled housing, in order to contribute to building a sustainable, recycling-oriented society.

Infrastructure

In this field, we contribute to mitigating environmental impact by reducing CO₂ throughout life cycles, from raw materials to production, by replacing conventional materials with plastic and by reducing waste, for example, through the SPR pipeline renewal method that eliminates the need to excavate roads during construction.



Notes: 1 Figures for metal pipes are inferred from publicly available information. These figures are for reference purposes only, and are not collected as data from the production process.

2 CO₂ emissions by material and product are calculated using impact assessment coefficients (GHG emissions per unit production) cited from IDEAv2 of the National Institute of Advanced Industrial Science and Technology and the Sustainable Management Promotion Organization

Products to Enhance Sustainability

Promoting Resilient Infrastructure, Cities as well as Living and Communications Environments

Spreading and Promoting Resilient Social Infrastructure and Safe, Secure Lifelines

We provide products and construction methods that contribute to solutions for social issues, including aging structures, disaster prevention and mitigation, and labor shortage countermeasures, as part of water supply and sewage lines, agriculture, electric power, and other aspects of social infrastructure. We also provide lightweight, highly durable, high-strength materials in the aircraft, railway, and other transportation infrastructure fields in order to contribute to building safe, secure lifelines.



Polyethylene pipes for earthquake resistant water supply



SPR Method contributes to aging infrastructure, including sewage pipes



Reinforced plastic composite pipes are also used as rainwater storage pipes



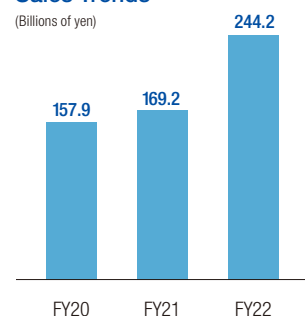
Rainwater storage systems contribute to torrential rain countermeasures



Synthetic sleepers for railroads have exceptional water resistance and durability

Water-related Business Net Sales Trends

(Billions of yen)



* The water-related business was redefined in fiscal 2022.



High flowrate drainage systems contribute to torrential rain countermeasures, etc.



Fire-resistant VP Rigid PVC pipes for buildings



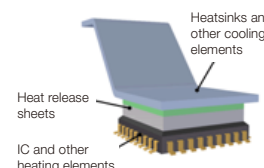
Drinking water storage system



Non-combustible certified material, thermal insulating urethane foam material for onsite use

Resilient Communications Infrastructure

Products that contribute to improving the durability and performance of related parts, which are becoming increasingly important with the development of 5G connectivity, also contribute to more sophisticated ICT.



MANION high thermal conductivity heat release sheet
Contributes to exercising the performance of high-speed communications and high-density semiconductors



Selfa semiconductor processing material
Contributes to realizing high-density, ultra-thin wafers

Providing Smart, Resilient Living Environments, and Town and Community Development



SEKISUI HEIM are made from high-durability structures that are resistant to natural disasters as the result of a highly industrialized unit construction method



New e-PocketGREEN high-capacity storage battery
A high-capacity, compact storage battery that can be installed indoors

In addition to communities where all residences are equipped with storage batteries and built to zero energy house (ZEH) specifications, we are deploying smart, resilient town and community development throughout Japan by bringing to bear the infrastructure materials of the Group that stand strong against disasters, including rainwater storage systems that provide countermeasures to torrential downpours and drinking water systems capable of securing days of potable water, even when water services are suspended.

SEKISUI CHEMICAL Group Infrastructure Technologies



Support for Health and Longevity

Contributing to the Early Detection of Diseases

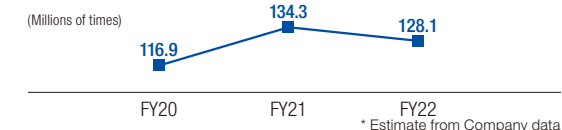


We support healthy lifestyles by detecting illness and infectious diseases early on through our product lineups of clinical reagents for diabetes and infectious diseases, analysis equipment, and plastic blood collection tubes.



Reference Image

Number of tests made using SEKISUI CHEMICAL Group diagnostic reagents in the clinical chemistry (HDL, LDL), diabetes, and POCT fields*



Lightens the Burden on Those Receiving and Providing Elderly Care



Large-scale prefabricated bath for independence support and nursing care



Monitoring Sensor ANSIEL

Proposing Lifestyles with Little Temperature Difference Risk



Comfortable air ventilation and air-conditioning systems

Addressing the New Normal



Virus removal spray with a virus removal effect that lasts approximately one month

Innovation

Interview with the Director Responsible for the New Business Development Department

As a means of charting the rapid establishment of a new business foundation and contributions to business results, we will magnify our core technologies with fusion and promote commercialization along the axis of the seven major themes

Futoshi Kamiwaki

Representative Director
Senior Managing Executive Officer
Responsible for ESG Management Department,
Digital Transformation Department and New
Business Development Department; Head of
Business Strategy Department



Q The Group has conceived of many products over its history. Please tell us about the source of the seeds for creating these products, and the process up to commercialization.

When looking at the source of outstanding seeds, we see that these necessarily arise from our Technological Platforms. Yet nurturing business to any significant degree is difficult without taking a seeds-out approach based on an awareness of markets. We therefore create products of value through the process of first selecting seeds from among our Technological Platforms, and then advancing commercialization with an awareness of markets. For example, although our perovskite solar cells are based on the sealing and coating technologies from our Technological Platforms, we are advancing their commercialization through an approach in which we first fully work out the potential for commercialization internally, and then move on to emphasizing the unique durability and productivity offered by the Group as a form of added value.

Q How do you allocate the different functions and roles between the New Business Development Department and the R&D Center?

To begin with, the R&D Center plays the roles of initially exploring and planning themes, and of establishing the basic technologies. In numerical terms, the R&D Center is responsible for moving a theme from a state of 0 to 1. In contrast, the New Business Development Department undertakes the role of business development, in other words of moving a theme from 1 to 10. After achieving 10 through business development, each divisional company takes responsibility for advancing the theme up to 100. The biorefinery business, for example, is only just now in the business development phase of moving from 1 to 10.

Before the establishment of the New Business Development Department in fiscal 2019, the R&D Department was entirely responsible for moving themes from 0 to 10. Because the required skills and given missions of R&D and business development differ, however, I feel that the current promotion system now allows the respective organizations to more reliably carry out their functions under a clearly defined division of labor.

Q When it comes to internal and external fusion, what kinds of initiatives are you taking in terms of technology exploration and new business development?

Under the previous Medium-term Management Plan, we prepared a Strategic Area Map that serves as a compass for exploring new businesses in specific areas. Based on this Strategic Area Map, we have formed teams within the Business Strategy Department that engage in open innovation and execute investments in venture companies in an effort to actively access external technologies and knowledge. Moreover, in regard to research themes, we are ramping up efforts that transfer research team members between divisional companies or between the divisional companies and the Headquarters. For example, material informatics, cell culture materials, and other themes that had been under the purview of the High Performance Plastics Company have been transferred to the R&D Center, which now allows us to advance R&D from a Group-wide perspective. Along with enhancing our ability to judge external technologies and knowledge, as well as the venture companies that possess these, I believe that further refining the outstanding R&D capabilities held by the Group is the key to initiatives for accelerating fusion.

Q In advancing commercialization, how do you select promising themes and manage their progress?

In terms of selecting themes, we apply a score along a market axis for judging the potential of the market and a strategic axis for judging how the technologies, patents, and human resources possessed by the Group can be effectively employed. We then focus our resources on themes that have received high scores along both of these axes. Once we have selected a theme, we continue to manage it by periodically analyzing the potential of the market and the competitive environment, and screen it to determine if our aggressiveness has abated. At the same time, we take the option of terminating any theme for which the score has fallen. In terms of actual progress management, we proceed towards commercialization upon implementing a five-stage Gate Review.

Innovation

Interview with the Director Responsible for the New Business Development Department

Q Please tell us about the ideal promotion system for new business creation, commercialization, and achieving profitability. In addition, what types of human resources do you see as important for this system?

By breaking down the phases following theme creation from 0 to 1, 1 to 10, and 10 to 100, I believe the current promotion system functions extremely well, whereas the one element that I feel is similarly central to each phase is human resources with a business perspective. Business perspective here refers to the sense that allows individuals to approach themes from both a technology axis and a market axis. Which is why we intend to apply the challenge of commercialization as a means of fostering a business perspective among those of the Group's human resources who are responsible for our diverse range of technologies. In fiscal 2023 we launched the in-house entrepreneurial system as a mechanism for assisting in the commercialization of business concepts presented by employees. Since this time, we have received nearly 200 submissions, far above the initial target of 100 submissions. I therefore feel we are on the right path since so many of our human resources possess an awareness of and think about commercialization. A business perspective can also be fostered through the process of attempting to manifest ideas into businesses, which is why this type of human resources platform is also important for creating new businesses in the future. And even if an idea fails to commercialize, I believe the very fact that more and more of our human resources are seriously considering and engaging in commercialization will also serve to strengthen the foundation for creating new businesses.

Q What kinds of discussions have the Board of Directors held in regard to creating new businesses?

The Board of Directors holds discussions on R&D at least twice a year, and receives progress reports on and confirms the direction of perovskite, biorefineries, and other critical themes undertaken across the Group once a year. Although the Board debates the potential for business from a highly critical perspective, it generally takes a supportive stance in regard to new challenges, which I feel has helped arrange a system that provides across-the-board support for new business creation.

Q We would next like to ask you about the seven major themes targeting commercialization over the medium term on an individual basis.

As far as entry into the aircraft field is concerned, the Group acquired AIM Aerospace Corporation in 2019, at which point we determined to fully enter the aeronautical fields. Despite a dramatic decline in aircraft demand during the COVID-19 pandemic, the market is currently showing signs of a gradual recovery. So, we will move full-ahead to realize the initial goals of this M&A under the Medium-term Management Plan. Based on our processing technologies, a strength of the Group, we will apply our lightweight [CFRP \(a lightweight, high-strength material\)](#) in an effort to expand the aircraft, drone, and other flight vehicle businesses. As a new foothold for entering air mobility



markets, in March 2023 we also invested in [Volocopter GmbH of Germany](#), an eVTOL (electric vertical take-off and landing) aircraft company. We will continue to develop this business so that we can serve as a reliable partner in the aeronautical fields.

From a [next-generation communication components field](#) perspective, we will evolve towards 5G, 6G, and other forms of high-capacity, high-speed communications. When properly installed in enclosed, indoor spaces, our [Transparent and Flexible Radio Wave Reflection Film](#), which emerged from the Group's corporate venture capital efforts, is useful in fully exploiting the performance of communications with high directional stability within that space. With radio wave environment design services in our sights, we are leveraging the competitive strength possessed by our reflection films to promote business expansion, as well as to solve problems involved in establishing 5G and 6G environments, as a reliable partner for communications-related companies.

Turning to [smart city strategies](#), in recent years we have employed our strengths in the Housing Business to promote [town and community development](#) that brings together knowledge from the Group and beyond. Currently, we are engaged in more than 20 town and community development projects around Japan. The energy self-sufficiency, SMART & RESILIENCE (safe, secure, sustainable), and other town and community development efforts that we have promoted to date have been well received for the sense of security they provide customers who have purchased them. Based on the concept of cities in which people can live with peace of mind, we will leverage the full power of SEKISUI CHEMICAL Group and combine our various businesses to deploy smart city strategies that further enhance security, health, comfort, and convenience as a means of further developing cities. Through fusion with the Innovative Mobility domain, for example, we will further improve convenience via the fusion of cars and homes. Similarly, by strengthening fusion with the Life Science domain, we will promote town and community development that considers health, in addition to convenience and peace of mind, so as to make living easier for the elderly.

In the Advanced Lifeline domain, we will engage in [Overseas development of infrastructure materials](#). We will employ our [SPR pipeline renewal system](#), [FFU synthetic railway sleepers](#), polyethylene pipes, and other products that we have promoted in Japan to date in an effort to contribute to more resilient infrastructure around the globe, all while capturing renewal demand for

Innovation

Interview with the Director Responsible for the New Business Development Department

infrastructure on overseas markets into the future. Already, we are starting to establish a business based on renewal demand for railway sleepers with a focus on Europe and the US, and are capturing renewal demand for sewage pipes overseas in regard to SPR. We have also discovered many business opportunities for industrial piping materials relating to semiconductor plants scheduled to begin construction overseas. And we have brought M&As with local overseas companies into our sights while working to increase the share of the Advanced Lifeline domain accounted for by overseas sales. Regulations and characteristics differ by country, however, so we plan to compete on the strength of our materials rather than expanding into construction and engineering projects.

In the [new area of pharmaceutical CDMO domain](#), based on the relationships of trust we have built with pharmaceutical companies through our existing CMO (API Contract Manufacturing Organization) business, we will work to shift to a business approach in which we enter as a partner from the initial stages of new drug development by pharmaceutical companies as we establish the foundation for D (development). We will arrange the foundation for D through the synthesis of low molecular compounds, for example, and combine this technology with our strengths to form a foothold for entering high-value-added pharmaceuticals fields, such as medium molecular compounds and high molecular compounds. In fact, we already possess the synthesis technologies for peptides in the field of medium molecular compounds. Meanwhile, in the field of high molecular compounds, UK-based Sekisui Diagnostics possesses protein synthesis technologies. With these technologies as a strength, we will increase production capacity for APIs and intermediates for small molecule drugs as we advance our conversion to a CDMO for materials used in protein drugs. Moreover, in the regenerative medicine field beyond, we will leverage our technologies in an effort to promote regenerative medicine and to reduce costs. Specifically, we will enter the regenerative medicine field by enabling the development of cell culture materials from conventional animal sources as well as from chemical materials. Our first approach will be based on materials such as chemically synthesized scaffolding, and will rely on their ability to help reduce costs and stabilize quality.

Our efforts to develop [perovskite solar cells](#) have currently achieved a power generation efficiency



of 15%, which is approaching the 18 to 20% level of silicon solar cells. The features of our solar cells are a durability of approximately 10 years when installed outdoors and high-productivity based on a roll-to-roll production process that is currently applicable to 30 cm widths. Our preparations for commercialization will be nearly complete, however, once we achieve a power generation efficiency on the level of silicon solar cells, a durability of approximately 15 years, and ultimately a roll-to-roll production process for one-meter-wide cells. Our greatest area of skill is our ability to reliably produce perovskite materials and supply them to our partners. Certain placements also require unique construction and installation methods, however, so along with enhancing the performance of perovskite, we also feel it is important to find partners who are highly skilled in power generation related construction and installation to develop the necessary construction and installation methods.

As far as [biorefineries](#) are concerned, we are currently advancing initiatives for stable operations, cost reductions, and efficient production at a 1/10th scale demonstration plant. After completing the verification test phase during the current Medium-term Management Plan, we will enter the commercial operations phase during the next Medium-term Management Plan. The business model that we are currently considering takes a joint partnership approach with companies that manage waste disposal facilities and industrial waste treatment facilities, and constructs an ethanol facility next to the waste disposal facility of the partner to convert the waste from the waste disposal facility into ethanol. As a concept that replaces the existing approach of incinerating waste and releasing greenhouse gases with one that circulates resources by converting waste in its entirety into ethanol, we believe this process also offers significant value from an environmental perspective. Which is why we plan to sell the ethanol under a brand name. Like perovskite solar cells, biorefineries also rely on cooperation and fusion with external partners.

Q Please tell us about your roles as the Managing Director of the New Business Development Department, and about the challenges you face as Senior Managing Executive Officer.

My role as the Managing Director of the New Business Development Department is clear. Specifically, it is my duty to engage in business development that steadily commercializes biorefineries, perovskite, and the other major themes.

Despite being promising from both a strategic axis and a market axis, during the business development process for these themes we have often struggled with challenging issues. So, I believe a system in which the Board of Directors and management offers up the entire Group in support of our efforts is a critical factor in growing these themes into major businesses. On the other hand, that business development will not always proceed smoothly is only natural, which is why we must also foster a culture in which failures are not condemned and bad news is the first to be reported so that inconvenient information does not lie dormant below the surface. And a major challenge for myself is ensuring an organizational structure that seamlessly cycles through a process whereby all team members make every effort to find solutions in order to overcome issues as they are discovered. My most important mission is commercializing these seven major themes. Just as the so-called Seven Samurai innovators played a major role at the time of the Group's founding, I intend to foster a culture of innovation within the Group that revives this heritage through the in-house entrepreneurial system.

Innovation

New Products and Businesses

SEKISUI CHEMICAL Group is committed to innovation that contributes to solving such social issues as decarbonization and resource recycling to achieve our Long-term Vision "Vision 2030" and the realization of a sustainable society. We have positioned fusion as a driver to accelerate innovation. We will work to accelerate innovation at an unprecedented pace by focusing more than ever on the fusion of various internal and external stakeholders as well as such entities as universities, research institutes, and companies from the perspectives of technology and business opportunities.

We are endeavoring to shift away from a self-reliant culture and approach by promoting projects that extend horizontally across internal companies, collaborating with external institutions and other outside parties, and engaging in open innovation.

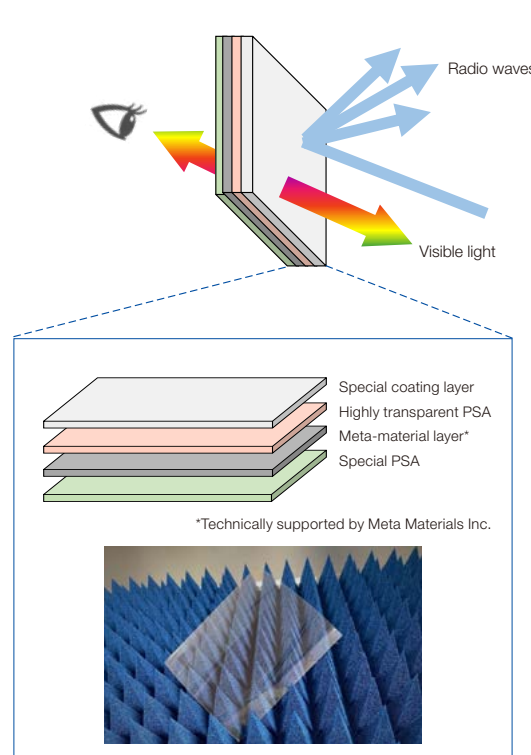
Internal and External Open Innovation

In addition to generating exchanges that transcend internal divisional companies, MINASE INNOVATION CENTER (MIC), a research facility established in 2020, is engaging in various activities to accelerate internal and external fusion as well as open innovation including actively promoting technological exchanges with start-up companies that possess low-carbon technologies together with materials and technologies that contribute to resource conversion.

Similarly, we are accelerating value creation by promoting efforts to ramp up fusion with external partners, by promoting the fusion of technologies, ideas, and innovative cultures that are difficult to acquire solely in-house with those of the Company, and by incorporating them into the Company.

External Collaboration (Example)

Transparent and Flexible Radio Wave Reflection Film



Optical Adhesive Film
Technology



META
Go Beyond.



Positioning electromagnetic wave management as a business domain, we entered the Electromagnetic Wave Control business as a first step through fusion with the technologies of Metamaterial Inc. (headquartered in Canada).

Realizing diffuse reflection characteristics equivalent to or in excess of aluminum plates, our transparent flexible radio wave reflective films are highly effective for such high frequencies as 5G and 6G and also play a role in delivering radio waves to blind spots in rooms.

Looking ahead, we aim to expand into the next-generation components and equipment business and enter the electromagnetic wave.

Entry into aeronautical fields

Lightweight, high-strength
materials



VOLOCOPTER

We entered a capital and business partnership agreement with Volocopter GmbH, which develops and manufactures Advanced Air Mobility (AAM) systems.

In addition to applying the materials and technologies we have acquired in the aircraft, automobile, and electronics fields to eVTOL airframes and engaging in joint research, this move is intended to coordinate with Volocopter's business expansion in Japan.

These efforts will help develop new transportation infrastructure and improve sustainability.

Water use / Recycling

Water Treatment Devices
(pipes, rotating disc systems, etc.)



FRD
Japan

We underwrote a third-party allotment capital increase for FRD JAPAN CO., LTD., which engages in the land-based aquaculture business.

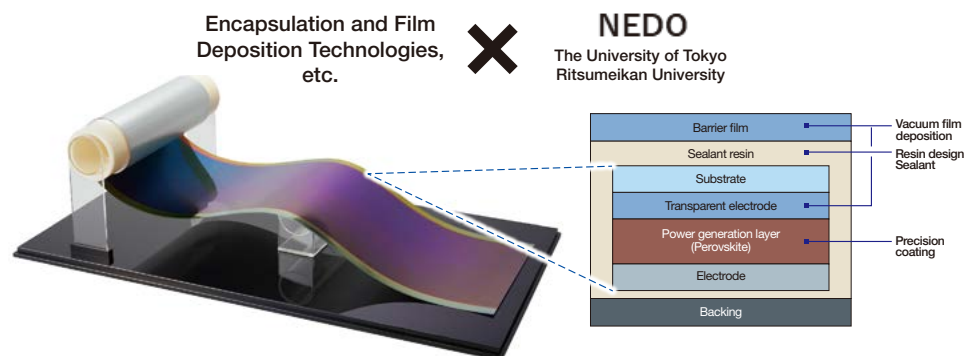
Through this capital participation, we will promote the fusion of our respective technologies and businesses in aims of contributing to the solutions for a range of social issues, including water resource, food, and energy conservation problems, as well as of realizing a sustainable society.

In particular, we will focus on the global roll-out of an advanced water treatment system through the deployment of SEKISUI CHEMICAL Group water treatment devices to FRD's land-based aquaculture business, and through the synergy of our respective technologies and businesses.

Innovation

New Products and Businesses

Perovskite Solar Cells



Next-generation solar cells, which are said to be the key to realizing a decarbonized society, use semiconductors with a perovskite crystal structure as materials for power generation. Unlike conventional silicon-based solar cells, materials can be applied to the film as if it were printed. In manufacturing these solar cells, the Company leverages its proprietary encapsulation, process, material, and film deposition technologies. To date, we have conducted accelerated tests according to the standards for solar cell reliability and confirmed durability equivalent to 10 years of outdoor exposure.

Ultra-lightweight and flexible, perovskite solar cells can be installed on the walls of buildings and on roofs with weight restrictions.

Working in collaboration with the University of Tokyo and Ritsumeikan University, our technology has been adopted for a New Energy and Industrial Technology Development Organization (NEDO) project. SEKISUI CHEMICAL Group has also initiated steps to develop a general-purpose width roll-to-roll manufacturing line. Moving forward, the goal is to achieve commercialization, after conducting verification tests, around 2025 while continuing to engage in research to further improve durability.



Scheduled for installation at the Umekita (Osaka) Station plaza area when it fully opens in 2025
* Subject to change in the future by agreement between the related parties. Image provided by West Japan Railway Company

Biorefinery Technology

Microorganism Culture
Control Technology



LanzaTech



Demonstration plant in Kuji City, Iwate Prefecture

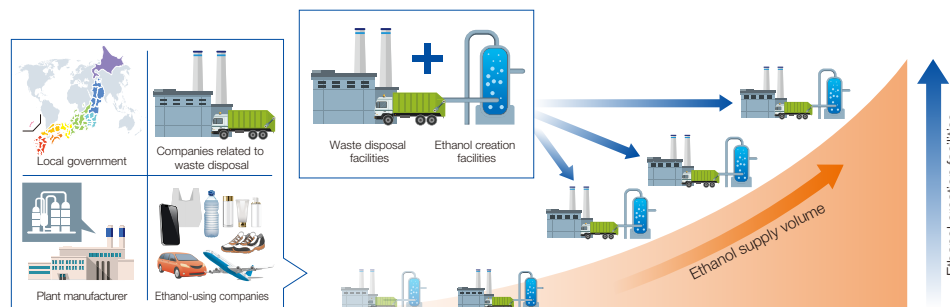
SEKISUI CHEMICAL Group is accelerating efforts toward the social implementation of carbon cycle technologies that recycle the carbon contained in raw materials. In specific terms, we jointly developed a biorefinery (BR) technology that converts combustible waste, including marine plastics, without separation into gas and then converts that gas into ethanol as a raw material for plastic using a microbial catalyst in collaboration with U.S.-based venture company LanzaTech NZ, Inc.

Upon receiving investment from INCJ, Inc. (Innovation Network Corporation of Japan), SEKISUI CHEMICAL Group established SEKISUI BIO REFINERY CO., LTD., in April 2020. Steps are currently being taken to conduct a demonstration at a plant completed in April 2022 in Kuji City, Iwate Prefecture, which is 1/10th the size of a commercial plant, as the final stage in verifying the technology for practical application and commercialization.

The first commercial-scale facility is targeted to begin production in 2025.

Plans are in place for the ethanol produced at the plant to be recycled as a plastic raw material in collaboration with entities as chemical manufacturers beginning with SUMITOMO CHEMICAL CO., LTD., which is already under way.

Ethanol is converted to ethylene and then to plastic, and the products from the plastic are used and disposed of, collected as combustible waste, and returned to the BR plant. The aim is to create a resource recycling system that can be repeated over and over.



Innovation

Research & Development/Intellectual Property

R&D activities along with the intellectual property as the outcome of these activities are the source of competitiveness and an important management resource that underpins SEKISUI CHEMICAL Group's growth and revenue aimed at optimizing corporate value. SEKISUI CHEMICAL Group recognizes that maintaining prominence in technology is the bedrock for creating value. In particular, the technological platforms (TPF) with their strengths in the Residential and Social Infrastructure Creation and Chemical Solutions business fields form the foundations of our value creation.

Technological Platforms

In 2014, SEKISUI CHEMICAL Group identified the TPF as the Group-wide basis for technology development. While refining our prominence in each of these technologies, we are developing products and services that reflect the collective strengths of multiple TPFs while anticipating changes in society and demand and are engaging in various activities including the development of technical human resources. Together with changes in strategies aiming for sustainable growth, we periodically revise the TPF when formulating each Medium-term Management Plan.

**Achieving Peace of Mind Even during Disasters
without Purchasing Electricity as far as Possible!**

Energy self-sufficient homes* Smart Power station FX GREENMODEL

High-capacity solar power systems, film-type storage batteries, and home energy management systems (HEMS) are installed on modular frames with high earthquake resistance, high heat insulation, and high airtightness. Lifestyles that use natural energy as far as possible contribute to the global environment, and at the same time, allow evacuation to housing with peace of mind during disasters.

* Not entirely energy self-sufficient, so some electricity must be purchased from power utilities



| TPF |
|-------------------------------|
| Housing design & construction |
| X |
| Industrial housing production |
| X |
| Energy management |
| Etc. |

**Contributing to the Rehabilitation of
Aging Pipeline Infrastructure**

**SPR-SE method, the
only independent
pipe renewal method
that can rehabilitate
aging pipelines while
water is flowing**

| TPF |
|--------------------------------------|
| Functional resin materials |
| X |
| Extrusion molding |
| X |
| Infrastructure design & construction |
| Etc. |

Although the aging of all manner of infrastructure facilities has become an existential challenge, solutions have failed to keep pace, allowing for accidents caused by aging to occur frequently. Sewage pipes and other pipelines buried underground, in particular, impart a significant social impact on nearby residents during construction that digs these up before burying new pipes. The SPR-SE method is the only method for rehabilitating buried pipelines to a high level of performance that does not require surface excavation or stop the flow of sewage, for example. As such, this method contributes to safe, secure social life.



**Preventing the Spread of Fire During
and After Construction**

**Non-combustible
certified material,
thermal insulating
urethane foam
material for onsite
use PUXFLAME**

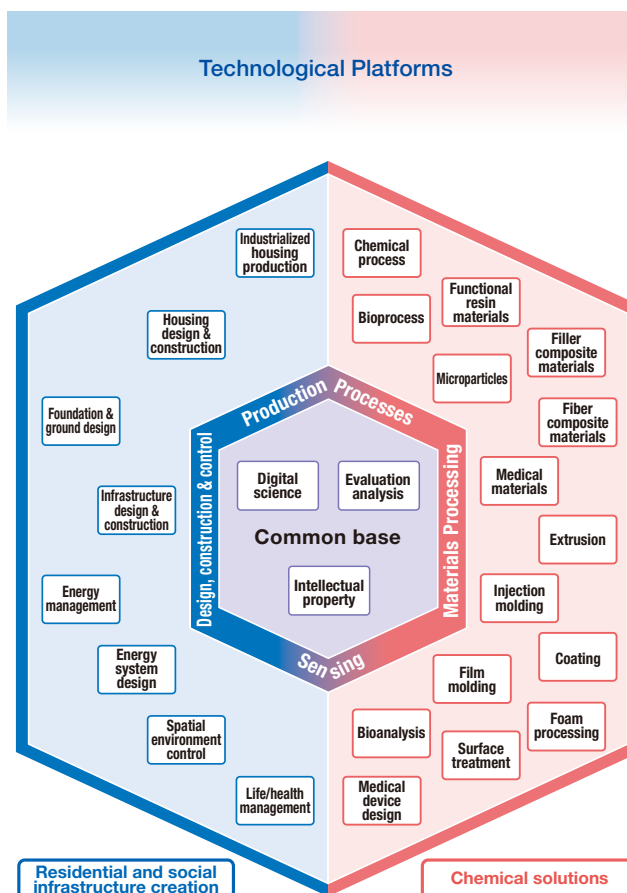
| TPF |
|--------------------------------------|
| Filler composite materials |
| X |
| Infrastructure design & construction |
| Etc. |

Using proprietary resin synthesis technologies, thermal insulating urethane foam material for onsite use is the first organic material to receive inflammable certification in Japan. In addition to providing benefits after construction, this material prevents the occurrence and spread of fires caused by ignition during construction, and also contributes to shorter construction times.



Carbonized layer
Forms a carbonized layer that prevents oxygen and flammable gases from bonding

Technological Platforms



**Contributing to Greater Performance
and Power Savings for Semiconductors**

High adhesion releasable UV Tape, SELFA

With the ability to adhere sufficiently during use yet release easily and cleanly when exposed to UV, SELFA is employed for advanced semiconductor fabrication processes.

SELFA contributes to realizing cutting edge semiconductor chips that offer high performance and energy savings.



**Contributing to Higher Quality Medicine
through Faster, More Accurate Testing**

Nanopia LRG leucine-rich α 2-glycoprotein (LRG) blood level test reagent

As Japan's first blood test reagent for inflammatory bowel disease, high precision microparticles (latex) and antibody acquisition and purification technologies enable appropriate diagnoses and follow-up observations, as well as simpler, faster testing.



**Contributing to Greater Performance Stability and Reliability for EV Batteries and
ADAS Devices through Heat Release Functions**

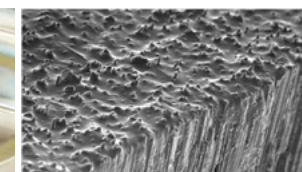
CGW® Series 2-part room-temperature curing heat release greases MANION Series high thermal conductivity heat release sheets

The CGW Series of heat release grease made from low siloxane materials that can be cured at room temperature and the MANION Series of heat release sheets for which high thermal conductivity was realized using the Group's unique magnetic orientation technology enable the Group to propose heat release options suited to specific applications.

As electric vehicles (EV) and advanced driver-assistance systems (ADAS) have evolved, batteries and electronic components have come to demand higher performance and more compact designs. In response, these two series serve as heat release countermeasures that contribute to performance stability, higher reliability, and safety.



CGW® Series



MANION Series

Innovation

Research & Development/Intellectual Property

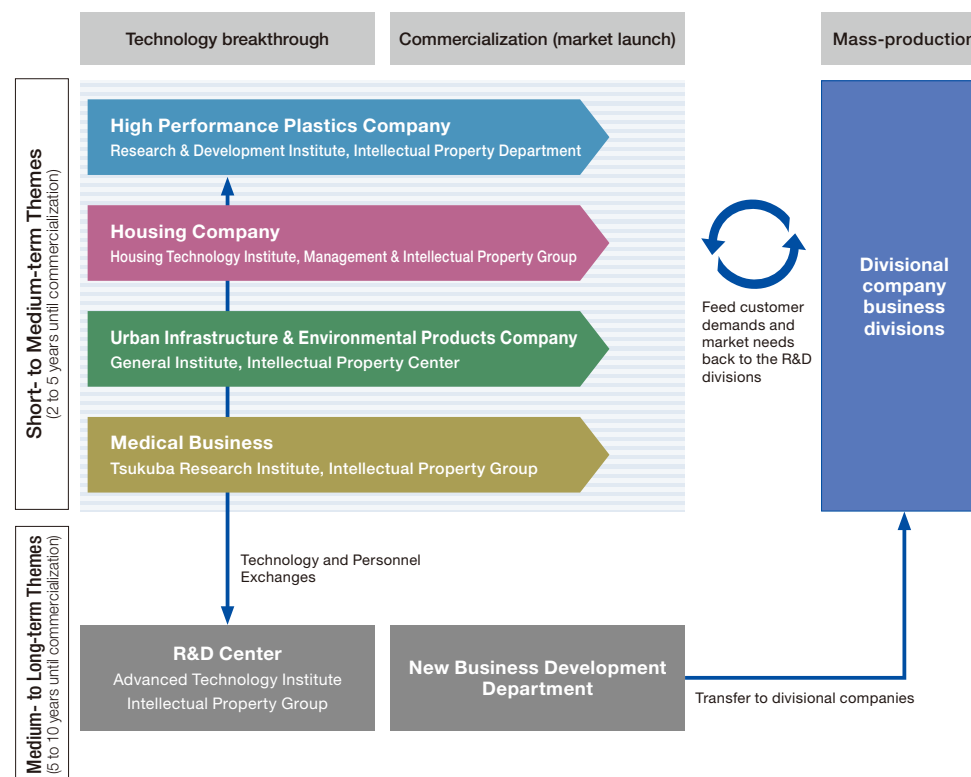
Reference Technological Platforms

| Category | Technological Platform | Overview |
|--------------------------------|--------------------------------------|--|
| Design, construction & control | Housing design/construction | Provides secure, safe housing that is resistant to natural disasters for both new and renovated houses. |
| | Foundation & ground design | Contributes to disaster mitigation and faster recovery through ground survey, rating, and countermeasure technologies. |
| | Infrastructure design & construction | Provides high-durability, high-quality infrastructure pipeline systems that offer construction labor savings, and develops technologies that express fireproof properties. |
| | Energy management | Contributes to the environment through the effective use of solar panels and storage batteries, and protects daily life during natural disasters. |
| | Energy system design | Develops energy creation and energy storage systems to achieve a sustainable society. |
| | Spatial environment control | Provides quiet, comfortable living environments through product and spatial design technologies. |
| Production Processes | Industrial housing production | Further evolves the Unit Construction Method and provides high cost performance housing. |
| | Chemical process | Develops agitation, separation, drying, and other process technologies that enable safe, consistent, and efficient production of chemical products. |
| | Bioprocess | Provides resin raw materials made using microorganisms instead of relying on fossil resources to achieve a sustainable society. |
| Sensing | Life/health management | Evaluates and designs products and environments that help increase the QOL of consumers. |
| | Bioanalysis | Provides medical diagnostic reagents targeting diabetes, infectious diseases, and various other ailments. |
| | Medical device design | Provides medical device systems that can accurately and rapidly perform tests. |
| Materials | Functional resin materials | Provides various types of high-performance plastics through resin design, denaturation, and synthesis. |
| | Microparticles | Provides microparticles with unique features through particle size control and functionalization. |
| | Filler composite materials | Expresses new functions by mixing resins with fillers of different sizes in an optimal manner. |
| | Fiber composite materials | Provides lightweight, high-strength products by combining oriented fibers with resins. |
| | Medical materials | Provides pharmaceutical ingredients, medical amino acids, cell culture materials, and other substances that serve as the active ingredients in pharmaceuticals. |
| Processing | Extrusion molding | Provides various resin products through approaches to extrusion process engineering and simulation that enable high-quality, high-efficiency production. |
| | Injection molding | Conducts process engineering that leverages advanced simulation technologies to enable production of high-performance, high-quality injection molded products. |
| | Coating | Grants new functionality by coating and drying functional materials uniformly over surfaces. |
| | Film molding | Provides various high-performance film products by leveraging film forming technologies and multi-layering technologies. |
| | Foam processing | Produces foam molded products with thermal insulation, flexibility, and other functions |
| | Surface treatment | Provides the ideal treatment technology to modify and functionalize surfaces. |
| | Digital science | Uses materials informatics, computing technologies, image analysis, and other technologies to drive innovation in materials development. |
| Common base | Assessment analysis | Ensures quality through state-of-the-art assessment analysis for highly advanced materials and safe, secure product development. |
| | Intellectual property | Establishes strategies and secures rights in order to support business through intellectual property. |

R&D and Intellectual Property Management System

SEKISUI CHEMICAL Group is undertaking the challenge of innovations that leverage our core technologies with the aim of expanding existing businesses and creating new businesses. The R&D management system that supports this effort is split into two areas depending on the timeframe of the theme. R&D themes arising from the acquisition of customer needs are undertaken by the R&D institutes from each segment, which enables timely activities in line with the segments' respective business environments. This approach to R&D also incorporates the perspective of solving social issues, where each institute handles every step up to the creation of products and services. Corporate Headquarters is now in charge of medium- to long-term themes, the R&D Center specializes in technological breakthroughs, and the New Business Development Department is in charge of promoting commercialization. After launching each theme as a business, a system is in place that facilitates the prompt transfer of control to a divisional company. In addition, each segment's R&D institute and the R&D Center exchange technologies and personnel.

Each segment and the Corporate Headquarters also maintain independent Intellectual Property Divisions. The Intellectual Property, Business, and R&D divisions for each segment are in constant cooperation, striving to achieve prominence over our competitors based on the distinctive characteristics of their respective areas, thereby linking to the expansion and growth of our business.



Innovation

Research & Development/Intellectual Property

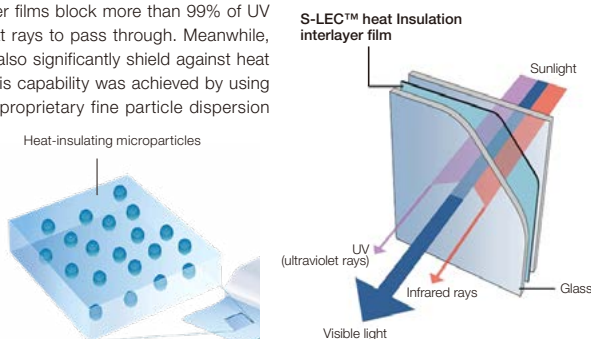
Treatment of Human Resources Engaged in R&D and Intellectual Property Activities

As part of our effort to assess and reward researchers and engineers, the Group has established the Invention Grand Prize as an award from the President & CEO to recognize inventions that have made particularly large contributions to the Group's profits along with the achievements of their inventors. The Invention Grand Prize is divided into four grades ranging from Special Class to 3rd Class, assigned depending on the extent of the invention's business contribution amount, and there are bonuses awarded to winners for each grade. The Special Class bonus has no upper limit and is instead defined as a ratio of the business contribution amount.

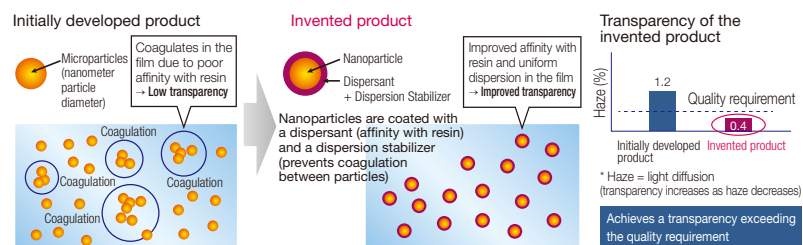
The Group has also established a specialist position system for researchers and engineers with highly specialized skills. We appoint prominent human resources with a high level of expertise that is competitive both within and outside the Company to specialist positions. In deepening their skills and developing future employees, these human resources serve as the main source of added value that will become the wellspring of our competitiveness. As of July 2023, 39 people have been appointed. Moving forward, we are promoting technology platform strengthening initiatives with a long-term perspective.

Invention Grand Prize Example: Heat Insulation Interlayer Film (1st Class)

Although conventional interlayer films block more than 99% of UV rays, they allow almost all heat rays to pass through. Meanwhile, heat insulation interlayer films also significantly shield against heat rays in addition to UV rays. This capability was achieved by using SEKISUI CHEMICAL Group's proprietary fine particle dispersion technologies to disperse heat-insulating microparticles within ordinary film layers. The technologies for the dispersant and dispersion stabilizer with which the nanoparticles are coated are protected by patents, which is why the invention of these nanoparticles was recognized.



Invention details



Specialist Positions Supporting Technology



Film molding

Extrusion molding

Kenichi Shirai

(High Performance Plastics Company, Facility and Process Engineering Division)

As the Process Engineering Group Leader, I am in charge of duties related to solving problems raised mainly by the manufacturing departments at our plants. So, I am involved in a variety of issues, including increasing production capacity, making quality improvements, reducing manufacturing costs, improving upon chronic problems, and engaging in research for new product development. In some cases, I will travel to the plant to identify causes or in others I will conduct actual experiments in laboratories in order to pinpoint the cause of issues. I am also involved in developing simulation technologies to support up-scaling from laboratory equipment to production equipment. The only problems that tend to reach the Process Engineering Group are those that are too complex to be solved at the plant itself. Although it is rare for an experiment to be successful on the first try, I combine experiments and simulations in order to reduce the number of trials, and acquire skills and capabilities to increase the rate of success. My challenge going forward is to create an environment in which young employees can work with a fresh spirit and experience growth. We are currently engaged in issues that would be considered difficult anywhere in the world. Failures are therefore unavoidable, and there are things we can only learn from failures, too. So, I will convey to young employees that failures are not something to be avoided, but something to be applied in the future by considering them as a way to accumulate new data.

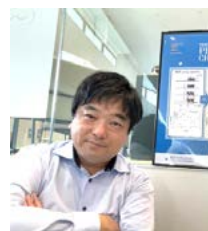


Energy management

Masato Oota

(Housing Company, Business Strategy Department, Marketing Section, Smart Promotion Office)

Along with promoting the planning and development of advanced technologies together with our R&D divisions and partner companies, I engage in leading research into smart houses through joint research with universities and the government of Japan. In fact, I was the first to envision the concept of energy self-sufficient homes, which I submitted to an in-house call for contributions 15 years ago. My concept was not based on technologies that were available at the time, but on the consideration of potential needs of home owners and on environmental and energy problems anticipated to occur 10 and 20 years in the future. Taking this approach of considering how to solve social issues was probably what allowed me to envision such a big picture. Three years after I presented my ideas, we launched sales of Smart Heim houses that came equipped standard with HEMS for solar power generation. Unfortunately, the Great East Japan Earthquake occurred at nearly the same timing, which brought Japan as a whole face-to-face with the challenge of an energy crisis. I was shocked that the future I had envisioned had arrived all at once. My challenge for the future is to drive new innovations and realize houses that exceed the imaginations of others. And I intend to realize this together with talented young engineers and to also make a reality of their dreams.



Digital science

Yasunari Kusaka

(R&D Center, Advanced Technology Institute, Information Science & Technology Promotion Center)

As the director of the Information Science & Technology Promotion Center, I am involved in work promoting the use of information science and technology with a focus on materials informatics (MI). By combining the intuitive judgments made by researchers thus far with past data accumulated at the site of development and external data, I engage in efforts to help propose new materials and to shorten development cycles. By leveraging MI, we can potentially accelerate the development cycle by a factor of 100, conceive of materials that humans had never dreamed of before, and enable those with little experience to make new discoveries. Through the efforts of our members and cocreation with outside parties, we have also made contributions to business. To ensure a broader scope of materials development themes and increased involvement in other themes that utilize digital technologies in an effort to contribute to the Long-term Vision, it is my role to comprehensively manage technology as a whole. My challenge for the future is to increase the number of researchers who enjoy producing results. And I believe that if we provide an environment that allows researchers to feel excited about their own growth and progress in developments, the Company will continue to prosper as a natural outcome.

Innovation

Research & Development/Intellectual Property

Fundamental Policy on Intellectual Property

SEKISUI CHEMICAL Group endeavors to secure strategic IP that supports its business activities, as well as to maintain and manage any acquired IP. Meanwhile, we conduct periodic investigations to avoid infringing upon the IP rights of others, and take appropriate measures to avoid and prevent others from infringing upon the IP rights of SEKISUI CHEMICAL Group. To utilize the prominence of our technology to its fullest potential and contribute to our business, we conduct competition environment analysis using information related to intellectual property, markets, and competition, and this serves as a starting point for our strategy development, intellectual property portfolio management, and other strategic intellectual property promotion activities. We have adopted the Patent Asset Index™ (PAI), which benchmarks the strengths of patent evaluation and innovation, as an index, and are bolstering our focus on improving the quality of patents, under the Medium-term Management Plan, Drive 2.0.

Fostering an Intellectual Property Mindset

With the goal of increasing employee awareness of intellectual property, we started a system in fiscal 2010 that grants P-Badges to those who submitted a certain number of patent applications. Currently, our corporate culture considers it a matter of course for

all engineers to earn one. There are a variety of awards systems in place for intellectual property activity achievements, and in addition to awards for inventions that contribute to profits, there are others that use different criteria such as number of patent applications in a year, invention originality, and strength of the application network. We also give awards for actions utilizing licenses and rights, such as earning license revenue and blocking the entry of other companies. These awards systems are intended to further motivate employees to work on intellectual property.

Intellectual Property Training for Employees

We have prepared several educational programs tailored to the level of each developer for engineers during their first two years that covers essential topics ranging from fundamentals of intellectual property to strategy development and is implemented at all companies.

In addition, we provide individual specialized education programs for each divisional company to cultivate practical skills in line with their business. For trademarks and branding issues, the target group for education programs is expanded to include marketing and sales staff as well.

Group-wide Intellectual Property Application (IP Landscaping)

SEKISUI CHEMICAL Group engages in analysis activities that combine markets and technology information with a focus on

intellectual property (IP landscaping). This approach supports efforts to strengthen the business competitiveness of existing products as well as strategy planning and intellectual property portfolio enhancements where new products and businesses are created. Meanwhile, it also aids decision-making when undertaking high-level management and business assessments, such as M&As, so we promote the use of this approach throughout the Group.

Performance Data

In each of the recent rankings for Patent Asset Scope and Ability to Restrain Other Companies announced by Patent Result Co., Ltd., the Company ranked second and fourth, respectively, in the chemical industry. SEKISUI CHEMICAL has maintained a position in the top 10 for the past ten years.

Patent Asset Scope 2022 Ranking

| Ranking | Company name | Patent asset scope (points) | Number of patents |
|---------|-------------------------|-----------------------------|-------------------|
| 1 | Fujifilm | 58,099.4 | 1,113 |
| 2 | SEKISUI CHEMICAL | 24,822.4 | 615 |
| 3 | Kao | 22,123.4 | 710 |
| 4 | LG Chem | 22,095.4 | 558 |
| 5 | Nitto Denko | 21,470.0 | 452 |
| 6 | Sumitomo Chemical | 18,819.4 | 494 |
| 7 | Asahi Kasei | 18,225.2 | 410 |
| 8 | DIC | 16,636.7 | 344 |
| 9 | Mitsubishi Chemical | 15,696.2 | 546 |
| 10 | LG ENERGY SOLUTION | 13,236.7 | 419 |

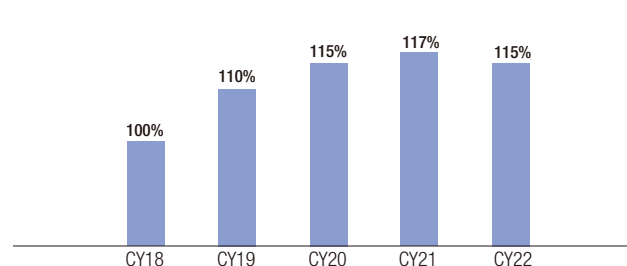
Source: Patent Result Co., Ltd. "Chemical Industry: Patent Asset Scope 2022 Ranking"

Ability to Restrain Other Companies 2021 Ranking

| Ranking | Company name | Number of patents |
|---------|-------------------------|-------------------|
| 1 | Fujifilm | 3,959 |
| 2 | Mitsubishi Chemical | 2,021 |
| 3 | Kao | 1,692 |
| 4 | SEKISUI CHEMICAL | 1,254 |
| 5 | Nitto Denko | 1,205 |
| 6 | Asahi Kasei | 1,100 |
| 7 | Resonac | 1,080 |
| 8 | Sumitomo Chemical | 923 |
| 9 | DIC | 759 |
| 10 | Shin-Etsu Chemical | 736 |

Source: Patent Result Co., Ltd. Chemical Industry: Ability to Restrain Other Companies 2022 Ranking

Patent Asset Index™ (PAI) growth rate

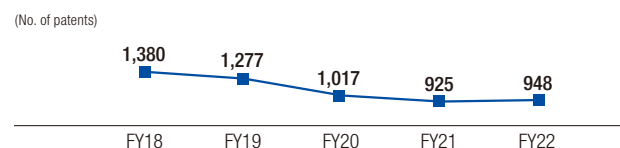


* Patent Asset Index™ growth rate calculated using LexisNexis' PatentSight® patent analysis tool over the past five years.

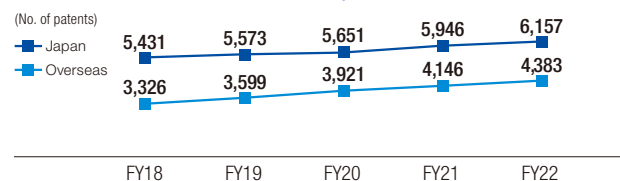
* Aggregated value as of April 2023

* The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based on the country of application for each patent with valid legal status, and adds them together to show the asset value of the patent.

Number of Patent Applications (domestic)



Number of Patents Possessed (domestic and international)



Human Capital

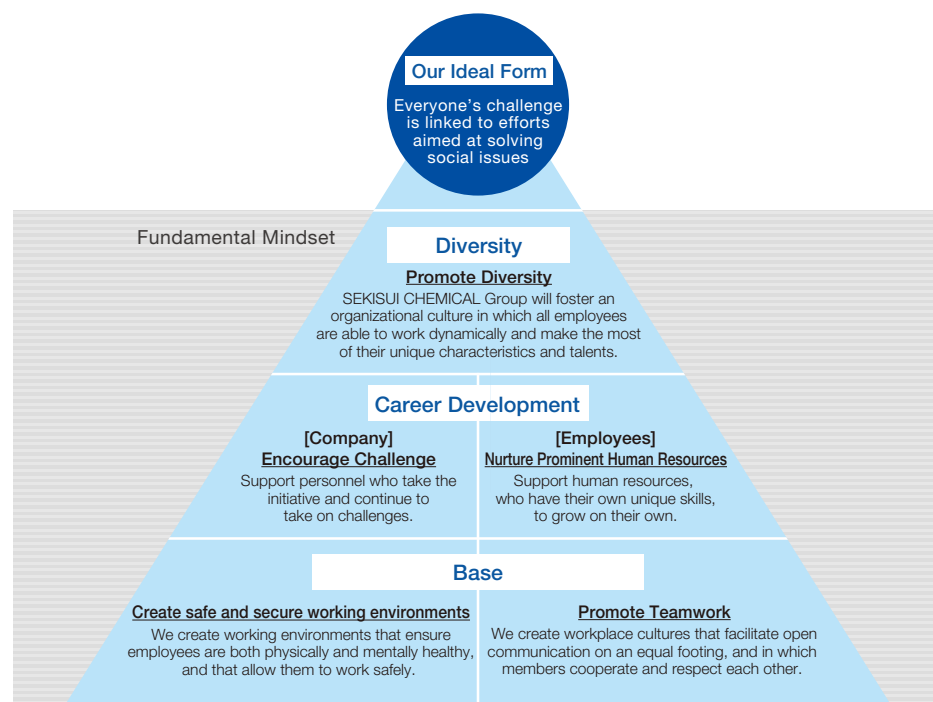
– Placing the Right Person in the Right Position and Fostering a Culture that Embraces Challenge

In order to realize our Long-Term Vision, the Group aspires to an excellent and vibrant company where all employees thrive on challenges. We are therefore developing human resources who can address the speed of business growth and change, and promoting efforts to successfully place the right person in the right position.

Human Resources Philosophy

Based on our belief that employees are precious assets bestowed on us by society, the Group is committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their specialties and support growth through challenges.

With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure working environments in response to conditions in each country and region.

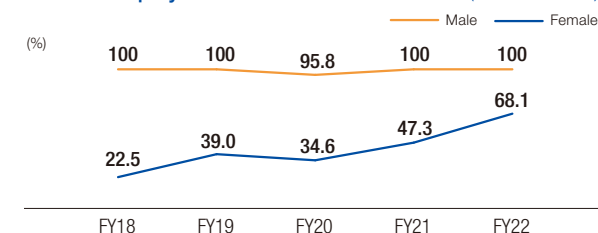


Diversity

Allowing Diverse Human Resources to Excel

- Diversity Initiatives
- Allowing Diverse Human Resources to Excel
- Support for Work-Life Balance
- Support for Employee Retention

Ratio of employees who took childcare leave (non-consolidated)



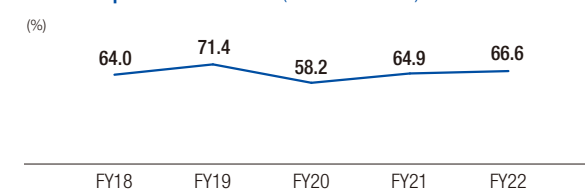
The Number of Employees and Ratio of Women (SEKISUI CHEMICAL Non-consolidated)

| | FY18 | FY19 | FY20 | FY21 | FY22 | FY25 Target | FY30 Target |
|--|-------|-------|-------|-------|-------|-------------|-------------|
| Total number of employees (Persons) | 3,918 | 3,956 | 3,960 | 3,902 | 3,887 | — | — |
| Ratio of women (%) | 15.0 | 15.9 | 16.5 | 16.7 | 17.0 | — | — |
| Total number of managerial positions (Persons) | 1,366 | 1,376 | 1,381 | 1,395 | 1,412 | — | — |
| Ratio of women (%) | 3.2 | 4.1 | 4.3 | 4.3 | 4.5 | 5.0 | 8.0 |

Promotion of Work-style Reforms

SEKISUI CHEMICAL Group Statement of Work Style Reforms “We will pursue highly productive work styles that enable employees to demonstrate their respective strengths and to maximize outcomes in the limited time available”

Ratio of paid leave used (non-consolidated)



Promotion of Health Management

In aims of achieving the mental, physical, and organizational well-being for which SEKISUI CHEMICAL Group aspires, the Company promotes five health improvement initiatives

- Health Checkups and Measures to Prevent Lifestyle Diseases
- Mental Health
- Systems and Workplaces Where People Can Work with Peace of Mind
- Group-wide initiatives
- Increase motivation and productivity



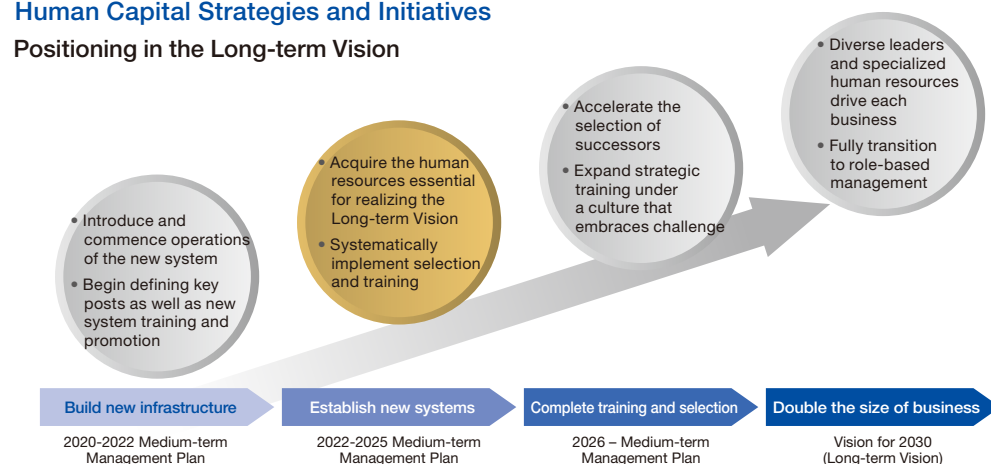
Human Capital

– Placing the Right Person in the Right Position and Fostering a Culture that Embraces Challenge

Aiming to reveal the true value of role-based human resources management as introduced and commenced under the previous Medium-term Management Plan

Human Capital Strategies and Initiatives

Positioning in the Long-term Vision



| | | | |
|--------------------------|---|---|---|
| Medium-term strategies | Realize the right person for the right position | Foster a culture that embraces challenge | |
| Achieving Diversity | | | |
| Key Issues | 1. Discover and promote the best employees | 2. Acquire and retain diverse talent | 3. Nurture employees who take on challenges to support the business |
| Key Initiatives | <ul style="list-style-type: none">• Realize nomination and selection of successors• Visualize internal careers | <ul style="list-style-type: none">• Establish a base that can accommodate diverse human resources• Maintain and revitalize employees | <ul style="list-style-type: none">• Develop the next generation of leaders• Increase the value of all employees• Create a culture that nurtures employees who embrace challenge |
| KPI | Successor candidate preparation rate (non-consolidated) FY22: 77% FY25:100% | Maintain and increase the retention rate ¹ (non-consolidated) FY22: 97% | Employee Challenge Action Rate ² FY22: 47% FY25: 60% |
| Human Capital Investment | Invest ¥12 billion over the three-year period from 2023 to 2025 in human capital (intangible assets) 1. Invest in employee career advancement 2. Secure human resources for each Group company (labor condition improvements, personnel reinforcements, working environment upgrades) | | |

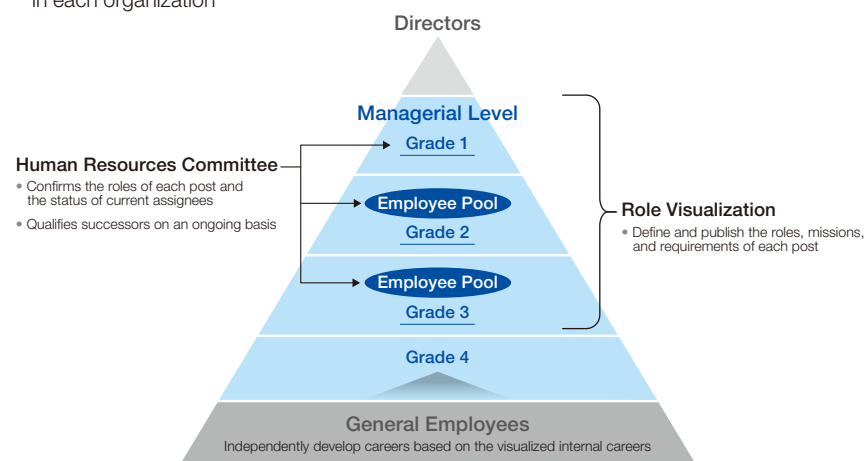
*1 (1- (Number of employees who left employment / Number of employees as of April of the fiscal year)) × 100 (only includes permanent full-time employees, and excludes compulsory retirees and transfer retirees)

*2 Employee Challenge Action Rate: The percentage of respondents who replied either yes or somewhat applicable to the question: "I am taking concrete actions to engage in challenging action to realize Vision 2030." (redefined in 2023)

Human Resources Strategies in the Medium-term Management Plan

1. Discover and promote the best employees

- Aims for a situation in which the roles required for realizing management strategies are appropriately managed, and in which the employees and successors who will take on these roles are trained and selected on an ongoing basis
- Targets a successor preparation rate of 100% for posts equivalent to management personnel in each organization



2. Acquire and retain diverse talent

- Aims for a situation in which the diverse talent required to realize management strategies are secured in a timely manner, and continue to play a role in the Group's fields
- Serves to improve the retention rate, a major issue for the Company, by expanding opportunities to play a role within the Group and by realizing more flexible work styles

3. Nurture employees who take on challenges to support the business

- Aims for a situation in which there is an environment that nurtures employees (leaders, skilled specialists) who will support management strategies, and that allows employees to grow independently through the fostering of a culture that embraces challenge
- Serves to acquire specialized skills through program development and training intended for reskilling aligned with business needs, and through theme execution

Environment

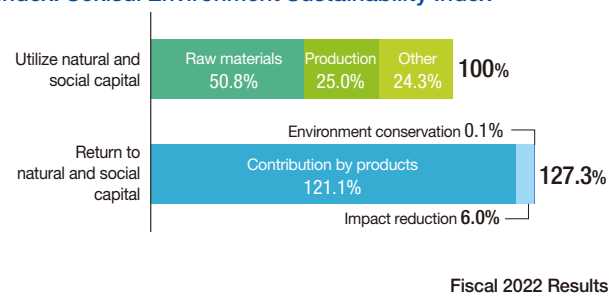
– Contribution to an Earth with Maintained Biodiversity

SEKISUI CHEMICAL Group is working on environmental issues from a long-term viewpoint toward the realization of a sustainable society. Our vision for the planet in 2050 is one where biodiversity is maintained in which many of the issues facing us have been resolved, and biodiversity is preserved in a healthy condition. Recognizing that our corporate activities rely on the planet's natural and social capital, we will work to resolve global issues such as climate change, resource recycling, water risks, and biodiversity, and to contribute to the return of natural and social capital through three activities: (1) expand and create markets for Products to Enhance Sustainability; (2) reduce environmental impacts; and (3) conserve the natural environment. To accelerate the Group's contribution to returns, we will pursue initiatives not only as the Group but also in cooperation with our stakeholders.

Long-term Environmental Management Vision and Environmental Medium-term Plan

We set goals and implement each measure for our environmental medium-term plans by backcasting from the Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. In our Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: EXTEND (2023-2025), we will promote climate change, resource recycling, and water risk as priority environmental issues to fiscal 2025.

Integrated Index: Sekisui Environment Sustainability Index



Rate of return to natural and social capital through corporate activities **127.3%***

* The goal for fiscal 2022 under the Medium-term Plan is 100% or higher

Breakdown of the rate of return to impacts regarding the aspect of nature

| | |
|---------------------------------|-------|
| Rate of return to biodiversity | 38.0% |
| Rate of return to plant biomass | 67.8% |

Note: Calculated using LIME2, a damage calculation-based impact assessment method for use in Japan

For details on climate change initiatives and scenario analyses, see the TCFD/TNFD Report.

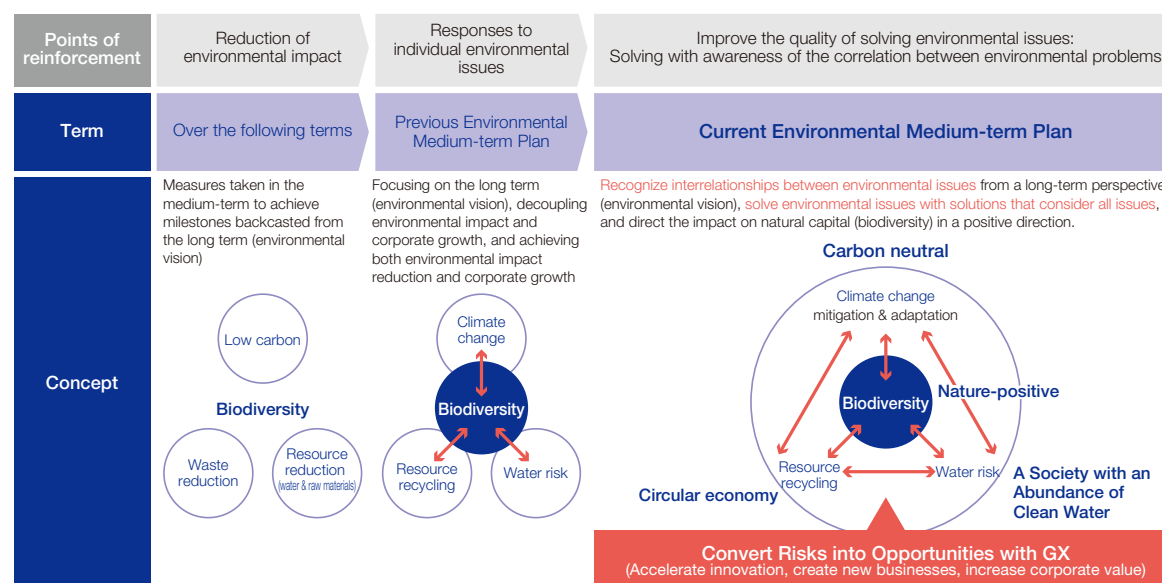
▼ TCFD/TNFD Report

https://www.sekisuichemical.com/sustainability_report/report/#tcf

* The MILCA database IDEA has been updated from ver. 2.3 to ver 3.1 in the MILCA calculation system, which is used to calculate the rate of return. As a result, the environmental impact per unit amount is larger, especially in terms of the impact of chemical substances on ecosystems. Placing even more importance on the impact on biodiversity, we are using the updated calculation system from fiscal 2023. Calculated based on MILCA ver 3.1, the rate of return to natural and social capital is 97.6%.

Environmental Issue Initiatives

Enhancement Points



To verify progress toward the Long-term Environmental Management Vision, we calculate the rate of return to natural and social capital using the Sekisui Environment Sustainability Index as an integrated indicator. As a breakdown of this calculation, in addition to climate change issues, the effects on plant biomass (primary production of plants) and biodiversity (number of extinct species) are being estimated, and the impact on natural capital (aspects of nature) monitored. While neither aspect has yet reached a rate of return of 100% or higher, SEKISUI CHEMICAL Group is steadily promoting corporate activities that will help realize a nature-positive future by addressing such environmental issues as climate change and resource recycling. The aspects of the Group that place a heavy burden on biodiversity include raw materials, chemical substance emissions, and the disposal of sold products. We also acknowledge that paper derived from biomass and materials derived from petroleum, in particular, place a significant burden on plant biomass. To reduce the impact of these, we recognize the importance of strengthening procurement that takes into account the sustainability of non-fossil resources, and therefore prepared the Sustainable Procurement Guidelines for raw materials. Similarly, we initiated activities aimed at reducing environmental impact and corporate risks in cooperation with suppliers. Moreover, to reduce the impact and expand return to nature, we recognize the importance of developing products and technologies that contribute to decarbonization, as well as of perfecting services and technologies that reduce disposal of sold products and promote resource recycling. We are therefore engaged in expanding Products to Enhance Sustainability.

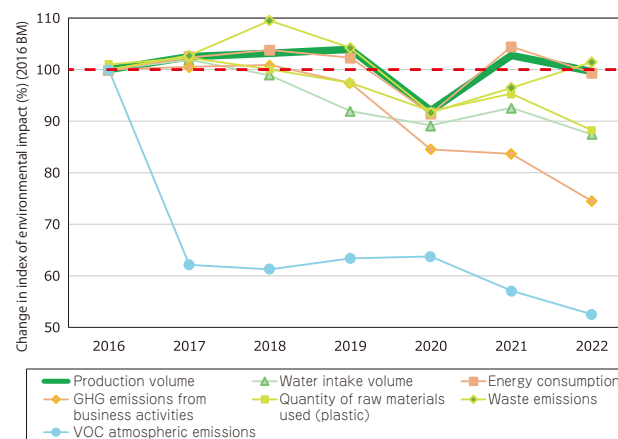
Environment

– Contribution to an Earth with Maintained Biodiversity

Responses to Biodiversity Issues

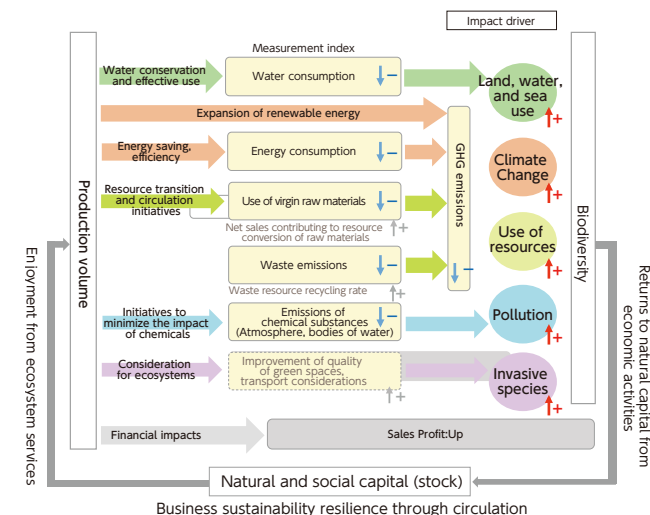
As with the climate change issue, SEKISUI CHEMICAL Group recognizes that addressing Nature (natural capital) issues, including biodiversity, is important from a management perspective and is undertaking risk identification by means of TNFD scenario analyses. With regard to the impact on biodiversity, in particular the environmental issues, the factors shown in the diagram on the right are considered influential. Therefore, in aiming for an Earth with maintained biodiversity (= realization of nature positivity), in the same way as with the climate change issue we verified the reduction of environmental impact and, as a manufacturing company centered on production activities, to what extent we have been able to transition to decoupled management in our corporate activities. Of the five impact drivers that affect biodiversity, we confirmed whether the index indicating environmental impact is being successfully decoupled from the production volume with regard to four impacts, excluding that from alien species, based on the increase/decrease compared with fiscal 2016. In the cases of water intake volume, greenhouse gas emissions, and VOC discharges, we were able to confirm decoupling against fluctuations in production volume and a lightening of the negative impact while maintaining production volume. In contrast, we were able to confirm that the consumption of energy, the amount of virgin raw materials used and the amount of waste generated are linked to production volume. It was suggested that moves toward decoupling by means of future efforts geared toward long-term goals would be strategically necessary.

Confirmation of decoupling of production activities and environmental impacts affecting biodiversity.



Impact paths based on environmental indicators of business activities affecting biodiversity* "SEKISUI Decoupled Nature Model"

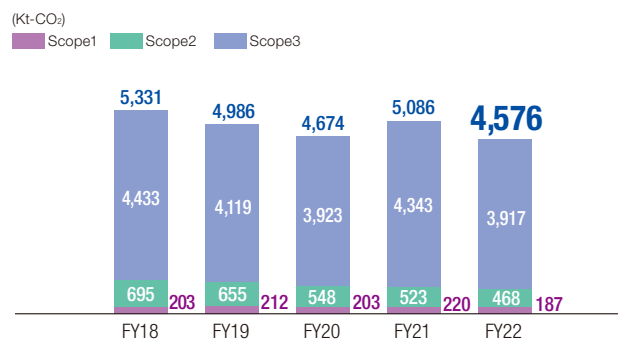
*Impact path: Pathways through which corporate activities impact on the company's future finances.



Efforts to Address Climate Change

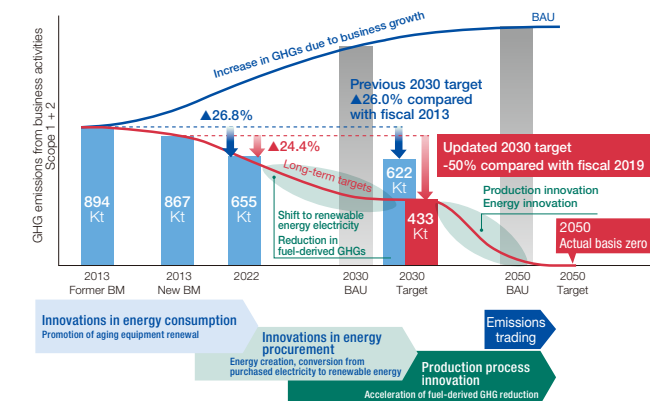
Based on the results of scenario analyses conducted in line with the recommendations of the TCFD in fiscal 2019, we identified climate change issues as risks and opportunities (▶P.20) that could have a major impact on business, which is why we define the environment as one of the key issues for the Group. In response to recent demands to accelerate climate change mitigation and adaptation measures, in March 2023 we raised our target for GHG reductions for 2030 in line with the 1.5°C scenario and received SBT recertification. SEKISUI CHEMICAL Group is working to reduce not only its own GHG emissions but also those of its entire supply chain, from the procurement of raw materials to the transportation, use, and disposal of its products. In moving toward the long-term goal of achieving effectively zero GHG emissions from our business activities by 2050, we aim to convert all electricity purchased within Scope 2 to renewable energy sources by 2030. Moreover, from fiscal 2023, we will also start fuel conversion and production innovation to promote the reduction of GHG emissions derived from fuel (Scope 1), which has a high degree of difficulty.

GHG Emissions across Entire Supply Chain



* Past figures have been revised due to improvements in precision.

Road Map to Reducing GHG Emissions



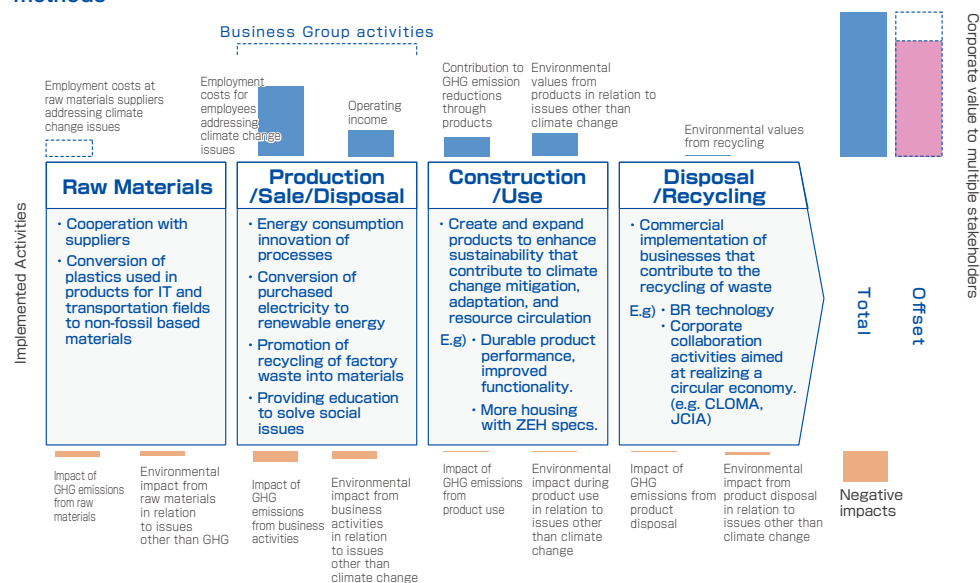
Environment

– Contribution to an Earth with Maintained Biodiversity

Impacts of Climate Change Initiatives on All Stakeholders

Climate change is affecting the entire planet, and SEKISUI CHEMICAL Group's efforts to combat climate change are considered to have an impact not only on shareholders but also on all stakeholders. To verify the validity of the strategy, we therefore believe that it is necessary to consider the impact on all stakeholders in a broad-based and comprehensive manner and are utilizing an impact-weighted accounting methodology to calculate the comprehensive income for all our stakeholders. Based on the resource recycling strategy unveiled in fiscal 2021, in fiscal 2022 we presented in visual form the “value of reducing the environmental impact of resource use associated with resource conversion” and the “value of reducing the environmental impact of processing associated with waste recycling” and added comprehensive income for multiple stakeholders. As a result, having recognized where the positive/negative impacts on multiple stakeholders are occurring, we confirmed that the initiatives currently being implemented are contributing to the enhancement of corporate value by increasing the positive impacts and reducing the negative impacts. Also, since fiscal 2016 the ratio of comprehensive income for stakeholders to net income for the period has been maintained at double or more. As a result, we were able to confirm that we have been steadily generating corporate value that goes beyond what is shown in our financial statements.

Image of company value over the life cycle of a product using impact-weighted accounting methods



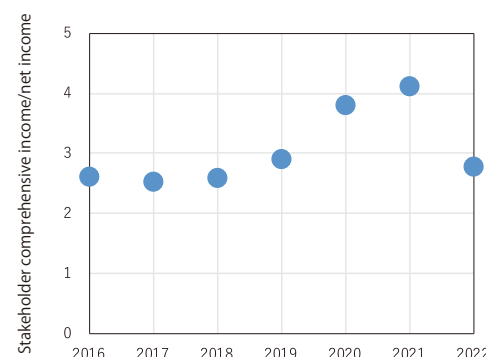
[Calculation Method] Stakeholder Comprehensive Income = (Profit for period + Employment costs for employees addressing climate change issues + Economic value of contribution to GHG emission reductions through products + Environmental value from products in relation to issues other than climate change) - (Economic losses from greenhouse gas emissions from business activities + Economic losses from environmental aspects other than climate change issues from business activities)

* LIME2 concept was adopted when converting economic losses on environmental aspects into economic values

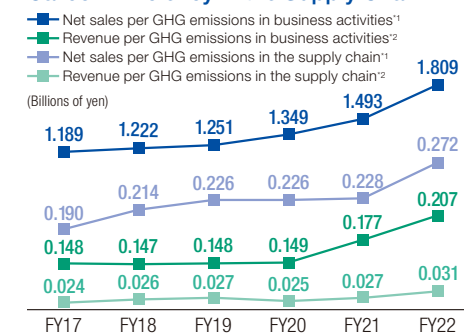
Effects of Climate Change Efforts on Management

We verified how efforts that contribute to climate change mitigation and adaptation are affecting management using the trends in carbon efficiency (environmental) over time and using the correlation between carbon efficiency (environmental) and economic efficiency. First, the relationship between GHG emissions, sales, and EBITDA is shown by changes in net sales per GHG emissions and EBITDA per GHG emissions. An increasing trend has been observed in two indicators in business activities. Although these indicators temporarily turned negative in fiscal 2020 when looked at across the supply chain, we believe this decline stems primarily from the global spread of COVID-19. Through these indicators, we have confirmed that management based on our business strategies is heading in the envisioned direction. We verified the impact on management using the relationship between net sales per GHG emissions as an indicator of carbon

Stakeholder comprehensive income against net income



Carbon Efficiency in Business Activities Carbon Efficiency in the Supply Chain



¹ Net sales per GHG emissions: Sales (Billions of yen) / GHG emissions (kt-CO₂)

² Revenue per GHG emissions: EBITDA (Billions of yen) / GHG emissions (kt-CO₂)

Medium- to Long-term GHG Emissions Reduction Targets

| Initiatives | Indicators | Previous Medium-Term Management Plan (FY2022) | Results from Previous Medium-Term Management Plan (FY2022) | Medium-Term Management Plan (FY2025) | 2030 | 2050 | Remarks |
|----------------------------|---|---|--|--------------------------------------|------------------|--|--|
| Reduction of GHG emissions | Renewable Energy Ratio of Purchased Electricity | 20% | 36.4% | 70% | 100% | Total power consumption, including cogeneration 100% | Joined RE100 (FY2022) |
| | Reduction of GHG emissions from business activities | 9% or more (vs. FY2013) | 26.8% (vs. FY2013) | 33% (vs. FY2019) | 50% (vs. FY2019) | Zero emissions | Obtained SBT certification Reduction of GHG (Until 2030) |
| | Reduction of GHG emissions from the supply chain | 11.6% or more (vs. FY2016) | 11.0% (vs. FY2016) | — | 30% (vs. FY2019) | — | |
| | Reduction of fuel-derived GHG emissions | | | 12% (vs. FY2019) | 11% (vs. FY2019) | Zero emissions | |
| Energy savings | Energy consumption per unit of production | 3% or more (vs. FY2019) | 1.1% (vs. FY2019) | 3% or more (vs. FY2022) | — | — | |

Environment

– Contribution to an Earth with Maintained Biodiversity

Initiatives for Resource Recycling

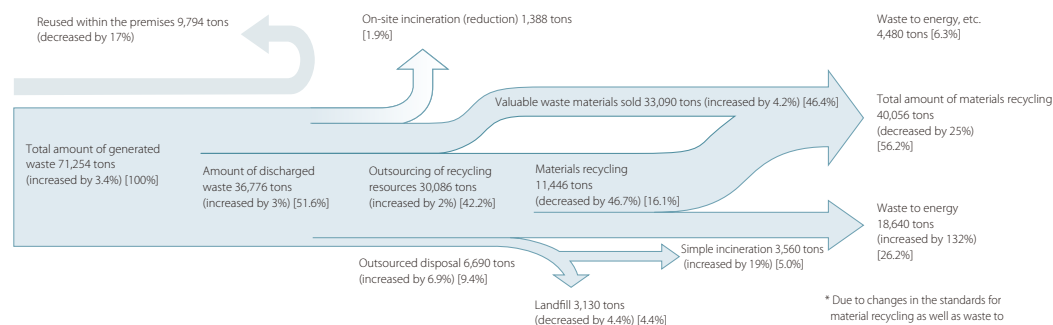
We promote resource recycling initiatives that will help accelerate decarbonization efforts. In fiscal 2020, we formulated a resource recycling policy, strategy and road map for the realization of a circular economy in 2050. Plastics are one of the major materials used in SEKISUI CHEMICAL Group's business domains. Up until now, in the production process, we have continually made efforts year after year to reduce the amount of waste generated, using waste per unit of production as an indicator for these efforts. In addition, we have carried out, for example, internal recycling to reuse scraps generated and implemented processing for reuse of resources including energy when disposing of materials as waste. In our newly determined resource recycling policy, we will expand the ratio of plastic materials we use comprised of bioplastics and other recycled materials that are not derived from fossil fuels. Regarding our production processes, we will promote internal recycling more than ever before to minimize the waste products emitted from our construction projects. In addition, in both the use and recovery stages, we will work on our product design and supply chain to ensure products can be disposed of with thorough sorting and separation. In this way, we will promote initiatives to maximize reuse of material resources through mechanical recycle, chemical recycle, and other recycling methods. Based on the results achieved up to and including fiscal 2022, we have reset the milestones for 2025. Within these life cycles, we believe that innovation at the product design stage is important for driving the promotion of resource circulation. By designing new products and revising the various processes for existing products, we are promoting initiatives for innovation that will accelerate resource circulation.

Road Map for Achievement of Long-Term Resource Recycling Targets

| | | 2022 Targets | FY2022 Results | ~2025年 | ~2030年 |
|----------------------------------|--|--|-------------------------------|---------------|----------------|
| Business Strategy | Net sales of Products to Enhance Sustainability that contribute to resource circulation* | 1.1 times | 2.2 times (¥123.3 billion) | 1.7 times | Double or more |
| Raw material resource conversion | Net sales of products not derived from fossil fuels and using recycled materials | ¥3.0 billion | ¥34.8 billion | ¥40.0 billion | ¥100.0 billion |
| Resource recycling of waste | Ratios for recycling waste plastic into new materials | Analyze current conditions and set baselines | — | 65%(Japan) | 100% |

* Benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation: ¥55.3 billion (FY2020)

Fiscal 2022 Annual Production Site Waste Generation and Disposal / Japan and Overseas



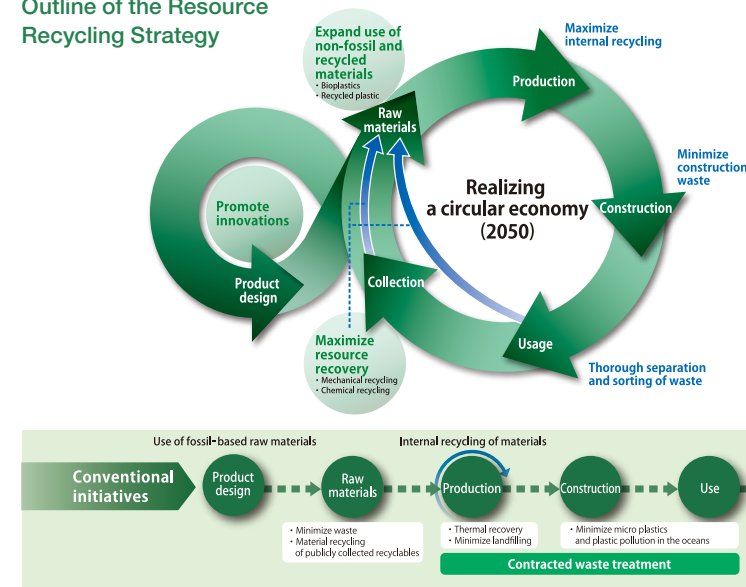
Note: Change over previous year is in () and proportion of total waste generation is in [].

Addressing Water Risk Issues

With regard to water risk issues, we have established two goals— minimizing the water risk at SEKISUI CHEMICAL Group and contributing to the resolution of water-related issues in local communities—while reducing the water intake volume of the entire Group. In addition to promoting recycling, we are also focusing on improving the chemical oxygen demand (COD) index for the quality of water discharged into rivers. As a specific measure, in regard to water resources in the watersheds where business sites are located, we will select locations/suppliers where the business impact is substantial and locations where the water risks are substantial and minimize the environmental impact by 2030. In fiscal 2020, we conducted assessments of the likely impact on business from water-related risks at all SEKISUI CHEMICAL Group production sites and research institutes. In fiscal 2022, we identified five domestic and overseas sites that were evaluated as having a large business impact, identified initiatives to minimize those impacts, and set specific numerical targets. In fiscal 2022, water intake at production sites increased by 0.7% compared with fiscal 2016, but we achieved a decrease of 3.5% compared with the previous year. This decrease is due to the installation of equipment to control the amount of water taken directly from rivers at production sites in Japan that use large amounts of water, and the reduction effect was apparent.

The COD of water discharged declined by 16.0% compared with fiscal 2016 and by 15.0% compared with fiscal 2021. This decline is due to improvements in the quality of wastewater treated at production sites in Japan, which have high wastewater loads.

Outline of the Resource Recycling Strategy

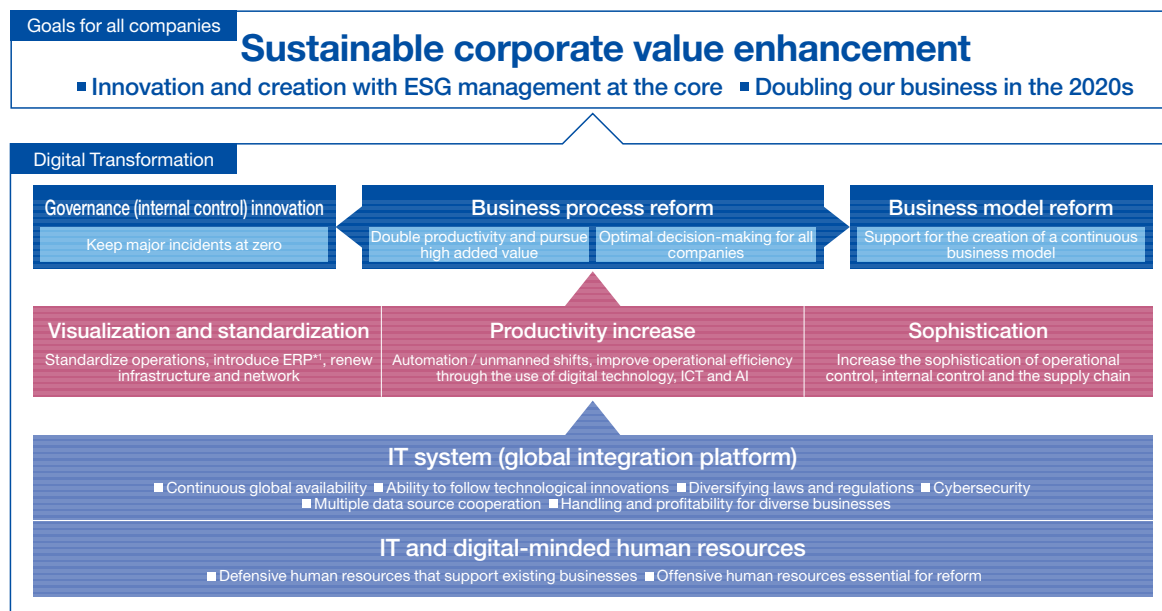


DX

— Improvement of Management Ability to Sustain Business

SEKISUI CHEMICAL Group will push forward corporate activities grounded in digital transformation in a bid to support the basis of LIFE and to continue to create peace of mind for the future in order to realize a sustainable society.

Basic Concept



For the Group, its Digital Transformation (DX) mission is to accelerate and support growth business strategies and structural reforms for the realization of its Long-term Vision.

Against the backdrop of major changes in the external environment, on the basis of the four areas to be addressed with a sense of urgency—governance, labor shortages, dispersal of management data, and decline in earning power due to market changes—we are working on DX as the means to win out against global competition.

As far as the Group's DX is concerned, in addition to promoting the three transformations—the elevation of governance and business model transformation but centered on business process transformation—from the visualization and standardization*, productivity improvement, and sophistication perspectives, we are concurrently advancing the enhancement of our foundation, including in IT systems and human resources, that will underpin these transformations.

*1 ERP is the abbreviation for Enterprises Resource Planning. A system that merges and centrally controls core operations, such as corporate accounting, human resources, manufacturing operations, and sales operations.

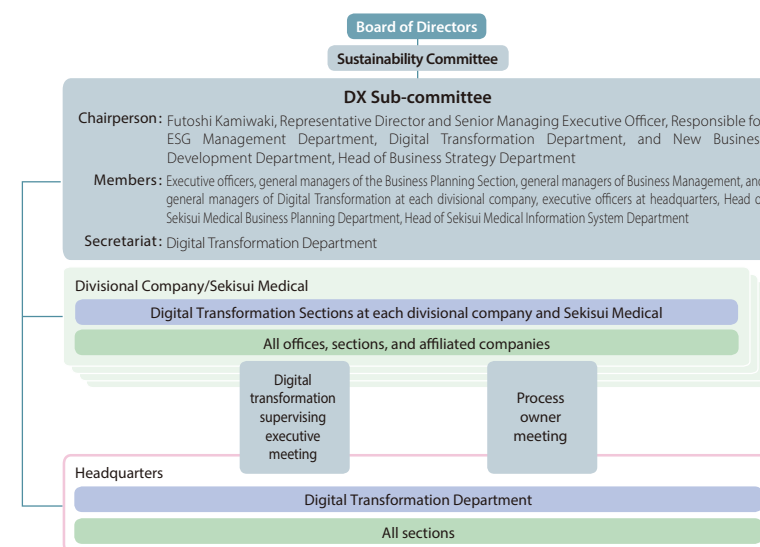
Systems to Promote DX

To promote DX Company-wide in unison throughout the Company and Group, SEKISUI CHEMICAL Group established the Digital Transformation Department in April 2020.

In SEKISUI CHEMICAL Group, which is engaged in a variety of different businesses, we have established a promotion system headed by our CEO and senior managing executive officer to steadily advance the standardization and greater sophistication of business operations. The Digital Transformation Department functions as the project leader in this system.

In establishing the Digital Transformation Department at divisional companies in April 2021, SEKISUI CHEMICAL Group is strengthening competitiveness in areas that leverage the strengths of each business.

In addition, the DX Subcommittee, chaired by the executive officer of the Digital Transformation Department, has been newly established under the Sustainability Committee. In addition to deliberating on fundamental policies related to digital strategy and confirming the progress and effectiveness of digital transformation, the DX Subcommittee carries out deliberation and decision-making on important measures such as standardization of Company-wide operating processes and renewal of Company-wide core systems from a management perspective.



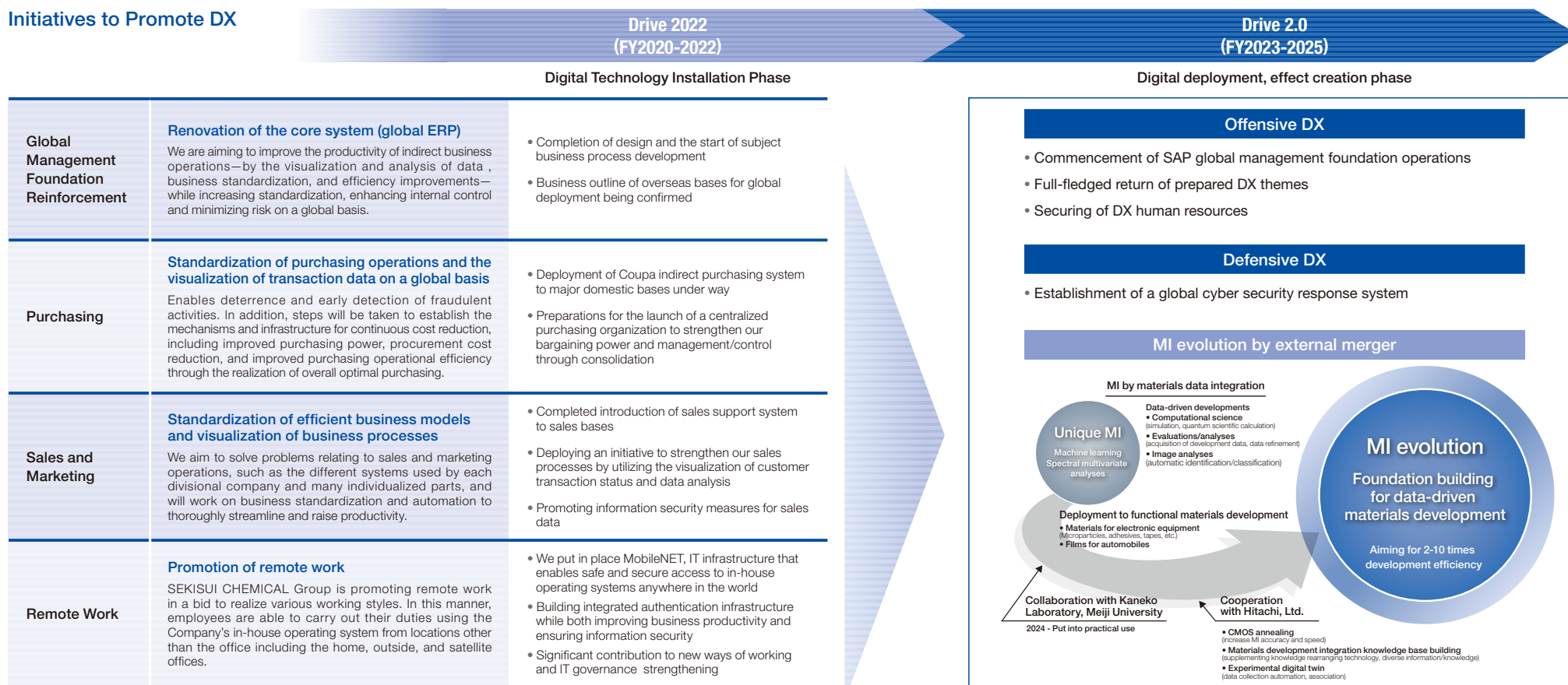
DX

– Improvement of Management Ability to Sustain Business

Under the previous Medium-term Management Plan, we promoted thorough standardization and date-based productivity improvements as business process transformation and took preparatory steps toward the Group's long-term global growth with respect to the Group's global management foundation and in the areas of purchasing as well as sales and marketing. Regarding the infrastructure and security that support these reforms, we realized remote work that safely enables diverse work styles.

Under the current Medium-term Management Plan, we will shift to a phase of further digital development and the generation of results to accelerate growth strategies and structural reforms aimed at realizing our Long-term Vision. We will strengthen governance through the effective use of a global management base, while at the same time generating full-fledged results from the DX themes advanced to date. To underpin efforts aimed at achieving these goals, we will develop human resources who can make full use of digital tools and data and establish a global cyber security response system.

Initiatives to Promote DX



Fiscal 2022 Result

| | | |
|-----|-------------------------|------|
| KPI | Direct productivity*1 | 1.12 |
| | Indirect productivity*1 | 1.08 |

Fiscal 2025 Targets

| |
|------|
| 1.26 |
| 1.23 |

*1 Net sales per direct/indirect employee (BM: 1.00 in fiscal 2019)

Internal Control

— Improvement of Management Ability to Sustain Business

To improve our management ability to sustain business, we have defined five major incident fields (safety, quality, legal/ethical, accounting, and information management) that have the potential to significantly damage the Company's corporate value. We are working to improve our ability to prevent risks from arising and our early detection and response abilities.

Safety

Creating workplaces in which employees can carry out their duties safely and securely is one of management's most important priorities. SEKISUI CHEMICAL Group is engaging in total safety activities based on five themes (zero workplace accidents, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave). Following the concept that also has employees taking it upon themselves to prevent accidents from happening, in addition to engaging in concerted efforts in safety education and raising sensitivity to risks, we are focusing on following the established rules and creating a protective corporate culture.

Five Themes and Major Initiatives

Theme 1 Safety management using OHSMS

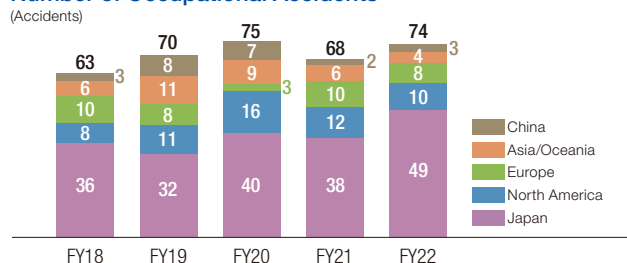
In terms of our efforts related to occupational health and safety, the Safety Subcommittee established under the Sustainability Committee formulates policies and activity guidelines and puts into practice and promotes them under the guidance of the Corporate Headquarters Safety & Environment Group and the leadership of the top management of each business site.

In fiscal 2022, we obtained ISO 45001 certification at six domestic business sites. Business sites that do not require certification have also put in place evaluation categories that reflect ISO and OHSAS requirements. We encourage the maintenance and activation of safety management activities through self-evaluations and safety audits at each business site.

Having established a Safety Leader (SL) certification system for personnel who promote activities at each business site, in fiscal 2022 we certified 35 SLs (157 in total since fiscal 2017). Group SLs gather to hold workshops to upgrade and expand safety training content and roll out best practices.

Number of workplace accidents resulting in a fatality in FY2022: 0

Number of Occupational Accidents



Theme 2 Intrinsic Equipment Safety*1 efforts

We are providing support for employees to obtain the safety sub-assessor (SSA)*2 qualification, the holders of which promote machine safety activities, and this has been acquired by a total of 197 employees. The higher safety assessor qualification has been obtained by 23 SSAs, and another obtained that for safety senior assessor.

The Equipment Safety Design Standards, which indicate the safety specifications necessary for the production equipment used by the Group, have been updated to reflect the ISO/JIS machine safety standards and are regarded as an important standard for production equipment improvements. Having formed a revision committee comprising 12 SSA qualification holders, we are constantly brushing up the content of the design standards.

Number of Facility Accidents in FY2022: 0

*1 Intrinsic Equipment Safety: The name given to the machine safety activities promoted by SEKISUI CHEMICAL Group. Promoting improvements through intrinsically safe design measures and safety protection for unsafe locations in production equipment

*2 A Japan Certification Corporation safety qualification acquired to certify knowledge and skills for machine safety. This certification is based on international standards.

Theme 3 Safety education of employees

While preventing occupational accidents caused by manufacturing machines, the Group is also working to prevent occupational accidents caused by worker operations. Based on the lessons learned from past occupational accidents, we created the Basic Principles of Safety and distributed them to business sites in Japan and overseas using posters in an easy to understand, illustrated format.

For the safety of supply chain employees (from partner companies involved in the on-site construction of houses), the Housing Company shares safety policy and provides a variety of training opportunities.

Regarding leakage of wastewater containing radioactive material

In August 2022, during building demolition work on the premises of the Drug Development Solutions Center of Group company Sekisui Medical Co., Ltd., a trace amount of radioactivity was detected in the soil surrounding a ruptured radioactive material water drainage pipe. As we had previously conducted drills in cooperation with local governments, we swiftly contacted the Nuclear Regulation Authority, released a press statement, and addressed inquiries from surrounding communities. It has been determined that there was no impact on human health or the environment as a result of this incident.

Theme 4

Risk management and control, etc.

Employees from different manufacturing sites have started mutual on-site inspection patrols in which they seek to uncover risks at each other's bases.

In addition to improving the risk sensitivity of the participating employees, these activities are accelerating the horizontal deployment of best practices by learning from other business sites.

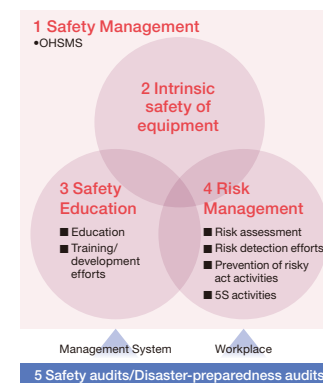
Setting high-risk disasters* for which we should focus on prevention and conducting training to improve emergency response skills, through these activities we are also promoting the passing down of safety know-how accumulated on-site.

* (1) getting caught or entangled in machinery at a production facility; (2) falling off equipment or falling over at a business site; and (3) a chemical process-related fire or explosion

Theme 5 Safety audits/Disaster-preparedness audits

When conducting safety audits, external experts also conduct disaster prevention audits to prevent fires and explosions.

To raise the levels of safety activities at overseas production facilities as well, we have established and are deploying global safety standards. In fiscal 2022, we conducted remote site patrols at 16 business sites while checking on-site images in real time.



Internal Control

– Improvement of Management Ability to Sustain Business

Quality

SEKISUI CHEMICAL Group strengthens basic quality while adhering strictly to quality compliance. By continuously working to reinforce the foundation that supports quality by preventing the occurrence of defects and strengthening daily management, we are developing a culture that prioritizes quality while eliminating irregularities. As CS & Quality, the Group also considers customer feedback as a precious management resource and strives to promote innovation in the quality of products, the quality of people and the quality of systems based on the motto: We consider customer feedback as the beginning of our manufacturing.

Quality Assurance System and Quality Management System

With regard to quality, we have established a CS & Quality Subcommittee that reports to the Sustainability Committee, and the Corporate Headquarters CS & Quality Group cooperates with the departments in charge of CS & Quality at each division company, production site, sales company, etc. to promote activities.

Having built quality assurance systems that extend across all processes, from product development to design, production, and sales, SEKISUI CHEMICAL Group has developed a quality assurance system for each process and promotes standards-based controls on a daily basis. At the same time, we recognize that it is the fields of manufacturing development that support quality and focus our efforts on innovation in production activities. In developing products and making improvements to quality, we conduct strict design screening from a variety of perspectives, such as those of quality assurance and safety, and have established a system that enables maintenance and management of after-sale services for customers.

We developed an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), to strengthen our process approach when promoting certification under the 2015 ISO 9001 standard. The SPMC is used effectively in areas that include monitoring daily management, corrective actions,

internal audits, and quality education. In fiscal 2022, we revised the curriculum, including for SPMC Internal Audit Hands-on Training, and worked to increase the depth to which the SPMC has been instilled and the level of its understanding through the drawing up of guidelines and the producing of videos.

Conducting of Prevention-focused Training

We hold a number of seminars on the theme of preventing quality problems. Development Risk Prevention Seminars aim to teach effective and efficient prevention methods. DR*¹ Reviewer Training Seminars are held to improve the skills of employees who conduct DRs, while QFD*² Seminars are conducted to impart methods pertaining to the organization of information on product development.

*1 DR: Design Review *2 QFD: Quality Function Deployment

Creating a Design Screening Platform for New Businesses

To clarify discussion points at the time of design reviews when new businesses are launched and to perform rigorous screening, we have built and are operating a GR* system. We also conduct External Expert Reviews for the purpose of obtaining new knowledge from experts inside and outside the Company with regard to related industries and legal regulations.

* GR: Gate Review. A continuous activity to judge whether to proceed to the next step (checkpoint management feature)

Globally Cultivating CS & Quality Human Resources

On an ongoing basis, we are also holding KAIZEN Activity presentations geared toward all overseas business sites. That in fiscal 2022 was held in a hybrid format. In addition, as an online improvement exchange meeting, we introduced the improvement themes of each business site and asked questions. The number of business sites that are able to promote activities on their own is steadily increasing.

Initiatives to Prevent Quality Data Irregularities and Falsification

Based on the hypothesis that quality fraud occurs due to the insufficient allocation of quality-related resources and various pressures from inside and outside a company, we are developing systems, as well as revamping and deploying daily management tasks, to make input errors and falsification impossible. We are also focusing our efforts on digitizing inspection data while applying this data to help improve operations. We will continue to devise ways in which to redouble awareness toward compliance while enhancing quality control.

Number of major quality issues in fiscal 2022: Two cases

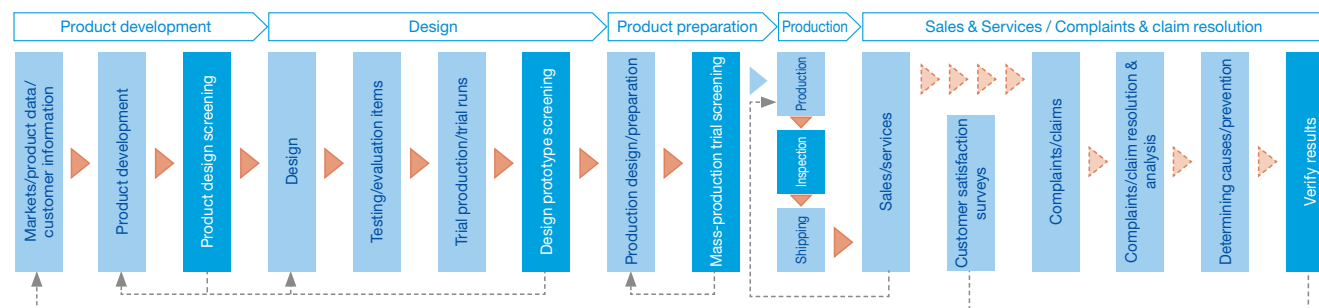
Concerning Nonconformity with Building Standards

In April 2023, SEKISUI CHEMICAL Group reported to the Ministry of Land, Infrastructure, Transport and Tourism that two cases of nonconformity with the provisions of the Building Standards Act and nonconformity with Ministerial Certification had been found in residential complexes and detached houses constructed and sold by the Group.

Reflecting on these incidents with the greatest seriousness, we at SEKISUI CHEMICAL Group will carry out corrective work with great speed and do our utmost throughout the Company to ensure that such issues do not recur.

▶ https://www.sekisuichemical.com/news/2023/_icsFiles/afieldfile/2023/04/18/20230414e.pdf

Quality Assurance System



Internal Control

— Improvement of Management Ability to Sustain Business

Legal/Ethical

Accounting

The foundation for sustainable growth is compliance. Based on principles such as contributing to society, being a trusted company, and adherence to the letter and spirit of the law, SEKISUI CHEMICAL Group established its Compliance Declaration in 2003. [English version of text omitted] We are working to further strengthen compliance management by promoting a variety of programs.

Compliance Promotion System

In addition to having established the Compliance Subcommittee, which reports to the Sustainability Committee as an organization to oversee Group compliance and to put forward policies and implement measures, we are establishing compliance promotion committees at the Company's headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into practice and implementing and deploying each measure. In the unlikely event that a major compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.

Dissemination through Policy Formulation and Manual Distribution

In 2003, to instill an awareness of compliance in each and every employee, we established action guidelines for each compliance item—including anti-corruption, conflicts of interest, compliance with antitrust laws, accounting, and harassment—and created as well as used for in-house training a Compliance Manual consisting of detailed explanations. Also incorporating compliance-related content in new employee training and level-based training, we provide ongoing opportunities to learn about the importance of compliance.

In fiscal 2022, we revised the Global Compliance Manual, the overseas version of the Compliance Manual, and disseminated copies to all overseas regions. With the aim of broadly informing our stakeholders about the Group's approach to compliance, we also formulated a Compliance Policy by extracting the Code of Conduct from the manual and posted it on our website.

Number (incidence) of serious non-compliance and negligence cases : 0

S.C.A.N. Intra-company Whistleblowing System

Serving as a mechanism for the early detection and revision as well as prevention of any recurrence of compliance problems, including harassment, we have built and operate the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system. Employees can use S.C.A.N. either anonymously or by giving their names while reporting not only through the intra-company whistleblowing system but also via an outside law firm, and the protection of whistleblowers, such as prohibiting the confidentiality of whistleblower information and the prohibition of disadvantageous treatment, is also stipulated.

From a global perspective, the installation of whistleblower systems has been completed in North America, China, the EU, ASEAN, South Korea, and Taiwan. We have also put in place and are now operating points of contact for business partners. Intended for use by the executive officers and employees of business partners in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies, we accept requests for consultations and receive reports at any time using a dedicated form available on Group company websites.

Fiscal 2022 Number of Whistleblowing Cases and Consultations

| | | | |
|---------------------------------------|----|---|------------|
| Power harassment | 25 | Working conditions | 40 |
| Sexual harassment | 4 | Workplace environmental concerns | 18 |
| Misuse of expenses | 4 | Sales methods related | 2 |
| Misrepresentation of work performance | 5 | Collusive relationship with business partners | 1 |
| Others | 33 | Total number of complaints | 132 |

Prevention of Transactions That Represent Conflicts of Interest

In the event of a conflict between the interests of the Company and an individual director or employee, the Group's stated policy is to determine whether the subject transaction is in the best interests of the Company and would not result in the Company incurring damages. In fiscal 2022, we formulated guidelines to thoroughly ensure this policy was carried out and established rules to check in advance any transactions that may raise conflict of interest concerns.

Prevent Corruption and Bribery

Having put in place rules to prevent bribery and corruption based on the spirit of the United Nations Global Compact, we are promoting initiatives to prevent such incidents, such as introducing them to all Group companies. In addition, we have formulated anti-bribery guidelines, which employees are expected to observe when doing business in Japan, the United States, and China, and have worked to make these rules and guidelines known via the intranet.

We specify high-risk cases and set and operate rules to prevent violations. For example, a form needs to be submitted in advance to obtain approval when a government official is to be entertained or presented with a gift. In the event of hiring consultants in connection with business transactions, including those involving public officials from other countries, confirmation that fees do not constitute bribes must be obtained.

In fiscal 2022, we established a rule requiring prior confirmation when inviting public and other officials from overseas.

Handling Measures for Anti-Trust Laws

Having been operating a business organization membership payment system, a pre-application and follow-up report system for when contacting competitors, and a price revision committee system as a compliance program for antitrust laws, SEKISUI CHEMICAL Group audits its operational status every year and reviews the program as appropriate.

Overseas Initiatives

Compliance Reinforcement Month activities, which are held every year in Japan, are also conducted in North America, China, Southeast Asia, and Europe. The themes taken up are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

Examples of the fiscal 2022 themes include prevention of bribery and corruption, antitrust law compliance program, internal reporting system awareness, and measures to counter information leaks.

Internal Control

– Improvement of Management Ability to Sustain Business

Legal/Ethical

Accounting

Improvements in Accounting Skills/Knowledge, Visualization/Standardization

To reduce risks related to finance and accounting we are working to improve accounting skills and financial expertise across the Group as a whole by means of accounting workshop meetings and e-learning. In addition to preventing any incidence of accounting treatment error or accounting fraud, we are working to enhance the awareness of divisions and employees involved in accounting operations regarding compliance.

We are also promoting the introduction, on a global basis, of new ERP for the renovation and integration of core systems, with the aim of thereby improving governance and minimizing financial and accounting risks. Through these preparations, we made steady progress in the standardization and streamlining of operations as well as in the visualization and analysis of data.

Tax Compliance Initiatives

The paying of taxes represents one of the fundamental and important social responsibilities that a company should fulfill. SEKISUI CHEMICAL Group does not use tax havens for tax avoidance purposes and complies with the tax laws and pays taxes properly in accordance with the economic realities of each of the countries and regions in which its business activities are conducted. We will contribute to the economies of those countries and regions, while aiming for mutual harmonious and stable development.

Transactions with tax risks are confirmed by external experts as necessary to ensure proper treatment and to reduce tax risks. In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length pricing based on the local laws and Organization for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we will use Advance Pricing Arrangements (APAs) in accordance with the size of the transaction and level of tax risk and endeavor to maintain good relationships with the tax authorities of each country and region.

Information Management

Information represents one of our most important management resources and the source of our competitiveness. Such information includes personal information; that received from business partners; and that received from within the Group, including confidential corporate information and that related to its management systems.

In the belief that preparations against cyberattacks threatening these IT assets are an important management responsibility, we are striving to undertake cybersecurity measures and ensure a stable management foundation.

Cyber Management System

In regard to IT security, we established a CSIRT*¹ under the Sustainability Committee as a cybersecurity response system. The CSIRT is mainly composed of a Cybersecurity Subcommittee, which is the policy-making body, a Cybersecurity Promotion Subcommittee, which is responsible for advancing measures based on the subcommittee's decisions, and a Cybersecurity Center, which is the working unit.

Acting in partnership with the SOC*², the Cyber Security Center monitors the security networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents. Having posted at least one cyber system administrator on site at each business site and Group company, we have established a comprehensive Group-wide cyber management system.

Together with making our operations in Japan more sophisticated, going forward we will advance the development of CSIRTs at Group companies overseas.

*1 Computer Security Incident Response Team, or CSIRT, is the title given to specialized teams that receive reports, conduct surveys and enact response measures related to computer security incidents at companies and other organizations.

*2 The Security Operation Center, or SOC, is a specialized entity devoted to monitoring and analyzing threats to information systems. It works to detect threats as soon as possible and plays a role in supporting the CSIRT in its response and recovery efforts.

Measures to Address Natural Disaster-related Risks

We have installed backbone systems in earthquake-resistant, seismically isolated data centers, so that business operations can be continued even in the event that social infrastructure is damaged by a major earthquake or other disaster. Having also dispersed data centers among multiple locations and completed duplication of their mission-critical systems, the Company is working to shorten the lead time needed up to the completion of repairs and recovery of business operations.

Measures to Address Information Leakage Risks

We are taking both system measures, such as the strengthening of data centers and enhancing the monitoring of internal networks, and human measures. To combat external threats, the Company has positioned the SOC as its primary entity to consistently identify new threats, such as newly reported cases of viral infections or targeted e-mail attacks, while the CSIRTs swiftly take action to implement appropriate countermeasures. In terms of human measures, we are also working to prevent information leaks by thorough confidentiality obligations for retirees and new recruits, regular e-learning training courses for all employees, and by implementing ethics education for employees engaged in important technology development work.

Cybersecurity incidents in fiscal 2022: 0

Protecting Personal Information

We handle the personal information of our customers based on our Privacy Policy, which is available on the Company's website.

The Company complies with legal regulations and norms regarding personal information and, by voluntarily putting in place rules and systems based on internal confidential information management regulations, strives to appropriately protect such information.

We have also formulated Guidelines for Web Server Construction and Management, and endeavor to protect servers managed at relevant companies and each work site. At the same time, we ensure thorough management by limiting access rights and other management authority according to the importance of the information handled.

Especially during Compliance Reinforcement Month, we are strengthening governance over the handling of personal (customer) information by raising employee compliance awareness and providing training.

Risk Management

– Improvement of Management Ability to Sustain Business

Actively taking on risks is an imperative in a business environment where the future is uncertain and difficult to predict. Having positioned risk management as one of the foundations of its management, SEKISUI CHEMICAL Group earns the trust and confidence of its stakeholders while achieving sustainable growth by strengthening the risk controls and resilience that enable risk-taking.

Risk and Crisis Management: Activity Systems

Centrally managing activities (crisis management) to minimize any impact by responding when risks do occur, our intention remains risk management in which nothing is overlooked.

Having established a Company-wide Risk Review Subcommittee that reports to the Sustainability Committee and has the ESG Management Promotion Department to serve as its secretariat, we are promoting initiatives in the form of the various measures deliberated in committee and activity plans for each risk management organization.

ERM*1 Initiatives (Group-wide Risk Management Activities)

Having each organization exhaustively uncover the various risks associated with its business*2, the Group is working to increase risk sensitivity among its employees by continuously running PDCA cycles in line with the ISO 31000 risk management standard. These activities were launched during fiscal 2011 among 27 organizations, primarily divisional company business units. The number of organizations engaged in these activities has increased each year, reaching 171 in total (and accounting for 99% of consolidated sales) in fiscal 2022.

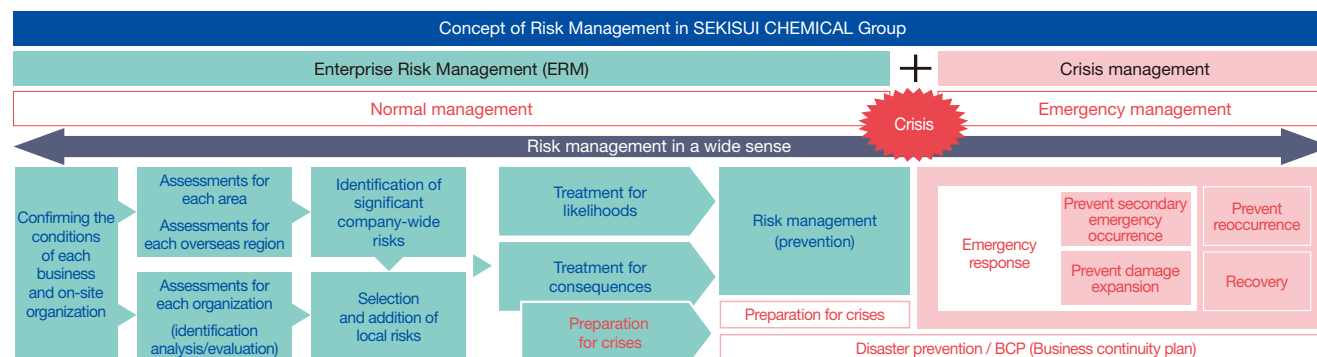
Those risks are quantified from the perspectives of their consequences (impact) and frequency (likelihood of occurrence), and dedicated offices in Corporate Headquarters identify the serious Group-wide major risks that could lead to serious incidents in each field.

Having merged organizational risk management activities (bottom-up approach) and Group-wide risk activities (top-down approach), we designed goals based on the identification, evaluation and sharing of major risks, incorporated them into action plans, and managed the state of progress. We have been promoting ERM (Group-wide risk management activities) with this system since fiscal 2020.

Overseas, having identified risks specific to each of their regions, the regional headquarters and business companies in four major regions have started risk management activities that will be evaluated in conjunction with the serious Group-wide major risks.

*1 ERM : Enterprise Risk Management

*2 These risks are broadly categorized into management environment, strategy, and operational risks, and further subdivided into comprehensive risks. (▶P.19)



Crisis Management Activities

In accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines, a crisis management liaison committee consisting of representatives from Corporate Headquarters and each divisional company holds regular meetings to, for example, review case studies. By means of drills attended by members from initial response headquarters from across the Group, we also conduct reviews of the Emergency Situation Initial Response Procedures Manual and confirm coordination.

We have also installed a safety confirmation system in various forms, including on all employees' mobile phones, which enables rapid confirmation of the safety of our employees in emergencies. Overseas, we have appointed regional managers responsible for the six crisis management regions—including the four regions operated by an overseas regional headquarters—into which we have divided the world, and they will work together with the secretariats to collect information and make initial responses.



Training Expansion/Upgrades

We are working to foster a risk culture through rank-based training (new company employees, newly appointed people in management positions, and risk managers*) relating to risk management. In fiscal 2022, 22 underwent training, making the cumulative total of participants to date 265.

In addition to disseminating, for example, the Group Crisis Management Guidelines to all employees, we provide an Emergency Initial Response Procedure Manual to them every year, so that they can take appropriate action in the event of an emergency.

* Risk managers: Persons responsible for duties relating to risk management in their respective organizations

Business Continuity Plan (BCP) Implementation

Engaging in a broad range of businesses, SEKISUI CHEMICAL Group has been promoting the formulation of BCPs and the implementation of business continuity management (BCM) based on ISO 22301, the standard for implementing BCM, depending on the particulars of each business and the judgments of those in charge of each line of business. As a Group-wide effort, we also aim to promote and establish autonomous BCM activities in each organization through the formulation of initial response plans that place the highest priority on the protection of human lives, the verification of the plans' effectiveness through desktop training, and PDCA cycles.

Corporate Governance

Roundtable Discussion between Outside Directors

A roundtable discussion between Outside Directors Haruko Nozaki, Miharu Koezuka, and Machiko Miyai was held following their renewed appointment in June 2022. Details are presented as follows.

Q How do you see your expected role as an Outside Director?

Nozaki I have spent my career focusing mainly on human resources, promoting education and diversity, and developing the next generation. When approached to serve as an Outside Director, discussions revolved largely around the need to position diversity as an engine for the Company's growth. Looking beyond the simple task of increasing the number of female directors, the goal was to promote diversity in earnest in the broadest possible terms. With this in mind, I recognize that one expected role is to promote diversity across the Group as a whole.

Koezuka In addition to my previous work experience, I have held several positions in management across a diverse range of industries. Over this career, I was also involved in the restructuring of a loss-making company. Drawing on this track record, I see my role as contributing to the enhancement of the Group's corporate value.

Miyai My background is in management as a business operator. I have also served as a researcher in science-related fields. With management experience in the consumer goods sector, an area that differs considerably from the Group's business field, I intend to offer my opinions and suggestions from an entirely new perspective.

Q What is your impression of SEKISUI CHEMICAL Group's Board of Directors? Can you provide us with details of your input and any comments made.

Miyai The Board recently deliberated on the issue of corporate branding. I put forward suggestions regarding which brands, including logos and company names, that should be communicated externally to enhance corporate value, and the way in which branding should be pursued. I also mentioned the



Miharu Koezuka
Outside Director

Haruko Nozaki
Outside Director

Machiko Miyai
Outside Director

need to reorganize the Group's brands, including SEKISUI HEIM.

Nozaki I have recommended that the Group take definitive steps to invest in its people. While detailed explanations are provided prior to each Board of Directors' meeting, I also believe that a great deal could be learned from the comments of the chairperson on a wide range of relevant matters, including the leadup and background behind each agenda item.

Koezuka The chairperson manages each meeting agenda extremely well and fosters an atmosphere in which it is easy to express opinions. I would suggest that various other supplementary forums, including off-site meetings where Outside Directors could freely exchange opinions independent from the Board would further deepen and improve the efficacy of discussions.

Miyai The effectiveness of the Board of Directors is already at a high level. I agree with Ms. Koezuka that the chairperson's ability to manage each meeting agenda is excellent. Other companies have indeed established forums for independent outside directors to meet on a regular basis, and I have also suggested that the

Company consider implementing a similar initiative.

Nozaki Board meetings are generally conducted on a question-and-answer basis between Outside and Inside Directors. It is difficult to envisage how different divisional companies deliberated on an agenda item prior to its consideration by the Board of Directors. I therefore believe that the opinions, comments, and perspectives of each divisional company are integral to improving the effectiveness of the Board of Directors.

Q How do you evaluate the Group's Long-term Vision and Medium-term Management Plan, Drive 2.0?

Miyai I think highly of the Group's decision to place ESG at the heart of its management, and the way in which it has drawn up a growth scenario and outlined its direction toward 2030. Meanwhile, I believe there are still issues to be addressed from an implementation perspective. I recognize the need for further discussion, including by Outside Directors.

Corporate Governance

Roundtable Discussion between Outside Directors

Koezuka I agree. In addition to the issue of implementation, the Group should also consider how to develop the human resources necessary to carry out its Vision and Medium-term Management Plan. Human resource development is a major issue not only for domestic, but also for overseas companies. I believe that human resource development will become increasingly important and is a topic that required further deliberation.

Nozaki Over and above their specifics, I am impressed by the steps taken to instill the Vision and Plan across the Group as a whole. In addition to the many opportunities for cooperation that extend beyond the boundaries of each company, I recognize the value in leveraging the benefits of a conglomerate. Coupled with deliberations and dialogue that include the president, SEKISUI CHEMICAL Group's conglomerate status allows it to incorporate diverse perspectives and the best practices of divisional companies.

Koezuka Yes, that's true. Another advantage of its conglomerate status is the ability to flexibly uncover new seeds as times change.

Miyai To avoid conglomerate discounting, it is imperative that SEKISUI CHEMICAL Group strengthen its head office function and its ability to put forward a concrete cross-sectional Group-wide strategy that includes the creation of synergies between divisional companies.



Koezuka There is clearly a need to keep a balanced grip on the head office function while strengthening each divisional company.

Nozaki If corporate headquarters assumes a dominant role, the planning function stands alone and implementation falls by the wayside. For this reason, balance is of the utmost importance. Given the various seeds in its possession, I believe that the Group can properly demonstrate its value as a conglomerate if it can show examples of how a single seed can generate as many businesses as the number of companies.

Koezuka The allocation of capital, including human capital, is key.



Miyai I couldn't agree more. The importance of each divisional company as a source of revenue is clear. For this reason, I believe this overall strategy is critical in achieving sustainable growth over the long term.

Q What are your thoughts on M&As as a way to invest in growth?

Koezuka M&As are a useful tool in pursuing growth opportunities overseas. I recognize that the Board of Directors must carefully scrutinize and discuss the expected contribution to earnings from an M&A as well as the post-acquisition governance structure, after clarifying the objectives, including whether the M&A will compensate for those areas that the Company finds difficult to pursue on its own, or whether the M&A will help expand the Group's global market share.

Nozaki M&As subsequently facilitate the acquisition of human resources well versed in particular technologies and markets. In addition to securing human resources from outside the Group through M&As, it is important that SEKISUI CHEMICAL Group retains key personnel while strengthening the human resource structure and systems necessary to welcome external acquisitions.

Miyai As a key component of its future growth, SEKISUI CHEMICAL Group must not lose sight of the importance of sustainability. Given the difference in corporate cultures, generating synergies across a wide-ranging base will require a certain amount of time. It is vital, therefore, that the Group put in place a robust governance structure while taking into consideration this time frame.

Koezuka Should the Group fail to clarify its purpose for entering into an M&A, including whether its actions are defensive or

offensive in nature, or is unable to convey its ongoing intent, it runs the risk of hindering the inflow of information. Meanwhile, in numerous cases, management of many successful companies have taken the initiative to search for target companies. Determining whether an M&A can be concluded at an acceptable price is also of significant importance.

Q SEKISUI CHEMICAL Group has set the goal of accelerating its overseas growth under its Long-term Vision. What are your thoughts on the Group's global governance?

Koezuka In addition to establishing a global governance structure and systems that encompass a robust auditing function, the quality of global governance is determined by the degree to which management and responsible departments are able to communicate with overseas subsidiaries. Looking at the successful practice of global governance at other companies, a common feature is the close-knit ties among managers. With this in mind, I believe that global governance must work in tandem with communication.

Miyai I agree. Communication is essential to sound global governance. Moreover, I believe that a mechanism through which regional headquarters could more closely coordinate with the Group's head office would also be effective.

Nozaki When I think of the governance function, applying the brakes comes immediately to mind. However, the need to work toward a common goal based on mutual respect is of equal importance. At the same time, bringing together multiple overseas subsidiaries to deliberate on a common topic, and engaging in one-to-many as opposed to one-to-one discussions, will in my opinion help generate a sense of positive competition and further promote governance.



Corporate Governance

Roundtable Discussion between Outside Directors

Q How would you rate the Group's sustainability?

Miyai I recognize the Group's efforts to proactively address climate change from an early stage. As it faces growing demand to combat not only Scope 3, but also Scope 4 emissions, however, the challenge will become how to continuously respond in a detailed and appropriate manner. Commenting further, SEKISUI CHEMICAL Group should also more vigorously communicate details of its initiatives.

Koezuka Yes, that's correct. I sometimes feel that it is a waste, given the Group's technological capabilities.

Nozaki As far as human capital is concerned, I believe that SEKISUI CHEMICAL Group is committed to its human resources and cares greatly about its people. There is little to criticize in the newly revised human resources system. The atmosphere within the Company is warm, and one could argue excessively neat and tidy. My feelings are that SEKISUI CHEMICAL Group could bring greater joy to its employees with a more free-flowing and spontaneous approach.

Koezuka DX is an essential tool in becoming a sustainable company. As an issue that must be tackled by more than just the DX team, each and every department must remain acutely aware of DX from both the growth investment and operational efficiency perspectives. Based on the aforementioned, it is imperative that the Group develop DX human resources who can readily define these requirements.

Miyai Society's expectations toward human rights are also increasing. SEKISUI CHEMICAL Group has positioned human rights as a key theme under its Medium-term Management Plan. Despite its labor-intensive nature, it is a high-risk theme that must be firmly addressed.

Koezuka Recognizing that what we may see as common sense could be considered inappropriate across the rest of the world, I

have suggested the Group promote human rights while adopting global companies as a benchmark as its ventures outside Japan.

Nozaki Many foreign nationals are currently working at a number of the Group's sites. It would be prudent for the Group to first uncover human rights issues at each of these sites and to take excellent care of its people.

Q Promoting the empowerment of women has become an urgent issue in Japan of late. Under what circumstances do you believe the empowerment of women will no longer be considered a goal?

Koezuka Just as there are major, minor, and development leagues in professional baseball, companies must maintain a sound female employee base. Through their failure to adequately hire women for career-track positions in the past, Japanese companies are responsible for the current lack of qualified female personnel and weak female employee pool. Taking the aforementioned into consideration, it is vital that Japan's corporate sector tackle this issue with the utmost urgency. Energies must be directed toward hiring a growing number of women while eliminating the gender gap. SEKISUI CHEMICAL Group must look closely at whether it has a system in place that allows women to continue working regardless of their lifestyle choices, including marriage and childbirth. Drawing on hearings with women, the Company must establish a system that accurately reflects prevailing conditions. This is an absolute minimum, but on the bright side should enhance the Company's appeal as a place to join and work. Turning to the corporate sector as a whole, companies must take note of the steps they need to take now and what they need to prepare for in the future.

Miyai While I often hear talk that a ratio of 30% no longer constitutes a statistic minority, I believe that the ratio of women in decision-making positions must not fall below 30% as an absolute minimum. While the number of women is not the be-all and end-all, I have noticed that the atmosphere of meetings changes when the number of female executives increases.

Nozaki In addition to the inclusion of a wide range of women, irrespective of age, in the decision-making process, I would like to see the Group provide opportunities to younger male employees. A process that provides all employees with the same opportunities and start line is essential in the development of human resources who can excel. To date, women have not received the same opportunities at the start of their careers. It is therefore important that women are invited to

the table from the outset. Women who are seeking to pursue a career should be welcomed with open arms. It would be impressive if SEKISUI CHEMICAL Group could take a leading role in these efforts. With each of the aforementioned in mind, I believe the true goal should be to eliminate the need for people to refer to the era of women's empowerment.

Q What are your expectations toward SEKISUI CHEMICAL Group and your thoughts on the challenges that need to be overcome?

Miyai I highly commend SEKISUI CHEMICAL Group's for its efforts to position ESG at the center of its management activities. Having said this, however, I am concerned that the Company is becoming a little defensive in its posture toward addressing ESG concerns. I would, for example, like to see the Company adopt a more vigorous approach toward the environmental issue of climate change. I would hope that it will transition from defense to offense in a manner that exceeds the demands of society. This includes proactively investing in human capital even if it takes time to secure a return on that investment. SEKISUI CHEMICAL Group is an extremely earnest company. Nevertheless, I would call on the Company to adopt a more aggressive approach within a free and flexible atmosphere.

Nozaki As a company that is distinguished by its technological capabilities, I would hope that SEKISUI CHEMICAL Group is excited by its ability to create new industries. Looking beyond its role as an incubator within the Company, I would call on SEKISUI CHEMICAL Group to invest in young entrepreneurs and venture companies for the benefit of Japan and the rest of the world. In doing so, I am confident that the Company will attract a more diverse range of human resources.

Koezuka SEKISUI CHEMICAL Group is currently working diligently to address a challenge-based agenda. Drawing on its underlying abundant technology development and operating capabilities and such attributes as its robust motivation, I am confident that the Company will overcome each challenge simply by allowing each and every employee to express his or her opinion freely. A company's growth is dependent upon the collective strength of its employees. Should SEKISUI CHEMICAL Group create a culture in which each individual is more confident in promoting his or her initiatives, I believe there would be no need to identify the employee challenge action rate as a KPI. I would hope that SEKISUI CHEMICAL Group will grow as a global company while increasing corporate and shareholder value.



Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2023)

N : Nomination and Remuneration Advisory Committee

D : Diversity Promotion Committee



**Teiji
Koge**

Director
Chairman of the Board
Date of birth:
November 14, 1953

Number of Shares of the Company Owned: 133,553 shares **N D**
Tenure as Director: 18 years

Since Mr. Teiji Koge was appointed as President and Representative Director in 2015, he has served as the driving force of the Group by implementing his strong leadership in demonstrating the new long-term vision that aims for ESG management and doubling the business scale.

Since June 2018, he has presided over Board of Directors meetings, encouraged constructive discussions on management strategies by increasing the involvement of Outside Directors, executed governance reform, and endeavored to ensure the effectiveness of the Board of Directors.

Since March 2020, he has been properly supervising the Company's management as an Inside Director who is not concurrently responsible for business execution.

Important Position of Other Organizations Concurrently Assumed
Independent Director of EBARA CORPORATION



**Keita
Kato**

President and
Representative Director
Chief Executive Officer
Date of birth:
January 11, 1958

Number of Shares of the Company Owned: 93,394 shares **N D**
Tenure as Director: 9 years

Since Mr. Keita Kato was appointed as Director in 2014, he has implemented his leadership and made significant achievements as President of High Performance Plastics Company.

In addition, as Head of Business Strategy Department since January 2019, he has overseen SEKISUI CHEMICAL Group's management in general as well as administrative supervision functions of overseas businesses and properly supervising business execution from a global perspective.

Since he was appointed as President and Representative Director in March 2020, he has been engaged in formulation/deliberation and supervision of management strategies, etc., at Board of Directors meetings while also promoting the long-term vision, which aims for ESG management and doubling the business scale.



**Futoshi
Kamiwaki**

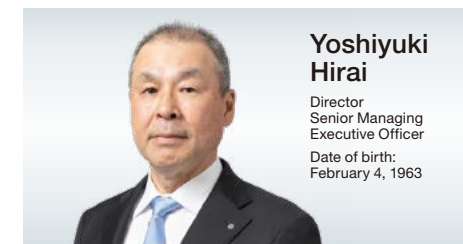
Representative Director
Senior Managing
Executive Officer
Date of birth:
August 10, 1960

Number of Shares of the Company Owned: 83,622 shares **D**
Tenure as Director: 3 years

Mr. Futoshi Kamiwaki has been engaged in the operations of product development, sales management, and administrative management and control as Head of Product Research & Development Department, Head of Housing Renovation Sales Management Division, and Head of Administrative Management & Control Department of the Housing Company, and has abundant experience in strategy planning and management. Since he was appointed as Head of New Business Development Department within the Company's headquarters in January 2020 and Head of Business Strategy Department in March 2020, he has been performing his duties by applying his deep insight and advanced management capabilities. Following his appointment to the Board of Directors in 2020, he has used his experience in the areas of promoting ESG management and digital transformation, in particular, to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

Responsible for ESG Management Department, Digital Transformation Department and New Business Development Department; Head of Business Strategy Department



**Yoshiyuki
Hirai**

Director
Senior Managing
Executive Officer
Date of birth:
February 4, 1963

Number of Shares of the Company Owned: 49,288 shares
Tenure as Director: 8 years

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of the global management structure and promoting constructive engagement with shareholders as Head of Business Strategy Department by leveraging the knowledge fostered through his abundant experience.

President of the Urban Infrastructure & Environmental Products Company since January 2019, he has been performing his duties by applying his deep insight. He is also highly knowledgeable of the stakeholders' expectations and issues surrounding SEKISUI CHEMICAL Group and has been performing his duties by applying his advanced management capabilities.

Areas of Responsibility

President of Urban Infrastructure & Environmental Products Company



**Toshiyuki
Kamiyoshi**

Director
Senior Managing
Executive Officer
Date of birth:
March 1, 1961

Number of Shares of the Company Owned: 65,546 shares
Tenure as Director: 4 years

Mr. Toshiyuki Kamiyoshi has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM TOHOKU CO., LTD., President of TOKYO SEKISUIHEIM CO., LTD., and Head of Housing Sales Management Division of the Housing Company.

Since he was appointed as President of the Housing Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used these experiences to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

President of Housing Company



**Ikusuke
Shimizu**

Director
Senior Managing
Executive Officer
Date of birth:
December 12, 1964

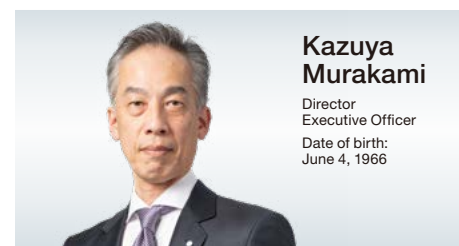
Number of Shares of the Company Owned: 57,686 shares
Tenure as Director: 4 years

Mr. Ikusuke Shimizu is highly knowledgeable of the High Performance Plastics Company's strategic fields including the overseas segment, having served as Head of Foam Division, Responsible for Automobiles & Transportation field, Responsible for Electronic Device Materials field of High Performance Plastics Company as well as President of SEKISUI TA INDUSTRIES, LLC, etc.

Since he was appointed as President of High Performance Plastics Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used his experience in global business, in particular, to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

President of High Performance Plastics Company



**Kazuya
Murakami**

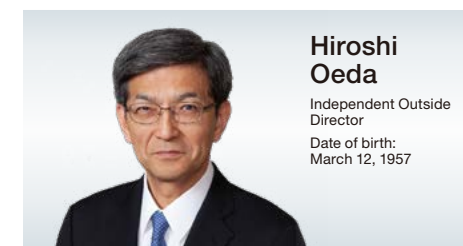
Director
Executive Officer
Date of birth:
June 4, 1966

Number of Shares of the Company Owned: 14,050 shares **D**
Tenure as Director: 2 years

Mr. Kazuya Murakami has been engaged in back-office operations mainly at the Human Resources Department, including serving as Head of Human Resources Development Division of High Performance Plastics Company, and has abundant experience in global policy enforcement and management. Since his appointment as Head of Human Resources Department in October 2020, he has exercised his strong leadership in personnel system reform and in the promotion of diversity management, as well as working to create the Company's organizational culture and to improve employees' engagement. He has utilized the experience he has acquired thus far, and performed his duties by applying his deep insight and advanced management capabilities. In addition, following his appointment to the Board of Directors in 2021, he has engaged in personnel system reforms, as well as in health and productivity management.

Areas of Responsibility

Head of Human Resources Department



**Hiroshi
Oeda**

Independent Outside
Director
Date of birth:
March 12, 1957

Number of Shares of the Company Owned: 7,000 shares **N D**
Tenure as Director: 5 years

Mr. Hiroshi Oeda served as Director & President of Nisshin Seifun Group Inc., and has used his broad experience and skill in global corporate management, business strategy, and execution of overseas M&A, etc., acquired during his time as a management executive to provide advice with respect to business management of the Company and to appropriately supervise business execution.

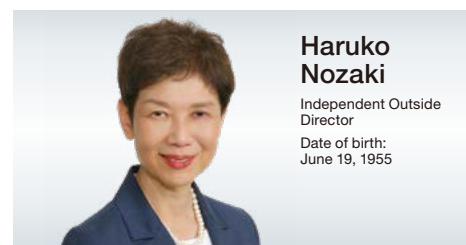
Important Position of Other Organizations Concurrently Assumed

Special Advisor of Nisshin Seifun Group Inc.
Independent Director, Chairman of the Board of Directors of EBARA CORPORATION
Outside Director, Japan Post Holdings Co., Ltd.
President of Hitotsubashi University Koenkai

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2023)

N : Nomination and Remuneration Advisory Committee **D** : Diversity Promotion Committee **A** : Audit & Supervisory Board



Haruko Nozaki

Independent Outside Director
Date of birth:
June 19, 1955

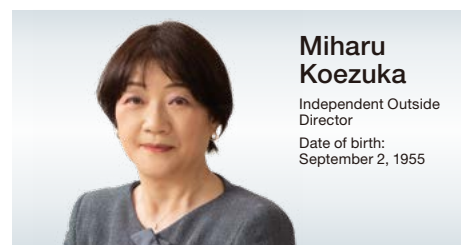
Number of Shares of the Company Owned: —
Tenure as Director: 1 year

N D

Ms. Haruko Nozaki possesses experience in personnel affairs and education at HORIBA, Ltd., and deep insight on the promotion of diversity, as well as on development of the next generation, etc. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

Executive Vice-President of Kyoto University
External Director of West Japan Railway Company



Miharu Koezuka

Independent Outside Director
Date of birth:
September 2, 1955

Number of Shares of the Company Owned: 4,000 shares
Tenure as Director: 1 year

N D

Ms. Miharu Koezuka held positions of Senior Managing Director (Representative Director), General Manager of Planning Headquarters and General Manager of Sales Headquarters of Takashimaya Company, Limited, and was involved in management of the said company for many years. By leveraging her extensive experience in the management of department stores, in addition to her experience and past achievements in management in various industries, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

Outside Director of Japan Post Holdings Co., Ltd.
Outside Director of Nankai Electric Railway Co., Ltd.



Machiko Miyai

Independent Outside Director
Date of birth:
September 29, 1960

Number of Shares of the Company Owned: —
Tenure as Director: 1 year

N D

Ms. Machiko Miyai held executive positions at Panasonic Corporation and then has served as Director and the head of the marketing department at MORINAGA & CO., LTD. As such, Ms. Miyai possesses broad job experience mainly in consumer-conscious duties in industries that are different from that of the Company. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

Director, Managing Executive Officer of MORINAGA & CO., LTD.
Chairman of Sustainability Forum Japan
Auditor of Ochanomizu University



Yoshihiko Hatanaka

Independent Outside Director
Date of birth:
April 20, 1957

Number of Share of the Company Owned: 1,000 shares

New N D

Mr. Yoshihiko Hatanaka has served as an executive at Astellas Pharma Inc., and in addition to his wide-ranging knowledge of global corporate management cultivated through his wealth of experience overseas, including in Europe and the United States, he also has extensive knowledge in matters including corporate integration based on his experience as a corporate planning officer. The Company has appointed Mr. Hatanaka as an outside director based on the judgment that he will be able to provide appropriate advice on the management of the Group by leveraging these experiences and achievements.

Important Position of Other Organizations Concurrently Assumed

Outside Director of Sony Group Corporation
External Director of Shiseido Company, Limited



Hiroyuki Taketomo

Full-time Audit & Supervisory Board Member
Date of birth:
July 8, 1961

Number of Shares of the Company Owned: 29,475 shares
Tenure as Audit & Supervisory Board Member: 2 years

A

Since his appointment as Director in 2016, Mr. Hiroyuki Taketomo has performed his duties, including carrying out measures in accordance with corporate governance, as Head of Human Resources Department and Head of Legal Department by applying his deep insight and advanced management capabilities. He has also made sufficient achievements in supervising business execution status, such as enhancing compliance from a global perspective as the executive in charge of company-wide compliance. By leveraging this abundant experience, he undertakes daily auditing activities as a full-time Audit & Supervisory Board Member and provides useful opinions and suggestions during deliberations on agenda items.



Tomoyasu Izugami

Full-time Audit & Supervisory Board Member
Date of birth:
November 18, 1962

Number of Shares of the Company Owned: 14,703 shares

New A

At the High Performance Plastics Company, Mr. Tomoyasu Izugami successively served in the posts of factory manager, business manager, and staff department manager related to manufacturing. He has been broadly taking the lead in the promotion of large-scale capital investment and in strengthening the foundation, such as the enhancement of manufacturing competitiveness and production innovation, CS quality, safety, the environment, and DX. Leveraging his advanced knowledge and extensive management experience in the field of manufacturing, such as production technology and quality control, the Company expects that Mr. Izugami will contribute to improving the supervisory functions of the Audit & Supervisory Board and the Board of Directors and has appointed him as an Audit & Supervisory Board Member.



Yoshikazu Minomo

Independent Outside Audit & Supervisory Board Member
Date of birth:
December 13, 1969

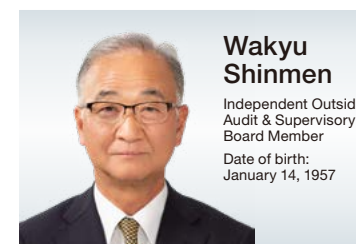
Number of Shares of the Company Owned: —
Tenure as Audit & Supervisory Board Member: 1 year

A

Mr. Yoshikazu Minomo as an attorney at law is equipped with a wealth of achievements and significant knowledge concerning overall corporate legal affairs, such as business revitalization, corporate reorganization, mergers & acquisitions, compliance, and internal control. Reflecting these achievements and knowledge in its audits, the Company will ask Mr. Minomo to check the appropriateness of our management decisions, especially from a compliance perspective, and provide useful opinions and suggestions to improve the trust that society places in the Company.

Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE



Wakyu Shinmen

Independent Outside Audit & Supervisory Board Member
Date of birth:
January 14, 1957

Number of Shares of the Company Owned: —

New A

Possessing specialized knowledge and a wealth of auditing experience as a certified public accountant, Mr. Wakyu Shinmen also has experience in management as a partner of a major auditing firm. Judging that Mr. Shinmen will reflect these experiences in its audits and be able to perform his duties appropriately, the Company has therefore elected him as an Outside Audit & Supervisory Board Member.

Important Position of Other Organizations Concurrently Assumed

Representative, Shinmen Certified Public Accountant Office



Kenji Tanaka

Independent Outside Audit & Supervisory Board Member
Date of birth:
April 14, 1957

Number of Shares of the Company Owned: —

New A

Mr. Kenji Tanaka has a high level of insight and experience in quality control, system reliability and safety, and a track record of joint research with many companies. Judging that Mr. Tanaka will reflect these experiences in its audits and be able to perform his duties appropriately, the Company has therefore elected him as an Outside Audit & Supervisory Board Member.

Important Position of Other Organizations Concurrently Assumed

Specialty Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations, University of Electro-Communications

Corporate Governance

Composition and Skills Matrix of the Board of Directors and Audit & Supervisory Board (As of June 22, 2023)

| Name | Position in the Company | Board of Directors (Fiscal 2022 Attendance) | Audit & Supervisory Board (Fiscal 2022 Attendance) | Nomination and Remuneration Advisory Committee (Fiscal 2022 Attendance) | Diversity Promotion Committee (Fiscal 2022 Attendance) | Policy Committee | Sustainability Committee R&D Committee | Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities ² | | | | | | | | | |
|---------------------|--|--|---|--|---|------------------|---|---|---|-----------------|-----------------------------------|---|-----------------|-----------------------------|-----------------------------------|------------------------------|--|
| | | | | | | | | Management | Core Function of Manufacturing Business | | Preparations for Long-term Growth | | | | Strengthening the Management Base | | |
| | | | | | | | | Corporate Management/Management Strategy | Manufacturing/Safety/Quality | Marketing/Sales | Environment | Innovation (Research & Development/New Business Development/Alliance) | Global Business | DX (Digital Transformation) | Legal Affairs/Compliance | Financial Affairs/Accounting | Human Resources/Diversity/Human Rights |
| Teiji Koge | Director Chairman of the Board | ● ¹ (17 out of 17) | — | ○ (5 out of 5) | ○ (3 out of 3) | — | — | ✓ | | ✓ | ✓ | | | | | | ✓ |
| Keita Kato | President and Representative Director Chief Executive Officer | ○ (17 out of 17) | — | ○ (5 out of 5) | ○ (3 out of 3) | ● ¹ | ● ¹ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| Futoshi Kamiwaki | Representative Director Senior Managing Executive Officer | ○ (17 out of 17) | — | — | ○ (3 out of 3) | ○ | ○ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | ✓ | |
| Yoshiyuki Hirai | Director Senior Managing Executive Officer | ○ (17 out of 17) | — | — | — | ○ | ○ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| Toshiyuki Kamiyoshi | Director Senior Managing Executive Officer | ○ (17 out of 17) | — | — | — | ○ | ○ | ✓ | | ✓ | | | | | | | |
| Ikusuke Shimizu | Director Senior Managing Executive Officer | ○ (17 out of 17) | — | — | — | ○ | ○ | ✓ | ✓ | ✓ | | | ✓ | | | | |
| Kazuya Murakami | Director Executive Officer | ○ (17 out of 17) | — | — | ○ (3 out of 3) | ○ | ○ | ✓ | | | | | | | | | ✓ |
| Hiroshi Oeda | Independent Outside Director | ○ (17 out of 17) | — | ● ¹ (5 out of 5) | ○ (3 out of 3) | — | — | ✓ | | | | | ✓ | | | ✓ | ✓ |
| Haruko Nozaki | Independent Outside Director | ○ (13 out of 13) | — | ○ (4 out of 4) | ● ¹ (3 out of 3) | — | — | ✓ | | | | | | | | | ✓ |
| Miharu Koezuka | Independent Outside Director | ○ (13 out of 13) | — | ○ (4 out of 4) | ○ (3 out of 3) | — | — | ✓ | | ✓ | ✓ | | | ✓ | | | |
| Machiko Miyai | Independent Outside Director | ○ (11 out of 13) | — | ○ (4 out of 4) | ○ (3 out of 3) | — | — | ✓ | | ✓ | ✓ | ✓ | ✓ | | | | |
| Yoshihiko Hatanaka | Independent Outside Director | ○ (—) | — | ○ (—) | ○ (—) | — | — | ✓ | | ✓ | | | ✓ | | | ✓ | |
| Hiroyuki Taketomo | Full-time Audit & Supervisory Board Member | ○ (17 out of 17) | ● ¹ (17 out of 17) | — | — | — | — | ✓ | | | | | | | ✓ | | ✓ |
| Tomoyasu Izugami | Full-time Audit & Supervisory Board Member | ○ (—) | ○ (—) | — | — | — | — | | ✓ | ✓ | | | | ✓ | | | |
| Yoshikazu Minomo | Independent Outside Audit & Supervisory Board Member | ○ (13 out of 13) | ○ (12 out of 12) | — | — | — | — | | | | | | | | ✓ | | ✓ |
| Wakyu Shinmen | Independent Outside Audit & Supervisory Board Member | ○ (—) | ○ (—) | — | — | — | — | | | | | | | | | ✓ | |
| Kenji Tanaka | Independent Outside Audit & Supervisory Board Member | ○ (—) | ○ (—) | — | — | — | — | | ✓ | | | ✓ | | ✓ | | | |

¹ ● : The solid gray circle indicates the chairman or committee chairman

² The list above does not reflect the full range of expertise possessed by the Directors and Audit & Supervisory Board Members. The Company updates the items for skills and other capabilities to be possessed by Directors in line with the business strategy in the Medium-term Management Plan.
For details on these updates, please see the [Convocation Notice](#)

Corporate Governance

Corporate Governance System

Basic Policy

SEKISUI CHEMICAL Group has put in place a basic philosophy regarding corporate governance that lays out efforts for securing sustainable growth and increasing corporate value over the medium to long term. To help achieve these goals, we are increasing the transparency and fairness of our management and pursuing swift decision-making and will do so while continuing to meet—through the creation of value for society that is part of our Corporate Philosophy—the needs of the five types of stakeholders the Group emphasizes: customers, shareholders, employees, business partners, and local communities and the environment.

Board of Directors

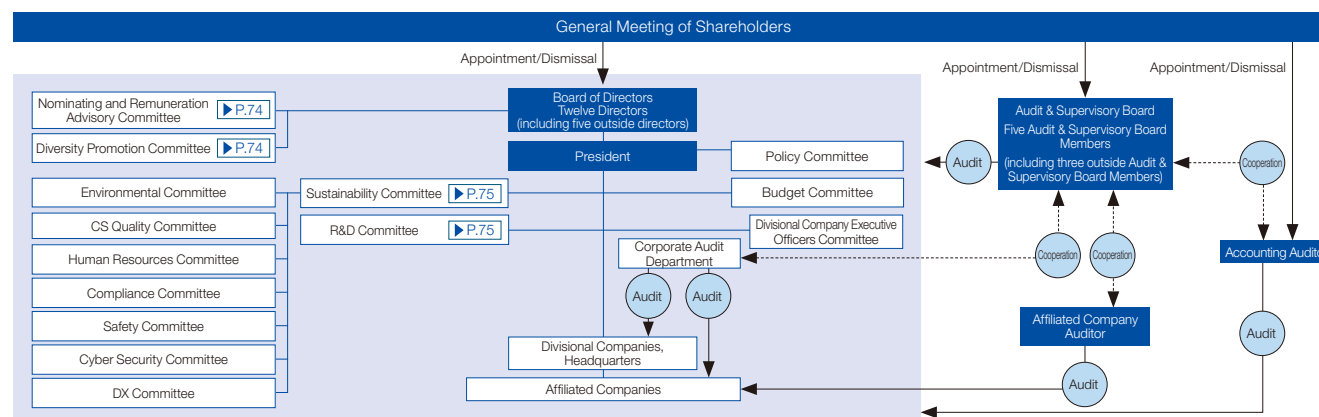
The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies, handling upper-level management judgments and supervising the execution of business. In addition to the Company's Chairman, who is a non-executive director and serves as its chair, the Board of Directors has in place a highly effective supervisory system for Directors by appointing several sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations.

The Board of Directors is attended by the Directors, as well

as by all of the Audit & Supervisory Board members, including Outside Audit & Supervisory Board members.

The Board of Directors maintains a balance between diversity, optimal size, and capabilities while effectively fulfilling its role and responsibilities. This includes the appointment of presidents of the divisional companies, who are the top management of each business, as inside Directors, and senior corporate officers with significant experience and strong expertise, as well as independent Outside Directors, who have broad knowledge and experience, and Audit & Supervisory Board members with strong expertise.

Corporate Governance System Chart (As of June 22, 2023)

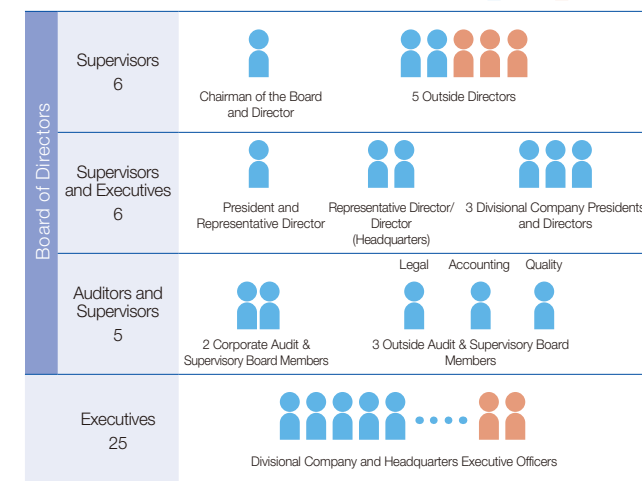


Initiatives Taken to Enhance Corporate Governance



Management System (As of June 22, 2023)

Male Female



As an organizational structure under the Companies Act, the Company has chosen to be a company with an Audit & Supervisory Board. The Company has also established an optional advisory committee concerning nomination and remuneration, as well as an optional committee concerning the promotion of diversity, to complement the functions of the Board of Directors and to further enhance fairness and transparency.

The Company has adopted the Executive Officer System to clearly distinguish the business execution function (executive officers) from the supervisory function (directors) in order to respond quickly to changes in the business environment of each divisional company.

| | |
|--|--|
| Organizational structure | A company with an Audit & Supervisory Board |
| Total number of directors* | 12 (In-house: 7; Outside: 5) including 3 female directors |
| Ratio of outside (independent) directors | 41.7% |
| Ratio of female directors | 25.0% |
| Director's term of office | 1 year |
| Executive officer system introduced | Yes |
| Organization to assist the president in making decisions | Policy Committee |
| Voluntary advisory board to the Board of Directors | Nomination and Remuneration Advisory Committee and Diversity Promotion Committee established |

* The number of Directors shall not exceed 15

Corporate Governance

Corporate Governance System

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee appoints and dismisses Representative Directors, Directors, and other senior executives; appoints Audit & Supervisory Board member candidates; and appoints and dismisses advisors and executive advisors, including former Representative Directors and Presidents. It also deliberates on the adequacy of the Director remuneration system and remuneration levels, as well as on Board of Director effectiveness enhancements and on important management issues as necessary, and provides opinions and advice to the Board of Directors.

The Committee consists of seven members, the majority of whom must be Independent Outside Officers. The chairperson must be elected from among the Independent Outside Officers.

Succession Planning for SEKISUI CHEMICAL Group's President

Supervision and planning for SEKISUI CHEMICAL Group President's successor is conducted in appropriate consideration of its management principles and strategies. To enhance the objectivity, timeliness, and transparency of the procedures, the Nomination and Remuneration Advisory Committee deliberates on the eligibility of a candidate for the office of President over an appropriate period of time, and makes recommendations to the Board of Directors, which then makes a final decision regarding succession.

Diversity Promotion Committee

The Diversity Promotion Committee has been established for the purpose of strengthening the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values concerning the securing of diversity of human resources in management, the execution of various measures, and the disclosure of these inside and outside of the Company, and also supervising and advising on management execution.

The Committee consists of nine members, the majority of whom must be Independent Outside Officers. The chairperson must be elected from among the Independent Outside Officers.

Major Deliberation Issues

1. Formulation of basic policy and target values concerning empowerment of diverse human resources
2. Human development policy and accompanying environmental consideration policy
3. Setting various major indicators and methods to use them
4. Issues related to the disclosure of these inside and outside the Company
5. Monitoring the execution status

Audit & Supervisory Board

In principle, the majority of the Audit & Supervisory Board members shall be Outside Audit & Supervisory Board members, and the Board shall consist of five members comprising two full-time Audit & Supervisory Board members and three part-time Outside Audit & Supervisory Board members. At least one member of the Audit & Supervisory Board shall have knowledge and expertise in each of the corporate finance and accounting, legal systems, and manufacturing and quality fields.

The activities of the Audit & Supervisory Board members include attending the Board of Directors and other important meetings; confirming important decisions; verifying and confirming the execution of duties by Directors through efforts to ascertain the status of internal controls, etc.; and onsite audits of important locations in Japan and overseas. The members meet periodically with management to exchange opinions regarding issues that must be addressed and to enhance mutual understanding. In addition, the Audit & Supervisory Board members receive reports on audit results from KPMG AZSA LLC as the Accounting Auditor, and actively exchange information and opinions in a mutual fashion with the Accounting Auditor in aims of improving effectiveness and efficiency through close collaboration. In fiscal 2022, the Audit & Supervisory Board members held meetings with the Accounting Auditor and the Internal Auditing Department in order to strengthen cooperation among the three auditors.

Support for and Collaboration with Directors and Audit and Supervisory Board Members

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's wide range of businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites. In 2022, we visited the MINASE INNOVATION CENTER.

From the point of view of succession planning, the Company is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures and by providing opportunities for the two groups to meet when the new management system is inaugurated.

Thinking on Concurrent Service by Directors and Audit & Supervisory Board Members

When a Director or an Audit & Supervisory Board member intends to serve concurrently as an officer at another listed company, he/she is allowed to do so at only up to four companies, an extent not inconveniencing the Company's operations, as the officer is required to secure time and effort needed for fulfilling his/her roles and responsibilities appropriately. Moreover, the Company laid down the Criteria for Independence of Outside Board Members. Any Outside Officer not meeting any of the requirements is judged to be not sufficiently independent for the Company.

▼ Convocation Notice

https://www.sekisuichechemical.com/ir/stock/shareholder_info/pdf/NoticeConvocation_2023.pdf

Assessment Relating to the Board's Effectiveness

The Company evaluates and works to enhance the effectiveness of the Board of Directors by conducting a survey of the Directors and Audit & Supervisory Board members every year. The results of the survey conducted in January 2023 indicate that the Board of Directors sets appropriate agendas and secures sufficient time for deliberations, and that the members, including Outside Directors, actively offer opinions and recommendations. Moreover, the survey also helped to identify policy deliberation themes that require deeper discussion going forward. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and functioning properly.

Questions and Responses from the survey to evaluate the effectiveness of the Board of Directors (excerpt)

- Do you think the Board of Directors' composition is appropriate for improving corporate value?
→ Appropriate: 80%
Other opinions: Future growth requires consideration of members possessing overseas experience, foreign nationalities, and the ability to strengthen defensive functions (legal affairs, etc.)
- Do you think that agendas are appropriately set?
→ Appropriate: 100%
Other opinions: The agenda requires more coverage of brand strategies, human capital, and R&D, etc.
- Do you think that sufficient time for deliberations is secured?
→ Appropriate: 94%
- Do you think discussions appropriately take advantage of diversity?
→ Appropriate: 88%
Other opinions: I hope to see more female employees at the Company participate in management

Executive Committee

An Executive Committee has been established as the top decision-making body for each divisional company. The Board of Directors delegates a broad degree of authority to this Committee. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

Along with enabling a rapid response to changes in the business environment, delegating authority is recognized as a means of helping to improve the effectiveness of the Board of Directors, for example by allowing appropriate agendas to be set and sufficient time for deliberations to be secured.

As of April 2023, the Executive Committee was composed of the Chief Executive Officer, seven members of the High Performance Plastics Company, eight members of the Housing Company, seven members of the Urban Infrastructure & Environmental Products Company, and eight members of the Corporate Headquarters, including the Medical Business.

▼ List of officers

<https://www.sekisuichechemical.com/about/outline/management/>

Corporate Governance

Corporate Governance System

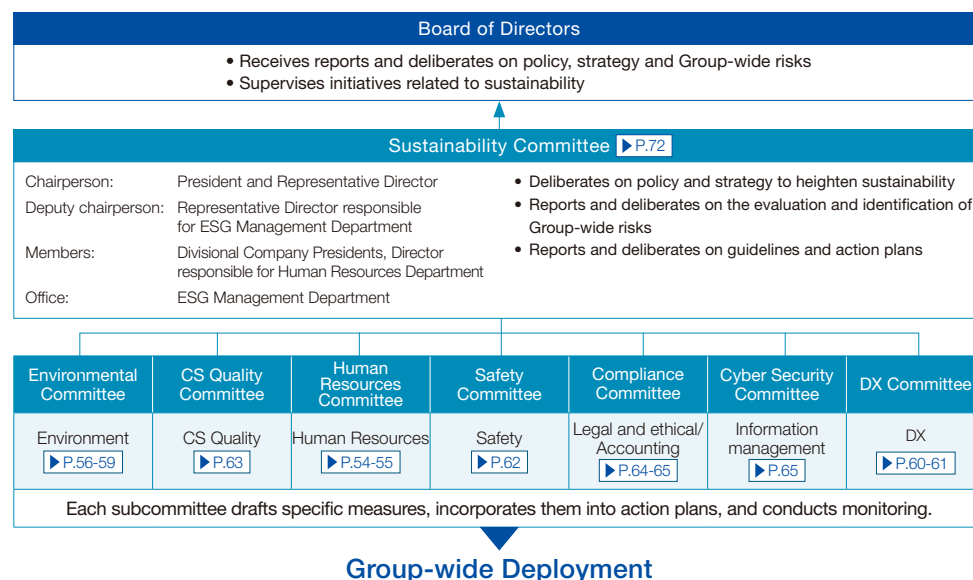
Supervisory Promotion System of ESG Management

In order to promote ESG Management, the Group has established a supervisory and promotion system composed of the Board of Directors, which fulfills the supervisory function, the Sustainability Committee, which fulfills the executive function, and seven subordinate subcommittees.

The Sustainability Committee is chaired by the President, with the Director Responsible for the ESG Management Department serving as deputy chairperson. The Committee identifies risks and opportunities that the Group might face in the future, determines Group-wide policies and KPIs, and formulates Group-wide action plans. Moreover, reports made by the subcommittees allow the Sustainability Committee to monitor the status of each materiality's initiatives.

The Board of Directors receives reports concerning the policies, strategies, and Group-wide risks deliberated by the Sustainability Committee. The Board then deliberates and makes a final decision on these, and supervises initiatives implemented by the executive side.

Each of the seven subcommittees (Environmental, CS & Quality, Human Resources, Safety, Compliance, Cyber Security, and DX) propose specific initiatives based on the details of decisions, incorporate these decisions into action plans, and monitor initiatives.



Other Management Committees

| | |
|------------------|--|
| Policy Committee | Composed of Directors in charge of execution, the Policy Committee discusses important matters related to management policies and strategies, after which matters are presented to the Board of Directors. |
| R&D Committee | Chaired by the President, the R&D Committee formulates Group-wide R&D policies, themes, and action plans regarding next-generation business creation. Top management are also involved in activities regarding intellectual property and innovation, and periodically monitor the status of such activities. |

Cross-shareholdings

Basic policy on cross-shareholdings

SEKISUI CHEMICAL strategically holds shares of other companies, to a limited extent, that are important business partners provided that it made the judgment on such holdings to be beneficial for the purpose of maximizing its medium- to long-term enhancement of corporate value as well as that of business partners. The strategic rationale shall be reviewed in an appropriate and timely manner by the Board of Directors, and we will reduce those holdings without sufficient strategic benefits or that are inconsistent with our capital policies as necessary.

Verification of the necessity of cross-shareholdings

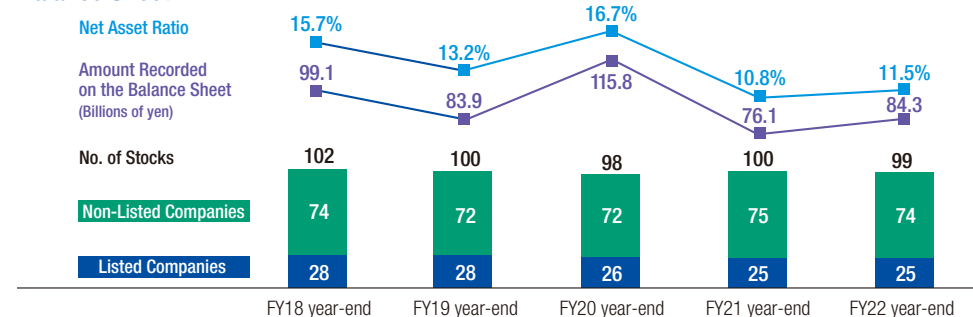
In June 2023, the Board of Directors, based on the above basic policy, conducted a detailed examination of each individual issue to determine whether the benefits and risks both associated with holding policy shareholdings are collectively commensurate with the cost of capital, among other matters. The total number of shareholdings of listed companies was 25 as of the end of March 2022, yet remained at 25 holdings as of the end of March 2023 as a result of the disposition of two holdings and an increase of two holdings during fiscal 2022. These additional holdings coincided with the new listing of unlisted stocks held by the Company.

As of the end of March 2023, the Company did not hold any stocks for pure-investment purposes, such as solely for gaining profits from share price fluctuations or from related dividends.

Criteria for the exercise of voting rights concerning cross-shareholdings

SEKISUI CHEMICAL performs its monitoring function as a shareholder by exercising voting rights at shareholder meetings of the shareholding companies in accordance with the specific standards with respect to its established voting rights to reflect perspectives of connecting the medium- to long-term enhancement of its corporate value after taking into consideration the strategic position of such holding and dialogue and so forth with them. As to the exercise of voting rights, SEKISUI CHEMICAL applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items, etc.), business performance (equity ratio, profit/loss condition, etc.) in their current fiscal year, and their business sustainability. SEKISUI CHEMICAL then makes the final comprehensive decision on proposals based in part on dialogue with those companies.

Changes in the Number of Stock Holdings and the Amount of Holdings Recorded on the Balance Sheet



Corporate Governance

Remuneration for Officers

Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

- The remuneration system should contribute to sustainable growth and the medium- to long-term improvement of corporate value for the Group
- The remuneration system should make the officers of the Company share value with shareholders and increase their awareness of shareholder-focused management
- The remuneration system should be highly connected to business performance, providing motivation for officers of the Company to achieve management plan goals
- The remuneration system should provide a framework and baseline that enables the Company to acquire and keep on staff a diverse variety of management talent in order to increase the competitiveness of the Group

Remuneration mindset

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and share remuneration. For Outside Directors and Audit & Supervisory Board members, remuneration is made up of basic remuneration only.

For the indicators for performance-based remuneration, the Company has selected operating profit, which is the business performance target of the Company; the business performance of the divisional companies; ROE and ROIC, assessment criteria for the improvement of the Group's corporate value; and dividends, which provide incentive to return these management results to shareholders as these will enable the performance-based remuneration to function effectively as an incentive for the Directors of the Company to improve the Group's corporate value and achieve the management plan, as well as to ensure a high level of objectivity and transparency of the remuneration process. Since fiscal 2021, the Company has included the sales ratio of Products to Enhance Sustainability and other non-financial indicators as a further incentive.

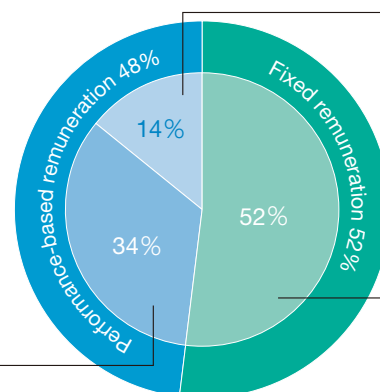
Short-term incentive (Bonuses)

Paid in accordance with the results for the fiscal year under review

1. Linked to financial results: operating profit, bottom line, ROE, ROIC, etc.
2. Linked to ESG-related non-financial indicators: KPI for key issues

(Sales ratio of Products to Enhance Sustainability, rate of renewable energy, etc. [▶P.17](#))

| Financial results-linked indicators (fiscal 2021) | | Targets | Results |
|--|---|-------------------|------------------|
| Group financial results (operating profit) | | 100.0 billion yen | 91.6 billion yen |
| Financial results by business segment (operating profit) | Housing | 38.0 billion yen | 32.8 billion yen |
| | Urban Infrastructure & Environmental Products | 18.0 billion yen | 21.1 billion yen |
| | High Performance Plastics | 48.0 billion yen | 40.0 billion yen |
| | Medical | 12.5 billion yen | 12.5 billion yen |
| ROE | | 9.7% | 10.0% |
| ROIC | | 8.6% | 7.6% |
| Dividend per share | | 53 yen | 59 yen |



Medium- and long-term incentive (Share remuneration)

The incentive plan in which the number of shares to be granted is specified by officer responsibility in order to motivate officers to contribute to improving the Group's financial results and growing its corporate value in the medium to long term. Share remuneration is designed to more closely track the Group's medium- to long-term shareholder value, and is structured to give shares mirrored by share value at the time of the officer resigning as a reward for having contributed to improving the Group's corporate value in the medium to long term.

Basic Remuneration

Paid in a certain fixed amount corresponding to the roles and responsibilities of each Director within the limits on officers' remuneration. For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's shares through the Officers Stock Ownership Plan, thereby raising their business awareness that attaches importance to the stock price.

Process of determining officers' remuneration

In determining the amount of remuneration, etc., to the Company's Directors and the policy on determining calculation methods, the matter is deliberated by the Nomination and Remuneration Advisory Committee in advance and the results of the deliberation are recommended to the Board of Directors. The Board of Directors determines the policy based on the recommendation of the said advisory committee. The following is a summary of the procedures taken by the Nomination and Remuneration Advisory Committee.

- The chairperson (Outside Director) convenes a meeting of the Nomination and Remuneration Advisory Committee.
- Proposals to the meeting are put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc., is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and Company's management.
- The specific amounts of individual remuneration of Directors, the payment timing, and the payment methods are also determined ultimately by the Board of Directors by adhering to the opinions of this Committee.

Officer Remuneration in Fiscal 2022

(Millions of yen)

| Classification | Basic remuneration | | Bonus | | Share remuneration | | Total | |
|--|---------------------------------------|--------|---------------------------------------|--------|---------------------------------------|--------|---------------------------------------|--------|
| | Number of eligible officers (persons) | Amount | Number of eligible officers (persons) | Amount | Number of eligible officers (persons) | Amount | Number of eligible officers (persons) | Amount |
| Directors | 12 | 383 | 7 | 209 | 7 | 83 | 12 | 675 |
| (Of which Outside Directors) | 5 | 61 | — | — | — | — | 5 | 61 |
| Audit & Supervisory Board Members | 6 | 76 | — | — | — | — | 6 | 76 |
| (Of which Outside Audit & Supervisory Board Members) | 4 | 36 | — | — | — | — | 4 | 36 |

Note: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to ¥68 million for directors who concurrently serve as employees (2 persons).

Key Financial and Non-financial Data

Financial Data

| | | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------|
| Net sales | Millions of yen | 1,032,431 | 1,110,851 | 1,112,748 | 1,096,317 | 1,065,776 | 1,107,429 | 1,142,713 | 1,129,254 | 1,056,560 | 1,157,945 | 1,242,521 |
| Housing | Millions of yen | 469,036 | 496,790 | 494,116 | 473,441 | 484,975 | 497,782 | 506,729 | 512,937 | 485,265 | 515,191 | 537,371 |
| Urban Infrastructure & Environmental Products | Millions of yen | 214,516 | 239,941 | 227,689 | 226,279 | 240,332 | 239,241 | 239,193 | 237,380 | 204,586 | 211,776 | 234,296 ^{*2} |
| High Performance Plastics | Millions of yen | 332,017 | 353,782 | 372,296 | 378,552 | 357,526 | 386,154 | 341,290 | 322,421 | 309,867 | 358,809 | 396,389 ^{*2} |
| Medical ^{*1} | Millions of yen | | | | | | | 70,721 | 72,588 | 72,342 | 88,517 | 89,680 |
| Operating profit | Millions of yen | 59,621 | 82,541 | 85,764 | 89,823 | 96,476 | 99,231 | 95,686 | 87,974 | 67,300 | 88,879 | 91,666 |
| Operating profit margin | % | 5.8 | 7.4 | 7.7 | 8.2 | 9.1 | 9.0 | 8.4 | 7.8 | 6.4 | 7.7 | 7.4 |
| Housing | Millions of yen | 36,333 | 41,108 | 41,327 | 36,387 | 37,549 | 37,935 | 39,002 | 37,792 | 30,546 | 35,318 | 32,831 |
| Urban Infrastructure & Environmental Products | Millions of yen | 1,800 | 6,460 | 1,264 | 3,610 | 12,827 | 14,791 | 15,007 | 15,480 | 11,251 | 14,061 | 21,192 ^{*2} |
| High Performance Plastics | Millions of yen | 23,249 | 36,098 | 45,951 | 53,353 | 54,537 | 57,821 | 44,855 | 37,374 | 28,935 | 42,351 | 40,091 ^{*2} |
| Medical ^{*1} | Millions of yen | | | | | | | 9,623 | 9,204 | 7,010 | 11,180 | 12,511 |
| Ordinary profit | Millions of yen | 60,670 | 83,310 | 87,978 | 81,213 | 91,513 | 93,929 | 93,146 | 87,202 | 62,649 | 97,001 | 104,241 |
| Profit attributable to owners of parent | Millions of yen | 30,174 | 41,190 | 52,995 | 56,653 | 60,850 | 63,459 | 66,093 | 59,181 | 41,544 | 37,067 | 69,263 |
| Comprehensive income | Millions of yen | 77,437 | 57,944 | 91,587 | 37,080 | 57,638 | 73,898 | 55,648 | 36,364 | 93,956 | 41,509 | 84,008 |
| Total assets | Millions of yen | 901,564 | 961,009 | 968,011 | 936,043 | 943,640 | 994,137 | 1,023,706 | 1,105,781 | 1,150,143 | 1,198,921 | 1,228,131 |
| Net assets | Millions of yen | 433,228 | 473,555 | 535,292 | 544,156 | 570,549 | 612,757 | 632,746 | 634,219 | 694,392 | 702,753 | 732,525 |
| R&d expenditures | Millions of yen | 25,894 | 27,720 | 29,452 | 31,693 | 34,169 | 36,974 | 38,838 | 37,146 | 35,110 | 37,010 | 40,471 |
| Capital expenditures | Millions of yen | 36,842 | 41,827 | 46,993 | 49,740 | 43,868 | 53,518 | 73,595 | 66,667 | 55,326 | 52,540 | 56,761 |
| Depreciation | Millions of yen | 34,895 | 34,376 | 31,203 | 34,735 | 34,843 | 36,016 | 38,789 | 42,018 | 44,926 | 45,912 | 48,995 |
| Amortization of goodwill | Millions of yen | 3,232 | 2,957 | 2,348 | 2,156 | 2,118 | 2,416 | 2,848 | 3,238 | 4,419 | 2,792 | 3,411 |
| Cash flows from operating activities | Millions of yen | 71,016 | 97,720 | 67,760 | 71,389 | 108,229 | 82,272 | 85,213 | 92,647 | 75,271 | 105,023 | 71,543 |
| Cash flows from investing activities | Millions of yen | -31,133 | -60,914 | 4,127 | -23,715 | -44,057 | -60,881 | -62,553 | -100,562 | -58,495 | 2,694 | -59,430 |
| Cash flows from financing activities | Millions of yen | -30,520 | -49,803 | -63,856 | -41,726 | -39,633 | -35,981 | -31,539 | 15,450 | -19,157 | -54,729 | -62,906 |
| Net assets per share | yen | 810.76 | 897.13 | 1,033.49 | 1,071.24 | 1,147.91 | 1,245.91 | 1,307.75 | 1,333.76 | 1,485.89 | 1,519.19 | 1,642.67 |
| Basic earnings per share | yen | 58.53 | 80.13 | 104.73 | 115.08 | 126.13 | 133.80 | 141.74 | 128.80 | 91.92 | 83.17 | 159.19 |
| Dividend per share | yen | 18 | 23 | 27 | 30 | 35 | 40 | 44 | 46 | 47 | 49 | 59 |
| Payout ratio | % | 30.8 | 28.7 | 25.8 | 26.1 | 27.7 | 29.9 | 31.0 | 35.7 | 51.1 | 58.9 | 37.0 |

*1 The Medical Business was separated from the High Performance Plastics Company from fiscal 2019. (Prior to fiscal 2017, the Medical Business was included in the High Performance Plastics Company.)

*2 Effective from the third quarter of fiscal 2022, the fire-resistant materials and CPVC-related businesses as well as Crosswave products, which were previously included in the HPP segment, have been reclassified into the UIEP segment for the purpose of optimizing the business portfolio in pursuit of greater synergies. Moreover, SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX, LLC., which were previously included in the UIEP segment, have been reclassified into the HPP segment.

Key Financial and Non-financial Data

Financial Data

| | | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|--------------------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Financial Index | | | | | | | | | | | | |
| DOE | % | 2.4 | 2.7 | 2.8 | 2.8 | 3.1 | 3.3 | 3.4 | 3.5 | 3.3 | 3.3 | 3.7 |
| Equity-to-asset ratio | % | 46.4 | 47.5 | 53.3 | 55.9 | 58.2 | 59.1 | 59.3 | 55.1 | 58.0 | 56.3 | 57.4 |
| Current ratio | % | 131.1 | 127.4 | 139.8 | 138.0 | 160.7 | 153.6 | 151.0 | 147.2 | 179.1 | 184.8 | 189.5 |
| Fixed ratio | % | 110.3 | 102.1 | 97.2 | 95.9 | 86.9 | 91.0 | 91.2 | 100.8 | 96.6 | 87.4 | 86.0 |
| Interest-bearing debt | Millions of yen | 115,320 | 94,010 | 63,120 | 52,338 | 43,734 | 46,326 | 53,848 | 117,665 | 138,168 | 122,557 | 120,459 |
| Debt/Equity ratio | % | 27.6 | 20.6 | 12.2 | 10.0 | 8.0 | 7.9 | 8.9 | 19.3 | 20.7 | 18.2 | 17.1 |
| Interest coverage ratio | Times | 21.7 | 33.2 | 51.7 | 64.5 | 100.4 | 109.9 | 113.5 | 85.3 | 58.2 | 120.4 | 110.8 |
| Total assets turnover | Times | 1.19 | 1.19 | 1.15 | 1.15 | 1.13 | 1.14 | 1.13 | 1.06 | 0.94 | 0.99 | 1.02 |
| Inventory turnover | Times | 7.57 | 7.50 | 7.09 | 7.11 | 7.00 | 6.84 | 6.30 | 5.52 | 4.80 | 4.96 | 4.68 |
| Tangible fixed assets turnover | Times | 4.38 | 4.51 | 4.31 | 4.11 | 4.01 | 4.09 | 3.88 | 3.49 | 3.07 | 3.23 | 3.35 |
| R&D expenditures to revenues | % | 2.51 | 2.50 | 2.65 | 2.89 | 3.21 | 3.34 | 3.40 | 3.29 | 3.32 | 3.20 | 3.26 |
| ROE | % | 7.8 | 9.4 | 10.9 | 10.9 | 11.3 | 11.2 | 11.1 | 9.7 | 6.5 | 5.5 | 10.0 |
| ROA | % | 7.0 | 8.9 | 9.1 | 8.5 | 9.7 | 9.7 | 9.2 | 8.2 | 5.6 | 8.3 | 8.6 |
| ROIC | % | | | | | | | | 7.7 | 5.4 | 7.3 | 7.6 |
| EBITDA | Millions of yen | 97,749 | 119,875 | 119,316 | 126,714 | 133,437 | 137,665 | 137,324 | 133,231 | 116,647 | 137,584 | 142,099 |
| PER | Times | 17.63 | 13.39 | 14.89 | 12.04 | 14.83 | 13.87 | 12.55 | 11.17 | 23.12 | 21.15 | 11.78 |
| Net sales per employee | Millions of yen | 47.96 | 49.13 | 47.44 | 45.88 | 45.44 | 45.12 | 43.47 | 42.22 | 39.43 | 43.69 | 46.66 |
| Operating profit per employee | Millions of yen | 2.76 | 3.65 | 3.65 | 3.75 | 4.11 | 4.04 | 3.64 | 3.28 | 2.51 | 3.35 | 3.44 |

Equity = Shareholders' equity including accumulated other comprehensive income

Equity-to-asset ratio = Equity/Total assets

Current ratio = Current assets/Current liabilities

Fixed ratio = Fixed assets/Equity

Debt/Equity ratio = Interest-bearing debt/Equity

Interest coverage ratio = (Operating profit + Interest and dividends)/Interest expense

Total assets turnover = Net sales/Average total assets

Inventory turnover = Net sales/Average inventory

Tangible fixed assets turnover = Net sales/Average tangible fixed assets

R&D expenditures to revenues = R&D expenditures/Net sales

ROE = Profit attributable to owners of parent/Average equity

ROA = Ordinary profit/Average total assets

ROIC = After-tax operating profit/Average invested capital (Fixed assets + Working capital)

EBITDA = Operating profit + Depreciation + Amortization of goodwill

PER = Stock prices at the end of fiscal year/Basic earnings per share

Net sales per employee = Net sales/Average number of employees

Operating profit per employee = Operating profit/Average number of employees

▼Please refer to the FACT BOOK for detailed financial data.

<https://www.sekisuichechemical.com/ir/financial/factbook/>

Key Financial and Non-financial Data

Non-financial Data

| | | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|--|-----------------|-----------|-----------|---------------|-----------|-----------|
| Products to Enhance Sustainability | | | | | | |
| Sales ratio | % | 56.3 | 58.3 | 60.6 | 66.7 | 73.1 |
| Net sales | Billions of yen | 643.8 | 658.3 | 640.3 | 772.4 | 908.9 |
| Housing | Billions of yen | 364.3 | 374.0 | 352.9 | 393.8 | 448.6 |
| Urban Infrastructure & Environmental Products | Billions of yen | 97.7 | 101.5 | 93.2 | 101.3 | 152.1 |
| High Performance Plastics | Billions of yen | 178.9 | 110.0 | 121.9 | 186.9 | 218.5 |
| Medical and Other | Billions of yen | 2.8 | 72.7 | 72.2 | 90.4 | 89.6 |
| No. of newly registered Products to Enhance Sustainability | | 18 | 5 | 12 | 28 | 18 |
| Human Capital | | | | | | |
| Number of employees (consolidated) | Persons | 26,486 | 27,003 | 26,577 | 26,419 | 26,838 |
| By Region | | | | | | |
| Japan | Persons | 19,464 | 19,727 | 19,800 | 19,616 | 20,015 |
| North America | Persons | 1,494 | 1,970 | 1,744 | 1,748 | 1,989 |
| Europe | Persons | 958 | 977 | 1,014 | 1,047 | 1,051 |
| Asia/Pacific | Persons | 4,570 | 4,329 | 4,019 | 4,008 | 3,783 |
| By segment | | | | | | |
| Housing | Persons | 10,891 | 10,937 | 11,182 | 11,017 | 11,368 |
| Urban Infrastructure & Environmental Products | Persons | 5,139 | 5,242 | 4,959 | 4,897 | 4,537 |
| High Performance Plastics | Persons | 7,795 | 8,078 | 7,541 | 7,506 | 7,964 |
| Medical | Persons | 1,907 | 2,050 | 2,160 | 2,214 | 2,127 |
| Diversity (non-consolidated) | | | | | | |
| Ratio of women among new graduates hired ^{*1} | % | 25.5 | 26.7 | 34.1 | 22.2 | 28.1 |
| Ratio of mid-career hires ^{*2} / of which the ratio of women | % | 25.7/17.0 | 20.1/12.1 | 15.4/8.7 | 21.4/13.6 | 40.3/15.0 |
| Ratio of women in management positions | % | 3.2 | 4.1 | 4.3 | 4.3 | 4.5 |
| Ratio of female directors (as of the end of the general meeting of shareholders) | % | 0 | 11.1 | 10.0 | 10.0 | 25.0 |
| Employment ratio of people with disabilities ^{*3} | % | 2.81 | 2.84 | 2.75 | 2.34 | 2.42 |
| Ratio of those who took childcare leave women/men | % | 100/22.5 | 100/39.0 | 95.8/34.6 | 100/47.3 | 100/68.1 |
| Retention rate (non-consolidated) ^{*4} | % | 98.5 | 98.0 | 98.0 | 97.5 | 97.0 |
| Career and human resources development | | | | | | |
| Results of intra-group job postings, No. of transferees / No. of applicants | Persons | 26/140 | 28/62 | 28/54 | 70/80 | 45/101 |
| Results of training for major intra-group job postings, No. of participants | Persons | 86 | 69 | Not conducted | 102 | 102 |
| Hours of training and development per FTE (non-consolidated) ^{*5} | Hours | 9.4 | 9.4 | 6.3 | 7.1 | 6.1 |
| Employee Challenge Action rate results ^{*6} | % | - | - | - | 51 | 47 |

*1 New graduates hired: Employees who joined the Company for the first time after graduation (undergraduate degree, graduate school, etc.) with no working experience

*2 Mid-career hires (experienced personnel hires) ratio: Ratio of mid-career hires to all hires

*3 Including a special provision subsidiary (as of March 2023)

*4 Retention rate: (1 - (Number of employees who left employment/Number of employees as of April of the fiscal year)) × 100

*5 Educational programs held at SEKISUI CHEMICAL's Human Resources Department at Corporate Headquarters

*6 Percentage of respondents who answered "Yes" or "Somewhat applicable" regarding challenging behavior to realize Vision 2030.

Key Financial and Non-financial Data

Non-financial Data

| | | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|--|--------------------|--------|--------|--------|--------|--------|
| Environment^{*1} | | | | | | |
| GHG emissions from the supply chain | Kt-CO ₂ | 5,331 | 4,986 | 4,674 | 5,086 | 4,576 |
| Scope1+Scope2 | Kt-CO ₂ | 898 | 867 | 751 | 743 | 655 |
| Domestic | Kt-CO ₂ | 357.8 | 341.6 | 304.2 | 296.2 | 255.8 |
| Overseas | Kt-CO ₂ | 540.3 | 525.3 | 446.9 | 446.9 | 399.2 |
| Scope3 | Kt-CO ₂ | 4,433 | 4,119 | 3,923 | 4,343 | 3,917 |
| Energy use during manufacturing (Japan) | TJ | 3,653 | 3,451 | 3,281 | 3,507 | 3,258 |
| Energy use during manufacturing (Overseas) | TJ | 6,715 | 6,766 | 5,842 | 6,922 | 6,658 |
| Renewable energy ratio of purchased electricity | % | 0.2 | 0.3 | 7.2 | 19.7 | 36.4 |
| Production site waste generation | 1,000 tons | 76.2 | 70.9 | 67.6 | 68.9 | 71.3 |
| Production site waste recycled | 1,000 tons | 65.5 | 61.9 | 58.4 | 63.2 | 63.2 |
| Waste generated on construction sites of new housing (Japan) | Tons per unit | 2.45 | 2.38 | 2.49 | 2.23 | 2.17 |
| Water intake at production sites (Japan) | Km ³ | 15,218 | 14,146 | 13,719 | 14,247 | 13,449 |
| Water intake at production sites (Overseas) | Km ³ | 6,032 | 6,522 | 6,167 | 7,290 | 7,337 |
| COD discharge (Japan) | Tons | 84.9 | 73.9 | 62.1 | 69.5 | 59.1 |
| Discharge of volatile organic compounds (VOCs) into the atmosphere (Japan) | Tons | 653 | 676 | 680 | 609 | 560 |

*1 Past figures have been revised due to improvements in precision.

| | | | | | | |
|---|-----------|--------|--------|--------|--------|--------|
| Internal Control | | | | | | |
| Safety | | | | | | |
| Occupational accidents (Fatal occupational accidents) | Accidents | 63 (0) | 70 (0) | 75 (1) | 68 (0) | 74 (0) |
| Incidents attributable to machines and equipment (Serious facility accidents) | Accidents | 10 (0) | 7 (0) | 7 (0) | 4 (0) | 4 (0) |
| Quality | | | | | | |
| Occurrences of major quality issues | Accidents | 1 | 1 | 2 | 1 | 2 |
| External failure costs (FY2016 = 100) ^{*2} | | 98.6 | 95.0 | 124.8 | 120.4 | 98.6 |
| Compliance | | | | | | |
| Serious non-compliance and negligence | Accidents | - | - | 0 | 0 | 0 |
| Information management | | | | | | |
| Cyber security incidents ^{*3} | Accidents | - | - | - | 0 | 0 |

*2 Costs arising from responding to product-related complaints

*3 Serious impact from incidents such as virus infection, information leakage, or core system outages resulting from external cyber attack

▼Please refer to the Sustainability Report for detailed non-financial data.

https://www.sekisuichechemical.com/sustainability_report/report/

Corporate Information and Stock Information

As of March 31, 2023

SEKISUI CHEMICAL CO., LTD.

Head Office: 4-4, Nishitenma 2-chome,
Kita-ku, Osaka

Tokyo Head Office: 10-4, Toranomon 2-chome,
Minato-ku, Tokyo

Founded: March 3, 1947

Employees: 26,838

Consolidated Subsidiaries: 148

Affiliates (Equity Method): 7

Paid-in Capital: ¥100,002,375,657

Fiscal Year: April 1 to March 31
of the following year

Accounting Auditor: KPMG AZSA LLC

Listings: Common stock listed on
the Tokyo Stock Exchange

Stock Ticker Number: 4204

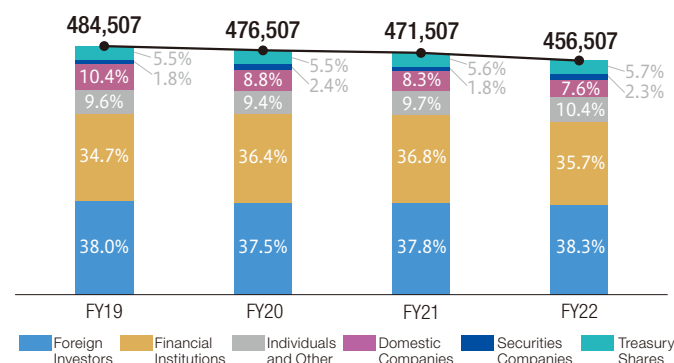
Number of Shareholders: 25,936

**Manager of the
Register of Shareholders:** Mitsubishi UFJ Trust and
Banking Corporation

Issued: 456,507,285 shares

Issued shares and breakdown of shareholders

Total number of shares issued and outstanding (1,000 shares)



Major external evaluations conducted during fiscal 2022

ESG indices

- Earned selection to the World Index category of the DJSI
- Earned selection to the FTSE4Good Index series
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the FTSE Blossom Japan Sector Relative Index
- Earned selection to the Morningstar Japan ex-REIT Gender Diversity Tilt Index
- Earned selection to the MSCI ESG Leaders Indexes
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the MSCI Japan Empowering Women (WIN) Select Index
- Earned selection to the S&P / JPX Carbon Efficient Index

Environment

Re-acquired certification from
the Science-Based Targets
(SBT) Initiative for the 1.5°C GHG
reduction target
(March 2023)



Other

Earned selection as one of the 2023 Global 100 Most Sustainable
Corporations in the World index, ranking 84th



▼ Stock Information

https://www.sekisuichechemical.com/ir/stock/stock_info/

▼ External evaluations

https://www.sekisuichechemical.com/sustainability_report/external_evaluations/

Regarding the Publication of the Integrated Report 2023 (Year Ended March 31, 2023)



Futoshi Kamiwaki

Representative Director,
Senior Managing Executive Officer,
Responsible for ESG Management,
Digital Transformation,
and New Business Development Departments,
Head of Business Strategy Department

In fiscal 2023, the SEKISUI CHEMICAL Group launched its medium-term management plan, the second step toward realizing its long-term vision. In this integrated report, the SEKISUI CHEMICAL Group explains how it is working to create corporate value and contribute to solving social issues, which is part of its DNA. In this edition, together with the Company president, Keita Kato, we have also tried to reflect as much as possible the suggestions and opinions received from institutional investors through dialogue.

We hope this Integrated Report will serve as a tool for understanding SEKISUI CHEMICAL Group and contribute to constructive dialogue. We will continue to provide investors with detailed and easy-to-understand explanations of the Company's status and growth strategies while working to increase our corporate value.

SEKISUI CHEMICAL CO., LTD.

2-10-4 Toranomon, Minato-ku, Tokyo
105-8566 Japan

<https://www.sekisuichechemical.com/>

Investor Relations Group,
Business Strategy Department

<https://www.sekisuichechemical.com/ir/support/contact/>