

Integrated Report 2020

Year Ended March 31, 2020

**SEKISUI**



# Innovation for the Earth

SEKISUI CHEMICAL CO., LTD.



# Innovation for the Earth

In order to realize 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 also endeavoring to enhance the sustainability of society in concert with efforts to secure our sustainable growth as a company.

## Our Principles

SEKISUI CHEMICAL Group's Principle is comprised of the three Corporate Philosophy, Group Vision, and Management Strategy elements. 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.” In order to succeed in the future and become a corporate group that is sustainable for the next 100 years, it is vital that we return to the roots of this Corporate Philosophy.

Both the Corporate Philosophy and the Company’s name encapsulate the notion that “the victor of a battle is determined in one fell swoop with tremendous force, just as pent-up water (as stated by SEKISUI in Japanese) drops into a deep gorge.” With this in mind, it is equally important that “before a battle, every effort is made to position oneself for victory.” In addition to responding swiftly to changes in the market, it is imperative that the Group anticipate future megatrends and put in place the structure necessary for victory in a world that is plagued by growing uncertainty. Adopting a long-term outlook, we will work diligently to build up our core strengths.



## 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.

\* Society: Society as a whole, starting with the five stakeholders (customers, shareholders, employees, business partners, as well as local communities and the global environment).

Please see the following website for further details about SEKISUI CHEMICAL Company’s Corporate Philosophy, Group Vision, and other elements of our Group Principles.

<https://www.sekisuicheical.com/about/vision/principles/index.html>

# CONTENTS

## WHO

### WE ARE

- 2 Message from the President & CEO
- 7 Value Creation Process
- 8 SEKISUI CHEMICAL Group Accomplishments
- 9 Business Portfolio
- 10 Financial Highlights
- 12 Nonfinancial Highlights

## WHAT

### WE ASPIRE TO

- 13 Review of the Medium-term Management Plan
- 14 Vision 2030 <Long-term Vision> Aiming to Double the Group's Business by 2030 Centered on ESG Management
  - 15 Domain Growth Image and Targeted Business Structure
  - 16 Approach to Expansion of Sustainable Contribution and Growth Image Through 2030
- 17 Drive 2022 <Medium-term Management Plan> (FY2020-2022)
  - 18 Basic Strategies
  - 20 Investment and Financial Strategies
  - 20 Returns to Shareholders
- 21 High Performance Plastics Company
- 26 Housing Company
- 31 Urban Infrastructure & Environmental Products Company
- 36 Medical Business

## HOW

### WE REMAIN A GOING CONCERN

- 39 SEKISUI CHEMICAL Group's Sustainability (Strengthening the ESG Management Base)
  - 40 Environment
  - 45 Human Resources
  - 47 Digital Transformation (DX)
  - 48 Fusion
  - 49 Research & Development/ Manufacturing/Intellectual Property
  - 52 Internal Control
    - 52 Reducing Serious Incidents (Safety, Quality, Compliance, Information Security)
    - 57 Risk Management
    - 59 Respect for Human Rights
- 61 Corporate Governance
  - 61 Directors, Audit and Supervisory Board Members, Executive Officers
  - 65 Corporate Governance Initiatives
  - 71 Stakeholder Engagement

## DATA

### SECTION

- 72 Review and Analysis of Consolidated Results for Fiscal 2019 Fiscal year ended March 31, 2020
  - 75 Business Risks
- 77 External Evaluations in Fiscal 2019
- 79 Key Financial and Non-financial Data
- 83 Corporate Information and Stock Information
  - 83 Publication of the Integrated Report 2020

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 may cause actual performance results to differ materially from these forward-looking statements.

Figures in the Integrated Report

For charts and graphs in this integrated report denominated in billions of yen, numbers below a billion are rounded up or down to the nearest hundred million.

For those denominated in millions of yen, numbers below a million are rounded off to the nearest hundred thousand.

**Message from the President & CEO**

## **We will continue to create innovations that help resolve social issues while aiming to double our business by 2030.**

Having assumed the position of President and Representative Director in March this year, on behalf of the Company, I would like to express my heartfelt sympathy to those who continue to suffer from the novel coronavirus (COVID-19) that is currently ravaging the world. Together with my wishes for a speedy recovery, I would also like to offer my sincere condolences to the many people who have lost a loved one to the pandemic.

COVID-19 is increasingly challenging traditional norms, altering our perceptions of what we have accepted as common sense and the very way we lead our lives. Shifts in people's behavior, prompted by such factors as the acceleration of digitalization and reaffirmation of the importance of hygiene management, are triggering changes in society and in companies as well.

Against this backdrop, SEKISUI CHEMICAL Group announced details of the Long-term Vision and new Medium-term Management Plan in May. In my role as Head of the Business Strategy Department, I have been spending my time deeply involved in formulating this Vision and Plan. Looking back over the 20 years since 2000, when the Company incurred a consolidated operating loss, we have made progress with efforts to become a premium company with an operating income ratio of 10%. The process has involved both aggressive investment and painful structural reforms. On this basis, we have overcome many obstacles in getting to where we are today. Unfortunately, we fell short of this operating income ratio at the very end of fiscal 2019, the final year of the previous medium-term management plan. Nevertheless, I am convinced that we were able to bring about a recovery and evolve to a position that is close to the objectives set two decades ago.

Under our recently announced Long-term Vision, we set the goal of doubling our business by 2030. At such a high level, this target will be difficult to achieve if we build solely on the Group's past track record. At the outset, my mission is to therefore ensure that all employees fully understand the Medium-term Management Plan, and its role as a roadmap, as well as our Long-term Vision. My purpose then is to put in place a system that allows all employees to work in unison with an eye fixed toward a common direction. In a post-COVID-19 era, we will once again review the Company's management from a different perspective, and take up the challenge of achieving our goals by flexibly responding to major changes in the structure of demand.

## Message from the President & CEO

### Q How would you evaluate fiscal 2019?

**Despite the impact of deteriorating global market conditions and COVID-19 on the second half, we have made progress in the introduction and rollout of ESG management under the previous medium-term management plan.**

Looking back over fiscal 2019, the final year of the previous medium-term management plan, results were mixed. While operating income in the first half came in at around the same level as the corresponding period of the previous fiscal year, the second half was impacted by a deterioration in global market conditions including the automobile industry. Entering the fourth quarter, the High Performance Plastics (HPP) and Housing companies, in particular, felt the brunt of COVID-19. As a result, SEKISUI CHEMICAL Group reported declines in both sales and profit. In specific terms, net sales for the fiscal year under review edged down 1.2% compared with the previous fiscal year, to ¥1,129.3 billion. From a profit perspective, operating income declined 8.3%, to ¥87.8 billion, ordinary income contracted 6.6%, to ¥87.0 billion, and net income attributable to owners of the parent fell 10.8%, to ¥58.9 billion, all on a year-on-year basis. By business segment, the HPP Company suffered a substantial downturn in profit. In addition to the prolonged slump in global automobile market conditions from the first half, results were especially impacted by overseas production adjustments by automobile manufacturers due to the COVID-19 pandemic. The Housing Company was also affected by COVID-19 with profit held to the same level as the previous fiscal year. On top of delays in delivery as of the end of the period in both the New Housing Construction and Renovation businesses, certain activities were buffeted by the late supply of housing materials made in China. While overseas businesses struggled due to a deterioration in the external environment, the Urban Infrastructure & Environmental Products (UIEP) Company reported record high results. This was largely due to the success of structural reforms implemented under the previous medium-term management plan and growth in high value-added prioritized products in Japan. In line with its plans, SEKISUI CHEMICAL Group has decided to pay an interim and period-end dividend of ¥23 per share, for an annual dividend of ¥46 per share for fiscal 2019. This represents a year-on-year increase of ¥2 per share and a 10th consecutive fiscal year of dividend growth.

Turning to an overview of the previous medium-term management plan, sales growth was derived mainly from overseas. SEKISUI CHEMICAL Group fell short of both its sales and profit targets with profitability in particular a pending issue. Nevertheless, our efforts to promote “fusion” among divisional companies and with external parties has allowed us to generate additional incremental sales of around ¥40 billion. I would also evaluate the progress made in fully introducing and rolling out ESG management across our management foundation. Focusing especially on ESG management, we have improved the ratio of Environment-Contributing Product sales to total sales. The Company has continued to receive positive external feedback. This included selection as one of the 2020 Global 100 Most Sustainable Corporations in the World index for a third consecutive year. I am convinced that our efforts have fostered considerable awareness among employees that the Group’s business is contributing to society.

### Q What impact has COVID-19 had on business results, and what is your outlook for fiscal 2020?

**By taking the initiative through various ways including structural reforms and a wide range of measures, we will minimize the impact of COVID-19 and target a recovery in the second half.**

While conditions surrounding the future remain uncertain, after outlining details of its underlying assumptions including measures from the Company’s perspective, SEKISUI CHEMICAL Group announced details of its forecasts for fiscal 2020 in April. While recognizing in April that conditions in the first quarter would continue to be difficult, our forecasts were based on the assumption that conditions would gradually recover from July and essentially return to normal levels in the second half. Looking especially at trends in the global manufacture and sale of automobiles and smartphones, as well as a decline in the number of outpatient medical examinations and tests for lifestyle-related diseases, we believe that the Company’s results will be impacted by a variety of factors. This includes a drop in the number of visitors and negotiations at housing exhibitions, a downturn in the number of housing starts, and delays in construction. Under these circumstances, we are working to increase the number of visitors to our Housing Business website by 150% compared with the previous year. Among a host of other measures, we are also looking within to minimize the impact of this harsh operating environment by pushing forward such measures as thoroughgoing structural reforms. While we anticipate that business results will struggle in the first half under the burden imposed by COVID-19, we will maintain and reinforce the supply chain in a bid to secure a definitive recovery from the second half.

As far as the Company’s flow of supply is concerned, SEKISUI CHEMICAL Group is maintaining operations across the entire chain from factories, with the exception of certain overseas locations, through production to indirect sections. This is partly due to the measures taken since the spread of the COVID-19 pandemic. In addition to prohibiting group meetings, training, business trips, and social gathering in Japan and overseas in principle, we are promoting telecommuting and staggered work schedules with the safety of employees uppermost in our minds. Above all, we have been able to maintain our supply chain thanks to the actions of our employees based on an acute awareness toward the importance of preventing further spread of the virus.

Looking ahead, we will continue to upgrade and expand safety measures and prepare for any unforeseen circumstance by, for example, securing stable working capital while taking into consideration the incidence of prolonged risk.

### Q What were your thoughts and aspirations when formulating the Long-term Vision, “Vision 2030,” and the vision statement?

**Amid the uncertainty that surrounds society, we will continue to generate innovation that contribute to the Earth and people’s lives.**

While details of our Long-term Vision are outlined separately in this report, I would like to elaborate on what went into its formulation and in particular our thoughts and aspirations. Despite overcoming the financial crisis at the beginning of 2000, and recording an operating income ratio of around 8% on sales

## Message from the President & CEO



exceeding ¥1 trillion in fiscal 2019, we anticipate the business environment will continue to be difficult, given unexpected events such as the COVID-19 pandemic. Against this backdrop, we will continue to grow while meeting the expectations of society and working in unison to bring about further reforms. With this as our guiding light, we formulated the Long-term Vision.

Rallying to the call of “Innovation for the Earth,” SEKISUI CHEMICAL Group’s Vision Statement stipulates that “in order to realize a sustainable society, we support the basis of LIFE and will continue to create peace of mind for the future.” Recognizing that the “Earth” refers to both the “Planet” and “the people who reside within it,” we will contribute to society by creating peace of mind for the future while sharing in the image of a “sustainable society” by 2030, as targeted under the Sustainable Development Goals (SDGs) adopted by the United Nations Sustainable Development Summit held in September 2015. Moreover, our Vision Statement is based on the dual understanding that in contributing to the future of society by continuing to create innovations that help resolve social issues, we will simultaneously secure the Group’s ongoing growth.

**Q Where do you think the strength of SEKISUI CHEMICAL Group lies in being able to create innovation?**

**Our strengths lie in the wide range of solutions derived from our broad array of diverse technologies and the longstanding ties of trust with customers.**

SEKISUI CHEMICAL Group has continued to expand its business through the release of a succession of innovative products. With virtually no raw materials of our own, we were at a decided disadvantage in the past, susceptible to a profit squeeze as the result of fluctuations in raw material prices. This weakness has evolved and is now considered a major strength. Today, we are able to select and combine those materials that can be tailored specifically to each customer’s request. Free from the need to focus on such issues

as the use of our own materials and plant utilization rates, we can add value utilizing the most appropriate technology and deliver best-fit solutions. Naturally, varied and diverse technological skills, the ability to listen carefully to customer feedback, and marketing that helps to uncover real and precise needs are essential to generating added value. Avoiding even a hint of compromise, SEKISUI CHEMICAL Group has continued to respond thoroughly to the needs of its customers. We boast a proven track record of developing proprietary products that help resolve social issues. This includes the Sewage Pipe Renewal (SPR) method that facilitates the rehabilitation of aged sewage pipes without the digging up of roads and sound and heat insulation interlayer films for automotive use that not only deliver comfort, but also improve fuel consumption while reducing CO<sub>2</sub> emissions. This proven track record that continues to nurture longstanding ties of deep-seated trust allows us to uncover a host of new opportunities. I am convinced that the Company’s sustained innovation is a product of this ability to constantly respond to customers’ requests.

**Q Why have you identified the goal of doubling your business by 2030?**

**Our goals are to establish a global presence and become a company in which our employees can be proud.**

Under our Long-term Vision, we have set the goal of essentially doubling the current level of sales to ¥2 trillion in 2030. Naturally, we have not only set our sights on the scale of the Group’s sales, but are also looking at an operating income ratio of 10% or higher commensurate with the sustainable growth of profit. The emphasis that we have placed on doubling our business stems from the desire to become a company with a global presence. In addition, by coming together as a unified group to achieve these lofty goals, we would hope also to become a company in which our employees can take great pride. Based on results to date, we will work toward the organic growth of existing businesses in Japan at an annual rate of 3% and more than 10% overseas.

In an uncertain operating environment that is prone to fast-paced change, there is an inherent risk that building solely on an existing view of the future will open a company up to upheaval in the event of a major incident such as the COVID-19 pandemic. With this in mind, and in addition to the organic growth of existing businesses, we will look to secure exponential growth and target an increase in sales of ¥1 trillion while actively considering M&As with an eye toward overseas expansion. Although recognizing that an increase of this magnitude will not be easy to achieve, it is by no means an unreasonable task.

**Q Can you provide us with some background behind the inclusion of ROIC as a new key performance indicator in the Medium-term Management Plan Drive 2022?**

**Our goal is to increase the efficiency of capital management while expanding profit.**

While deliberating on our Long-term Vision, we concluded that efforts aimed at expanding contributions to society, profitable growth associated with that contribution, and management ability to sustain business were vital to enhancing the Company’s corporate value. Based on this conclusion, we have introduced Return on Invested Capital (ROIC) as a KPI to pick up the pace of investment while closely monitoring profitability as we embark on our medium-term management plan. Through proactive

## Message from the President & CEO

investment, we will take all preparatory steps to achieve our Long-term Vision. We believe that the degree of improvement is in direct correlation with proactive investment. The introduction of ROIC is also an indication of our intention to make steady improvements as we firmly prepare for long-term growth.

In order to increase ROIC, we must improve the profit margin while at the same time boost the turnover rate. Cognizant of our responsibility to all stakeholders, we will place considerable importance on improving the accuracy of returns as we vigorously pursue investment opportunities, including M&As as well as strategic capital investments that help secure sustainable growth going forward. While also taking into consideration the replacement of our ROIC-based business portfolio, we recognize that the scale and quality of invested capital required differs depending on the business. Accordingly, we will first look to expand profit and improve profit margins through various measures including the expansion of marginal profit and reduction of fixed costs. At the same time, we will endeavor to increase the efficiency of capital management by optimizing capital investments, M&As, and inventories.

The ROIC Spread, which represents the difference between ROIC and the cost of capital, is defined as the SEKISUI Sustainable Spread. As an indicator of corporate value, the SEKISUI Sustainable Spread also incorporates SEKISUI CHEMICAL Group's unique non-financial costs into the cost of capital. We have categorized major incidents into each of the five safety, quality, accounting, legal/ethics, and information management domains. Cognizant of the importance of reducing financial and non-financial costs, we have positioned the need to control events that could have a devastating effect on corporate value as our highest priority. In addition, we recognize the significance of employees carrying out their duties with an understanding that their work contributes directly to efficiency and the control of capital costs. As a result, efforts that contribute to increasing corporate value help lift management's ability to sustain business. While monitoring the status of COVID-19 as it dissipates, I will call on each business site to personally explain our thoughts on this matter and to deepen Groupwide understanding.

### Q Can you elaborate on the “Three Drives” identified in the Medium-term Management Plan Drive 2022?

**Increasing the efficiency of business and strengthening ESG management are of the utmost importance.**

The Medium-term Management Plan Drive 2022, which serves as a roadmap for achieving the Long-term Vision, is designed to accelerate the pace at which we push forward the three “Existing Business,” “New Business,” and “Business Base” drives on a global basis.

Every effort will be made to further refine each of our existing businesses and to rollout high value-added products worldwide. We have categorized each business into one of four domains and will work to increase Group sales in each domain by approximately 1.5 to three times. The purpose of putting in place new domains is to maximize synergies.

As far as existing business is concerned, the “Fusion” advanced under the previous medium-term management plan served not only to generate around ¥40 billion in sales, but also helped to lower employee barriers and mindsets. Moving forward, we will look to maximize efficiency and synergies with a view to transforming existing business, the product portfolio, and divisional company system.

In preparing for long-term new business growth, we will aggressively and boldly cultivate domains peripheral to existing businesses through the aforementioned innovation. We will work to build a

business base in such areas as town and community development. Other areas of focus will include independence from fossil fuels, aircraft and mobility, and cell culture solutions. While ensuring both the efficiency and flexibility of R&D and other themes through a forward-looking process of selection and concentration, engaging in M&As as well as strategic capital investment, and allocating such management resources as personnel, we have introduced ROIC as a means to improve the accuracy of investment effects.

From a business base perspective, the third business drive, we will further strengthen and promote those ESG management measures that we have continued to implement in the past while at the same time holding down major incidents as earlier identified. In this regard, I am a strong believer in “ESG for ESG.” Our long-term vision is therefore to engage in ESG management that underpins “Exponential & Sustainable Growth.”

### Q What does ESG mean to the SEKISUI CHEMICAL Group?

**ESG is the very essence of our business.**

At the SEKISUI CHEMICAL Group, we believe that ESG is the very essence of our business. Throughout our entire history, we have continued to manufacture products as a key component of our social contribution activities. Launched in fiscal 2006, the system for Environment-Contributing Products that are designed to help resolve environmental and social issues has become a symbol of the Group's ESG initiatives. In fiscal 2019, sales of Environment-Contributing Products came to ¥658.3 billion, representing 58.3% of the Group's total sales. From fiscal 2020, we have evolved our focus. Looking beyond efforts aimed simply at resolving issues, we are also placing considerable emphasis on improving the sustainability of efforts aimed at resolving issues. To reflect this evolution, we have revised and newly adopted the concept of “Products to Enhance Sustainability.” Looking ahead, we will redouble our efforts to promote Products to Enhance Sustainability and work to increase their share of total sales to 75% by fiscal 2022, the final year of the Medium-term Management Plan.

On top of this, we are promoting digital transformation (DX), which entails automation in a bid to address the shortage of labor and improve productivity in combination with various security tightening and other measures. At the same time, we are endeavoring to eliminate major incidents including such compliance issues as the falsification of quality data and accounting fraud, factory fires and other industrial accidents, and quality issues that encompass the large-scale recall of products. In the context of its DX activities, SEKISUI CHEMICAL Group has pushed for the digital transformation project over the course of one year commencing in fiscal 2019. In April 2020, we newly established the Digital Transformation Department. Against this backdrop, the COVID-19 pandemic has served to reaffirm the validity and importance of digital transformation as the direction in which to proceed. In the future, we will deepen our DX endeavors, including efforts to lift the labor productivity of employees.

We strongly believe that governance is the foundation for ensuring sound corporate management. Based on this belief, we have worked diligently to improve corporate governance in order to increase the transparency and fairness of our management and pursue swift decision-making. With the aim of receiving advice from a broad perspective and to reinforce the supervisory function, we have appointed three independent outside directors to the Company's Board. Our Board of Directors is chaired by the Representative Director and Chairman, who is a non-executive director. Moreover, SEKISUI CHEMICAL

## Message from the President & CEO

Group has also established the Nomination and Remuneration Advisory Committee. Director bonuses are determined on a performance basis. In addition to the Group's overall performance, the payment of bonuses reflects such non-financial indicators as the sales ratio of products to enhance sustainability as well as return on equity (ROE) trends. On top of this, we have introduced a share-based compensation plan. This incentive plan is designed to further raise the motivation of Directors and is linked closely to shareholders' value over the medium to long term.

### Q What are your thoughts on risks and opportunities in light of social environment changes some five to 10 years into the future?

**We see social environment changes as a business opportunity.**

There is no doubt that the social and economic environments will become even more digitalized in the next five to 10 years. This will have a significant impact on our business in areas of considerable familiarity, as automobiles evolve in similar fashion to home appliance, major changes are made to the way products are manufactured, and automated driving also develops and evolves. With the prospect that these dramatic changes will occur at an even faster pace across a variety of areas, there is a risk that SEKISUI CHEMICAL Group will be left behind in the blink of an eye in the event that it does not put in place a structure that can address this change in an appropriate and timely manner. On the domestic front, Japan continues to confront a number of issues including a declining and aging population, aging infrastructure, and frequent natural disasters. For these reasons, it is one of the most advanced nation in the world when it comes to social issues. Based on this understanding, we believe the opportunity exists for the Group to develop products that can help resolve many of the nation's problems. In doing so, the potential also exists to roll out these products to the rest of the world. For example, the industrialized products that the Housing Company manufactures based on the Unit Construction Method can address the shortage of carpenters and craftsmen by reducing onsite construction processes. At the same time, the HPP and UIEP companies boast a number of products that contribute to the renewal of infrastructure and prevention/mitigation of natural disasters.

As far as the environment is concerned, greenhouse gases, which are a major contributor to climate change is an issue that plagues the world as a whole. The SEKISUI CHEMICAL Group is making the switch to 100% renewable energy for purchased electricity by 2030. Among a host of other initiatives, we are also collaborating with supplier in the procurement of raw materials with low environmental impact. The contributions provided by the previously mentioned Products to Enhance Sustainability are much more than temporary in nature. These products make a lasting contribution to society while at the same time contributing to the sustainability of the Company from a profitability perspective. In addition to contributing to the Earth and society, we will make every effort to expand the market through products to enhance sustainability.



### Q In conclusion, what are your thoughts on capital policy?

**While committed to an unwavering policy of proactively returning profits to shareholders we will continue to undertake growth investments.**

SEKISUI CHEMICAL Group acquired AIM Aerospace based in the U.S. in fiscal 2019. While historically a debt-free business, we have transitioned to a net debt business in real terms. This in itself is not a cause for concern, as it coincides with the Company's intention to undertake investments for growth even in the event of harnessing leverage. Although in a net debt position, the company's financial position is considered extremely strong. From our perspective, we believe that balancing strategic investment and research and development for sustainable growth with shareholders' returns is an important issue in the Company's management.

Under our medium-term management plan, we have doubled our strategic investment limit to ¥400 billion. At the same time, we have clarified and strengthened our commitment to the return of profit to shareholders at an increased level. Despite the harsh business environment in fiscal 2020, we intend to place considerable weight on shareholders and increase the period-end dividend by ¥1 per share in a bid to ensure an 11th consecutive period of dividend growth. Our goals are also to deliver a dividend payout ratio of 35% or higher on a consolidated basis, a dividend on equity (DOE) ratio of 3% or higher, and a total return ratio of 50% or higher if the D/E ratio is less than 0.5.

Going forward, SEKISUI CHEMICAL Group will proactively return profits to shareholders by ensuring the Company's sustainable growth while creating innovative products that help address social issues on a sustainable basis and producing results that engender the trust of customers. As we work toward achieving our goals, we welcome your expectations and ask for your continued support and understanding.

June 2020

President and  
Representative Director

# Value Creation Process

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

Long-term Vision : Vision 2030

Innovation for the Earth

Value to be Created

Business Models

Business Domains

The Source of Value

Contributing to stakeholders

## Organizational Capability

### Human resources

- ▶ Diversity management (age, gender, nationality)
- ▶ A culture in which individuals take the initiative to pursue each challenge

### R&D capabilities

- ▶ A platform of 28 technologies with strengths in “Residential and Social Infrastructure Creation” as well as “Chemical Solutions”
- ▶ Number of patents held: 9,220 (the end of fiscal 2019)

### Manufacturing capabilities

- ▶ A mechanism that connects customer satisfaction (CS) with quality
- ▶ Fine tuning the quality of human resources, mechanisms, and goods (products and services)

## Sound financial position

## Partnerships with Stakeholders

- ▶ Customers, shareholders, employees, business partners, local communities, and the global environment



Reforming products and business  
Creating and acquiring new business bases

Requirements from society

Various social issues and needs  
Declining birthrates and an aging population  
Aging infrastructure  
Climate change measures

Unpredictable business environment  
COVID-19 pandemic  
U.S.-China trade friction  
Frequent natural disasters

Medium-term Management Plan  
**Drive**  
2022

### 1 Business growth and reform

Accelerate business growth and accelerate structural reform

### 2 Preparations for long-term growth

Creation and acquisition of new businesses and domains

### 3 Strengthening the ESG management base

Innovation of the management base for long-term sustainable growth

Housing Company

### Residential (Housing)

Providing more people with peace of mind, safety and comfort through high performance housing, housing-related services and Town and Community Development.

Urban Infrastructure & Environmental Products (UIEP) Company

### Advanced Lifeline (Social Infrastructure)

Solving infrastructural issues and improving social infrastructure on a global scale with advanced materials and methods.

High Performance Plastics (HPP) Company

### Innovative Mobility (Electric / Mobility)

Providing high-value added materials for equipment which contributes to both sustainable society and lifestyles.

Medical Business

### Life Science (Health and Medical)

Support global health and longevity with products, systems and services which contribute to healthcare advancements.

### Next Frontier (Create new business domains)

To create new business domains in anticipation of major paradigm shifts

Peace of mind for the future



Peace of mind, safety, and comfort



Resilient social infrastructure



Smart mobility and communication



Health and longevity



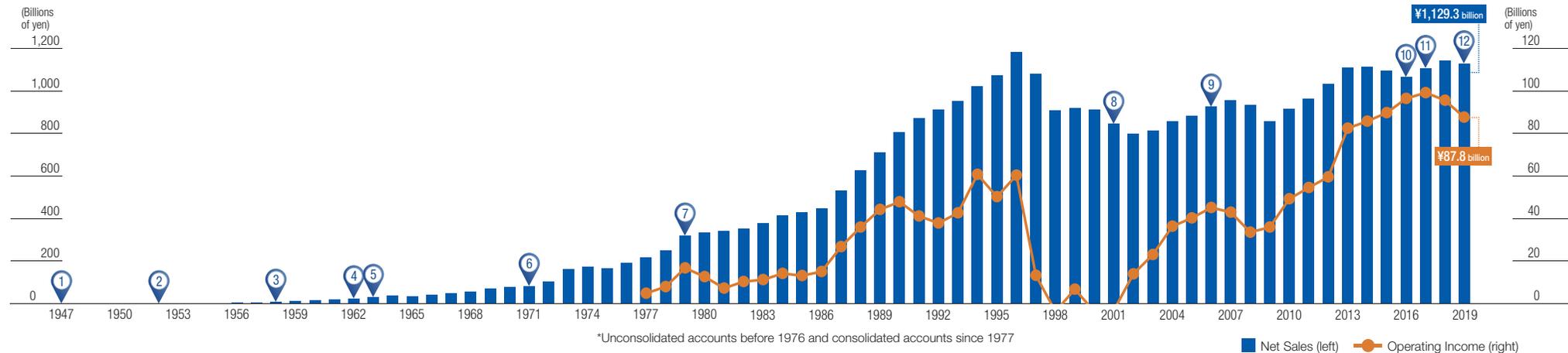
An earth with maintained biodiversity



# SEKISUI CHEMICAL Group Accomplishments

SEKISUI CHEMICAL Group was established in 1947 with the aim of comprehensively commercializing plastic, a new and innovative material in Japan at that time. Guided by our 3S Principles 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.

In a long history of success, we have continued to mold our business portfolio and expand profits.



## 1 1947

Established SEKISUI INC. in order to run a general plastic business



## 2 1952

Began full-fledged production of ESLON polyvinyl chloride pipes



## 3 1958

Began production of interlayer film for laminated glass S-LEC



## 4 1962

Rolled out poly-pail plastic garbage bins on a nationwide basis and contributed to efforts aimed at resolving garbage-related issues



## 5 1963

Established SEKISUI PLASTICS CORPORATION, the first plant to be set up in the U.S. by a Japanese manufacturer



## 6 1971

Entered the housing business with the launch of steel frame unit housing "Heim"



## 7 1979

Awarded the Deming Prize, the highest honor for total quality management from production to sales and service



## 8 2001

Divisional company system introduced



## 9 2006

Daiichi Pure Chemicals Co., Ltd. (currently Sekisui Medical Co., Ltd., a consolidated subsidiary) acquired



## 10 2016

Executive Advisor Naotake Okubo awarded the Deming Prize for Individuals; SEKISUI CHEMICAL Group awarded the Japan Quality Recognition Award in the Innovation category by the Union of Japanese Scientists and Engineers



## 11 2017

Successfully developed a first-in-the-world production technology that converts garbage into ethanol



## 12 2019

Acquired AIM Aerospace Corporation (currently SEKISUI AEROSPACE CORPORATION)



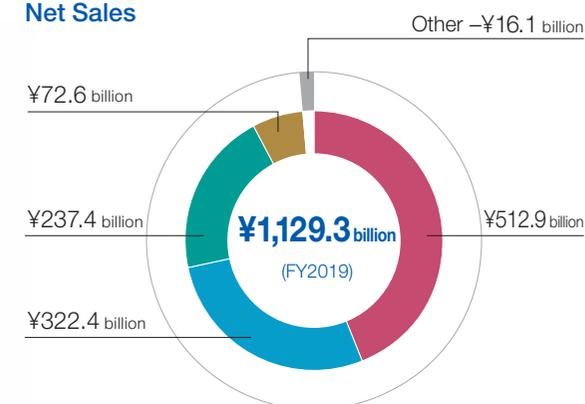
# Business Portfolio

SEKISUI CHEMICAL Group carries out its businesses through the three Housing, Urban Infrastructure & Environmental Products (UIEP), and High Performance Plastics (HPP) divisional companies as well as the Medical business in the fields of Residential and Social Infrastructure Creation and Chemical Solutions. The Medical business was spun off as a new company candidate

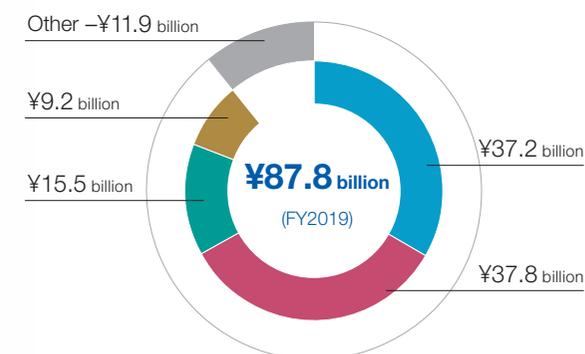
in fiscal 2019 in an effort to accelerate the pace of growth in the Life Science field, which was previously included in the High Performance Plastics Company's activities. Under its long-term vision, SEKISUI CHEMICAL Group is looking to expand focusing mainly on these four business domains.



## Net Sales



## Operating Income

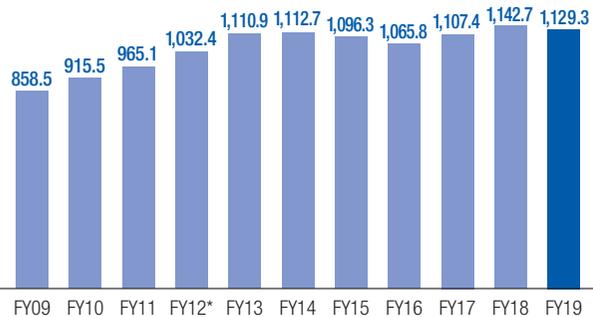


# Financial Highlights

## Net Sales

(Billions of yen)

FY2019  
**¥1,129.3 billion**



\* Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal 2012.

## Overseas Sales Ratio

(%)

FY2019  
**24.3%**

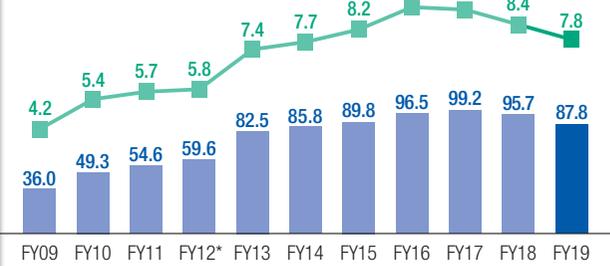


FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19

## Operating Income/ Operating Income Ratio

Operating Income (Billions of yen)  
Operating Income Ratio (%)

FY2019 Operating Income  
**¥87.8 billion**  
FY2019 Operating Income ratio  
**7.8%**

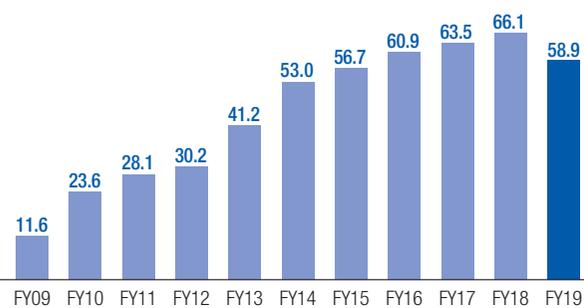


\* Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal 2012.

## Net Income Attributable to Owners of the Parent

(Billions of yen)

FY2019  
**¥58.9 billion**

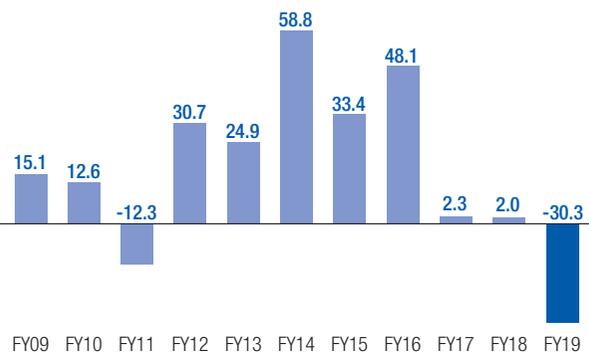


FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19

## Free Cash Flow

(Billions of yen)

FY2019  
**-¥30.3 billion**



FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19

Free Cash Flow = CF Operating Activities + CF Investing Activities - Dividend Paid

## EBITDA

(Billions of yen)

FY2019  
**¥133.2 billion**



FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19

EBITDA = Operating Income + Depreciation and Amortization + Amortization of Goodwill

# Financial Highlights

## Dividend per Share/ Dividend Payout Ratio

FY2019 Dividend per share

¥46

FY2019 Dividend payout ratio

35.9%

■ Dividend per Share (Yen)  
■ Dividend Payout Ratio (%)



## Total Return Ratio

FY2019  
58.4%

(%)

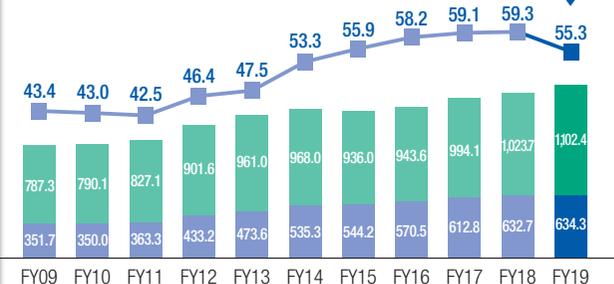


Total Return Ratio = (Amount of Treasury Stock Acquired + Total Dividends)/Net Income Attributable to Owners of the Parent

## Total Assets, Net Assets, Equity to Total Assets

FY2019 Total Assets  
¥1,102.4 billionFY2019 Net Assets  
¥634.3 billionFY2019 Equity to Total Assets  
55.3%

■ Total Assets (Billions of yen)  
■ Net Assets (Billions of yen)  
■ Equity to Total Assets (%)



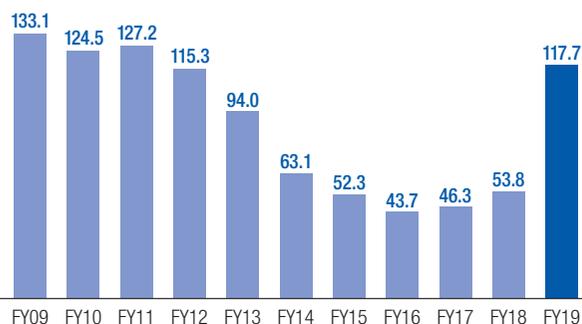
Note: Effective from the start of fiscal 2018, the fiscal year ended March 31, 2019, SEKISUI CHEMICAL Group has applied the partial amendments to the accounting standard for tax effect accounting (the Accounting Standards Board of Japan (ASBJ) Guidance No. 28 revised on February 16, 2018). These partial amendments have also been retroactively applied to data for fiscal 2017. Equity to Total Assets = Equity/Total Assets

## Interest-bearing Debt

(Billions of yen)

FY2019

¥117.7 billion



## Return on Equity (ROE)

FY2019

9.7%

(%)



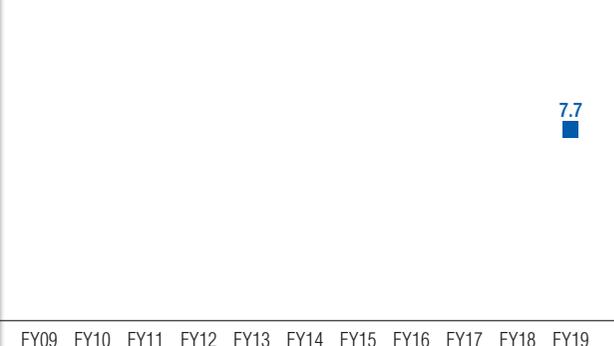
Equity = Shareholders' Equity including Accumulated Other Comprehensive Income  
Return on Equity = Net Income Attributable to Owners of the Parent/Average Equity

## Return on Invested Capital (ROIC)

FY2019

7.7%

(%)



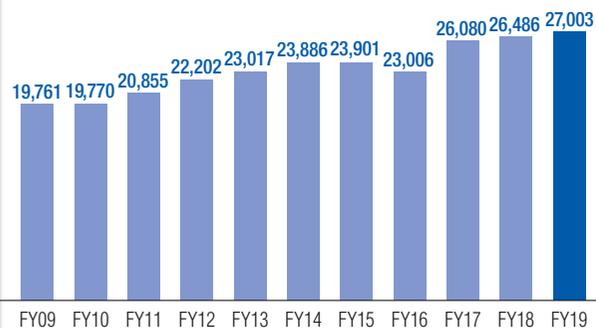
Return on Invested Capital (ROIC) = After tax Operating Income/Average Invested Capital (Fixed Assets + Working Capital)

# Nonfinancial Highlights

## Number of Employees

(Number of persons)

FY2019  
**27,003** people

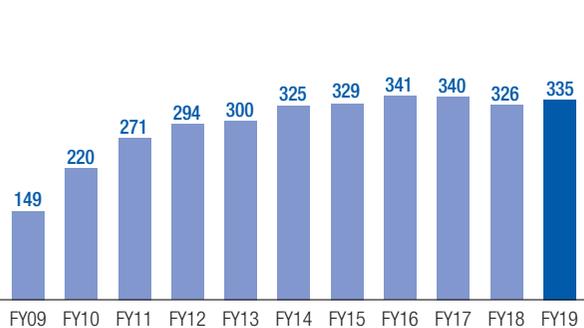


## Global Talent Employees

(Number of persons)

FY2019  
**335** people

Global Talent Employees (Number of persons)

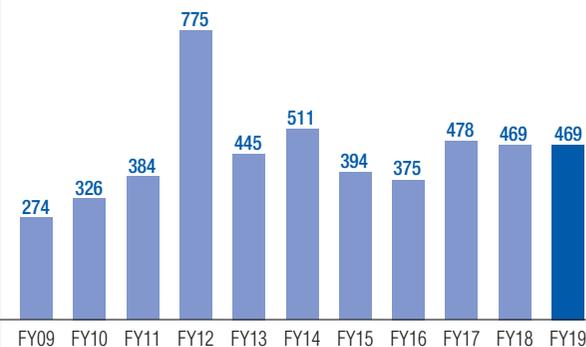


Global Talent Employees: Japanese employees with experience working overseas (including Global Trainees).

## Loss Costs

(Millions of yen)

FY2019  
**¥469** million



Loss Costs: Domestic production site, R&D facility, Headquarters department, and indirect Company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences.

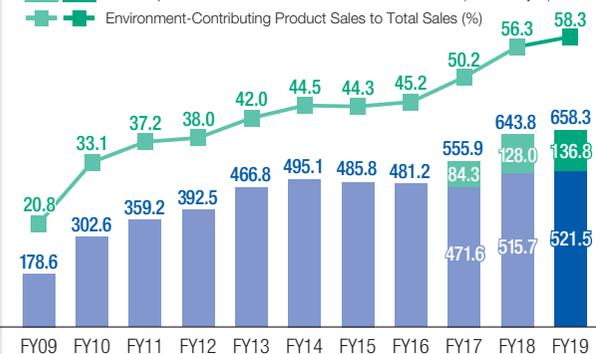
## Environment-Contributing Product Sales

FY2019  
**¥658.3** billion

Environment-Contributing Product Sales (Billions of yen)

Sales of products that contribute to the social environment (Billions of yen)

Environment-Contributing Product Sales to Total Sales (%)



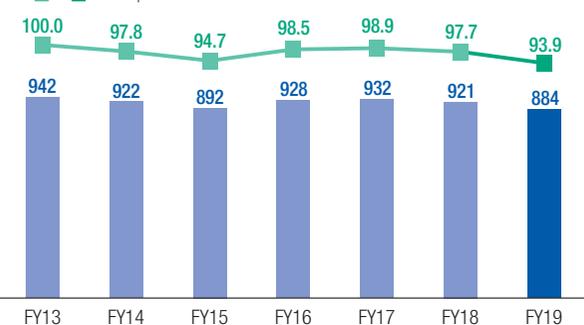
Environment-Contributing Products: Products that have demonstrated a high level of environmental contribution and that have been certified as having an effect when used by customers under the Company's internal certification system. In addition to the natural environment, the scope of contribution was expanded to include the social environment effective from fiscal 2017.

## Greenhouse Gas (GHG) Emissions that arise from Business Activities

FY2019  
**884**  
(1,000 tons-CO<sub>2</sub>)

Greenhouse Gas (GHG) Emission (1,000 tons-CO<sub>2</sub>)

Comparative level of GHG emissions\*



Past figures have been revised due to improvements in precision.

\* FY2013 = 100

## Greenhouse Gas (GHG) Emissions throughout the Supply Chain as a Whole

FY2019  
**4,968**  
(1,000 tons-CO<sub>2</sub>)

(Classified by Scope)

(1,000 tons-CO<sub>2</sub>)

Scope 3  
Scope 2  
Scope 1



Note: Since fiscal 2016, transport energy accuracy has improved and the scope of tabulation of purchased products and services has been expanded in relation to Scope 3; this resulted in the emissions known increasing substantially from the previous fiscal year. After including the effects of reducing energy consumption, emission volumes related to the "use of sold products" declined, and Scope 3 decreased compared to the previous fiscal year for ZEH-specification housing from fiscal 2018.

# Review of the Medium-term Management Plan

SHINKA!-Advance 2016  
(FY2014-2016)

SHIFT 2019 -Fusion-  
(FY2017-2019)

## Measures and Results

### Three business models, SHINKA

- Core Business SHINKA (Sharpen existing businesses; specialize in strategic businesses and products)
  - HPP Company: Realize investment effects under the previous medium-term plan and expand high-value-added products
  - Housing Company: Despite the impact of such factors as the consumption tax rate hike, return to a profit increase trajectory through structural reforms and product strategies
  - UIEP Company: Secure progress in structural reforms and achieve record-high profit
- Frontier SHINKA (Pioneer new markets and new fields through internal and external alliances)
  - Delay in the establishment of the Town and Community Development and other businesses; contribution to sales to be realized from the next fiscal term or later
- Global SHINKA (Accelerate adoption to local society)
  - Significantly expand overseas business focusing mainly on high-performance interlayer films

### CSR SHINKA

- Penetration and dissemination under way; initiate efforts to enhance governance (establish the Nomination and Remuneration Advisory Committee, etc.)

## Review and Issues

Under the medium-term plan, SEKISUI CHEMICAL Group took steps to accelerate efforts aimed at streamlining its operations. Among a host of measures, the Group worked to expand growth domains and implement structural reforms. In effect, we promoted transformation into a robust business structure that is capable of withstanding changes in the external environment. Although we fell short of our operating income target of ¥100 billion, we reported a fourth consecutive year of record profits. In the HPP Company, the effects of M&A activities (EIDIA) in the Medical field and sales growth of high-performance products in the Electronics as well as Automobiles and Transportation fields helped drive operating income. In the Housing Company, investments were made to ramp up manufacturing efficiency at eight factories across Japan with a view to promoting steady improvements in profitability. In the UIEP Company, we carried out decisive structural reforms and eliminated unprofitable businesses overseas.

In fiscal 2016, the final fiscal year of the plan, sales declined due to the impact of foreign exchange rates and business reform. However, earnings increased in all three divisional companies. In addition to sales growth of high-performance products in the HPP Company and firm sales trends in new housing construction, this increase in earnings was due to the effects of measures aimed at improving profitability.

### Issues

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

### SHIFT Nature of Growth

#### Make it compatible quantitative growth and qualitative transition; sustainable growth with social responsibility

- Acceleration through Fusion: Creating Incremental Increases in Existing Businesses; Commercialization of Incubation and Creation Themes
  - Net sales attributable to fusion +¥39.8 billion (FY16→FY19)
  - Further progress in the Town and Community Development and Bio-Refinery businesses
- Forward-looking Investments
  - Net sales attributable to M&As +¥15.4 billion (FY16→FY19) (SoflanWiz Co., Ltd. Veredus Laboratories, AIM Aerospace)
- Strengthening ESG initiatives aimed at building a sustainable business base
  - Introduce and deploy ESG management; continuously earn external evaluations (GLOBAL 100, etc.)

Under the medium-term plan, SEKISUI CHEMICAL Group has steadily undertaken “forward-looking growth investments” including M&As and strategic investments while shifting the growth trajectory of sales to an overseas focus. Moreover, progress was made in the Group’s “Fusion” activities. In addition to generating an incremental growth in sales of ¥39.8 billion through various endeavors including the Town and Community Development Business, which combines the products, technologies, and services of the Group, successful steps were taken to develop resource recycling (Bio-Refinery) technologies that convert waste into ethanol.

From a profit perspective, securing a return on growth investments is a major pending issue. Against the backdrop of an upswing in forward-looking fixed costs in the HPP Company, attributable to such factors as capital expenditures for a new interlayer film production line in Mexico and the pursuit of M&As, we struggled due to the deterioration in our business environment. In the Housing Company, we worked to upgrade and expand our product line for first time buyers and increased the number of houses sold, particularly in the ready-built market. In the UIEP Company, we posted record high profits for the fourth consecutive fiscal year on the back of growth in high-value-added prioritized products as well as overseas sales.

In Fiscal 2019, the final fiscal year of the plan, we experienced extremely harsh operating conditions. In addition to the effects of a greater-than-expected downturn in the global automobile market and consumption tax rate hike, our activities were buffeted by the COVID-19 pandemic from the fourth quarter, which resulted in lower customer activity in the Mobility field and handover delays in the Housing and Renovation business.

### Issues

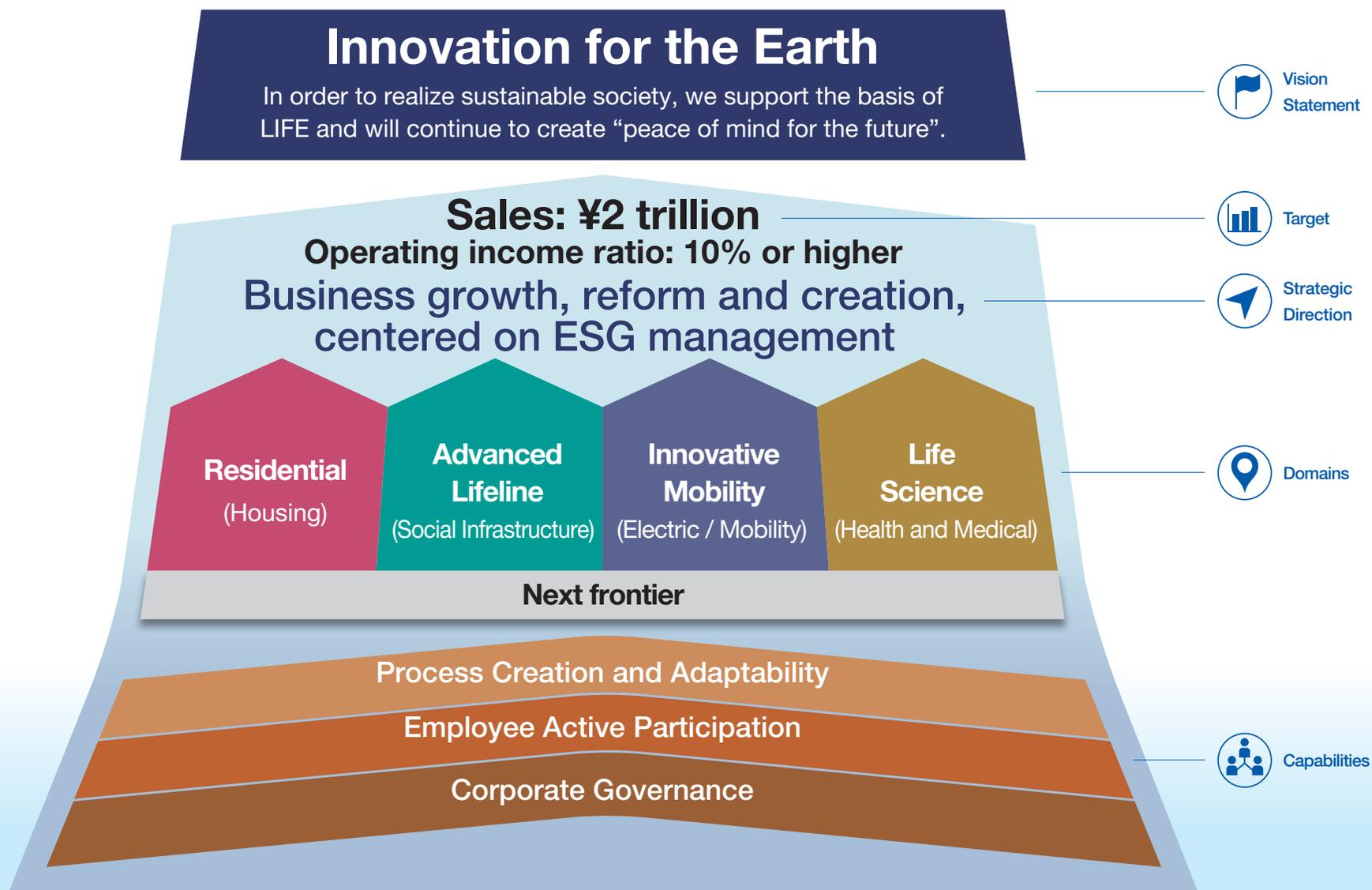
Delays in securing returns on growth investments-the speed of structural reform-strengthening ESG management

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Net Sales (Billions of yen)	1,112.7	1,096.3	1,065.8	1,107.4	1,142.7	1,129.3
Operating Income (Billions of yen)	85.8	89.8	96.5	99.2	95.7	87.8
Operating Income Ratio (%)	7.7	8.2	9.1	9.0	8.4	7.8
EBITDA (Billions of yen)	119.3	126.7	133.4	137.7	137.3	133.2
Net Income Attributable to Owners of the Parent (Billions of yen)	53.0	56.7	60.9	63.5	66.1	58.9
Return on Equity (ROE) (%)	10.9	10.9	11.3	11.2	11.1	9.7
Dividend per Share (Yen)	27	30	35	40	44	46
Dividend Payout Ratio (%)	25.8	26.1	27.7	29.9	31.0	35.9
Dividend-on-Equity (DOE) (%)	2.8	2.8	3.1	3.3	3.4	3.5

# Vision 2030 <Long-term Vision> 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' in order to realize a sustainable society." This Vision lays down the four business domains of Residential (Housing), Advanced Lifeline

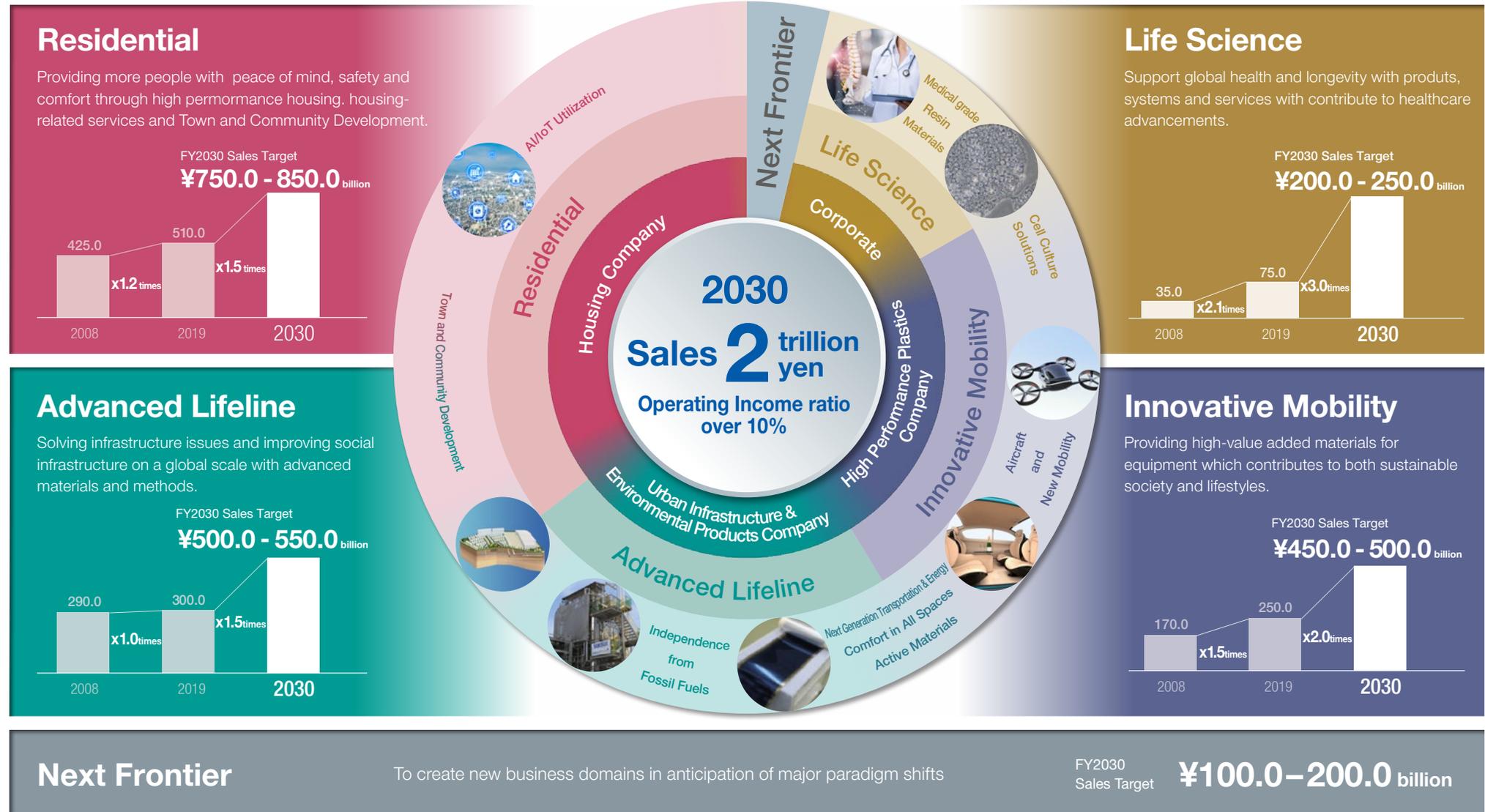
(Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double business by 2030 through the expansion of existing business and creation of new business domains along the strategy axis of "business growth, reform and creation centered on ESG management."



# Domain Growth Image and Targeted Business Structure

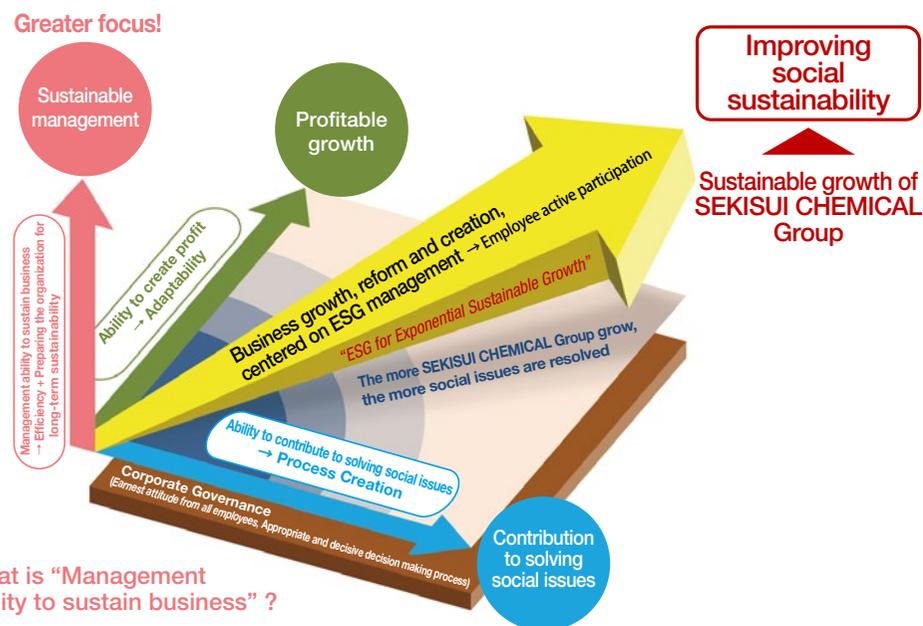
In each of the Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical) business domains, the Group will grow sales 1.5 to 3 times to achieve the major target for 2030 of ¥2 trillion in net sales, a doubling of business from today, 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.



# Approach to Expansion of Sustainable Contribution and Growth Image through 2030

The efforts of SEKISUI CHEMICAL Group to contribute to resolving social issues directly connect to the greater sustainability of society, while the net sales gained in exchange for these contributions indicate the degree to which the Group helps resolve social issues. By raising this degree of contribution, the Group can ensure its own profitable sustainable growth and in turn enable the further expansion of its contributions to customers, shareholders, employees, business partners, local communities, the global environment, and all other stakeholders.



## What is "Management ability to sustain business" ?

### "Efficiency"

- Improve productivity and efficiency, make efficient use of management resources.

### "Preparing the organization for long-term sustainability (Strengthen business base)"

- Avoidance of significant risk by thorough Safety, Compliance, and Quality.
- Investing in business base for sustainable growth, reduce various long-term capital costs.

## Proactive Investment of Management Resources

The expansion of business for which the long-term vision aims is difficult to achieve along the Group's current trajectory, and relies on a standard that can only be met by attaining exponential growth. SEKISUI CHEMICAL Group is proactively investing management resources to double the size of business by 2030. When executing new investments, 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. 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 three times that of today.

## Long-term Vision

Accelerate efforts to cultivate frontier businesses overseas; expand sales to **1 trillion yen in Japan and 1 trillion yen overseas sales** in fiscal 2030

**2** trillion yen

## Medium-term Plan

Accelerate preparations for the next stage of growth and enhance business base through full-scale ESG management

FY2020 FY21 FY22

Need to embark on exponential growth rather than existing extensions

Operating Income ratio over **10%**

FY2030

Overseas **1** trillion yen

Japan **1** trillion yen

## Proactive investment to double the size of business

For aggressive growth under the Medium-term Management Plan, set a maximum limit for M&A investment

Investment for growth and R&D Expenses (Total amount from 20 to 30 years) **Over 2 trillion yen**

Over **2** trillion yen

M&A, Alliance  
Continue financially sound proactive investment

Capital Expenditures (Strategic + Regular) **1 trillion yen**

DX Investment (Included in Capital Expenditures)

R&D Expenses **600 billion yen**

Medium-term Plan (FY2017-2019)

Medium-term Plan (FY2020-2022)

Vision 2030

# Drive 2022 <Medium-term Management Plan> (FY2020-2022)

Based on its long-term vision, SEKISUI CHEMICAL Group has identified the need to drive sustainable growth, reform, and preparation for doubling the Group's business as its basic policy under its medium-term management plan Drive 2022. Guided by this basic policy, we will accelerate the pace of global efforts to promote ESG management by engaging in the three "business growth and reform," "preparation for long-term growth," and "strengthening the ESG management base" drives. Moving forward, we will accelerate by engaging in these drives and through "Fusion" and digital transformation while striving to build a corporate structure that is able to practice ESG management and enhance corporate value on a sustainable basis.

## Policy

Drive sustainable growth/reform/preparation for doubling the Group's business by expanding its contribution to resolving social issues

## Basic Strategies

- Promote ESG management and build a corporate structure that is able to enhance corporate value on a sustainable basis.
- Engage in the "Three Drives" as a first step toward realizing the long-term vision
  - "Existing Business Drive" ① Business growth and reform
  - "New Business Drive" ② Preparation for long-term growth
  - "Business Base Drive" ③ Strengthening the ESG management base
- Accelerate through "Fusion and digital transformation"

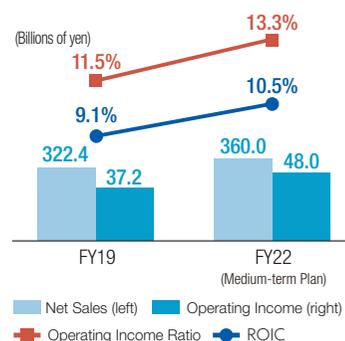
## FY2022 Targets

	FY2019	FY2022
	Results	Medium-term Plan
Net Sales	1,129.3 billion yen	1,220.0 billion yen
Operating Income (ratio)	87.8 billion yen (7.8%)	110.0 billion yen (9.0%)
Net Income	58.9 billion yen	70.0 billion yen
ROIC	7.7%	8.6%
ROE	9.7%	10.6%
Overseas Sales (ratio)	274.7 billion yen (24%)	320.0 billion yen (26%)
EBITDA	133.2 billion yen	170.0 billion yen

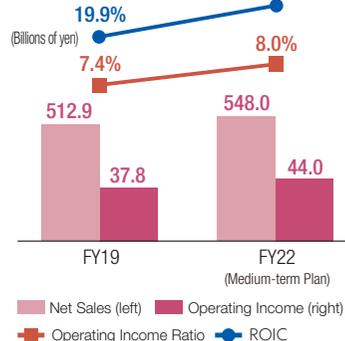


Accelerate globalization toward doubling the Group's business

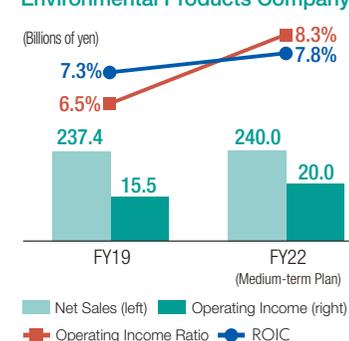
### High Performance Plastics Company



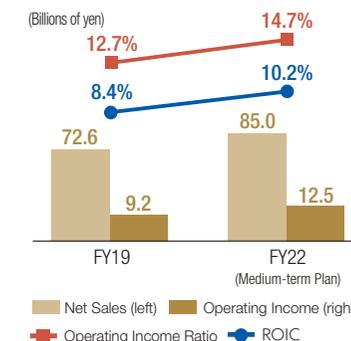
### Housing Company



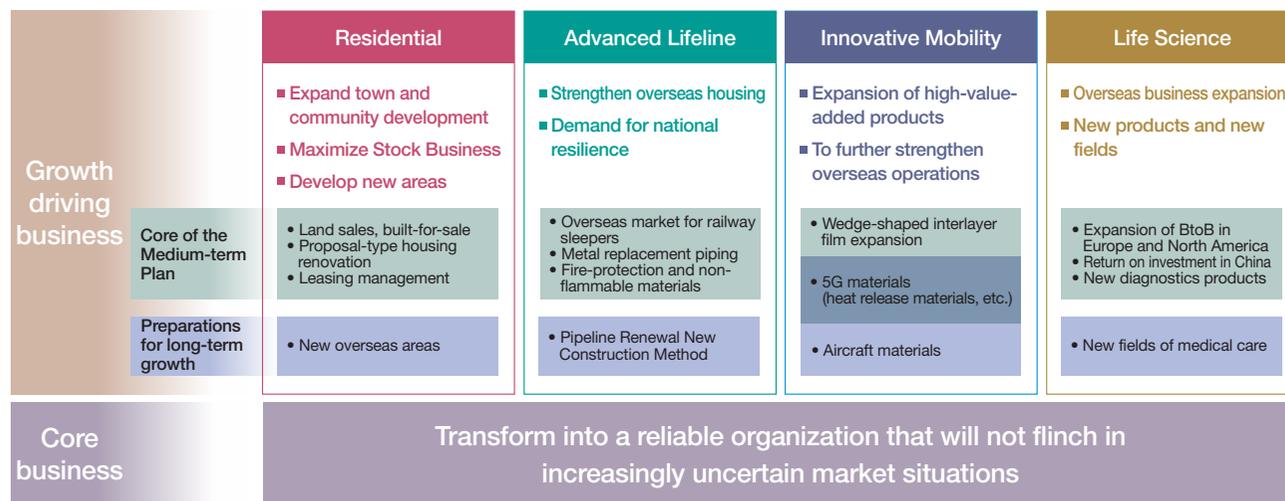
### Urban Infrastructure & Environmental Products Company



### Medical Business



# Basic Strategies ① Business Growth and Reform ② Preparations for Long-term Growth



**Structural reform: Secure profitability with a Group-wide operating income ratio around the 10% level**

**Manufacturing innovation**

- Housing: Onset of the effects of production company integration (boost profitability, stabilization of production → response to increased volume)
- Other divisional companies: Purchasing and logistics innovation, automation and unmanned night shifts, optimization of manufacturing systems

**Business structure reform**

- Identify low-margin products
- Reform the business portfolio

**DX: Strengthen the promotion structure, support growth strategies and structural reforms**

**Visualization and standardization**

- Standardize operations, introduce ERP, renew infrastructure and network

**Increase productivity**

- Automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI

**Sophistication**

- Increase the sophistication of operational control, internal control and the supply chain

## ① Business Growth and Reform

Under its first drive of business growth and reform, SEKISUI CHEMICAL Group is looking to achieve an incremental growth in net sales of more than ¥90 billion over a period of three years through products and businesses in each domain that help resolve social issues. In the first year, fiscal 2020, we will prioritize the need to fortify our business base and structure as we push forward structural reforms taking into consideration the enormous impact of COVID-19. Determined to pursue manufacturing innovation as well as the structural reform of our business, we will also endeavor to increase our operating income ratio. In addition, in terms of the digital transformation we organized formally in April 2020, we are aggressively investing in and undertaking Groupwide measures in a bid to improve productivity across all business operations while at the same time realizing the effects of efforts to accelerate structural reform.

## ② Preparations for Long-term Growth

Drawing on our prominence in technology as a base, SEKISUI CHEMICAL Group is building a business base in each domain. For example, as indicated by the Bio-Refinery (BR) business case study at the top left of the diagram on the right, we are undertaking a demonstration scheme to promote an environmentally friendly technology that converts waste into ethanol. In addition to establishing a joint venture to engage in fully fledged operations in April 2020, we are pushing forward new domain initiatives that fuse together our prominence in technology and innovation.

### Build business base in each domain



### ③ Strengthening the ESG Management Base

SEKISUI CHEMICAL Group has identified the practice of ESG management as its top priority under its Medium-term Management Plan Drive 2022. We have adopted “Products to enhance sustainability” to replace our existing “Environment-Contributing Products” as we work to resolve social issues and accelerate the pace of profitable growth. Moreover, we have newly set an ESG investment limit of ¥40 billion and are controlling capital costs over the medium to long term and enhancing our management ability to sustain business by holding down major incidents and investing in the business foundation including digitization, human resources, and the environment.

#### SEKISUI CHEMICAL Group's ESG Management

With the goals of improving social sustainability while at the same time achieving profitable growth, SEKISUI CHEMICAL Group engages in corporate activities aimed at resolving environmental and social issues based on a strategic view

**In other words, ESG is SEKISUI CHEMICAL Group's business itself**

**“Creating social value” on a sustainable basis**

Contributions to the resolution of social issues

Profitable growth

Management ability to sustain business

#### Three Strengths in the Practice of ESG Management

Ability to contribute to the resolution of social issues

Ability to create profit

Management ability to sustain business

Continue to strengthen

Continue to strengthen

Newly strengthen

[Develop under the Medium-term Plan]

① Business Growth and reform

③ Strengthening the ESG management base

② Preparations for long-term growth

Return on invested capital (ROIC), a newly adopted key performance indicator in the Medium-term Management Plan, is being applied to measure the efficacy of efforts to reform the business portfolio. ROIC will help monitor how effectively each initiative is helping to control financial and nonfinancial capital costs from a long-term sustainability perspective. SEKISUI CHEMICAL Group defines the difference between ROIC and the cost of capital as the “SEKISUI Sustainable 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. On this basis, we have positioned the need to control major incidents that have the potential to cause a significant deterioration in our corporate value in the five domains of safety, quality, accounting, legal/ethical, and information management as our highest priority.

#### Strengthening Management Ability to Sustain Business

Third indicator after sales and operating income  
**Increase ROIC (return on invested capital)**

**Target an increase of approx. 1% on an actual basis**

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

[Development of Measures]

- Expand marginal profit
- Improve productivity, reduce fixed costs

- \* Working capital = Accounts receivable + Inventory – Trade payables – Advances received
- 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

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

**SEKISUI Sustainable Spread**

Support long-term growth

**Control financial and non-financial capital costs**

**Forward-looking investments in financial and nonfinancial capital from a medium-to long-term perspective**

[Development of Measures]

- 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
- ESG investment: Undertake upfront investments in digitization and contributions to the environment; reform the corporate culture (HR system reform, etc.)

# Investment and Financial Strategies

In addition to the cash generated during the three years of the medium-term management plan, Drive 2022, the Company will procure funds in an appropriate and flexible manner and establish an investment limit of ¥500 billion. The strategic investment limit has been raised to ¥400 billion, doubling the limit under the previous medium-term management plan. Of this total, ¥300 billion has been set aside for M&A investment, which will be used to acquire a wide range of resources including technology, know-how, and global sales channels.

Investment Plan		
(Billions of yen)	Previous Medium-term Plan	Actual
Strategic Investment	200.0	172.1
M&A, etc.	130.0	78.2
Capital Expenditures	70.0	93.9
Normal Investment	100.0	93.1
Environment Contributions	12.0	9.1
Internal Work-Style Reforms	10.0	6.5
<b>Total Investment</b>	<b>300.0</b>	<b>265.2</b>
<b>R&amp;D Expenses</b>	<b>120.0</b>	<b>112.9</b>

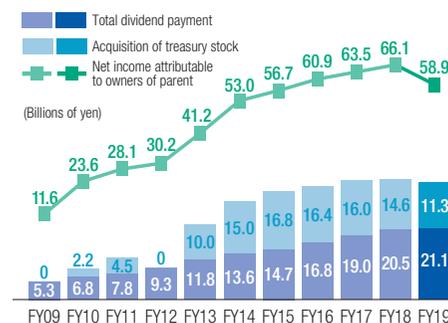
(Billions of yen)	Medium-term Plan
Strategic Investment	<b>Limit 400.0</b>
M&A, etc.	<b>Limit 300.0</b>
Capital Expenditures	<b>100.0</b>
<b>ESG Investment</b> <small>(including strategic capital expenditures and normal investments)</small>	<b>40.0</b>
Normal Investment	<b>100.0</b>
<b>Investment Limit Totals</b>	<b>500.0</b>
<b>R&amp;D Expenses</b>	<b>130.0</b>

# 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 dividend payout ratio of 35% 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 less than 0.5. Moreover, the Company plans to retire treasury stock to no more than 5% of the total number of shares outstanding. Details of SEKISUI CHEMICAL Group's total shareholders return, including dividend and stock price fluctuation trends, are presented at the right of the page. Return on investment, taking into account dividends and the share price as of the end of March 2020, for investments made as of the end of March 2010, exceeds the Tokyo Stock Price Index (TOPIX), a comparative indicator, data including dividends.

\* Total Shareholders Return (TSR) = (Dividends per share + Share price appreciation) / Initial share price x 100

## Returns to Shareholders Track Record



	Previous Medium-term Plan	Medium-term Plan
Dividend payout ratio	30% target	35% or higher
DOE	Around 3%	3% or higher
Total return ratio	—	50% or higher if the D/E ratio is less than 0.5
Retirement of treasury stock	—	Retire acquired treasury stock to a level equivalent to less than 5% of the total number of shares issued and outstanding

## SEKISUI CHEMICAL Group's Total Shareholders Return (TSR) over the Past 10 Years



Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net income attributable to owners of the parent per share (yen)	22.1	44.9	54.0	58.5	80.1	104.7	115.1	126.1	133.8	141.7	128.3
Cash dividend per share (yen)	10	13	15	18	23	27	30	35	40	44	46
Dividend payout ratio	45.2%	28.9%	27.8%	30.8%	28.7%	25.8%	26.1%	27.7%	29.9%	31.0%	35.9%
Acquisition of treasury stock (billions of yen)	0	2.2	4.5	0	10.0	15.0	16.8	16.4	16.0	14.6	13.3
Total return ratio*1	45.2%	38.2%	43.7%	30.8%	52.9%	54.0%	55.5%	54.5%	55.1%	53.0%	58.4%
DOE*2	1.6%	2.0%	2.3%	2.4%	2.7%	2.8%	2.8%	3.1%	3.3%	3.4%	3.5%
Retirement of treasury stock (thousands of shares)	—	—	—	7,000	—	12,000	10,000	—	10,000	8,000	8,000

\*1 Total return ratio = (Amount of treasury stock acquired + Total dividends) / Net income attributable to owners of the parent

\*2 DOE = Total dividend payment (full year) / Average equity

# High Performance Plastics Company

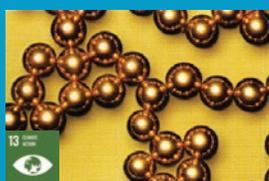
Evolving the lives of people and resolving social issues through added-value creation based on "innovation" in business, products, and technology.

## Business Overview

The High Performance Plastics (HPP) Company focuses on business development driven by high-value-added products that improve the security, safety, and comfort of the lives of people, and that realize a lower environmental impact. The company's high-value-added products include conductive fine particles, liquid crystal sealants, interlayer films for automotive laminated glass, and other products that command top global market shares, as well as fire-resistant materials, rainwater storage systems that are essential for disaster prevention and mitigation, and other products. Among the advanced materials for the Electronics, Mobility, and Building and Infrastructure fields that the company has introduced to the global market, our proprietary fine particle, adhesion, and precise molding technologies have emerged as major strengths and now contribute significantly to expanding the earning power of the entire Group.

## Risks and Opportunities

The HPP Company's business results are impacted by a variety of potential factors, including skyrocketing raw material prices that lead to higher manufacturing costs. Another risk faced by the company is the economic stagnation resulting from restrictions on business activities in Japan and overseas due to pandemics such as COVID-19. In contrast, pandemics raise the importance of remote medicine, smart factories, and other telecommunications infrastructure upgrades, and are driving the widespread use of 5G and IoT. As a result, these changes serve as an opportunity to expand sales in electronics-related businesses. Moreover, if the importance of automobile ownership is reexamined as a means of safe travel that avoids contact with other people, this move will potentially boost the expansion of the company's automobile-related businesses.



Conductive fine particles



Component packaging materials for semiconductors



Double-sided LCD fixed placement tape used in smartphones and tablets



Moldings for automobile bumpers



Interlayer film for automotive laminated glass



Chlorinated polyvinyl chloride (CPVC) resin compound



Thermal expansion fire-resistant materials



Rainwater storage system



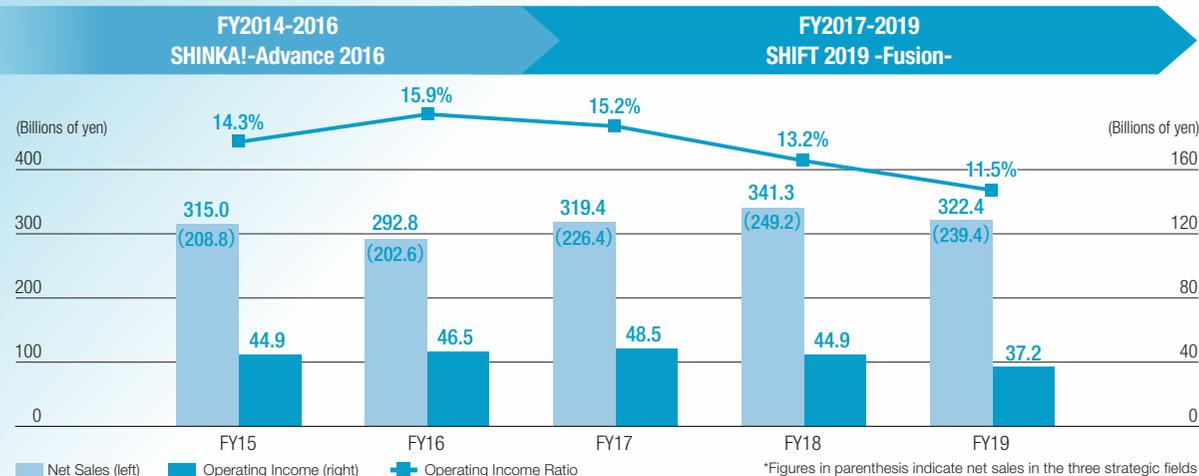
## Ikusuke Shimizu

President of High Performance Plastics Company

The High Performance Plastics Company is advancing the Medium-term Management Plan under the president's policy of "Business Innovation toward 2022 'Resolution & Challenge' + Revolution." The term "Business Innovation" incorporates the belief that each and every member influences those around them by transforming the way in which they work, and in turn drives innovation in business. By building an organization that provides a setting for challenge and never assigns blame for failure, the company resolves to undertake challenges and thereby advance innovation in a way that does not settle for the status quo.

# Performance Highlights and a Review of the Previous Medium-term Management Plan

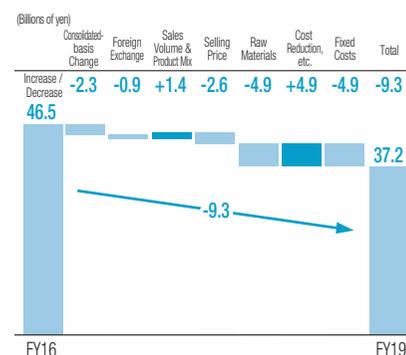
## Performance Highlights



	FY2015	FY2016	FY2017	FY2018	FY2019
Forex Rate (Avg. rate for each term)	¥120/US\$ ¥133/€	¥108/US\$ ¥119/€	¥113/US\$ ¥121/€	¥111/US\$ ¥128/€	¥109/US\$ ¥121/€
Main M&As			09/2017 Polymatech Japan	12/2017 SoflanWiz	2H 2019 AIM Aerospace
Main Strategic Investments	06/2015 Started operations at the Thai CPVC factory		12/2017 Started operations at a new interlayer film production line (Mexico)	04/2018 Operations commence at a new automotive exterior parts plant in Japan	2018-2019 Start of operations at new foam plants in Thailand and China 1H FY2020 Start of operations at a new interlayer production line (Europe)

Under the previous medium-term management plan, net sales in the HPP Company came to ¥322.4 billion during the plan's final year in fiscal 2019, up 10.1% compared with the plan's initial year in fiscal 2016. Operating income declined to ¥37.2 billion in fiscal 2019 due to fixed costs coming in ahead of strategic capital investments, M&As, and aggressive advancements of other growth investments. Operating income was also negatively affected by the impact of appreciation in the yen, weaker business results associated with the sudden deterioration in the business climate for SEKISUI AEROSPACE as a newly consolidated member, and a higher burden from amortization of goodwill. Despite steady growth in earning power due to cost reductions and structural reforms, the sudden deterioration in global market conditions has led to delays in realizing the effect of investments. In the three strategic fields of Electronics, Mobility, and Building and Infrastructure, net sales came to ¥239.4 billion in fiscal 2019, up 18.2% compared with fiscal 2016, primarily due to sales growth for high-value-added products in the Mobility field.

## Analysis of Operating Income



(Billions of yen)	FY15	FY16	FY17	FY18	FY19
Assets	382.4	388.2	447.5	343.8	373.1
ROIC					9.1%
EBITDA	73.2	74.0	77.9	61.9	56.3
Depreciation and Amortization	18.1	17.7	18.0	16.1	17.9
Capital Expenditures	23.5	20.7	25.7	32.9	26.6
R&D Expenditures	16.7	18.0	18.9	16.2	15.3
Number of employees	7,453	7,269	9,735	7,795	8,078
Consolidated Subsidiaries (Overseas Companies)	62(48)	57(46)	67(55)	68(56)	65(54)

\* Including Medical Business data up to FY2017.

## Priority Implementation Measures

Item	Major Implementation Measures	
Growth investments	Strategic capital investments (¥42.0 billion)	Interlayer films and PVB resin in Europe Automotive heat release materials Automotive exterior molded parts
	M&As (¥83.0 billion)	Polymatech Japan SoflanWiz AIM Aerospace
Structural Reform	Withdrawal from underperforming businesses Consolidation of foam business plants (Europe, US)	

# Medium-term Management Plan Drive 2022 (FY2020-2022)

## Innovative Mobility

Providing materials for equipment that contribute to a sustainable lifestyle and society

FY2030  
Sales target

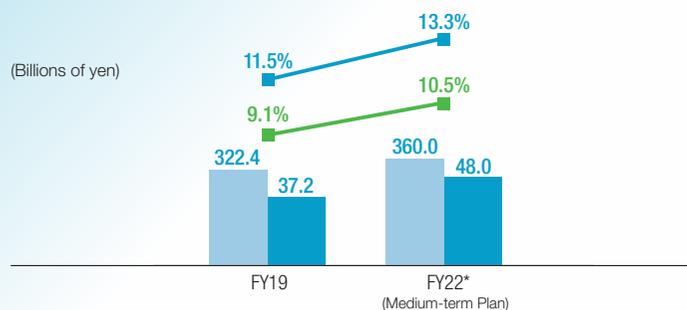
**¥450–500 billion**

### President's Policy

#### Business Innovation toward 2022 -Drive for the Next Stage-

#### “Resolution & Challenge” + Revolution

- 1 Profitability (Competitiveness) Improvement
- 2 Growth Engines
- 3 Global Management (ESG Management)



Legend: Net Sales (light blue), Operating Income (dark blue), Operating Income Ratio (blue square), ROIC (green square)  
\* Exchange rate assumptions are ¥106/US\$ ¥118/€

Under the current medium-term management plan, the HPP Company aims to achieve net sales of ¥360 billion (up 11.7% from fiscal 2019) and operating income of ¥48 billion (up 29.0% from fiscal 2019) in charting a course to regain the standing of a high-profit enterprise. In looking to double sales volume in fiscal 2030, the company is enhancing the portfolios for the three strategic fields and driving sales growth for high-value-added products. At the same time, the company is working to demonstrate the effects of growth investments that have been made thus far, including those in SEKISUI AEROSPACE. The company will also implement cost innovations across the supply chain, from purchasing to logistics, while at the same time reducing manpower through the consolidation of bases in Japan and overseas, and reviewing underperforming businesses. These moves are targeted at generating profits of ¥8 billion. Moreover, the company will strengthen the ESG management base by developing global human resources and promoting digital transformation.

## Next frontier

Next-generation display units/Telecommunications standards  
( $\mu$ LED/Quantum dot/Hologram)  
High-strength materials +3D printers  
New materials (Biodegradable materials/ Bio-based materials, etc.)  
Adhesive control (Hardly bondable adherend/ Adhesive bonding between different materials, etc.)  
Life science materials

## Next growth areas for the three strategic fields

### Electronics

Next-generation displays (miniLEDs)  
5G (IoT infrastructure)  
Wearables

### Mobility (Automobiles & Transportation)

Next-generation automobiles  
(LiB/Self-driving cars)  
Aircrafts (CFRP)

### Building & Infrastructure

A high level of safety  
Labor-saving construction materials  
Piezoelectric sensors

### Industry

Environmentally friendly products  
Labor saving

## Key expansion areas (three strategic fields)

### Electronics

Next-generation displays (OLEDs)  
Exterior parts/Mechanism components  
Semiconductors/Electronic parts

### Mobility (Automobiles & Transportation)

High-performance interlayer films  
(wedge-shaped interlayer films for head-up displays/Sound insulation, Heat insulation)  
Interior and exterior materials

### Building & Infrastructure

Thermal insulation and nonflammable materials  
(Nonflammable urethane/Thermal insulation foam)

### Industry

Packaging materials/ Containers, etc.  
Environmentally friendly products  
Labor saving

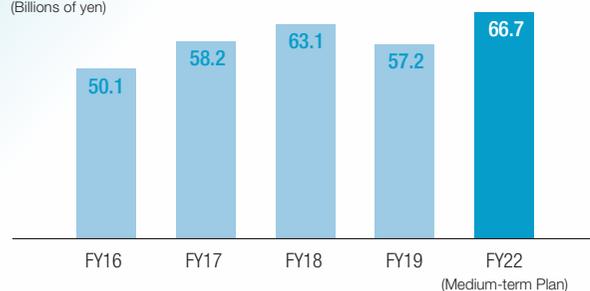
## Medium-term Management Plan and Growth-drivers for the Key Expansion Areas (Three Strategic Fields)

### Electronics Field

The HPP Company supplies a wide range of fine particles, sealants, adhesives, tapes, films, and other products with electrical conduction/insulation, heat management, gap formation, buffering/protection, adhesive, and other functions, for various types of displays, electronics, telecommunications devices, substrates, and semi-conductors. Under the medium-term management plan, the company aims to achieve net sales of ¥66.7 billion (up 16.6% from fiscal 2019) in fiscal 2022 through expanded sales of products for the non-LCD field. This projection does not factor in a recovery in liquid crystal display market conditions. The ratio of sales in the overall field accounted for by non-LCD products will be extended from 50% in fiscal 2019 to 64% in fiscal 2022.

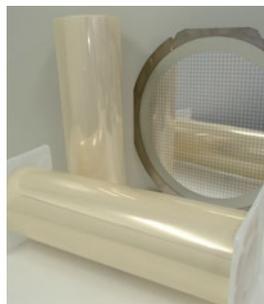
#### Net Sales

(Billions of yen)



#### 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.



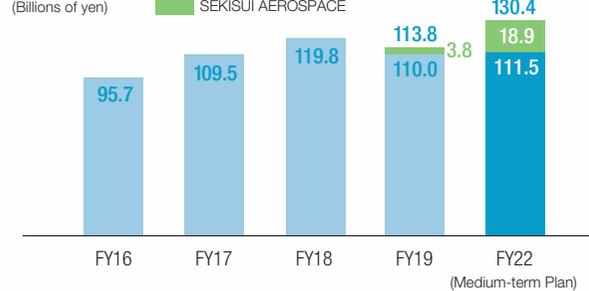
### Mobility Field

In addition to interlayer films for laminated glass and foam materials/molded resin for interior and exterior automotive-purposes, the HPP Company supplies heat release materials and electromagnetic wave-shielding materials for electrification/automated driving devices. The company also supplies interior and exterior parts for aircraft and drones, as well as carbon fiber-reinforced plastic molded products.

Under the medium-term management plan, the HPP Company aims to achieve net sales of ¥130.4 billion (up 14.6% from fiscal 2019) in fiscal 2022 based on expanded sales of high-value-added products. This projection does not factor in a recovery in automotive market conditions. Among these products, the sales volume of high-performance interlayer films will be extended 13% over fiscal 2019. Moreover, aircraft-related components will be fostered into a second pillar of profit.

#### Net Sales

(Billions of yen)



#### Wedge-shaped interlayer film for head-up display (HUD) systems

The company's wedge-shaped interlayer films are designed for the HUD systems used to display essential information on automotive glass. Because wedge bias control, multi-layer extrusion molding, raw material synthesis, nano-dispersion, and other technologies can be combined to provide the film with sound insulation, heat insulation, and many other capabilities, these films contribute to greater automobile comfort and safety.



### Building and Infrastructure Field

The HPP Company supplies resin raw materials for heat-resistant piping, as well as fire-resistant, inflammable, and heat insulation materials; rainwater storage materials; and other materials and products that contribute to the safety and security of buildings and infrastructure, and to the solutions for social issues.

Under the medium-term management plan, the HPP Company aims to achieve net sales of ¥78.4 billion (up 14.6% from fiscal 2019) in fiscal 2022 by endeavoring to expand sales of its mainstay heat insulation and inflammable materials.

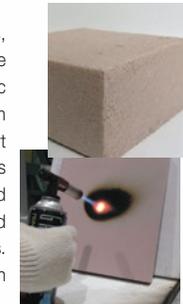
#### Net Sales

(Billions of yen)



#### Inflammable certified material, thermal insulating urethane foam material for onsite use

Using proprietary resin synthesis technologies, the company's 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. This material overturns today's understanding that "urethane is flammable" and significantly contributes to preventing fires and accidents caused by ignition at construction sites. It also helps resolve labor shortages at construction sites because it serves to reduce installation times.



## Next Growth Area

### Heat release materials for 5G base stations, etc.

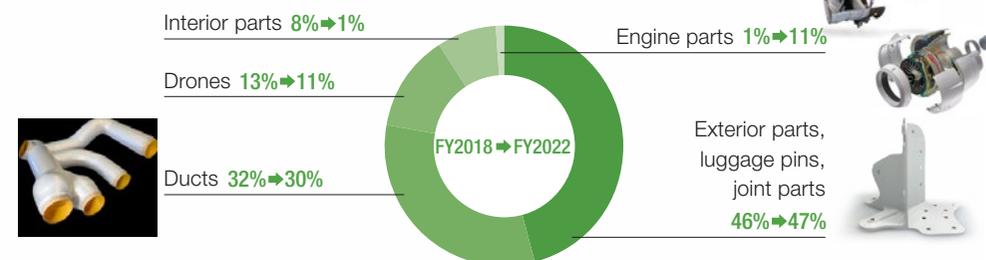
Using a proprietary synthesis resin technology, this material balances high heat release and flexible properties. When used to cool down IC chips, which have continued to evolve into powerful heating elements as telecommunications speeds have increased with the widespread use of 5G, these materials protect 5G base stations from heat and contribute to sophisticated IT infrastructure.



### SEKISUI AEROSPACE

SEKISUI AEROSPACE 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 to increase the ratio of high-value-added engine components, the company will employ existing technologies to expand deployment to the medical field.

#### Sales Ratio by Product for the Aircraft Field

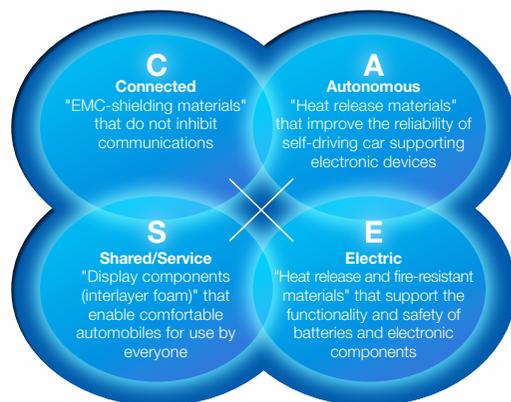


### Products that Contribute to the Development of CASE

SEKISUI CHEMICAL Group has produced a concept car. The car is made using more than 40 SEKISUI CHEMICAL Group products that contribute to the development of CASE as a trend in the automotive industry.  
\*CASE "C (Connected)", "A (Autonomous)", "S (Shared/Service)", "E (Electric)"

#### Contributions of the SEKISUI CHEMICAL Group to CASE

The Group offers the following products and solutions for each of the trends expressed by the acronym.



#### Self-luminous interlayer films

These films enable information to be displayed over the entire windshield and also allow information to be viewed from outside. These films contribute to the safety of people by calling attention to pedestrians, for example.



#### Heat release grease

This grease is used as a heat solution for lithium-ion batteries. Having high heat conductivity, this grease contributes to the widespread use of low environmental impact electric vehicles.



# Housing Company

Supporting people's peace of mind, safety, and comfort by providing high-performance residences and housing-related services

## Business Overview

The Housing Company has established a unique position in Japan in new housing construction 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, and its cumulative sales of such residences exceeded 600,000 units as of the end of fiscal 2019. The Company was in particular an early mover in housing with solar-power generation systems, going back to 1997 when it first scaled up such initiatives. The Company achieved another milestone in April 2012 with the release of its Smart Heim models with standard features such as built-in storage batteries and the Smart Heim Navi Home Energy Management System (HEMS). Later, in April 2019, the Company put together a lineup that caters to a broader spectrum of customers by launching sales of its higher cost performance Smart Power Station Urban. In the Stock Business newly established from the current Medium-term Management Plan, we will work to maximize the value of the houses constructed by our company so far by merging together the housing renovation business and the real estate business, and realize more optimal proposals through the life stages of customers. We are also working to further develop our town and community development business, including the ASAKA Leadtown project, which combines the technologies of the Group.

## Risks and Opportunities

The Housing Company identifies as risks the rise in production costs due to sharp increases in the prices of materials, the restricted business activities caused by the spread of an infectious disease such as COVID-19, the decline in the number of domestic housing starts due to the decrease in the number of households, and the shortage of workers at construction sites. Even under these circumstances, the company considers it an opportunity to leverage the benefits of its Unit Construction Method, which enables reduced construction processes and shortens the construction periods on site. The company aims to further increase its market share by increasing its focus on small detached houses for first-time buyers, where the rate of decline in housing starts is relatively small, by further fortifying its business structure by the optimization of manufacturing and other measures.



In-house production in progress inside the Housing Unit factory



Living room, dining room and kitchen renovation



The Smart Power station series is aimed at enabling energy self-sufficiency.



A large capacity solar power generation system



Town and community development for disaster mitigation



The housing production factory in Thailand



## Toshiyuki Kamiyoshi

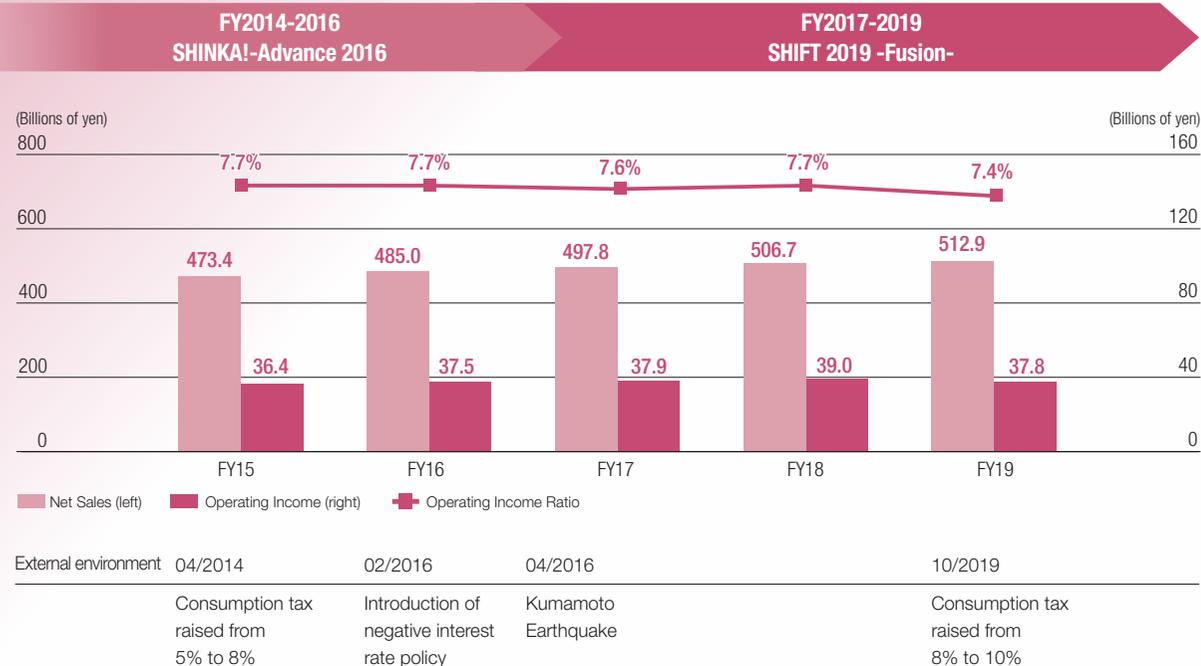
President of Housing Company

“The strong will” to secure growth and “ability to take action” are words that are dear to my heart. Without this strong will to grow, there can be no wisdom or ingenuity, much less the ability to act and succeed. The housing industry is experiencing a tremendous challenge with a hike in the consumption tax rate and COVID-19 pandemic. It is in times like these that each and every member of the Housing Company demonstrate their “strong will” and “ability to take action” and to continuously take up the challenge of securing growth going forward.

## Housing Company

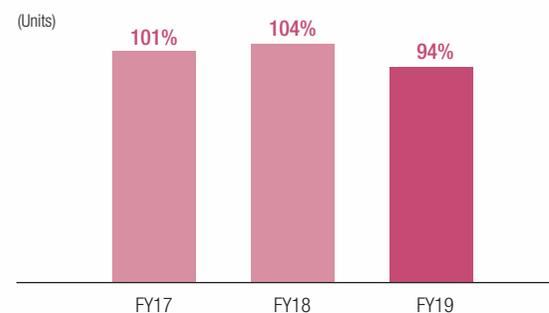
# Performance Highlights and a Review of the Previous Medium-term Management Plan

## Performance Highlights

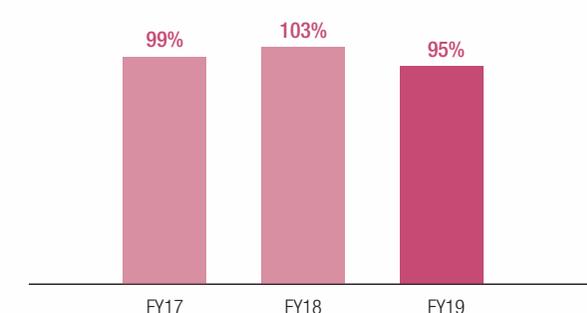


Under the previous medium-term management plan, operating income for fiscal 2019 totaled ¥37.8 billion, the first decrease in four years, but the Housing Company was able to raise the bar in terms of net sales, which came to ¥512.9 billion. With regard to orders, both new housing and renovation have returned to a growth trajectory after the negative correction due to the 2014 tax hike. However, in addition to the rising prices of raw materials such as steel, delays in the growth of renovation business as well as in the residential services and overseas businesses, and the fact that any increase attributable to M&A had yet to appear, in Fiscal 2019 the company fell short of the plan target due to the double impact of the consumption tax rate hike and COVID-19. Unable to make up for the shortfall, the company implemented profitability improvements along its entire supply chain as planned.

### New Housing Orders\*



### Renovation Orders\*



\* %: YoY for FY2017 to FY2019

(Billions of yen)	FY15	FY16	FY17	FY18	FY19
Assets	265.5	277.8	283.3	315.2	331.8
ROIC					19.9%
EBITDA	44.5	46.5	47.4	48.5	47.4
Depreciation and Amortization	8.0	8.9	9.3	9.4	9.4
Capital Expenditures	14.4	13.5	14.4	17.8	15.0
R&D Expenditures	4.8	4.5	4.6	4.2	3.9
Number of employees	10,419	10,447	10,698	10,891	10,937
Consolidated Subsidiaries (Overseas Companies)	41 (1)	41 (1)	37 (1)	37 (1)	39 (1)

## Housing Company

# Medium-term Management Plan Drive 2022 (FY2020-2022)

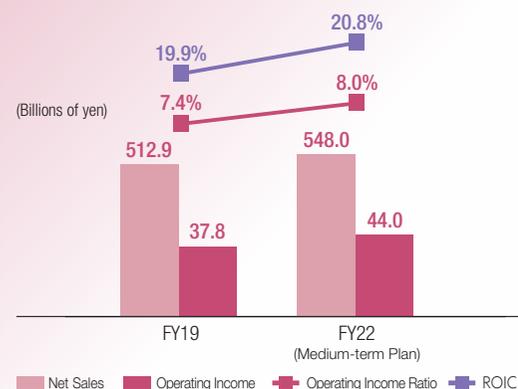
## Residential

Supporting people's peace of mind, safety and comfort

 FY2030  
 Net Sales Target **¥750–850 billion**

### President's Policy

- Promote ESG Management in Housing by achieving both “customer value” and “business value”
- “Refinement of Core Domains” and “Challenge of Frontier Domains”



Having reorganized the business portfolio of the previous medium-term management plan into five new business portfolios in the new Medium-term Management Plan, the company will roll out growth and reform as “refinement of core domains” and preparations for long-term growth as “challenge in the frontier domains.” There are two major changes, the first being to integrate the existing renovation business and real estate business as a Stock Business, and move to a system that upgrades and strengthens Heim owner follow-up. The second point is that the company has positioned its town and community development business, which was launched in the previous medium-term management plan, as a new portfolio to be developed into a new business pillar in the years to come. Through these business activities, the Housing Company is aiming to increase net sales in Fiscal 2022 by ¥35.1 billion compared with Fiscal 2019, to ¥548.0 billion, and increase operating income by ¥6.2 billion.



## Challenge of Frontier Domains



\*Sekisui Design Works

## Refinement of Core Domains

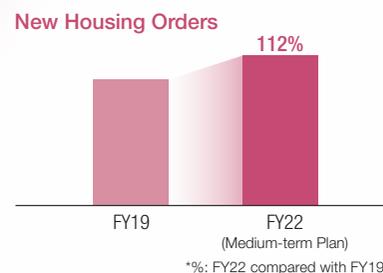


# Growth Strategies for Each Business

## Housing Business

(Billions of yen)	Net Sales	Operating Income
FY19	360.4	28.1
FY22(Medium-term Plan)	370.0	31.8

- Smart and Resilient Product Enhancements
- Realize “Maximization of mass production effects” × “Minimization of losses”

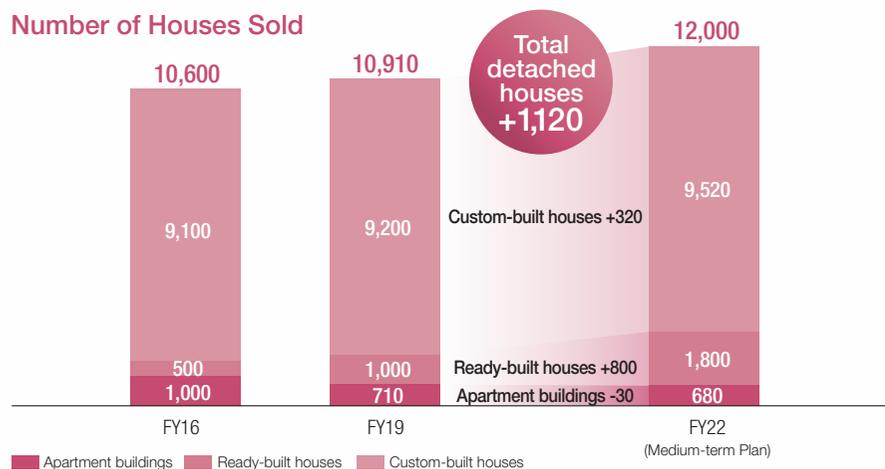


### Housing Business Strategy

The company is aiming to concentrate resources on built-for-sale houses, where a stable market can be expected and the potential exists to harness the leveling effect of Sekisui Heim’s Unit Construction Method, to capture volume zone markets.



### Number of Houses Sold



### Benefits of Industrialized Houses

Factory production ensures consistent quality (high earthquake resistance, airtightness, and heat insulation). Enabling short construction periods and reduced construction processes, factory production also assists in dealing with shortages of manpower at construction sites.



### Smart Power Station homes equipped with three technologies (solar, storage batteries, HEMS) to realize energy self-sufficiency

Equipped with large-capacity solar power generation systems and storage batteries, connected to electric vehicles, and equipped with a drinking water storage system, Smart Power Station homes curb CO<sub>2</sub> emissions and, when lifelines are disrupted due to a natural disaster, enable the maintaining of life by providing power self-sufficiency and a ready supply of drinking water. Highly rated for having developed and popularized this “house that enables home evacuation,” the company was presented with the Minister of the Environment Prize at the Global Environment Awards.

### Homes equipped with comfortable ventilation and air conditioning systems

By maintaining a consistent thermal environment throughout, these homes offer comfortable lifestyles with little temperature variation risk.\* Their high ventilation performance will support people’s peace of mind when staying at home even after the COVID-19 pandemic.

\* Living environment risk that is a contributory factor to heat shock



## Housing Company

## Growth Strategies for Each Business

## Stock Business (Renovation/Real Estate)

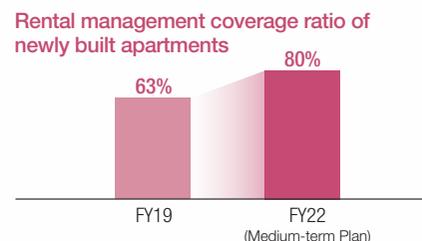
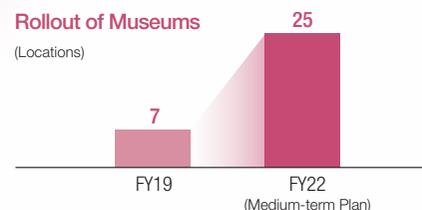
(Billions of yen)	Net Sales	Operating Income
FY19	142.5	10.3
FY22(Medium-term Plan)	158.0	12.0

### Renovation

Strengthen contacts with customers (upgrade and expand periodic inspections)  
Expand sales of such smart products as storage batteries

### Real Estate

Increase the number of dwelling units under management (Tokyo, Nagoya, Osaka)



"e-Pocket" large capacity storage battery system that fits into a small space

Remodeling renovation

In the Stock Business, the company will further optimize proposals to its customers through the strengthened collaboration that will result from integrating renovation and real estate. Specifically, with a focus on our SEKISUI HEIM owners, we have rolled out experience-type showrooms (museums) nationwide and are proposing renovation projects in accordance with life stages backed by a long-term support system. We are also responding with our combined group strength to all needs in the real estate field, including brokering sales and purchases as well as the management of apartments and condominiums.

## Residential Services/Overseas Businesses

(Billions of yen)	Net Sales	Operating Income
FY19	9.8	-0.1
FY22(Medium-term Plan)	11.0	0.3

### Innovate business by utilizing digital technology

### Enhancement of Thailand business profitability

Offering buildings and services to suit every life stage with a focus on the operation of facilities for the elderly, the company proposes safe and secure living environments even after retirement. We are aiming to further improve CS/ES by using sensors and other technologies. In the overseas business, we are planning to speed up sales expansion in the Thai housing market, centering on the sale of houses with land.



Housing with support services for the elderly



The housing production factory in Thailand

## Town &amp; Community Development Business

(Billions of yen)	Net Sales	Operating Income
FY19	0.2	-0.4
FY22(Medium-term Plan)	12.0	0.5

### Resilient, complex type town and community development (Tokyo, Nagoya, Osaka)

SEKISUI CHEMICAL Group products and services, such as detached housing, our condominium brand HEIM SUITE and construction and building materials, are being extensively used, and we are also cooperating with local administrative bodies and other companies to promote safe, secure and environment-friendly sustainable towns that can assist in disaster mitigation and disaster response; towns that only the SEKISUI CHEMICAL Group can offer. We are planning five town and community development projects nationwide by 2022.



HEIM SUITE ASAKA condominium



Sapporo-Hiragishi Leadtown (Toyohira Ward, Sapporo)

# Urban Infrastructure & Environmental Products Company

Solving infrastructure issues and supporting social infrastructure through a wide range of advanced materials

## Business Overview

The Urban Infrastructure & Environmental Products (UIEP) Company is a manufacturing and sales leader in Japan in the water sewerage and supply pipe systems as well as construction materials supply businesses, which collectively form the company's core operating platform. In recent years, we have taken steps to promote the increased use of prioritized products while creating new markets to help solve a wide range of increasingly serious and complex social issues including labor shortages, aging infrastructure, and climate change. Overseas, the company is looking to further expand its business in Asia and Europe, focusing mainly on synthetic sleepers (FFU) for railroads, which reduce environmental impact, and the SPR method for rehabilitating aging sewage pipes. We are also selecting areas where we can horizontally deploy models that have been successful in Japan while increasing the number of world-class products with the aim of expanding and cultivating new fields

## Risks and Opportunities

The UIEP Company's business results are impacted by a variety of factors including a drop-off in private-sector construction demand and trends in public works spending. The company's performance is also susceptible to the risk of a delay in construction due to the recent shortage of labor as well as the spread of the COVID-19 pandemic. In contrast, these risks can provide the company with a host of business opportunities. Against this backdrop, the UIEP Company is committed to providing piping materials that help avoid the 3C's of closed spaces, crowded places, and close-contact settings at the construction frontline, while at the same time saving labor, and products that contribute to natural disaster prevention and mitigation.



Residential water supply and drainage system



Plant products with high corrosion and chemical resistance



High-performance seismic polyethylene pipes



Aviation sheets



Sewage (Spirally) Pipe Renewal (SPR) Method



Large bathrooms for nursing care facilities (Wells)



High performance resin tatami mats (MIGUSA)



Synthetic railway sleepers (FFU)



## Yoshiyuki Hirai

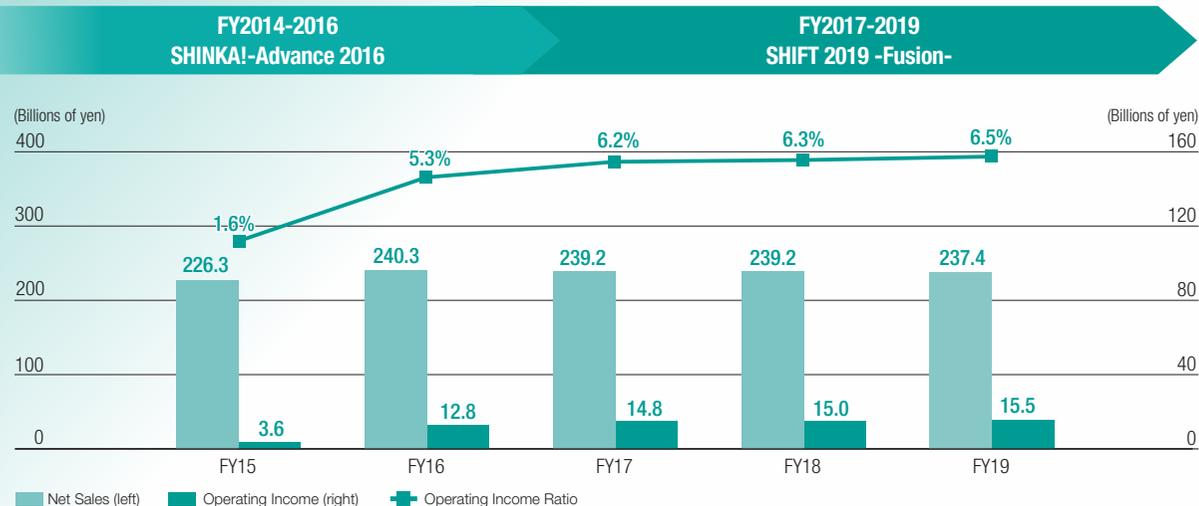
President of Urban Infrastructure & Environmental Products Company

Under the new Medium-term Management Plan that covers the period to fiscal 2022, "contribution to the SDGs with our UIEP\* excellence —advancing as a professional company challenging society's issues—" lies at the heart of the UIEP Company president's policy. "UIEP excellence" refers to the provision of products that engender considerable peace of mind and trust not only at the development and production stages, but also at every level of the product life cycle, from proposal through sale to customer use, while helping to solve social issues. This can only be achieved by the high quality of each and every member of the UIEP Company as a person, or more appropriately as a professional group. In this sense, UIEP excellence is defined as a level of quality that combines the attributes of both "people" as well as "products." Honing and perfecting this UIEP excellence will not only ensure sound business results, but also allow us to be genuinely "REBORN" both in name and in reality.

\* UIEP: Urban Infrastructure & Environmental Products

# Performance Highlights and a Review of the Previous Medium-term Management Plan

## Performance Highlights



External environment 04/2014

Consumption tax raised from 5% to 8%

10/2019

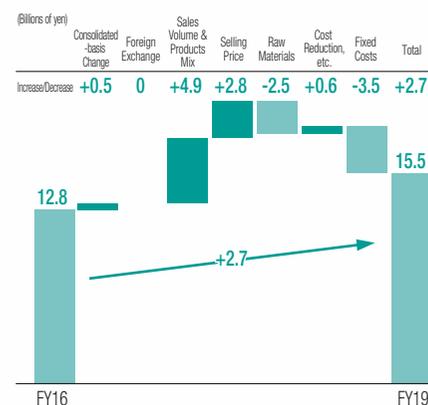
Consumption tax raised from 8% to 10%

07-08/2021

Tokyo Olympic Games

Under the previous medium-term management plan, net sales in the UIEP Company came to ¥237.4 billion in fiscal 2019, down 1% compared with fiscal 2016. This largely reflected efforts to withdraw from low-margin products in Japan. Despite an upswing primarily in such fixed costs as depreciation on the back of investments aimed at fortifying the business base including growth investments and production reorganization, operating income climbed 21% compared with fiscal 2016. This was mainly due to the increase in sales of high-value-added prioritized products with the potential for market growth as well as high-value-added products overseas and successful efforts to secure a spread between selling prices and raw material costs. High-value-added prioritized products, in particular, exhibited an annual growth rate of 9% during the period of the previous medium-term management plan. While overseas sales expanded 18% compared with fiscal 2016, results struggled owing to the impact of market conditions in fiscal 2019. Looking ahead, improving the profitability of general products, which are expected to experience a downturn in demand including a drop in housing construction starts, and efforts to accelerate the pace of overseas expansion are projected to pose a challenge.

### Analysis of Operating Income



(Billions of yen)	FY15	FY16	FY17	FY18	FY19
Assets	179.1	193.9	207.1	216.7	216.9
ROIC					7.3%
EBITDA	13.4	19.5	21.4	22.2	23.4
Depreciation and Amortization	6.4	6.4	6.4	7.0	7.8
Capital Expenditures	8.5	6.7	9.8	13.9	13.6
R&D Expenditures	5.3	5.7	6.1	5.9	6.2
Number of employees	5,044	4,789	4,945	5,139	5,242
Consolidated Subsidiaries (Overseas Companies)	43 (19)	39 (15)	38 (15)	39 (16)	41 (16)

## Priority Implementation Measures

Item	Major Implementation Measures
Growth Measures	Strategic Investments <ul style="list-style-type: none"> <li>• Capital alliance with the Tien Phong (TP) Group in Vietnam</li> <li>• Establish the UIEP General Institute</li> <li>• Increase aircraft sheet production</li> <li>• Increase FFU production for railway sleepers</li> </ul>
	New Products <ul style="list-style-type: none"> <li>• Launch 80 new products (mainly prioritized products)</li> </ul>
Structural Reform	<ul style="list-style-type: none"> <li>• Withdraw from the construction business (Japan and overseas)</li> <li>• Withdraw from underperforming businesses (Japan and overseas)</li> <li>• Management integration of production subsidiaries in Japan; reorganization of product items</li> <li>• Improve profitability (consolidated total cost management)</li> </ul>

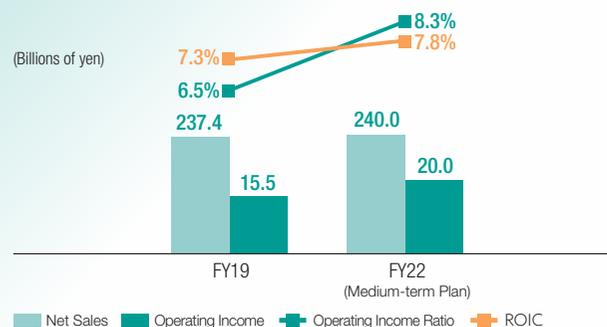
# Medium-term Management Plan Drive 2022 (FY2020-2022)

## President's Policy

### Contribution to the SDGs with our UIEP excellence

—Advancing as a professional company challenging society's issues—

- |  |  |
|--|--|
| <b>1</b> Expand & capture target markets     | Establish a successful model, overseas expansion       |
| <b>2</b> Set ROIC management as new standard | Business portfolio reform, digital transformation (DX) |
| <b>3</b> Build a sustainable management base | ESG management, active employee participation          |



Net sales are forecast to increase slightly in fiscal 2022 compared with fiscal 2019. In our core business, which largely revolves around general products, results in the future will be impacted by a downturn in housing construction starts. While continuing to further expand sales of prioritized products that help solve increasingly serious and complex social issues, the UIEP Company will work to expand and deepen areas overseas where it can deploy case studies that have been successful in Japan. From a profit perspective, energies will be directed toward increasing overseas sales of prioritized products, expanding overseas business, securing a spread between selling prices and raw material costs, and promoting rationalization investments. Based on these endeavors, the UIEP Company will target an increase of ¥4.5 billion in operating income. In addition, every effort will be made to further reorganize production and invest in automation through digital transformation (DX). Moving forward, the UIEP Company will endeavor to realize thoroughgoing low-cost operations as well as unmanned factory night shifts while at the same time continuing to reform its business portfolio and increase the efficiency of logistics in a bid to optimize invested capital.

## Advanced Lifeline

Solving infrastructure issues and supporting social infrastructure globally

FY2030 Sales Target **¥500–550 billion**

## Forward-looking Investments

### Expand Prioritized Product and Overseas Sales

#### Three Strategic Fields

##### Piping and Infrastructure

Architectural Piping Materials  
Plant and Industrial Piping  
Pipeline Renewal (SPR Method)

+

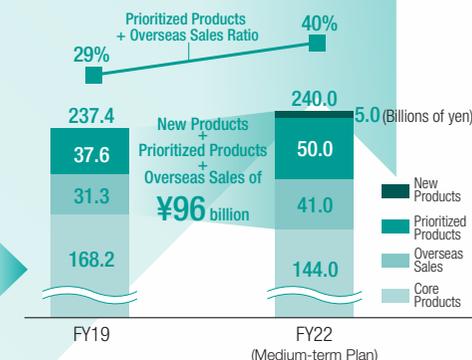
##### Building and Living Environment

Nursing Care Prefabricated Baths  
High performance resin tatami mats (MIGUSA)  
Rain Gutters (High Flowrate Drainage System)

+

##### Advanced Materials

Thermoplastic Sheets  
Synthetic Wood (FFU)



### Structural Reforms

#### Production Site Management

- Further product item reorganization
- Investment (DX) in automation aimed at (area optimization, increasing labor efficiency, transition to full automation) and technology development

+

#### Optimization of Invested Capital

- Business portfolio reform
- Transformation into a Smart Factory (Resilient Equipment/Automation/ICT)
- Optimization of the Production Structure (General Products)
- Optimization of the Supply Chain

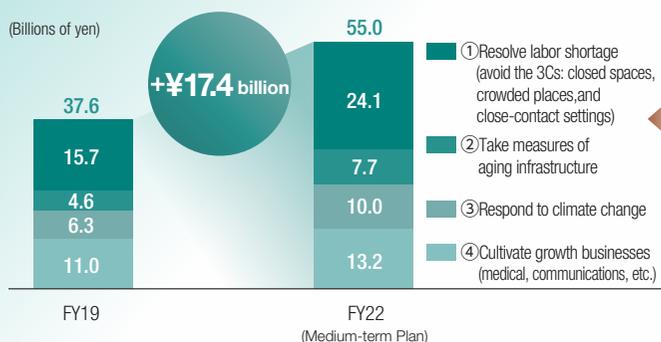
## Urban Infrastructure &amp; Environmental Products Company

# Growth Strategy (Expand Sales of Prioritized Products)

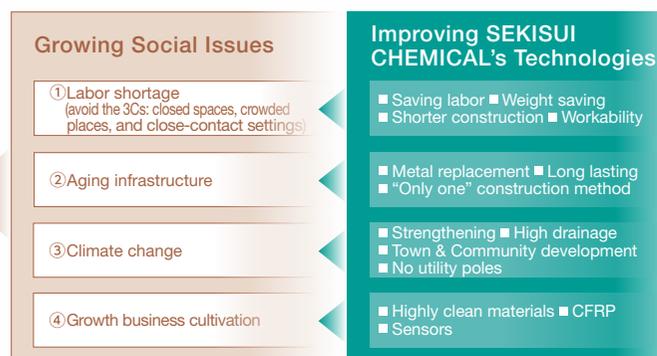
Solve growing, complex social issues through prioritized products that combine SEKISUI CHEMICAL's technologies

## Prioritized Product Sales

Plan to increase sales 1.5 times, or ¥17.4 billion, compared with FY2019



## Social Issues and SEKISUI CHEMICAL Technologies



### AC DRAIN PIPE

Vinyl chloride pipe for drains with a layer to prevent condensation; contributes to an easier heat retention process for air conditioner work in public schools while also protecting children from heat stroke



### ESLO HYPER AWHP

Earthquake-resistant high-performance polyethylene pipe for high-rise construction; based on its flexible and lightweight properties, excellent substitute for metal piping; easy to install and contributes to the prevention of closed spaces, crowded places, and close-contact settings at post COVID-19 construction sites

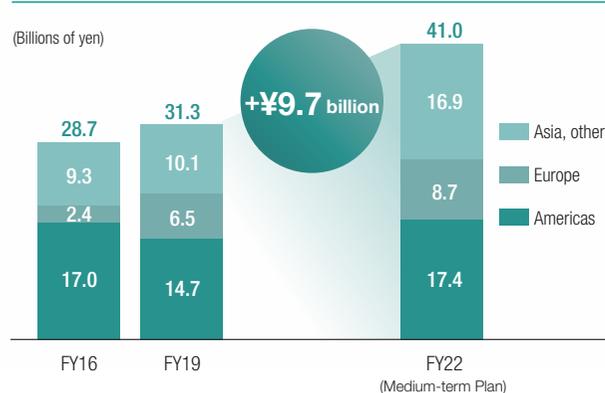


# Growth Strategy (Expand Overseas Business)

In addition to diversifying business and products focusing on Asia and Europe, develop examples of success in Japan mainly in high-value-added products and work to expand and deepen areas

## Sales by Overseas Area

\* Including the export of domestic products



- **Americas:** Increase applications for sheets; expand FFU (railway sleeper) products
- **Europe:** Mainly expand FFU; plan to establish production bases
- **Asia, other:** Expand collaboration with TP Corporation; expand the pipeline rehabilitation business

Businesses / Products	Strategies	Europe	Americas	Asia
Sheets	Increase applications in the sheet market (medical, hygiene, etc.) Promote investment in automation	○	○	●
Advanced materials (FFU)	Plan to establish production bases (Europe) Increase fabrication partners	●	●	●
Pipeline renewal	Increase installation partners	●	●	●
Plant and industrial piping	Expand collaboration with TP Corporation Expand sales of DC plates	○	○	●
Architectural piping materials	Enter the air conditioning field			●

● : Examples of domestic success were expanded to other regions

### Synthetic Sleepers for Railroads (FFU)

Fiber-reinforced foamed urethane (FFU) railway sleeper that boasts excellent water-resistant durable properties; requiring no preservatives, contributes to the reduction of environmental impact; plans to establish a production base in Europe, where demand is strong, further expand operations



### Pipeline 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



## Urban Infrastructure &amp; Environmental Products Company

# Medium-term Management Plan and Growth Strategies for the Three Strategic Fields

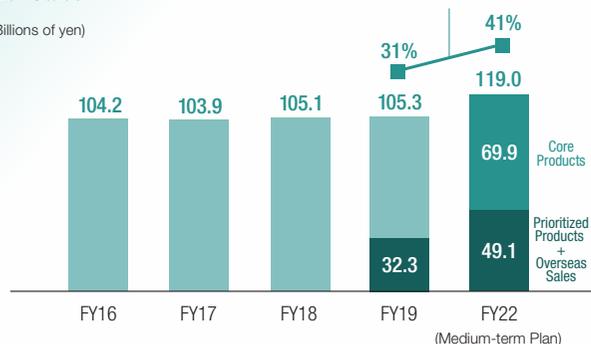
## Piping and Infrastructure

The UIEP Company supplies a wide range of piping materials, including water supply/drainage and air conditioning pipes for residences and buildings, high-performance pipes for plants, and other pipes for such social infrastructure as water supply/sewerage systems in the public sector as well as agricultural water, electricity and gas supply systems that are easy to install and help shorten construction periods. In addition to pipeline renewal materials that serve as a countermeasure for aging infrastructure, the company supplies emergency use products including disaster-use manhole toilets. As the market has become aware of their conventional earthquake and corrosion resistance properties, plastic pipes have been increasingly used to replace metal pipes. Moreover, in light of such enhanced features as pressure resistance and high drainage, the potential for substitution from metal piping is expanding.

### Net Sales

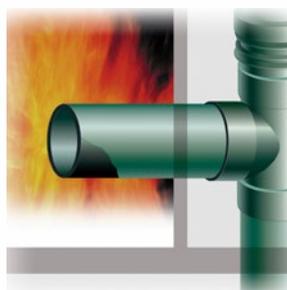
(Billions of yen)

### Prioritized Products + Overseas Sales Ratio



### ESLON Fire-resistant VP Rigid PVC pipes and Fittings for Buildings

The industry's first fire-resistant plastic pipe that is comprised of a polyvinyl chloride (PVC) layer and a specially blended intermediate layer that expands at high temperatures to form an insulating and fireproof coating. Eliminating the need to an additional fireproof layer, ESLON fire-resistant VP rigid pipes enable easy installation while serving as a countermeasure against the shortage of labor.



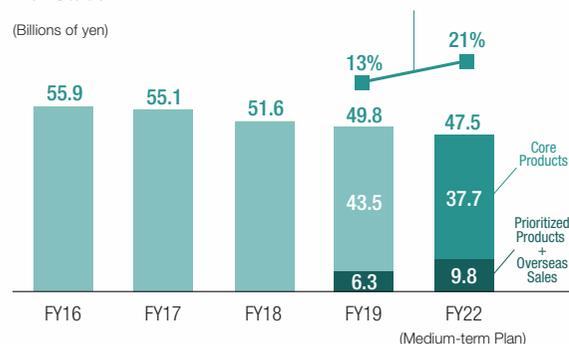
## Building and Living Environment

The UIEP Company provides materials for interior use including prefabricated baths, nursing care as well as independent living facility equipment, the functional (artificial) tatami (MIGUSA), and decorative plastic sheets for interior and furniture application. The company also supplies construction materials for external use such as rain gutters. While sales are on a gradual downward trend due to the withdrawal from low-margin products, sales of new products that are designed to address climate change (counteracting torrential rain) and alleviate the burden associated with caring for the elderly are on the rise.

### Net Sales

(Billions of yen)

### Prioritized Products + Overseas Sales Ratio



### High Flowrate Drainage System

The high flowrate drainage system is a siphon-type rainwater drainage system that secures a sufficient amount of drainage to cope with torrential rain without increasing the pipe diameter. This system helps to mitigate disasters as a product that responds to serious disasters.



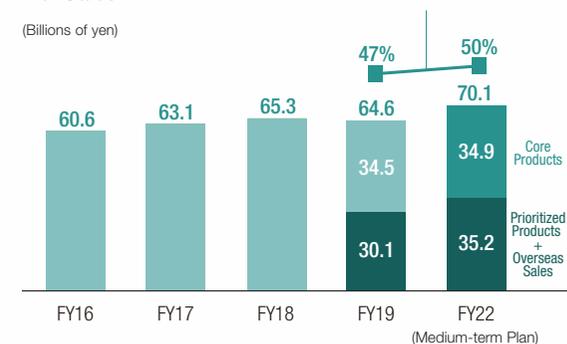
## Advanced Materials

The UIEP Company supplies plastic molding sheets for aircraft cabin interiors, construction exteriors, and medical equipment casings, synthetic lumber (FFU) for railway sleepers, sound insulation materials, and other materials for air and rail transport infrastructures. High-performance containers are also provided for medical and industrial use. Moreover, the company is working on developing markets for new technologies and new materials such as thermoplastic CFRP. There is significant room for growth in the functional material field as a whole, including overseas expansion. Every effort will be made to accelerate the rollout of multiple high value-added product applications.

### Net Sales

(Billions of yen)

### Prioritized Products + Overseas Sales Ratio



### Aviation Sheets

The company's flame-retardant impact-resistant sheets have exceptional design qualities. Along with helping to reduce the weight of machinery, these sheets also improve the fuel efficiency of transport equipment. In the future, energies will be directed toward accelerating expansion in medical and sanitary applications.



# Medical Business

Leveraging advanced technology, we create high quality products, to contribute to full and healthy lives.

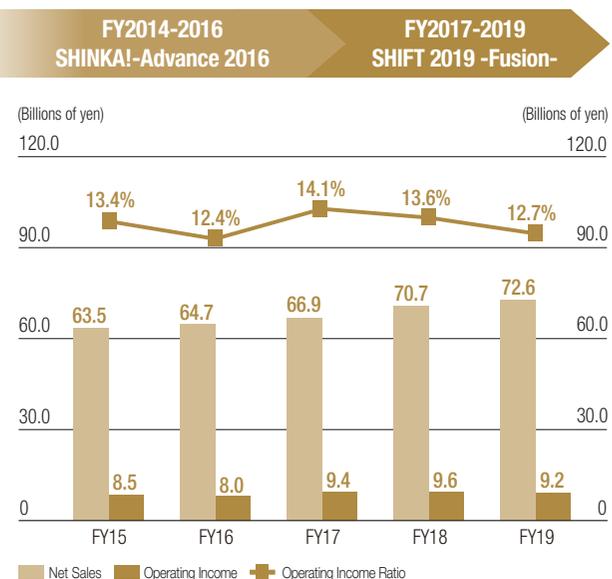
## Business Overview

Under its mission to contribute to the realization of healthy and enriched lifestyles for all people, the Medical Business provides the pharmaceutical sciences sector with a diverse range of products and services. Formed through the merger of SEKISUI CHEMICAL's Medical Business Division and Daiichi Pure Chemicals Co., Ltd., in 2008, SEKISUI MEDICAL CO., LTD. has taken the lead in supporting the Group's Medical Business. The globally active Medical Business is composed of the Diagnostics Business, which is engaged in the sale of diagnostic reagents and devices, and the Pharmaceutical Sciences Business, which is broken down into the pharmaceutical and fine chemicals business, which handles contracted manufacturing of active pharmaceutical ingredients (APIs), the drug development solutions business, which provides support for research and development among pharmaceutical companies, and the enzyme business, which undertakes the sale of raw materials for diagnostics and enzymes for the manufacture of biopharmaceuticals. The ratio of net sales accounted for by overseas business has exhibited steady growth, reaching 50% in fiscal 2015, up from the 21% recorded in fiscal 2008. The Medical Business is promoting further globalization through the continued acceleration of business deployments in North America, Europe, and Asia. Meanwhile, the main portion of the Life Science field previously included in the High Performance Plastics segment is now presented as the Medical Business segment in an effort to accelerate the pace its growth as a new divisional company candidate from fiscal 2019.

## Risks and Opportunities

Risks that could affect the performance of the Group as it works to expand its global operations include unexpected changes in public policy and revisions to laws and regulations by various countries. Pandemics, including COVID-19, pose another risk with the potential to limit domestic and international business activities by stagnating the testing market, especially for lifestyle diseases. In contrast, against the backdrop of an upswing in healthcare costs due to the aging of the population, demand for tests that can lead to early detection of a disease is steadily expanding. From a preventive medicine perspective, the potential exists for the number of tests to therefore increase. Even as conditions change by the moment, we will continue to provide products that contribute to people's health.

## Performance Highlights



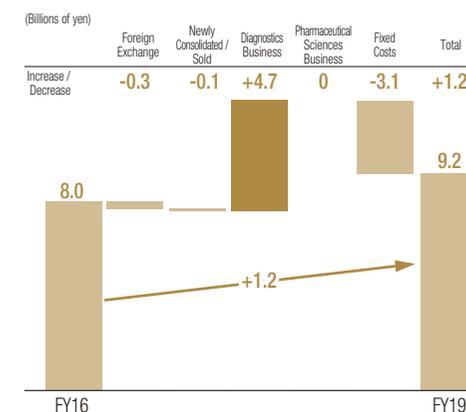
## Major M&As, etc.

	2015	2017	2018
	EIDIA Co., Ltd	Participated in the establishment of PeptiStar Inc.	Veredus Laboratories (Asia)

Under the previous medium-term management plan, the Medical Business recorded an increase in sales and profit in fiscal 2019 compared with fiscal 2016. In specific terms, net sales and operating income came in at ¥72.6 billion and ¥9.2 billion, respectively. As far as our overseas activities were concerned, the Diagnostics Business contributed mainly to these results with significant growth in Europe, the U.S., and China. In the Pharmaceutical Sciences Business, growth was limited. This was largely the result of a decline in orders due to customers' circumstances. Moving forward, we will continue to secure new orders for pharmaceutical ingredients. In making preparations for medium- to long-term growth, we participated in the establishment of PeptiStar while acquiring a sales base in Southeast Asia through the purchase of Veredus Laboratories under the previous medium-term management plan.

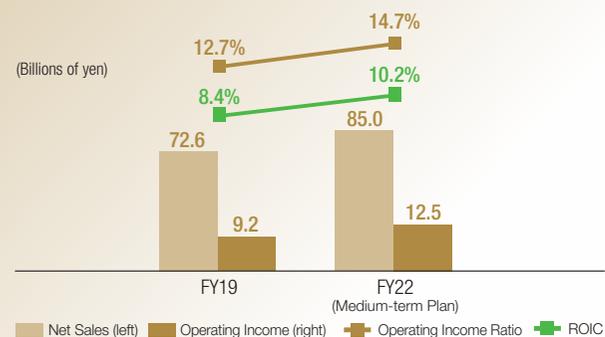
(Billions of yen)	FY15	FY16	FY17	FY18	FY19
Assets				116.7	120.4
ROIC					8.4%
EBITDA				14.5	14.7
Depreciation and Amortization				3.1	3.7
Capital Expenditures				4.4	4.6
R&D Expenditures				5.1	5.2
Number of employees				1,907	2,050
Consolidated Subsidiaries (Overseas Companies)				9(8)	9(8)

## Analysis of Operating Income

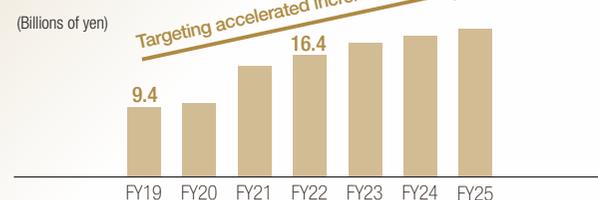


## Medical Business

## Medium-term Management Plan Drive 2022 (FY2020-2022)



## New Product Sales



Under the Medium-term Management Plan, we are targeting net sales of ¥85 billion, an increase of ¥12.4 billion compared with fiscal 2019, and operating income of ¥12.5 billion, a year-on-year increase of ¥3.3 billion. In the mainstay Diagnostics Business, we will actively introduce new products in Japan. As far as our overseas activities are concerned, we will rollout area-specific measures. We will endeavor to expand sales of mainstay products by strengthening alliance with major companies in Europe and the United States. In China, we remain focused on targeting and expanding our efforts in the blood coagulation field. In the Pharmaceutical Sciences Business, we will pursue capital investments to increase our production capacity in response to diversifying pharmaceutical modalities\* and ensure the steady launch of new products. Moreover, we will further strengthen our development system and target the expansion of business domains by actively introducing new products. Endeavoring to upgrade and expand our pipeline, we will build the foundation for growth under the next medium-term management plan, focusing on new products.

\* Modality: Means of treatment including small molecule compounds, peptide (medium molecule) drugs, and regenerative medicine

## Life Science

Supporting global health and longevity

FY2030  
Sales Target

¥200–250 billion

## Priority Development Measures

## Diagnostics Business

## High-sensitive immunoassay (Japan and China)

- Enter the immunization market in earnest through the introduction of new equipment

Molecular POC\*<sup>1</sup> (U.S.)

- Enter the molecular POC market through Japan / U.S. partnerships (SD Corporation)

## Core technologies and new markers

- Core technology and new product BtoB development; expand business domains by acquiring new biomarkers\*<sup>2</sup>

\*1 POC: The first letters of "Point of Care"; refers to timely onsite (clinics, etc.) diagnostics

\*2 Biomarker: Physiological indicators used to identify the presence and progression of a disease

## Pharmaceutical Sciences Business

## New pharmaceutical and fine chemicals as well as drug development solution products

- Develop API synthesis and drug development solution technologies for diverse pharmaceutical modalities (drug discovery analysis technology, special peptide synthesis method, etc.)

## Diagnostics Business

Clinical reagents for biochemical immunity, diabetes, blood coagulation, and infectious diseases, as well as development, manufacture, and sale of analyzers and vacuum blood collection tubes, among others



CP3000



Nanopia P-FDP

## Pharmaceutical Sciences Business

Pharmaceutical and fine chemicals business: Contract manufacture of active pharmaceutical ingredients (APIs)/intermediates/amino acids, etc.

Drug development solutions business: Contract research including pharmacokinetic tests to support drug R&D



Active Pharmaceutical Ingredients (APIs)



Drug development solution testing

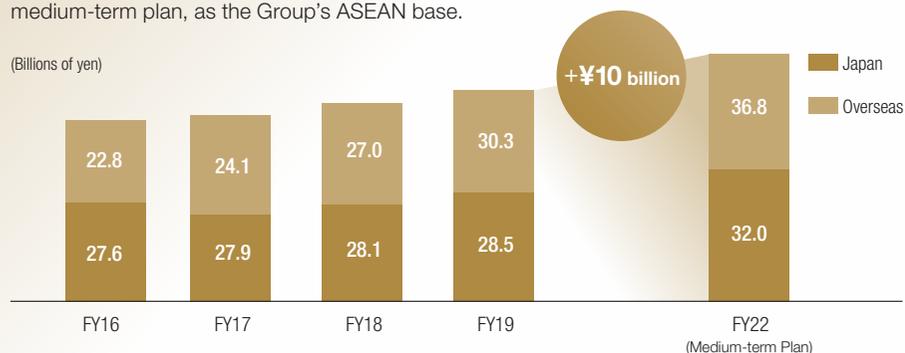
## Medical Business

# Medium-term Management Plan and Growth Strategies by Business

## Diagnostics Business

Under the Medium-term Plan, we will actively introduce new products in Japan while expanding alliances with major companies and strengthening POC in Europe and the United States. In China, we will continue to expand our blood coagulation activities while entering new domains. In Asia management, we will work to position Veredus Laboratories, acquired under the previous medium-term plan, as the Group's ASEAN base.

(Billions of yen)



### Leucine-rich $\alpha$ 2-glycoprotein kit (Nanopia LRG)

Nanopia LRF as a biomarker to reflect the activity of inflammatory bowel disease was included in the scope of medical insurance coverage from June 1, 2020. Test results can now be obtained in a convenient and timely manner through the use of technology that employs high-precision particulates (latex).

## Focus Areas

Focus Areas	Clinical Chemistry / Immunology	Blood Coagulation	Diabetes	Infectious Disease POC	Blood Coagulation Tubes
Main Products	Diagnostics reagents for cholesterol, neutral lipids, and syphilis	Instruments and diagnostic reagents for coagulation and fibrinolysis	Diagnostic reagents for HbA1c	Diagnostics reagents for influenza and adenovirus	High-speed-clotting vacuum blood collection tubes

## Development and New Products

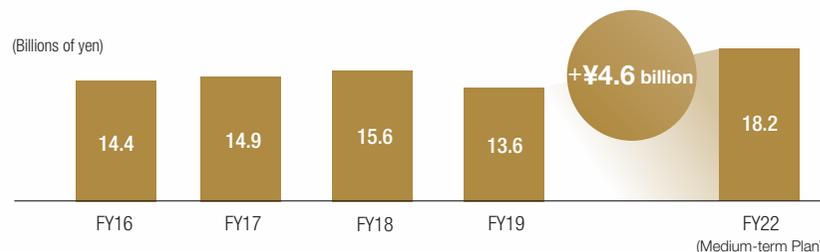
High-sensitive immunoassay (Japan and China)	Molecular POC (U.S.)	Core technologies and new markers
Target the development of new equipment and systems and enter the immunization market in earnest	Aim to cultivate molecular diagnostics where market growth is substantial	Engage in core technology and new product BtoB development; expand the business by acquiring new biomarkers, mainly in the oncology domain

## Pharmaceutical Sciences Business

Under the Medium-term Plan, we will undertake large capital investments to increase production capacity. In pharmaceutical and fine chemicals, we will acquire new products orders and steadily launch manufacturing processes, while strengthening partnerships between Japan and XenoTech in the United States in drug development solution activities. As far as enzymes are concerned, we will aim to expand our CDMO\* business.

\* Acronym for Contract Development and Manufacturing Organization: A business format that provides comprehensive services that extend from the development of formulations to the manufacture and commercial production of investigational new drugs

(Billions of yen)



## Development and New Products

### New Pharmaceutical and Fine Chemicals as well as Drug Development Solution Products

In addition to existing low-molecular pharmaceuticals, we are developing both API synthesis and drug development solution technologies for medium-and high-molecular pharmaceuticals.

# SEKISUI CHEMICAL Group's Sustainability (Strengthening the ESG Management Base)

SEKISUI CHEMICAL Group is aiming for the realization of its Group Vision, "contributing to people's lives and the global environment" by "resolving social issues through business activities" and "social responsibility in business processes." For the Group, contributing to society and creating value that is useful to society through our business activities is a form of CSR, and it puts the Corporate Philosophy of "3S spirit" into practice. By positioning CSR at the center of our management strategy, we remain convinced that we will raise the quality of corporate management.

With this understanding, we recognize the important need to engage seriously in CSR activities that are grounded in ESG management and to continuously change and evolve in order to achieve sustainable growth and innovation.

In our long-term vision, "Vision 2030," established in May 2020, the Group set its vision statement as "Innovation for the Earth." In order to realize a sustainable society, we support the basis of LIFE and will continue to create "peace of mind for the future." In addition, as a strategy for this, we aim to expand existing businesses through product and business reform and create new businesses through the development and acquisition of a new business base at a higher level, with ESG management at the center of these efforts. For our ESG management initiatives, we identified "materiality" as a major issue for SEKISUI CHEMICAL Group in the Medium-term Management Plan launched in fiscal 2017, "SHIFT 2019 -Fusion-," and have promoted initiatives up until now. From fiscal 2020, due to believing that strengthening ESG management is essential in preparation for the achievement of our long-term vision, we will review our important issues from the perspectives of ability to create profit, contribute to solving social problems, and achieve sustainable management, and we continue to promote ESG management from the pivot points of internal control, digital transformation, environment, human resource, and fusion.

In addition, regarding the internal system for the promotion of ESG management, we established the "CSR Committee" which served as a space for discussion of CSR up until now. However, from fiscal 2020 we have renamed this group the "Sustainability Committee" and it is now using ESG management as a basis for drawing out risks and opportunities the Group may face in the future, serving as a space for discussion of policies and implementation measures

based on the priority assigned to these possibilities, and accelerating their related initiatives. A new subcommittee has also been added on to the existing 5 subcommittees ("Environment," "CS Quality," "Human Resource," "Safety," and "Compliance"), making a total of 6 subcommittees. The goal of this new "Cybersecurity" subcommittee is the promotion of advanced countermeasures for cyber-attacks.

Note: For details about the CSR initiatives of SEKISUI CHEMICAL Group, see the following page: <https://www.sekisuichechemical.com/csr/report/index.html>

## Sustainability Committee/Subcommittee Structure (from fiscal 2020)



\*1 The CSR Committee was renamed the Sustainability Committee in fiscal 2020.

\*2 Established in fiscal 2020.

## Key ESG issues (fiscal 2020-2022)

Issues where the importance for stakeholders is extremely high, and is also extremely high for management of SEKISUI CHEMICAL Group

	<b>Internal Control</b>	<ul style="list-style-type: none"> <li>Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)</li> <li>Risk management, crisis management, BCP</li> </ul>	
	<b>Digital Transformation (DX)</b>	<ul style="list-style-type: none"> <li>Visualization and standardization (standardize operations, introduce ERP, renew infrastructure and network)</li> <li>Increase productivity (automation/unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)</li> <li>Sophistication (increase the sophistication of operational control, internal control and the supply chain)</li> </ul>	
	<b>Environment</b>	<ul style="list-style-type: none"> <li>Contribute to the resolution of environmental issues (adapt to and mitigate climate change, promote a circular economy, reduce water risks)</li> </ul>	
	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>A challenging corporate culture and evolution toward active employee participation (culture and human resource development, system design)</li> <li>Promote work-style reform</li> <li>Enhance ESG human resource capabilities</li> </ul>	
	<b>Fusion</b>	<ul style="list-style-type: none"> <li>Promote open innovation</li> <li>Create and expand the market for products to enhance sustainability</li> </ul>	

# Environment

In order to support the basis of LIFE and continuously create “peace of mind for the future” in a bid to realize a sustainable society, SEKISUI CHEMICAL Group will work to address environmental issues that need to be resolved from a long-term perspective.

## Sekisui Long-term Environmental Vision 2050

To date, SEKISUI CHEMICAL Group has considered its approach and illustrated a direction to environmental problems with an eye toward 2030. In 2019, we undertook a review of the various events and social demands that have reemerged and formulated the Sekisui Long-term Environmental Vision 2050 in regard to the direction of our environmental initiatives for 2050. Backcasting from this Vision, we have re-defined the milestones that must be reached within our management strategies in regard to specific environmental problems.

At SEKISUI CHEMICAL Group, we recognize that we carry out business activities utilizing valuable natural capital from the Earth and beneficial social capital from society and consider our problem-solving activities for issues such as climate change related to the natural and social environments to be connected both directly and indirectly to the preservation of biodiversity. To achieve maintained biodiversity on the Earth, we will coordinate with stakeholders and accelerate our contribution to returns through our corporate activities and the products they generate.



\*Stakeholders : customers, shareholders, employees, business partners, local communities and the global environment

### Activities that Contribute to Solving Issues

- 1 Expand and create markets for products to enhance sustainability (contributing to global and social sustainability)
- 2 Reduce environmental impact
- 3 Conserve the natural and social environments

## Evolution of “Environment-Contributing Products” as “Products to Enhance Sustainability”

Since fiscal 2006, we have internally certified products that demonstrated a high level of environmental contribution when used by customers as “Environment-Contributing Products” and promoted their expansion. From fiscal 2017, we expanded the targets of this category beyond the natural environment, including products which contribute to solving problems in the social environment as well, reconfirmed that their objectives matched the SDGs (Sustainable Development Goals) established by the United Nation for 2030, and worked to create and spread this product line.

Starting from fiscal 2020, we launched promotion of “Environment-Contributing Products” as “Products to Enhance Sustainability” due to the belief that sustainability of both corporations and products themselves is essential for expanded

contribution to sustainability for the Earth and society. In addition to conventional certification processes, we are establishing a new perspective for the assessment and confirmation of business and product sustainability.

Regarding the evaluation system standards, registration, and future perspectives, we have received feedback from outside experts\* and will continue to hold discussions related to the formulation and operation of the system. In addition, within the 3-year Medium-term Plan which started in fiscal 2020, we will select products that will lead these “Products to Enhance Sustainability” and strategically drive growth as a premium framework, promoting policies for sustainability improvement.

\* Outside experts: Individuals with various backgrounds in industry, government, and academia who are engaged in CSR-related work, including the environment

### Evolution of the Environment-Contributing Product System at SEKISUI CHEMICAL Group



### Changes from fiscal 2020

Renamed as products to enhance sustainability and activities commenced. Evolved as product assessment under the following two perspectives.

- Consider registration based on internal standards in recognition of the significant contribution to resolving issues
- Undertake a confirmation assessment taking into consideration a variety of factors including profitability, process evaluations, and supply chains to ensure that the significant contribution of registered products to resolving issues is sustainable

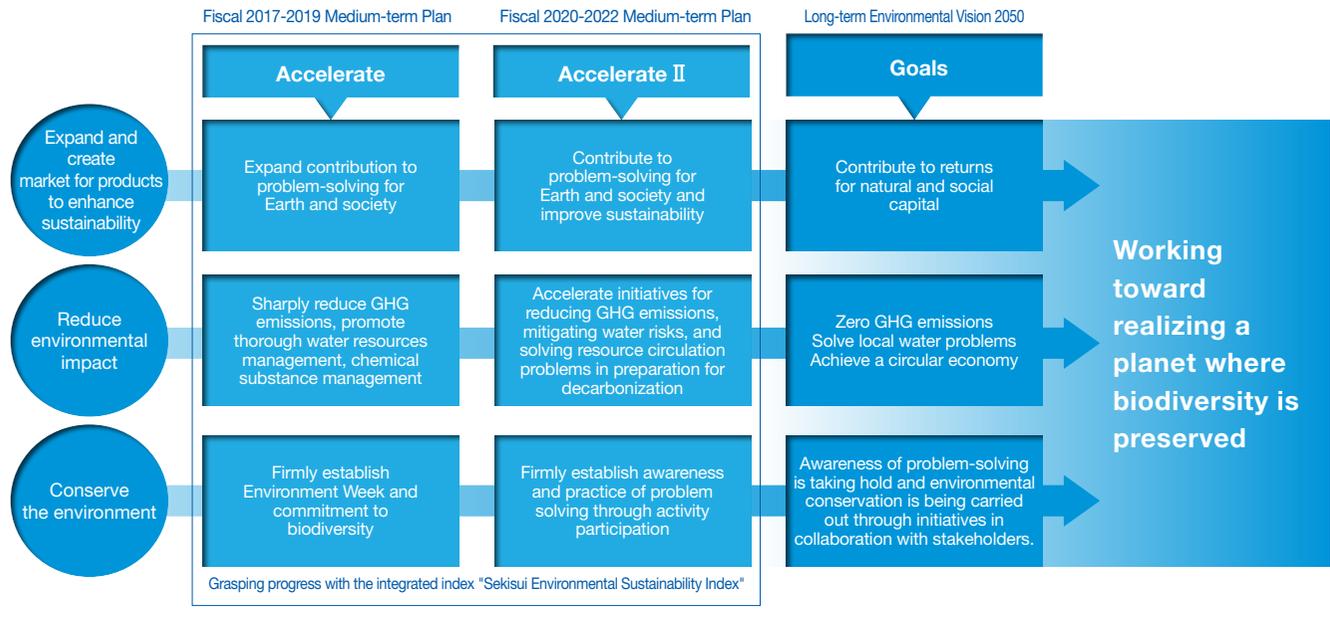
Plans are in place to undertake a detailed design of the confirmation assessment criteria as well as operating and other systems and to initiate system operations during fiscal 2020.

# Environment

## Promoting an Environmental Medium-term Plan Based on Backcasting from Our Long-term Environmental Vision

Up until fiscal 2019, the "Sekisui Environmental Sustainability Plan: Accelerate" Environmental Medium-term Plan was implemented

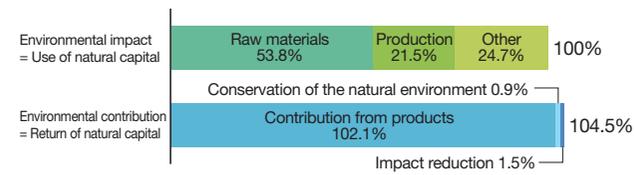
as a preparation for the vision of 2030 depicted in the Long-term Environmental Vision, "Sekisui Environmental Sustainability Vision 2030," and the efforts of each initiative were intensified. From fiscal 2020, a new Environmental Medium-term Plan, "Sekisui Environmental Sustainability Plan: Accelerate II" based on the "Sekisui Environmental Sustainability Vision 2050" is being promoted.



### "Sekisui Environmental Sustainability Plan Accelerate" (Fiscal 2017-2019)

In the "Sekisui Environmental Sustainability Plan: Accelerate," there was an especially strong focus on reduction of greenhouse gases (GHG) and expansion of Environment-Contributing Products. Regarding the reduction of GHG, Environment-Contributing Investments Framework was established which invested ¥12 billion over a 3-year period (0.3% of total sales), and capital investment was promoted proactively. The ratio of Environment-Contributing Products sales to total sales increased to 58.3% in fiscal 2019, and 47 new Environment-Contributing Products were registered in the 3-year period from fiscal 2017 to fiscal 2019.

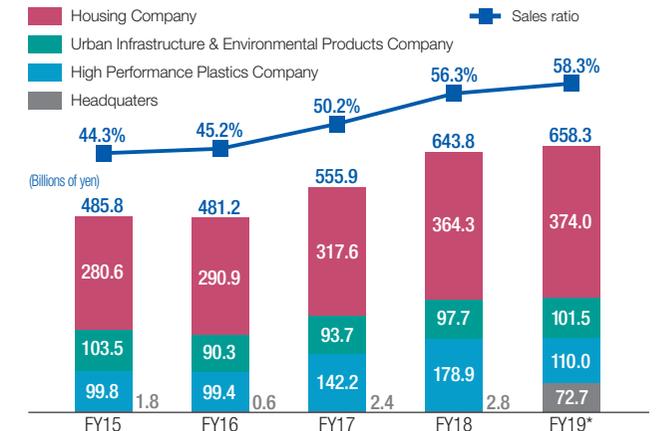
### Integrated Index "Sekisui Environmental Sustainability Index"



Note: The Sekisui Environmental Sustainability Index represents the impact on the environment caused by the activities of SEKISUI CHEMICAL Group (the use of natural capital) and their degree of contribution to the environment (returns to natural capital) as a single indicator. The "Ratio of return to natural capital" indicated by this index is a KPI (integrated index).

<b>Ratio of return to natural capital</b>	FY2019 (Result)	FY2019 (Medium-term Plan)
	<b>104.5%</b>	<b>90% or more</b>

### Sales and Sales Ratio of Environment-Contributing Products



\* From fiscal 2019, Medical Business has transferred from the High Performance Plastics Company to the Headquarters.

<b>Sales Ratio of Environment-Contributing Products</b>	FY2019 (Result)	FY2019 (Previous Medium-term Plan)
	<b>58.3%</b>	<b>60% or more</b>

### GHG Emission Volume Reduction Environment-contributing Investment status\*



\* Estimates including unfinished works

<b>Reducing GHG emissions attributable to business activities (vs. FY2013)</b>	FY2019 (Result)	FY2019 (Previous Medium-term Plan)
	<b>6.1%</b>	<b>6.0% or more</b>

## Environment

### Environmental Medium-term Plan “Environmental Sustainability Plan: Accelerate II” (Fiscal 2020-2022)

Regarding the resolution of environmental issues such as climate change, resource recycling, and water risks, due to the scientific foundation of predictions, risks for 2050 are clearer than in other categories. The Environmental Medium-term Plan beginning in fiscal 2020 identifies important environmental issues for action, such as climate change, water risks, and resource recycling, and we have established specific initiatives with the aim of accelerating the resolution of these issues.

We believe we can further accelerate problem-solving for environmental issues by working as one throughout the supply chain. With this in mind, we are developing initiatives and engaging in activities with a greater focus on supply chain management throughout the life cycles of our products.

For the “Sekisui Environmental Sustainability Index” as well, we are refocusing our attention on natural capital and social capital as the capital from the Earth and society on which our corporate activities have an impact and to which they contribute, evaluating effects and added value (OUTCOME) and further promoting these efforts.

In addition, starting in fiscal 2020, investments and expenses related to the environment are capital costs in our Group-wide management strategy, and we will use environmental accounting to raise awareness that the restraint of these costs and efforts to improve productivity will help boost ROIC.

	FY2020 (Plan)	FY2022 (Medium-term Plan)
■ Sekisui Environmental Sustainability Index Ratio of return to natural capital	<b>100% or more</b>	<b>100% or more</b>
■ Products to enhance sustainability Sales growth rate (compared with FY2019)	<b>Around 8%</b>	<b>Around 22%</b>
■ GHG emissions reduction* (compared with FY2013)	<b>7% reduction</b>	<b>9% reduction</b>

\* Goals: Fiscal 2030: 26% reduction, fiscal 2050: 100% reduction

### Helping Solve Climate Change

Regarding the problem of climate change, we have formulated a medium-term greenhouse gas emission reduction plan in line with targets established at COP21 (the Paris Agreement). Our goal is to reduce GHG emissions from our business activities to zero by 2050. Moreover, we are advancing the introduction of solar power equipment to generate electricity for use at the plant or facility in which it was installed, increasing our utilization ratio for renewable energy from electricity purchased from outside and have set a new target value of 100% by 2030. At the same time, we started specific actions to achieve a 26% reduction in GHG emissions by 2030, to which we committed ourselves under the SBT<sup>\*1</sup> initiative. In order to promote proactive renewable energy use not only by our company but also by society as a whole, we joined RE100<sup>\*2</sup> in August 2020.

SEKISUI CHEMICAL Group has also already begun implementing emission reductions for its production facilities at a very high level, and in order to achieve large-scale reduction, we established an Environment-Contributing Investments Framework of ¥12 billion over a 3-year period ending in fiscal 2019, developed environment investment promotion policies utilizing the internal carbon pricing framework, and proactively updated our production facilities. Starting from fiscal 2020, we will utilize ¥40 billion in ESG investment funds for projects such as solar power equipment to generate electricity for use at the plant or facility where they are installed, promoting the conversion of electric power used in production activities to renewable energy.

In addition, a large proportion of our GHG emissions occurs at the raw material procurement and product usage stages, and we recognize that this is a distinct characteristic of chemical manufacturing. Meanwhile, product-usage stage emissions include a large volume of GHG emissions resulting from energy consumed in the houses that we have sold. Regarding raw materials, we are aiming for a 20% reduction in GHG emission volume compared with fiscal 2016 in the future. In addition to reconsidering selection standards at the adoption of new materials, we are promoting

<sup>\*1</sup> SBT (Science-Based Targets): Called for by joint initiatives, including the UN Global Compact, in response to the adoption of the Paris Agreement. Through the SBT Initiative, greenhouse gas reduction targets established by companies are certified as science-based targets (SBT) that contribute to long-term measures combating climate change.

<sup>\*2</sup> RE100 (Renewable Energy 100%): RE100 is sponsored by The Climate Group in partnership with CDP and is also operated as part of the We Mean Business coalition. In Japan, the Japan Climate Leaders' Partnership (JCLP) has supported participation and activities by Japanese companies since 2017 as an official regional partner of RE100.

the reduction of 4 types of resin materials which are recognized as having a large volume of emissions. For this purpose, we have launched engagement with suppliers, and are promoting efforts to reduce GHG emissions under Scope 3 for the future. In terms of emissions at the stage of product usage, we will contribute to energy usage reductions from occupied housing by increasing the proportion of net-zero energy houses (ZEH) among the housing units that we sell, achieving 50% reductions relative to fiscal 2016 by fiscal 2030.

At SEKISUI CHEMICAL Group, we recognize climate change issues as a major management risk, and our Environmental Sub-committee formulates strategies, sets targets, and manages progress under the supervisory system of the Board of Directors. Decisions made at meetings of the Environmental Sub-committee are deliberated and voted on by the Sustainability Committee, and the Board of Directors also deliberates and votes on especially important matters.

In recent years, there has been a need for accelerated measures to mitigate and adapt to climate change issues and strengthened risk assessment with a long-term perspective. In order to accelerate our problem-solving and understanding of risks, as well as related coping measures, SEKISUI CHEMICAL Group announced its approval of the TCFD<sup>\*3</sup> (Task Force on Climate-related Financial Disclosures) in 2019. For the information disclosure based on this proposal, 4 scenario concepts for our business field were analyzed, covering combinations of temperature increases of 2°C and 4°C and high-commonality decentralization and centralization for the business of all companies (see page 43), and the risks for each were evaluated.

The analysis results showed that SEKISUI CHEMICAL Group housing and infrastructure products all have good durability, disaster-prevention properties, and resilient designs, and we believe that in the 4°C scenario, we will be able to contribute to problem-solving and expand our business. In addition, in the 2°C climate change scenario which includes efforts for mitigation as well, our solar-equipped housing and new energy technology, which help to control GHG emissions and assist with the shift to renewable energy, as well as our development of new materials which reduce energy consumption for automobiles and airplanes,

<sup>\*3</sup> TCFD: The Task Force on Climate-related Financial Disclosures was established in 2015 by the Financial Stability Board (FSB), which is an international organization that seeks to stabilize the financial system. The TCFD recommends analyzing the impact of climate change on a company's finances and information disclosure with regard to response strategies.

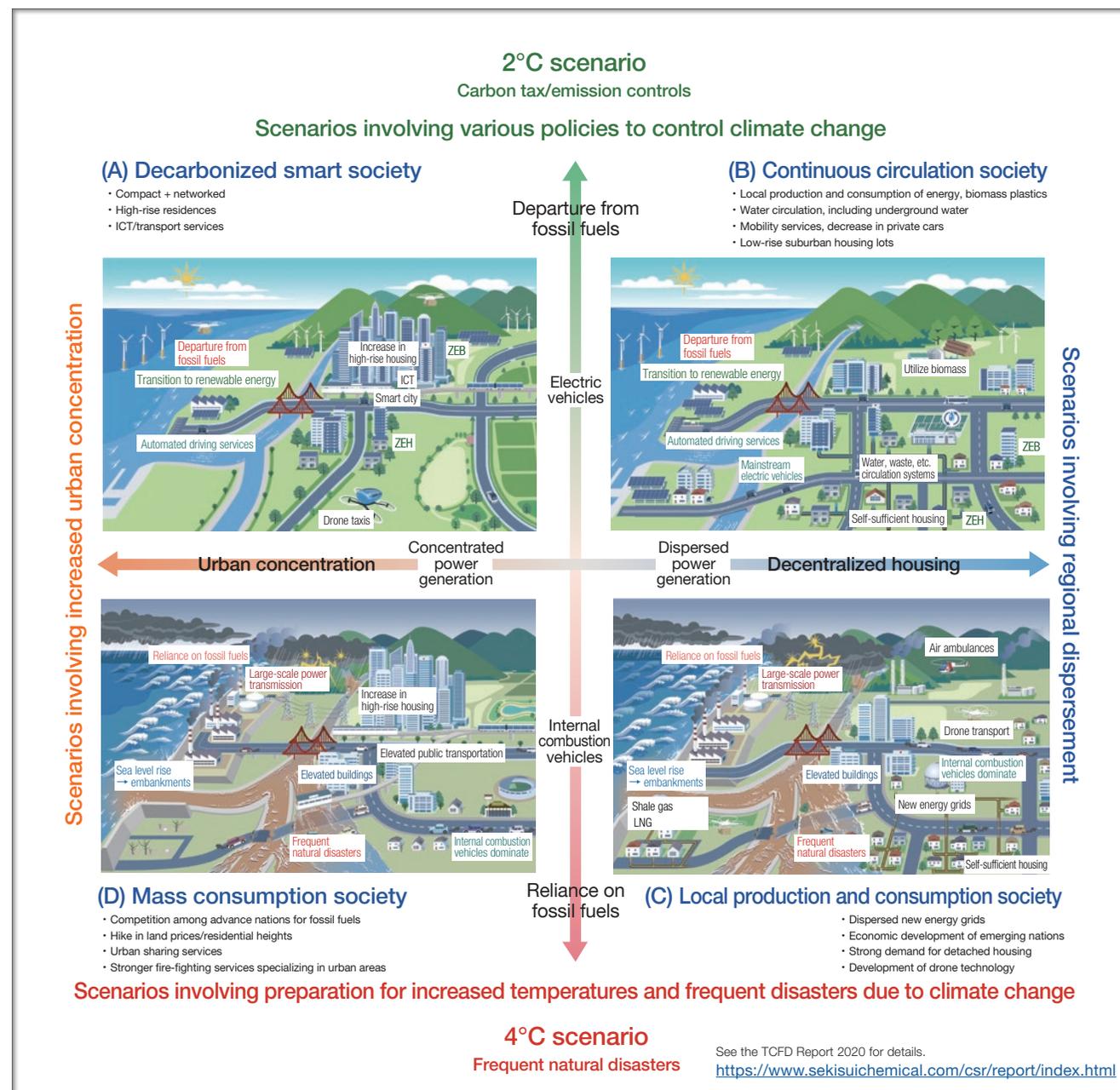
## Environment

will contribute to problem-solving, through which we believe we can earn business opportunities. We were able to confirm the preparations needed to convert risks into opportunities in these scenarios in terms of product development and reinforcement in line with expected risks, as well as technology which will be necessary in the case of decentralization.

For long-term climate change risks, we are considering back-cast business and product development, carrying out management meetings for discussion of plans, and determining whether to implement them as business activities. In 2019, our "SMARTHEIM DENKI" project was launched to promote efficient usage of renewable energy. The decision to purchase excess electricity produced by solar panels installed in customers' homes and use it at our housing plants or provide it for other customers' use as an expansion of services led to the launch of this business.

In addition, for business fields which will be strategically grown in preparation for 2030 (residential, advanced lifelines, innovative mobility, life science, and energy as a new frontier), we have extracted and reconfirmed the transfer and physical risks with consideration for factors such as sales, operating income, income ratio, and growth, based on the 2°C and 4°C climate change scenarios.

In the future, we will continue to consider initiatives for business in which risks can be converted to opportunities and apply these considerations to business strategy drafting.



## Environment

### Water Risk Problems

Regarding water risk problems, we consider maintaining a sound business activity environment as essential to our continuous operations and development, and we are continuing to reduce water usage at all companies, promoting recycling, and striving to improve the quality of water discharged into rivers in terms of COD indicators.

In order to ensure a society in which all areas and supply chains we work with have a full and healthy water supply, we have established 2 directives, “minimizing water risks at SEKISUI CHEMICAL Group” and “contributing to the resolution of water-related issues in local communities.” We have set goals for the realization of a society with abundant healthy water by 2050 and will work to achieve them. In order to minimize water risks, we are selecting the base locations and supply destinations where the business impact is substantial or that have especially high water risks and working to minimize the environmental burden of these locations by 2030.

	FY2020 (Plan)	FY2022 (Medium-term Plan)
■ Water intake volume at production sites which use large quantities of water (compared with FY2016)	-10%	-10%
■ Total COD volume of river discharge water at production sites with large COD emission volumes (compared with FY2016)	-10%	-10%

We also develop a range of businesses related to water infrastructure, such as supply, storage, and drainage of water, contributing to the society not only by technologies and products that help to improve the quality of drainage, such as water treatment systems and drain pipes, but also by creating strong water infrastructure made to withstand natural disasters. For example, one of our products being marketed in Japan, India, China, Taiwan, and other ASEAN areas, the “Cross Wave” rainwater storage system has been used for the prevention of chronic water shortages and the recycling of rainwater to achieve both greening of urban areas and disaster prevention. Since 2010, it has also been continually contributing to the reduction of water-related disaster risks such as flooding through this product. In fiscal 2019, Cross Wave was adopted in large-scale housing construction operations in Indonesia, contributing to the growth of green infrastructure projects in that country. We have also worked to establish a cooperative

system with the local water resource departments.

We are also promoting the development of towns through the use of products with the ability to lower water risks. As an example, Asaka Leadtown in Asaka City, Saitama Prefecture solves a number of issues, starting by the lowering of water risks. We believe this to be a first step in the building of a town planning business that makes full use of SEKISUI CHEMICAL Group technologies and products to ensure safe, secure, and comfortable lives. With the goal of not only reducing damage from the ever increasing number of disasters brought on by climate change, but also promoting disaster mitigation in support of recovery efforts after a disaster, we are expanding the peace of mind we can offer to our housing customers by recommending, for example, the installation of a drinking water storage system that makes good use of water system infrastructure piping.

SEKISUI CHEMICAL Group will continue to promote the development of products to enhance sustainability in order to minimize the environmental impact from supply chain operations and help resolve local water issues.

\* Cross Wave: Rainwater storage system. This molded product made from recycled plastic creates an underground space which is used to store rainwater. It regulates the rain volume flowing into sewer systems and rivers during torrential rains and makes reuse of rainwater possible.

### Resource Recycling

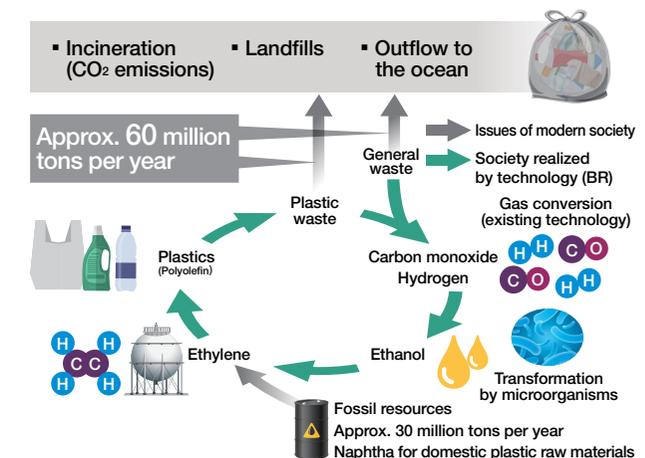
Related to resource recycling, SEKISUI CHEMICAL Group strives to thoroughly implement the “3 Rs” (reduce, reuse, and recycle) throughout its manufacturing life cycles. We also engage in Zero Waste Emissions Activities with the intention of reusing as resources all the waste we generate from our business activities. Along with continuing these Zero Waste Emissions Activities at our production sites, from 2020 we will work to promote recycling, including initiatives for using recycled materials, developing waste recycling technologies, and implementing these in the real-world, with the aims of realizing a circular economy and a recycling-based society in 2050.

Especially as a plastic molding manufacturer, we have a corporate responsibility related to the waste materials emitted from the production businesses of our company. Accordingly, we have exchanged manifests with waste management contractors and are confirming that proper processing is being carried out. While the impact of microplastics on our oceans and marine pollution have emerged as issues of recent concern, SEKISUI CHEMICAL Group does not engage in the manufacture and sale of primary microplastics where use presupposes dissolution. However,

it cannot be denied that the possibility of deterioration in the natural environment and micro-reduction does exist in the event of the improper disposal of plastic processed products being discarded or of the plastic materials that go into the manufacture of the Group's products either during or after use. With the goal of resolving the core of this issue, we are carrying out employee training, participating in the Clean Ocean Materials Alliance (CLOMA) and Japan Initiative for Marine Environment (JaIME), and making efforts for international collaboration and consideration of problem-solving methods.

In addition, we are accelerating efforts for social implementation of carbon recycling technology that circulates carbon derived from petroleum raw materials. More specifically, we developed technology (Bio-Refinery) which converts burnable waste, including maritime plastics, into gas and uses microorganisms to create ethanol, a raw material used in plastics, from this gas. At the test plant in Yorii Town, Saitama Prefecture, we are working to identify issues with a view to scaling up operations toward social implementation. In addition, proof-of-concept operations are underway at the 1/10 scale pilot plant in Kuji City, Iwate Prefecture, and plastics are being developed from the ethanol raw materials created from waste in cooperation with Sumitomo Chemical Co., Ltd. By establishing and spreading chemical recycling technology for the creation of new plastics from waste materials, we will contribute to the achievement of a recycling-based society and circular economy.

### Bio-Refinery (BR)



# Human Resources

Taking into consideration diversity and the workplace environment, Sekisui Chemical Group will develop human resources who actively take on challenges as a part of efforts to support the basis of LIFE and to continue to create “peace of mind for the future” in order to realize a sustainable society.

## Stance toward Human Resources

Based on the belief that “employees are precious assets bestowed on us by society,” SEKISUI CHEMICAL Group works to create environments in which employees are able to work with enthusiasm and provides a range of opportunities for each and every one of them to hone his or her unique skill and assist in their personal growth.

Recognizing that protecting the human rights of individuals is our social responsibility, we respect each person’s diversity, personality and individuality, while promoting various work-styles compatible with each country and region and the creation of safe and secure working environments.

## Diversity Management

Not only perceiving diversity by differences understood from outward appearance such as gender, age and, nationality, SEKISUI CHEMICAL Group also focuses on differences that include careers, values and, personality while understanding, recognizing, and utilizing the differences between each and every employee as strengths.

We established the “Diversity Management Policy” in November 2015 based on the recognition that diversity is essential to maintain our strong corporate presence for 100 years and beyond.

As a group that is engaged in a wide range of activities, SEKISUI CHEMICAL is critically aware of the need to make the most of the diverse orientations and strengths of its employees if it is to continue contributing to society. Based on this awareness, top management has declared its commitment to promoting diversity management, which includes the empowerment of women, both within and outside the Group.

## Diversity Management Promotional Structure

### (Sustainability Committee\*, Human Resources Committee)

The Sustainability Committee deliberates on CSR measures generally. This includes matters relating to diversity management.

Chaired by the president, the Sustainability Committee is comprised of such senior executives as the presidents of divisional companies as well as employee representatives including female employees and the head of the Labor Union. Matters that require resolution are also reported to the Board of Directors.

The Human Resources Committee deliberates, decides on, and monitors the securing, training, and utilization of human resources and work-style reforms necessary for the Group's diversity management. Chaired by the managing executive officer and head of the Human Resources Department, the Human Resources Committee is comprised of executive officers and the heads of human resources departments selected from each divisional company. The Human Resources Committee met twice in fiscal 2019, once in September and once in March.

Separate from the Sustainability Committee and the Human Resources Committee, the Group in its goal of creating a system that allows diversity promotion strategies to reach each of its employees has established the Project to Develop a Workplace in Which All Employees Can Excel. SEKISUI CHEMICAL Group has appointed those responsible for and those in charge of the promotion of this project at each of its 81 domestic bases. Each manager is working to ensure the smooth implementation of diversity management measures at each location.

\* The CSR Committee was renamed the Sustainability Committee in fiscal 2020.

## Allowing Diverse Human Resources to Excel

### (Career Orientation)

Regarding the career orientation of each individual, there are two main paths we are cultivating: business leaders who will drive Group management and on-site personnel who will support our manufacturing. Accordingly, we are promoting the provision of human resource development opportunities to match the career orientation of each individual throughout the Group as a whole. In addition, we support employees in their efforts to take the initiative to challenge themselves while providing the systems and opportunities necessary to promote individual growth.

As an initiative for cultivating next-generation leaders, we

are implementing an in-house cram school (Innovation School) in which our executive officers personally take on the role of educators with the goal of directly training candidates for next-generation leadership in SEKISUI CHEMICAL Group. At Innovation School, the goal is to “change the Company and change each individual's behavior.” To achieve this, with executive officers up to their second year in office acting as headmasters, we aim to train young, highly motivated employees, irrespective of their Group company or business domain, as candidates to become next-generation business leaders across the whole Group.

In addition to learning about leadership aspirations through direct dialogue and extensive discussion with senior management, the Innovation School offers an excellent opportunity for the candidates to broaden their horizons through interaction with parties from both inside and outside the Company.

### (Age)

As a means of assisting young employees in becoming established and active at the Company, we have established an education supervisor system with the goal of enabling new employees to smoothly adapt to their assigned workplaces and quickly hit the ground running. This system provides guidance on topics ranging from work and business to common sense, behavior as a member of society, and mental follow-up. The initiative also promotes the growth of training supervisors themselves through acquiring a higher perspective from the experiences of training junior staff.

In addition, we introduced a re-employment system after retirement from fiscal 1993 to promote activity among elderly staff, and have been expanding it to other Group companies since fiscal 2006. In addition to the implementation of “57-year-old training” for employees considering their careers after retirement age, we also revised and implemented systems related to reemployment of senior citizens (Senior Expert System) in October 2015 in order to create even more rewarding and meaningful work. We have finished putting in place systems for employees to continue working to the age of 65 at all Group companies, ensuring that 100% of the employees who elect to do so can remain employed or be reemployed.

## Human Resources

### (Gender)

We launched our women's activities promotion initiative in fiscal 2007 and expanded diversity management Group-wide in fiscal 2015 as a first step for this promotion. With individual goals determined for the "retention and activity" and "management generation" stages, we are progressing through initiatives. Some of these, such as practical training for potential female management candidates and their direct supervisors, are focused on expanding platforms for activity for women, and we have achieved increased retention rates for female employees and numbers of female managers as a result. In fiscal 2019, one woman was appointed to each of the following positions: outside director, outside Audit and Supervisory Board member, and executive officer.

	End of fiscal 2019	Fiscal 2019 (Medium-term Plan)
■ Ratio of women to total hires* (SEKISUI CHEMICAL Group in Japan)	31.4%	35%
■ Number of women in management positions (SEKISUI CHEMICAL Group in Japan)	185	200
Of the above, SEKISUI CHEMICAL non-consolidated [Ratio of women in management positions]	56 [4.1%]	50 [4.4%]
■ Ratio of full-time female employees (SEKISUI CHEMICAL non-consolidated)	15.6%	15.0%

\* Includes certain affiliates accounted for by the equity method and non-consolidated subsidiaries.

In recognition for these initiatives, SEKISUI CHEMICAL was selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a "Nadeshiko Brand" in fiscal 2019. We also received this honor in fiscal 2016 and 2017, making this our third selection.



### (People with Disabilities)

Hiring people with disabilities is about more than simply promoting the hiring of disabled individuals. We consider creating an environment which is easy for the disabled to work in to be important as well. In order to achieve such a work environment, we are carrying out joint brainstorming sessions for all human resources departments Group-wide and holding expert-led study sessions for employees who work alongside disabled people at their posts.

### (Global)

As our ratios of overseas sales and employees increase year after year, we believe that to develop as a Group, we need each and every

employee of the Group working in various countries across the globe to develop themselves through their work, and to learn to create and provide products and services matching the needs of each country. To adapt to the different business characteristics, history, management styles, lifestyle habits, as well as the various laws and regulations of each country and region, SEKISUI CHEMICAL Group is focusing on training human resources capable of demonstrating their abilities in their respective countries and regions. In addition to hiring foreign national as employees, we are promoting policies such as our "Global Talent Employee System" for the cultivation of global human resources. Starting in fiscal 2020, we will launch a more strategic global talent training program to accelerate our globalization. In addition, since training overseas personnel is becoming an urgent task, we are implementing a "Global Saijuku" School for the cultivation of future management talent who will be active in the global marketplace. 12 executives of Group companies in the various areas of North America, Europe, Oceania, and Japan, participated in this program to increase management skills expected for personnel active globally through concepts such as "ability to express of Sekisui values," "management ability," and "business creativity."



### Promotion of Work-Style Reforms

In order to accelerate the pace of diversity management, we defined 2018 as "the inaugural year of promoting work-style reforms" and established a "Statement of Work-Style Reform" as one step in our efforts to push forward Group-wide endeavors. In order to link these efforts to productivity improvement, which strives to maximize results in limited time, we are carrying out initiatives for 3 types of reform: operating reform, HR system reform, and work environment reform, and are gradually progressing with improvements. For work-style reform initiatives, we have established targets for annual total working hours, number of holidays, and paid leave acquisition rate, and we are currently working toward achieving them.

Substantial capital investment and the introduction of systems are essential to continuously realizing the effects of business and work environment reforms. For this reason, we have committed to an investment of ¥10 billion for the 3-year period from fiscal 2018 to fiscal 2020, and we are supporting the reduction of working hours Group-wide. Over the two-year period of fiscal

2018 and 2019, the cumulative total of investments made came to approximately ¥6.5 billion on a Group-wide basis (including an amount implemented in fiscal 2020). By undertaking investments, we are working to promote the reduction of working hours from which we will not backtrack. Among our many investments, we are rebuilding housing assembly lines while introducing automated production lines, pushing forward sales innovation through the Sekisui Heim Museum, and adopting production management systems as well as video conferencing and other systems.

To realize work-style flexibility, we introduced a remote working system in fiscal 2019 which achieves both ease of working and security.

### Promotion of Health Management

SEKISUI CHEMICAL Group announced details of its Declaration of Health and established the Basic Policy for Health and Productivity Management in March 2019. This Declaration and Policy summarizes the Group's philosophy and stance toward health management and provides the roadmap for further improving the physical and mental health of its employees, which is recognized as the foundation for diversity management. SEKISUI CHEMICAL Group positions health as the "Well-being" that is defined in the WHO Charter, aiming for health as a state of complete physical, mental and social well-being. To achieve the well-being of all employees, we are working toward medium- and long-term goals established for 5 different segments: 1. Physical, 2. Mental, 3. Organization, 4. Groupwide initiatives, and 5. Job satisfaction and productivity improvement. More specifically, some initiatives include extending healthy life by promoting 7 healthy habits, creating a lively workplace and supporting mental health through effective application of stress checks, and carrying out health promotion activities based on data analysis using information and communication technology (ICT). In some high-risk workplaces where these initiatives were carried out from the second half of fiscal 2018 to fiscal 2019, the workplace environment was improved by utilizing systematic approaches such as detailed analysis of stress check results and interviews with employees.

These efforts to resolve issues related to employee health with an all-company perspective were recognized, and we were certified as a Health and Productivity Management Organization in the large enterprise category ("White 500") by both the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, which operates the Health and Productivity Management Organization Recognition Program, for the fourth year in a row.

# Digital Transformation (DX)

SEKISUI CHEMICAL Group will push forward corporate activities grounded in digital transformation (DX) which supports the basis of LIFE and continues to create “peace of mind for the future” in order to realize a sustainable society.

SEKISUI CHEMICAL Group's DX mission is to accelerate and support the growth strategies and structural reforms necessary to realize its long-term vision. To achieve sustainable growth in an increasingly uncertain business environment, we will take another look at conventional governance (internal control) as well as our business model and processes, while undergoing a transformation from the perspectives of “visualization and standardization,” “productivity increase” and “sophistication.”

We hope to remain a company that continues to provide value to society by raising productivity, shifting “people” to value-based operations, and challenging our employees to meet their full potential.

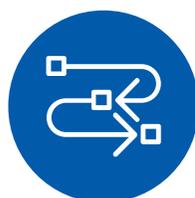
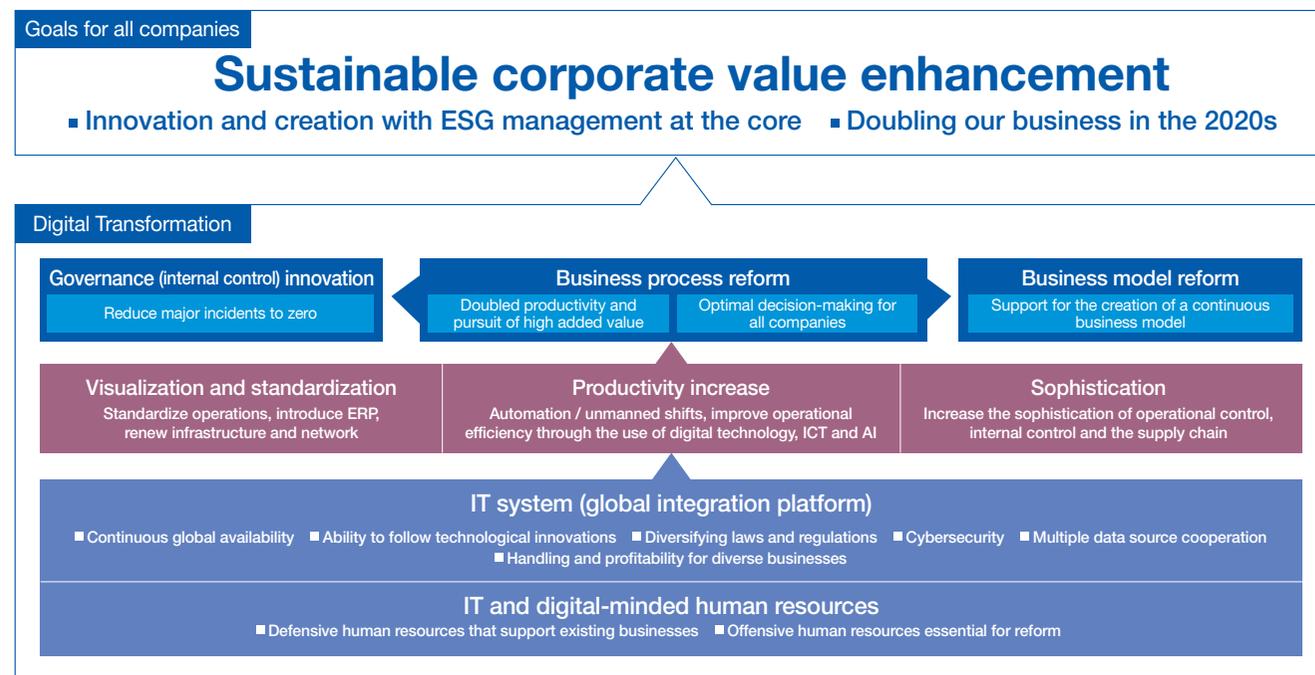
Under the Medium-term Plan (fiscal 2020-2022), we will strengthen the promotion structure while supporting growth strategies and structural reforms.

## Medium-term Plan (Fiscal 2020-2022) Main Policies

With the goal of improving global productivity for SEKISUI CHEMICAL Group as a whole, we are promoting resolution of the most recent issues and formulation of a long-term growth framework. In fiscal 2020, we will begin reforming each business area starting with global purchasing reforms, in parallel with the management structure reform program for global ERP (Enterprise Resource Planning: Integrated Core Business System) which is the core of our DX.

We are also carrying out investment in stages related to the infrastructure and securities supporting these reforms, with diversification of working styles in the ongoing COVID-19 pandemic as a prerequisite.

## Overall Structure for Digital Transformation



### Ensuring robustness of data

Prevention of fraudulent actions



### Introducing integrated ERP

Standardization of working operations and systems



### Reforming work processes

Reform of aspects such as sales, marketing, and purchasing



### Strengthening infrastructure and security

Reduction of business risks

# Fusion

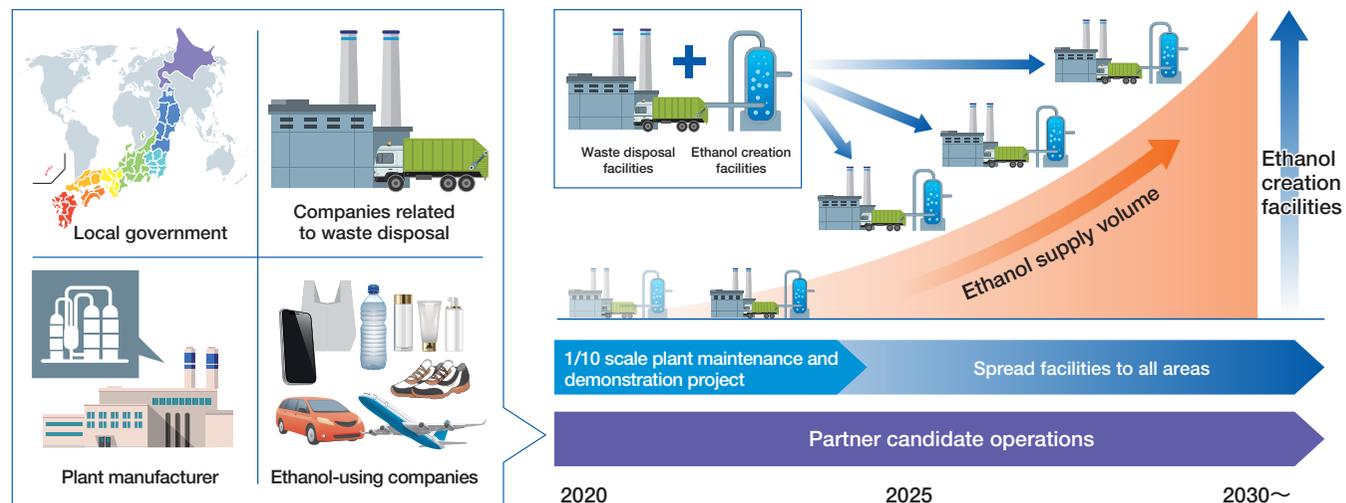
Based on its technology platform, SEKISUI CHEMICAL Group is making efforts to fuse together its various internal and external stakeholders and companies while accelerating innovation.

To date, SEKISUI CHEMICAL Group has accelerated a variety of initiatives by fusing together technologies, business opportunities, and management resources. At the same time, we have created new products and businesses and cultivated new fields, areas, and applications, while promoting business structural reforms aimed at enhancing profitability. Under the previous Medium-term Management Plan (fiscal 2017-2019), we set the goals of increasing sales through fusion and accelerating the creation of new businesses. As a result, we were able to increase sales by approximately ¥40 billion compared with fiscal 2016, promote the Town and Community Development business in earnest as a part of measures aimed at creating new businesses, and take the next step in demonstrating the technology for converting waste into ethanol.

In August 2020, the Minase Innovation Center (MIC) was established within the Research & Development Institute at our High Performance Plastics Company's main design base. As 5G spreads in the communications industry and progression of CASE, including automated driving, continues in the automotive industry (see page 25), fusion and innovation are becoming increasingly important alongside changes in the communications and automotive industries, and we are aiming for further acceleration of the cross-field fusion and innovation of both personnel and information.

Moving forward, we will continue to accelerate internal and external fusion and promote open innovation to create and disseminate innovative products and businesses that contribute to the resolution of social issues, and increase sales volume.

## Commercialization and business development schedule for the envisioned Bio-Refinery (BR) ethanol technology



## Exterior and interior views of the Minase Innovation Center (MIC)



# Research & Development/Manufacturing/Intellectual Property

SEKISUI CHEMICAL Group recognizes that maintaining a prominence in technology is the bedrock for creating value. This is particularly the case in the “Residential and Social Infrastructure Creation” and “Chemical Solutions” fields, where the Group’s technology platform provides the underlying strength of its competitive advantage. In order to further advance this prominence in technology, the Group is committed to consistently strengthening its human resources and organizational structure in the research & development, manufacturing and intellectual property fields.

## Research & Development / Manufacturing

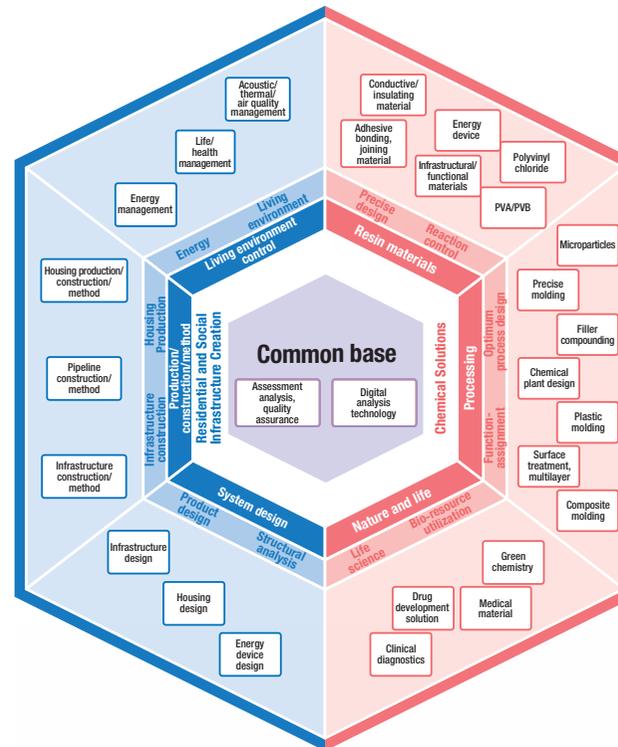
### SEKISUI CHEMICAL’s Approach to R&D

In the Group’s long-term vision “Vision 2030,” the vision statement is “Innovation for the Earth.” In the four domains of residential (housing), advanced lifeline (social infrastructure), innovative mobility (electrics/mobility), and life science (health and medical), as well as next-generation frontiers, we will continue to generate innovation with prominent core technology at its origin to generate new fields, support the foundations of life, and pursue the creation of “peace of mind for the future.”

Forming the basis of these efforts are the 28 technological platforms with direct links to the Group’s two business domains, “Residential and Social Infrastructure Creation” and “Chemical Solutions.” These are the core technological platforms that support the Group’s product lineup and should even be said to be the source of the competitiveness that has been cultivated over many years. An example of this would be our processing, which imparts smart value to components and our molding that enhances the functionality of materials. In this area, we listen to the needs of our customers as a way to best determine the path to adding value. Moreover, by effectively combining multiple platforms, we will continue to develop new products and services that are capable of maintaining a clear lead in the market even in a harsh competitive environment.

Serving as the R&D system in the Group responsible for these platforms are the four primary R&D centers within the Housing Company, the UIEP Company, the HPP Company, and the Corporate

### 28 Technological Platforms



#### Homes that Provide Peace of Mind Even during Disasters!

SEKISUI HEIM  
Smart Power Station series



- Technological Platforms (TPF)
- Housing production/construction/method
- ×
- Energy management
- ×
- Acoustic/thermal/air quality management
- ×
- Infrastructural/functional materials
- etc.

#### Contributes to Stable Conduction Performance and Quality in Displays and Electronic Devices!

Micropearl AU:  
plastic core conductive particle



- Technological Platforms (TPF)
- Conductive/insulating material
- ×
- Microparticles
- ×
- Surface treatment, multilayer

headquarters. In addition, Sekisui Medical Co., Ltd., and other key affiliated companies maintain independent R&D divisions and facilities.

Directly linked to the enhancement of existing businesses and the pioneering of new frontiers, the R&D conducted at divisional companies focuses on product development and manufacturing technology themes that will lead to profit in the near future. In fiscal 2019, we launched our “new smart power station,” which enhanced the safety and convenience of energy self-sufficient housing by strengthening IoT functions, our “large-scale high-drainage system,” which provides four times the drainage capacity of traditional products of the same size to cope with frequent torrential rains, and our “high thermal conductivity sheets,” a heat dissipating material for the growing market of 5G. Looking ahead, SEKISUI CHEMICAL Group will continue to actively introduce new products in fiscal 2020 as a part of efforts to secure a new phase of growth.

In contrast, as an independent research unit, the R&D center within Corporate headquarters is conducting research into themes that present extremely high technical hurdles to be addressed over medium- and long-term timeframes, large-scale themes spanning the entire Company, and new business domain themes that we have never challenged before as a group. For example, with our manufacturing technology that converts waste to ethanol, the first of its kind worldwide, we have formed an agreement with Sumitomo Chemical Co., Ltd. for cooperation on social implementation of manufacturing technology that creates polyolefin from waste raw materials, and have begun moving toward commercialization. We are also vigorously promoting development with the goal of creating new, attractive business related to other themes.

Moreover, divisional companies and Corporate headquarters are bringing to the table their respective intellectual capital while engaging in co-development activities to promote a variety of fusion themes. SEKISUI CHEMICAL Group has also established the New Innovation Committee (NIC) as a forum to support these endeavors. The NIC is comprised of officers who oversee the Group’s R&D, manufacturing, business strategy and human resources functions, and is charged with the responsibility of calling for and evaluating themes with the potential for fusion. Those themes considered worth pursuing are then supported either through corporate expenses or through the dispatching of personnel. Several themes have already been approved and are in the process to realization. As one example, SEKISUI CHEMICAL Group is taking preparatory steps to develop a Town Energy Management System (TEMS) under which the Company will purchase excess electricity generated solar power generation cells from customers living in SEKISUI HEIM houses. In addition to supplying this excess electricity

## Research & Development/Manufacturing/Intellectual Property

to customers living in SEKISUI HEIM houses that are not equipped with power-generating facilities, the purchased power will also be made available use at domestic plants and business sites of the Group. This service was launched in fiscal 2019. We will continue to promote cross-company fusion for creation in fields such as town development, aircraft and moving bodies, cell culturing solutions, AI, and IoT.

### Strengthening Manufacturing Capabilities

The Group is working to promote R&D that helps to create new products. At the same time, the Group is placing equal emphasis on strengthening its manufacturing capabilities in a bid to reinforce the competitive advantage of its existing products. In the "Drive2022" Medium-term Management Plan, "realization of an on-site environment where the fusion of on-site ability and digital technology enables all workers to work vigorously to contribute with peace of mind" is listed as a policy related to manufacturing capabilities, with the goals of zero major incidents and doubled productivity. In this Medium-term Management Plan, we are working on three initiatives: internal control, production technology, and ICT. For internal control, we are strengthening our ability to prevent quality tampering through digital conversion of the quality inspection process and also building and deploying a predictive risk management system. For production technology, we are automating processes, using digital technology for formalization, and carry out personnel training to promote on-site ICT and IoT. For ICT, we are promoting the development of a global standard model through the unification of data infrastructure and intra-factory data linkage infrastructure. Such organizational approach will enable the Group to engage its prominent technologies and quality in the continuous development of new frontiers in the domains of "Residential and Social Infrastructure Creation" and "Chemical Solutions" for the betterment of the environment and the people's lives in the world.

### Framework for Sharing Customer Feedback with Employees

SEKISUI CHEMICAL Group's Customer Consultation Office receives over 10,000 inquiries and comments every year. SEKISUI CHEMICAL Group directly answers each inquiry and analyzes the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers. By drawing out customer opinions and providing continuous feedback to the business units of each divisional company, these efforts assist CS quality improvement measures such as review of product specifications.

SEKISUI CHEMICAL Group aims to improve three qualities (people,

systems, products and services) based on feedback from customers.

### Treatment of Human Resources Engaged in R&D and Manufacturing

As part of our system for the evaluation and appreciation of superb researchers and engineers, the Group has established the "Technology Award" and "Invention Grand Prize." The Group has also established a specialist position system for researchers and engineers with highly specialized skills. The system selects exceptional individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the Company. As of April 2020, 27 people have been appointed to specialist positions, and we are promoting technology platform strengthening initiatives with a long-term perspective. The Group introduced the Meister position to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Group. The position is intended to promote the Group tradition of superior skill and craftsmanship and increase the motivation of each and every technician. As of April 2020, 3 people held Meister positions. Cultivating and encouraging the Group's talented manufacturing technicians by acknowledging their highly refined skills inspires motivation and will further elevate the Group's high level of manufacturing expertise in the years to come.

## Intellectual Property

### Fundamental Policy

Intellectual property is the source of competitiveness for companies, and is an important management resource that underpins growth and revenue aimed at optimizing corporate value. At SEKISUI CHEMICAL Group, in order 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. In addition, we have been working on applications for digital transformation for some time and are now proactively branching out

into new intellectual property trends such as materials informatics and AI. Through the activities above, we are contributing to growth and creation for our business in the intellectual property field in the Medium-term Management Plan "Drive2022".

### Intellectual Property Activities Corresponding to the Divisional Company Organization System

At SEKISUI CHEMICAL Group, we have established independent intellectual property divisions for our Corporate headquarters and each divisional company to promote intellectual property activities corresponding to the Divisional Company Organization System.

At Corporate headquarters, we carry out planning and drafting of shared intellectual property strategies used by all companies, as well as trademark preservation, intellectual property education, and intellectual property management activities. In addition, we implement IP landscaping with a future perspective in the planning stages that expands on not only patent information but also a wide range of non-patent information related to business activities, promoting strategic intellectual property activities which take the initiative for the creation of new products and businesses. By maintaining constant cooperation among the intellectual property, business, and R&D divisions at each divisional company, we are promoting intellectual property activities for the expansion and growth of our business, giving us an advantage over our competitors.

In this way, the intellectual property divisions at our Corporate headquarters and each divisional company promote intellectual property activities matched to their respective roles while maintaining close cooperation, leading innovation in the intellectual property field for the Group as a whole.

### Initiatives for Increasing Brand Value

SEKISUI CHEMICAL Group is involved in a wide-ranging variety of businesses, and the scope of our activities extends beyond Japan's borders to overseas locations as well. For this reason, **SEKISUI** was positioned as a logo representing the corporate brand of the Group in 2009 (trademarked in 103 countries as of the end of fiscal 2019). In addition, to ensure that employees all over the world use the **SEKISUI** logo correctly, usage is managed based on the "Visual Display Standards (Brand Book)." We are also constantly on the lookout for counterfeit products, trademark violations, and usurped applications which could damage our Group brand, maintaining a strict, no-tolerance policy for the fraudulent actions of other companies.

# Research & Development/Manufacturing/Intellectual Property

## Energizing Intellectual Property Culture

With the goal of increasing employee awareness of intellectual property, we started a system in fiscal 2010 which 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 which contribute to profits, there are others which 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 increase employee motivation related to intellectual property.

Within this awards framework, there is a special company president award called the "Invention Grand Prize" which recognizes the achievements of inventors whose inventions make major contributions to profit for the Group as a whole. The Invention Grand Prize is divided into 4 grades ranging from Special Class to 3rd Class, assigned depending on the extent of the invention's profit contribution, 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 profit contribution amount. This system has been in place since fiscal 1999 and is now in its 21st year. In fiscal 2019, a 1st Class Invention Grand Prize was awarded for an invention related to interlayer film for use with laminated glass.

## Intellectual Property Training for Employees

We have established a training program for new engineers during their first 3 years which covers essential topics ranging from fundamentals of intellectual property to strategy development and is implemented at all companies. In fiscal 2019, lectures were implemented 28 times and roughly all of the target group, approximately 480 engineers, participated.

In addition to the above, 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.

## Performance Data

In the "Patent Asset Scope Ranking" and "Ability to Restrain Other Companies Ranking" released by Patent Result Co., Ltd., our company was ranked #5 and #4, respectively, in 2019, and we have maintained a position in the top 10 of both rankings for the past 5 years. Our numbers for both patent applications and patent ownership are stable, and our patent application to development expense and patent ownership to sales ratios are also strong compared to other companies in our industry. In addition, we are also focusing our efforts on overseas applications as the globalization of our business activities progresses.

### Patent Asset Scope 2019 Ranking

Ranking	Company name	Patent asset scope (pt)	Number of patents
1	Fujifilm	64,031.6	1,216
2	Mitsubishi Chemical	22,186.2	624
3	Sumitomo Chemical	22,136.4	452
4	DIC	21,797.9	350
5	<b>SEKISUI CHEMICAL</b>	<b>21,518.3</b>	<b>506</b>
6	Kao	20,774.5	717
7	LG Chem	18,412.2	471
8	Nitto Denko	16,841.9	368
9	Asahi Kasei	15,551.3	394
10	Shin-Etsu Chemical	13,945.9	402

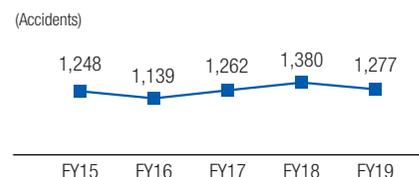
Source: Patent Result Co., Ltd.  
"Chemical Industry: Patent Asset Scope 2019 Ranking"

### Ability to Restrain Other Companies 2019 Ranking

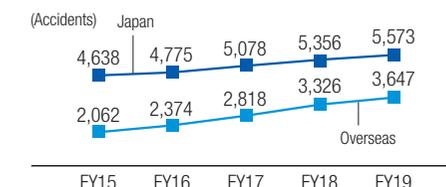
Ranking	Company name	Number of patents
1	Fujifilm	4,552
2	Mitsubishi Chemical	2,132
3	Kao	1,648
4	<b>SEKISUI CHEMICAL</b>	<b>1,301</b>
5	Nitto Denko	1,160
6	Hitachi Chemical	1,079
7	Asahi Kasei	996
8	Sumitomo Chemical	984
9	DIC	761
10	Shin-Etsu Chemical	747

Source: Patent Result Co., Ltd.  
"Chemical Industry: Ability to Restrain Other Companies 2019 Ranking"

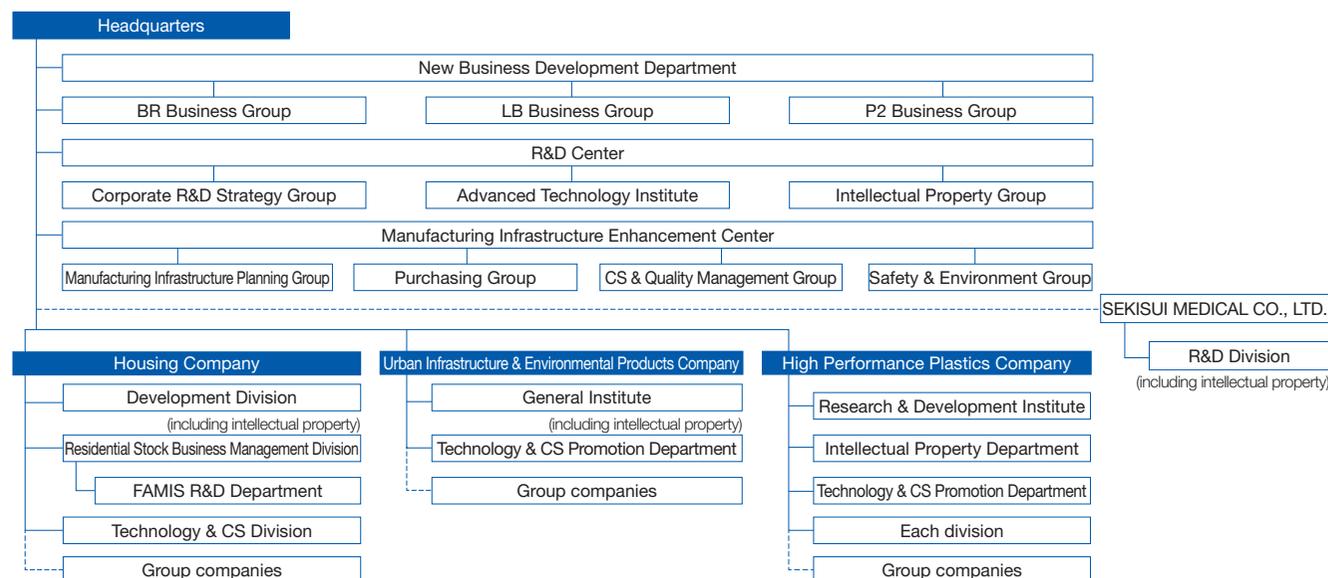
### Number of patent applications (domestic)



### Number of patents possessed (domestic and international)



## R&D, Manufacturing, and Intellectual Property Management System



# Internal Controls

## Reducing Serious Incidents

In order for SEKISUI CHEMICAL Group to expand our contributions to resolving social issues in a sustainable manner and to achieve sustainable growth, we must strengthen the management foundation to prevent serious incidents and to avoid inviting major damage to corporate value as a result of such incidents. Several examples of major incidents include compliance issues, such as quality data misrepresentation and accounting fraud, which have emerged as problems throughout the world; industrial accidents, such as factory explosions and harmful substance leaks; and quality problems, such as large-scale recalls.

The Group has defined those incidents that hold the potential for major Groupwide impacts under five domains (safety, quality, accounting, legal/ethical, information management) and established the medium- to long-term priority of these from a Groupwide perspective. Based on the definition and priority of each, we have been advancing measures from the two approaches of reducing the frequency of incidence Groupwide through focused investment of resources (people, goods, money) and of mitigating the degree of impact following an incident. Under the current Medium-term Management Plan, the Group specifically focused on promoting measures to enhance cyber security, such as those for cyber attacks, system failures, and confidential information leaks, and measures to ensure the durability of quality inspection data, in combination with the themes of digital transformation and automation.

### Five Major Incident Domains

Risk Classification	Domain	Incident Example
Five major incident domains	Safety	Fire/explosion; fatality/serious accident
	Quality	Quality falsification, quality defects that threaten human life
	Accounting	Fraud and improper accounting
	Legal/Ethical	Violations of the Monopolies Act, bribery and corruption related laws, and security trade control regulations
	Information Management	Exploitation and destruction of data; information system failure; leakage of personal and confidential information

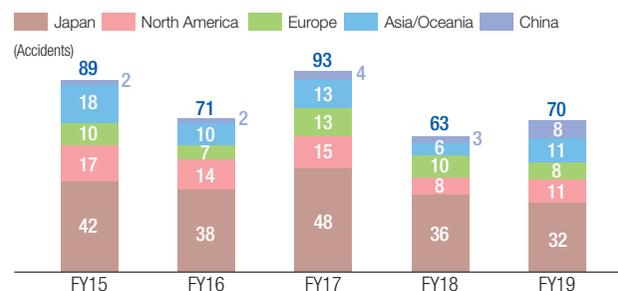
## ! Safety

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. Even if equipment can be made completely safe, it is necessary to recognize that work and actions taken by individuals can have hidden risks. For this reason, we are making concerted efforts at safety education and raising sensitivity to risks, while following rules and creating a protective corporate culture.

At the same time, constructing a work environment in which employees can work with safety and security is our responsibility as a company and we consider it to be one of the most important priorities for management. SEKISUI CHEMICAL Group is implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes.\*

\* Five themes: ① Intrinsic safety of equipment; ② safety management using OHSMS; ③ safety education of employees; ④ risk prevention through risk detection activities and other initiatives; and ⑤ auditing of health, safety, and accident prevention.

### Number of Occupational Accidents



### ! Example in Safety Activities

As part of our safety activities, the Group recognizes that it is of utmost importance for the top managers at business sites to exercise leadership and take the initiative. In fiscal 2019, 38 employees (68 in total since fiscal 2017) were certified under the "safety leader" qualification to serve as personnel who take the

initiative in safety activities. In addition, we encourage employees to obtain the qualification called "safety sub-assessor," holders of which play a role in promoting intrinsic safety in equipment. Since fiscal 2017, 140 employees in total have been certified as safety sub-assessors.

### ! Safety Audits

OHSMS (Occupational Health and Safety Management Systems) audit evaluation reports are drafted and used in self-assessments and corporate audits at each business site. Evaluation items are revised annually, which include incorporating ISO 45001 requirements published in March 2018. Taking into consideration the status of safety management activities and the incidence of natural disasters, corporate audits were conducted at 20 business sites in Japan, a smaller number than in previous years, in fiscal 2019.

### ! Occupational Safety Assessments

Article 14 of the Group's Safety Management Rules stipulates that a comprehensive preliminary occupational safety assessment must be undertaken by the business general manager concerned when launching a new business. Based on this stipulation, the relevant divisional company that is looking to launch a new business implements an assessment.

### ! Early Detection of Risks

We have conducted practical risk assessment-improvement training since fiscal 2016 in order to develop personnel able to identify by themselves and mitigate risks at their workplaces. This training program has been held at a total of ten workplaces, with the number of participants reaching 239 to date. The Company monitors the participants' identification of risks and the status of improvement in each workplace. More than 1,900 risk items have been identified through this training with steps taken to improve unacceptable risks.

## Internal Controls

### Reducing Serious Incidents

#### Measures to Prevent Fires and Explosions

To prevent fires and explosions that, once they occur, have a major impact on the surrounding environment and on business continuity, in addition to the safety audits performed thus far, we implement emergency response audits, to which we invite outside disaster experts. We verify items such as the storage and handling status of hazardous materials as well as the recovery systems used following a disaster, including natural disasters, and promote the quick identification of disaster risks and the subsequent implementation of preventative measures.

Of the 147 measures implemented to prevent a reoccurrence of the 20 fires (including small fires) between fiscal 2014 and fiscal 2017, we confirmed that 139 were still in place. We recommended further measures for strengthening the remaining eight measures and confirmed that these improvements had been made.

Based on the second edition of the accident prevention handbook issued in 2019, we have worked to identify fire and explosion risks at 48 workplaces nationwide and identified 4,072 risks as of fiscal 2019. Of the 2,069 risks requiring improvement, 1,858 (90%) were mitigated as of the end of fiscal 2019.

#### Emergency Response Measures

We have established getting caught or entangled in machinery at a production facility, falling off equipment or falling over at a business site, and a fire or explosion in a chemical process as high-risk scenarios on which SEKISUI CHEMICAL Group should place a particular focus on preventing. The Company conducts "Heads-up Training" where chemical processes are integral to production.

At SEKISUI CHEMICAL Group, we conduct "Heads-up training" to fortify the decision-making abilities of all our employees in the event that they encounter an emergency situation. More specifically, supervisors with years of experience will ask trainees what they would do if equipment designed to prevent danger fails and the trainees will be tasked with providing responses off the top of their heads. This training improves the skills needed to respond to unexpected situations in the event of a disaster by passing down to younger employees the on-site safety know-how accumulated over many years by senior employees. Through this

training, we were able to improve equipment countermeasures and revise operating procedures. In addition to teaching trainees how to handle potential problems, the training has been applied on various occasions, including evacuation drills and disaster prevention drills.

#### Overseas Business Site Safety Audits

At our overseas production sites, which operate under the varying laws and regulations as well as differing cultural awareness of safety issues in each region, SEKISUI CHEMICAL Group has, since fiscal 2013, been deploying safety global standards to raise the level of safety activities. Having commenced safety audits based on these global standards in earnest in fiscal 2014, in fiscal 2019 we implemented audits at 7 business sites. We are also holding regional safety brainstorming sessions in North America and China to share regional issues and discuss countermeasures. Planning and implementation, which had been previously spearheaded by the Company's headquarters, have been shifted to regional head office staff. The program is undertaken each fiscal year based on such themes as policy development, sharing workplace initiatives, lectures by experts, and methods to investigate the causes of accidents.

## Quality

### Medium-term Plan (2017-2019) Progress

In fiscal 2019, the final fiscal year in the Medium-term Plan, there was one incidence of a major quality issue\*<sup>1</sup>. There has been no major quality issue relating to new products\*<sup>2</sup>. External failure costs\*<sup>3</sup> decreased compared with fiscal 2016. To achieve zero major quality issues in the future, we will promote quality management activities across the entire supply chain based on the Development Guide-lines and Everyday Management Guidelines. In addition, we will aim to decrease external loss costs by rolling out across the entire Group a more robust quality assurance system, management of changes and alterations,

and quality risk-reduction activities based on the prevention of defects.

\*<sup>1</sup> Major quality issues: Problems related to product and service quality that could cause significant damage to customers, society, or SEKISUI CHEMICAL Group if not thoroughly resolved on an urgent basis.

\*<sup>2</sup> New product: A challenging product selected by divisional companies through the development of new fields and technologies.

\*<sup>3</sup> External failure costs: Costs arising from responding to product-related complaints.

### On-site Manufacturing Supports Quality

Recognizing that it is the fields of manufacturing development that support quality, since fiscal 2006 SEKISUI CHEMICAL Group has focused its efforts on innovation in production. Based on its belief that quality defects lead to higher costs arising from handling complaints or increased waste, we are trying to reduce costs by targeting the "three zeros" of accidents, waste, and complaints.

### Preventing Quality Fraud

In light of the frequent occurrence of quality control related fraud from 2017 to 2018 in Japan, SEKISUI CHEMICAL implemented an in-house investigation to confirm that our quality data is not fraudulent and that inspection has not been conducted by uncertified personnel for all products throughout the Group in order to ensure that we do not put the lessons learned by others to waste. As a result, we have confirmed that there are no cases of deficiencies regarding certification of auditors, official certification and quality that hold the risk of violation or fraud.

SEKISUI CHEMICAL Group took steps to put in place a structure, systems, and framework to prevent further data falsification in fiscal 2019. This initiative is to coincide with the start of the new Medium-term Plan from fiscal 2020. SEKISUI MEDICAL CO., LTD. also received quality certification from the U.S. Food and Drug Administration (FDA) for the first time in fiscal 2019.

SEKISUI CHEMICAL Group will continue to ensure that the specifications agreed upon with our customers are observed and that we re-instill an awareness of compliance for the purpose of enhancing our quality assurance capability. At the same time, by ensuring the reliability and transparency of inspections, we will continue to implement in-house quality control investigations that extinguish any potential for fraud.

## Internal Controls

### Reducing Serious Incidents

#### Compliance

In SEKISUI CHEMICAL Group, we established our “Compliance Declaration” based on principles such as “contributing to society,” “being a trusted company,” and “adherence to the letter and spirit of the law.” In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. Compliance is management itself for SEKISUI CHEMICAL Group, and in order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.

#### Prevent Major Compliance Issues

Under the target of “zero incidents of major compliance issues” stated in the Medium-term Plan (FY2017-FY2019), no major compliance issues arose in fiscal 2019, making for continuous achievement of zero incidents since fiscal 2015. In the CSR Medium-term Plan, which kicked-off in fiscal 2020, we carried over the target of “zero incidents of major compliance issues,” and continue to strengthen our management of compliance and work to prevent compliance issues before they occur.

#### Growing Awareness Toward Compliance

SEKISUI CHEMICAL Group distributed the Compliance Manual, in which are described the matters with which each Group employee should comply, and a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee. The Compliance Manual includes information on topics such as the prohibitions on corruption and bribery, respect for human rights and the prohibition of discrimination, data management and protection, compliance with antitrust legislation, prohibitions on insider trading, conservation of the global environment and compliance with labor-related laws and regulations, and the internal whistleblowing system; it publicizes, and promotes thorough adherence with, these requirements among all employees. We have also created a Global Compliance Manual covering

regulations around the world. To allow all overseas Group employees to understand this manual, we have created not only English, but also Chinese, Thai, Indonesian, German, and Korean editions, and are proceeding with translating the manual into more local languages. We also focus on employee compliance education, and continuously provide opportunities for all Group employees to learn about the importance of compliance, such as by introducing compliance study into training for new employees and rank-specific training, and conducting e-learning sessions specific to compliance quarterly.

#### Building an Effective Compliance Promotion System

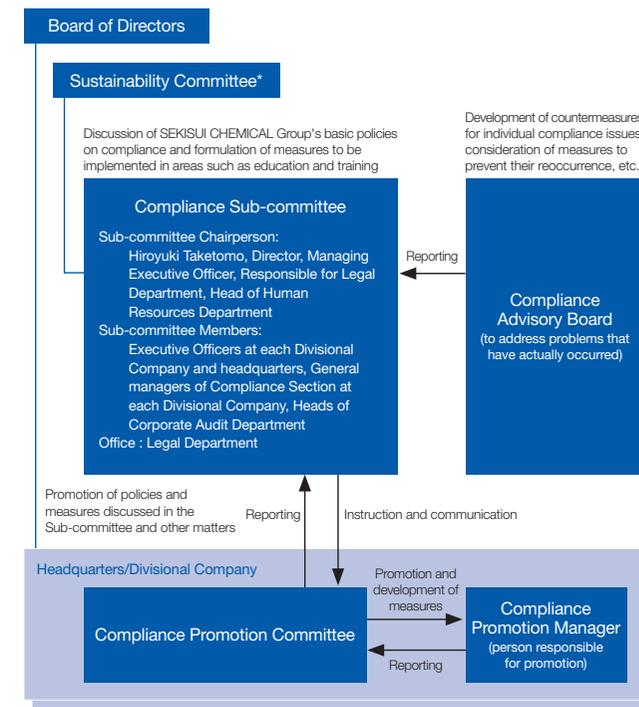
To further strengthen the Group's compliance activities, the Sustainability Committee, chaired by the president, deliberates the Fundamental Compliance Policies, which are subject to approval by the Board of Directors. In order to manage compliance-related initiatives across the Group, we established a Compliance Subcommittee—which reports to the Sustainability Committee and is chaired by the executive officer who heads the Legal Department—to put forward policies and implementation measures. Similarly, we have established compliance promotion subcommittees at headquarters and at each divisional company and appointed persons responsible for putting compliance promotion into practice as a means of implementing and deploying each measure. In the unlikely event that a major compliance issue arises, we will hold a Compliance Advisory Board meeting to respond as appropriate and examine measures to prevent a recurrence.

#### Reinforcement of Global Legal Affairs Structure

SEKISUI CHEMICAL Group has been reinforcing its legal affairs structure by developing and deploying legal personnel, strengthening collaboration among legal departments and enhancing legal functions. In fiscal 2017, employees responsible for legal affairs took up new posts at regional headquarters in Europe and Thailand. In fiscal 2017, we also began implementing those initiatives that have been undertaken during the Compliance Reinforcement Month in North America and

China. Since fiscal 2018, we have deployed these initiatives horizontally on a global scale, for example by extending them to and implementing them each year in the Southeast Asian and European regions.

#### Compliance Promotion System (from FY2020)



\* The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

## Internal Controls

### Reducing Serious Incidents

#### Upgrade of the Whistle-blowing Program

In 2002, SEKISUI CHEMICAL Group developed the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistle-blowing system, which is operated under the supervision of the executive officer in charge of the legal department as a mechanism that is available for use by all SEKISUI CHEMICAL Group employees and its business partners. In addition to enabling direct reporting to outside law firms, S.C.A.N. also plays a role as a point of contact for consultations such as whether a specific act would be classed as a compliance violation.

While the internal whistle-blowing rules require employees to report when they become aware of a compliance violation, the system also prescribes the protection of the whistleblower and stipulates that information on the person who provided the information be kept secret from everyone other than at the point of contact and the prohibition of any prejudicial treatment toward that person. Regarding the report content, interviews are held to investigate the claims of both the informer and the informee, and eyewitnesses are interviewed as well when necessary. The truthfulness of these reports is confirmed in this way, ensuring intra-organizational issues are handled in a fair manner.

In fiscal 2015, we reconfigured the internal reporting system, and established reporting and consultation points for executive officers and employees of business partners in Japan who are

#### Fiscal 2019 Number of Whistleblowing Cases and Consultations

Reports/consultations	Number of cases
Power harassment	41
Working conditions	20
Sexual harassment	3
Workplace environmental concerns	2
Misuse of expenses	2
Sales methods related	1
Misrepresentation of work performance	3
Collusion with business partners	0
Others	21
Total number of complaints	93

continuously conducting business transactions with SEKISUI CHEMICAL Group companies.

#### Efforts to Prevent Bribery and Corruption

Based on the spirit of the UN Global Compact, signed and approved by the Group, we promote efforts to prevent acts of bribery and corruption before they occur. Along with introducing Group-wide internal regulations to prevent bribery and corruption, SEKISUI CHEMICAL Group formulated anti-bribery guidelines, which summarize matters concerning bribery and corruption, that employees should observe when doing business in Japan, the United States and China, and has worked to make these known.

For example, when a government official is to be entertained or presented with a gift, a form must be submitted in advance to obtain approval from management. In our efforts to prevent the breaking of any laws, we identify high risk cases regarding corruption and bribery, and put countermeasures in place. In the event that we appoint an agent or consultant in connection with business transactions, including those involving public officials from other countries, we stipulate that this can only be undertaken once we have confirmed that payments of remuneration to that agent or consultant could not be classed as bribes, that there are no reasonable grounds to suspect that payments could constitute bribes and only after a predetermined settlement procedure has been followed.

In the sales and purchasing departments, which are especially at risk for bribery and corruption, we encourage them to learn about regulations and guidelines, such as by conducting training specific to countering graft and corruption, and to make full use of the relevant forms, among other measures. In fiscal 2019, in connection with the "Compliance Reinforcement Month," held yearly throughout the SEKISUI CHEMICAL Group in October, we conducted bribery prevention training at each Group company in China. We also called attention to bribery prevention during overseas assignment pretraining for those employees being assigned overseas for the first time.

No cases of major violations of the laws governing bribery and corruption occurred in fiscal 2019.

#### Tax Compliance Initiatives

We do not use tax havens for tax avoidance purposes, and pay taxes appropriately in the countries and regions where we operate, thereby contributing to the economic development of those countries and regions. In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length prices based on local laws and OECD (Organisation for Economic Co-operation and Development) guidelines. We use APA (Advance Pricing Arrangement) as necessary to eliminate unstable tax positions.

#### Handling Measures for Antitrust Laws

At SEKISUI CHEMICAL Group, we have been operating a business organization membership payment system, a pre-application and follow-up report system for competitor contact, and a price revision committee system since 2007 as a compliance program for antitrust laws. There were no cases of major violations of antitrust laws in fiscal 2019.

## Internal Controls

### Reducing Serious Incidents

#### Cyber Security

SEKISUI CHEMICAL Group formulated the Groupwide Cyber Security Policy as the principle for enhancing initiatives for cyber security measures Groupwide, and implements measures against the risk of information leaks, natural disasters, and other issues.

#### Principles

We, SEKISUI CHEMICAL Group, recognize that cyber assets—information received from individual customers and business partners, confidential corporate information, and systems for managing this information—are an increasingly important management resource and a source of our competitiveness. We believe that preparations against cyber-attacks threatening these assets are an important management responsibility, and strive to continually undertake cyber security measures as defined in the basic policy, to ensure a stable management foundation.

#### Cyber Management System

Headed by the Sustainability Committee, which is chaired by the president, we have established a cyber security subcommittee as a policy-making body for the cyber security area. The subcommittee is led by the Chief Information Security Officer (CISO) and it deliberates and sets policy with regard to Companywide cyber security measures or significant security incidents. To advance measures based on subcommittee decisions we have established the Cyber Security Promotion Committee, and have also created the Cyber Security Incident Response Team (CSIRT\*) as a lower-branch task force.

Having posted at least one cyber system administrator on site at each business, we have established a comprehensive Groupwide cyber management system. Even in the case of organizational changes or cyber system administrator reassignments, the Company is constantly aware of the presence or absence of the cyber system administrators at each of its business sites through its registry management system.

\*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.

#### Measures to Address Information Leakage Risks

The Company takes every measure possible, from both system and human aspects, in order to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the Company has positioned its Security Operation Center (SOC)\*<sup>2</sup> as its primary entity to consistently identify new threats, such as newly reported cases of viral infections or targeted e-mail attacks, while Sekisui Chemical's CSIRT swiftly takes action to implement appropriate countermeasures. We are also taking preventive measures such as employee education based on e-learning courses and by

conducting audits.

CSIRT operations are executed based on regularly held Cyber Security Promotion Committee meetings and assessments of risk countermeasures. It also makes activity reports on cyber security at every meeting.

\*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 CSIRT with its response and recovery efforts.

#### Measures to Address Natural Disaster-related Risks

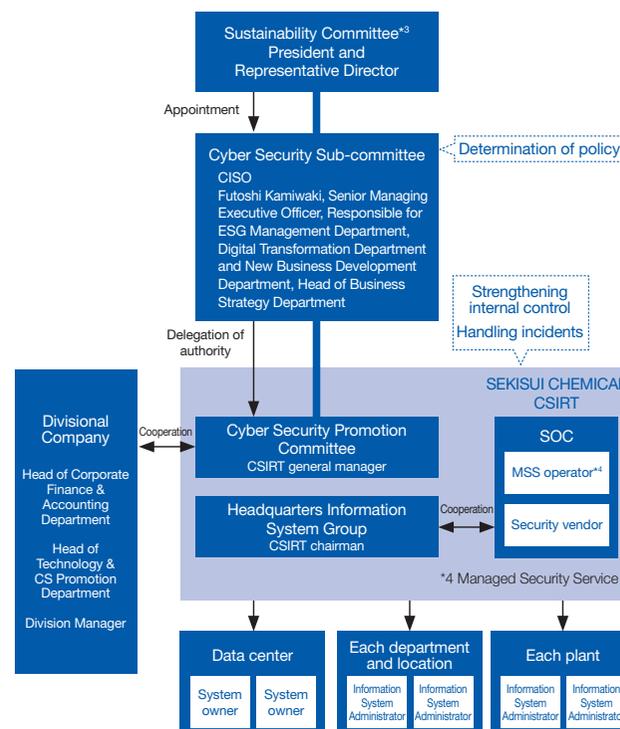
We have confirmed that measures are in place for earthquake resistance, seismic isolation and to counter other problems encountered by contracted data centers so that business operations can be continued even in the event that backbone systems are damaged by a major earthquake or other disaster. In addition, by dispersing data centers among multiple locations, we have established a system that will not cause work to be disrupted even if a particular data center becomes unavailable. By taking steps to completely duplicate mission-critical systems, the Company is working to shorten the lead-time needed up to the completion of repairs and recovery of business operations.

#### Protecting Personal Information

Sekisui Chemical has formulated its Personal Information Policy, which is available on the Company's website. Based on this policy, the Company complies with legal regulations and norms regarding personal information, and by voluntarily putting in place rules and systems, strives to appropriately protect such information.

We have also formulated "Guidelines for Web Server Construction and Management," and endeavor to protect servers managed at each company and each work site.

### SEKISUI CHEMICAL Group Cyber Security Structure



\*3 The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

## Internal Controls

### Risk Management

Here at SEKISUI CHEMICAL Group, we are working to build a risk management structure that unifies “risk management,” which aims to prevent risks from occurring in the first place, and “crisis management,” which responds to serious risks that have manifested. Through this unification of concepts, we aim to build a system that can be brought to bear on ever-changing risks and crises.

### Management Structure

To date, the head of the HR department has overseen SEKISUI CHEMICAL Group's risk management structure and systems. Ultimate responsibility has shifted to the Managing Director of the ESG Management Department, who now handles day-to-day risk management operations from April 2020. We are striving to publicize and thoroughly install among the directors, executive officers, and employees of SEKISUI CHEMICAL and its Group companies the “SEKISUI CHEMICAL Group Risk Management Guidelines,” which were established based on the revised “Basic Philosophy on Internal Corporate Governance Systems” of April 2015, to identify significant risks and to prevent them from manifesting by centrally and comprehensively collecting and evaluating information about risks. In the event that a significant risk does become manifest, an Emergency Response Headquarters will be established based on the “SEKISUI CHEMICAL Group Crisis Management Guidelines,” creating a framework capable of swiftly and appropriately handling the situation.

In preparation for such rare contingencies, a code of conduct regarding this framework, to be referred to by all employees, has also been shared with all group employees via the group intranet and other means.

In the Medium-term Management Plan started in fiscal 2020, we will deploy ERM\* in a way that fuses our existing organization-specific risk management activities with our Group-wide risk management activities. In addition to domestic organization, we will accelerate the deployment of existing organization-specific activities in overseas Group companies (including M&A and new businesses), and instill these throughout every corner of the Group. Moreover, we will newly carry out risk assessments specific to each business domain and region as a mode of Group-wide risk management. At the same time, we will identify and evaluate

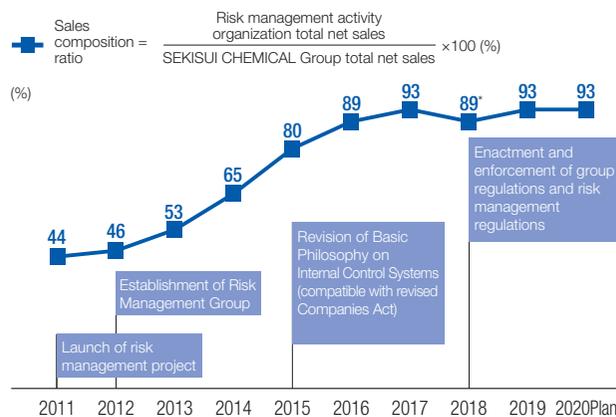
major risks throughout the Group and incorporate them into action plans, design Group-wide targets, and monitor progress.

\* ERM: ERM, which stands for Enterprise Risk Management, refers to the Group-wide mechanisms and processes involved in Group-wide and integrated risk management and risk management activities.

### Increasing Risk-sensitivity Using PDCA Cycles

It is extremely difficult to accurately monitor for risks that could foreseeably occur at some point in the future, as our corporate activities become more complex. SEKISUI CHEMICAL Group believes that increasing risk sensitivity among employees is essential to handling such risks, and the Group continuously runs PDCA cycles in line with the international standard for risk management ISO 31000.

These activities were launched during fiscal 2011 among 27 organizations, primarily business units within the Company. The number of organizations engaged in these actions has increased each year, reaching 175 in total, including Japanese and overseas affiliates, in fiscal 2019. The percentage of consolidated revenue covered is approximately 93%. In addition, the Group is also working to improve the effectiveness of these actions through inter-organizational cooperation and linkages among specialist divisions.



\* Temporary decline resulting from a large-scale M&A.

### Identifying and Assessing Risks

To make clear which risks the Group as a whole should prepare itself for, in terms of both organization-specific risk management and Group-wide risk management, we have broadly categorized these as business environment, strategic, and operational risk, and have further subcategorized each category in order to comprehensively identify risk. Based on the different risk criteria for organization-specific risk management and Group-wide risk management, we quantitatively assess the risk level for each of the identified risks using a risk matrix that combines results and likelihood of occurrence.

#### Major Risks Faced by SEKISUI CHEMICAL Group

##### 1. Business environmental risks

- Major market trends
- Fluctuations in exchange rates, interest rates, and asset value
- Raw material price volatility and procurement
- Natural disasters
- Climate Change and environmental issues (resource depletion, water, marine plastics)
- Politics and society (political change/terrorism/infectious diseases)

##### 2. Strategic risk

- M&A/New Business/R&D

##### 3. Operational risk

- Information-management (information leaks/technical information outflow)
- Quality (responsibility for manufactured goods/Major Quality Issues)
- Safety (fire and explosions/major workplace accidents/hazardous substance leakage)
- Laws/Compliance/Human Rights (unethical or criminal behavior/violations of the Monopolies Act or fraudulent transactions/unauthorized overwriting of data/bribery/harassment/environmental regulations, etc.)
- Intellectual property (IP disputes)

## Internal Controls

### Risk Management

#### Bolstering the Crisis-management System

Based on its experience during the Great East Japan Earthquake, SEKISUI CHEMICAL Group carried out a full-scale overhaul of its crisis management system in fiscal 2011 and has been refining that system ever since. Specifically, the Group, among other initiatives, has been conducting drills (at least twice yearly) based on the Emergency Response Headquarters Procedures Manual, annual education (for all employees) using the Emergency Situation Initial Response Procedures Manual, and organizing disaster-preparedness systems based on disaster-preparedness checklists in all offices (around 800 within Japan). As of January 2012, the rate of sufficiency regarding disaster-preparedness systems, in reference to the Cabinet Office's "Table of Self-evaluation Items," averaged 41% among all offices. However, because of instituting concrete measures, the Group has, since fiscal 2015, reached a point where it has been able to maintain an average rate above 90%.

In preparation for emergency situations, SEKISUI CHEMICAL Group implements Companywide response measures for emergencies as provided for in the Crisis Management Guidelines and the Emergency Response Headquarters Procedures Manual. Through education and providing the Emergency Situation Initial Response Procedures Manual to all employees, including temporary and other staff, who carry this manual at all times, we ensure that all employees can take the appropriate action in the event of an emergency. Moreover, in fiscal 2019 we implemented a safety confirmation system for all Group employees that allows us to rapidly confirm the safety of our employees, even during emergency situations.

#### Business Continuity Planning (BCP)

BCP is the very essence of business strategy. Therefore, SEKISUI CHEMICAL Group, whose adoption of a Company system has made the range of the business in which it engages broad, has decided on a basic posture of having those in charge of each line of business (the heads of business units, the presidents of subsidiaries and affiliates, etc.) determine the necessity of BCP individually, based on the particulars of the business in which they are engaged. Because of this, the Group has created a support system, such as by establishing "Guidelines for Formulating BCP

(BCM)" and drawing up a checklist for performing this formulation. Each person in charge of a line of business is recommended to formulate business-continuity plans and to implement business continuity management (BCM) based on these guidelines and on ISO 22301, a standard for methods of implementing BCM.

#### Crisis Management Systems Overseas

Based on its corporate "Overseas Safety Management Regulations," SEKISUI CHEMICAL Group supports employees traveling abroad, those stationed abroad, and locally based employees in a variety of ways. This includes classifying into six global regions, sharing crisis management-related information spearheaded mainly by the Overseas Crisis-management Office, calling for caution and attention to important matters in a timely manner, instructing employees about travel restrictions, and implementing other emergency-response measures.

As the number of Group locations increases with each passing year, and given the growing importance of overseas business activity, we established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. During an overseas crisis, the Overseas Management Group within the Headquarters Business Strategy Department and the Global Crisis Management Office (Risk Management Group within the ESG Management Department) cooperate and lead the response to the crisis.

Regarding risks particular to overseas sites, including civil unrest, terrorism, and infectious diseases, the Group has organized a support system based on signing contracts with crisis-management companies, such as those that provide security assistance and medical assistance.

#### Improving the Effectiveness of Risk Management Activities

With the introduction of the Digital Dashboard, a database covering the implementation status of risk management activities, we have substantially improved the efficiency by halving the preparation work for feedback to each organization. In addition, we have used the search function, which has made it easier to horizontally deploy management measures and identify risks at

each organization. Moreover, in fiscal 2019 we added a function for the purpose of collaboration with the different types of audits and are now able to closely examine risk without fail.

#### Enriching e-Learning

We enriched the contents of our intranet-based e-Learning programs for those on overseas business travel. We also prepared quiz-format content that incorporates the circumstances, customs, and other aspects of each country and region. By including detailed explanations for answers, etc., we are working to provide those on overseas business travel with an insight into the types of acceptable behavior at each local site and to increase awareness toward safety. In fiscal 2019, we also deployed a practical program for regions that are often traveled to on business, and provided opportunities to study the content in greater detail.

#### SEKISUI CHEMICAL's Response to Preventing the Spread of the Novel Coronavirus

Since January 2020, as concern over the spread of infection by the novel coronavirus began to emerge, we have implemented various measures designed to prevent infection in order to manage the health of our employees and address our social responsibility as a company. In particular, we have taken the following actions (as of March 31, 2020)

- 1 ) Broadcast information and protective measures to be taken by individuals
- 2 ) Voluntarily cancel functions and events organized by SEKISUI CHEMICAL
- 3 ) Change working hours
- 4 ) Encourage meetings over the internet and working from home
- 5 ) Prohibit travel to affected regions

Moreover, we shipped masks and disinfectants as support for China and our affiliates in China. In the event a state of emergency is declared or infections are discovered within the Group, we will prioritize the safety of employees and further strengthen our response, including establishing a Group-wide Emergency Response Headquarters.

## Internal Controls

### Respect for Human Rights

At SEKISUI CHEMICAL Group, we consider it our duty to advocate for the human rights of all people affected by our business activities. Nowadays, the enactment of rules and laws related to human rights is progressing both inside and outside of Japan, and human rights issues are getting increasing attention in society. In these conditions, we consider human rights initiatives for not only employees of the Group but also our business partners and other stakeholders to be essential for solidifying our sustainable management platform.

### SEKISUI CHEMICAL Group “Human Rights Policy”

Our Human Rights Policy was established in May 2019 following the implementation of a human rights risk assessment and approval by the Board of Directors. Unlike the earlier SEKISUI CHEMICAL Group Personnel and Human Rights Policy, which mainly focused on Group employees, the new Human Rights Policy is different in that it proposes to firmly respect human rights across the board, including the value chain beyond the Group, in compliance with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council.

► SEKISUI CHEMICAL Group “Human Rights Policy”

[https://www.sekisuichechemical.com/csr/csr\\_manage/humanrights/index.html](https://www.sekisuichechemical.com/csr/csr_manage/humanrights/index.html)

### Actions in regard to the UK Modern Slavery Act

SEKISUI CHEMICAL Group previously released a statement in regard to the UK Modern Slavery Act through a UK Group company, but we formulated the SEKISUI CHEMICAL Group Modern Slavery Statement in September 2019 in recognition of the need for the group as a whole to take action in regard to human rights issues. The SEKISUI CHEMICAL Group Modern Slavery Statement is pursuant to section 54 (1) of the UK Modern Slavery Act 2015 and sets out the actions taken by SEKISUI CHEMICAL Group to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains.

SEKISUI CHEMICAL Group will continue to take appropriate measures to comply with human rights laws and regulations in countries and regions that are relevant to our operations.

### Launching Initiatives to Build a Human Rights Due Diligence\* Framework

SEKISUI CHEMICAL Group in November 2018 launched initiatives aimed at building a human rights due diligence framework. As the first step in this process, we conducted internal interviews based on the results of a risk assessment of our primary business activities conducted by a specialized agency and identified potential human rights risks within the Group. Moving forward, we intend to conduct on-site interviews at production sites in Japan and overseas to confirm that working environments for employees are satisfactory and to assess the degree of impact from the identified potential human rights risks.

\* 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 or mitigate the impact from such risks.

### Identifying Human Rights Risks Within the Group

In November 2018, we employed an external agency to conduct a human rights risk assessment among the primary business activities of SEKISUI CHEMICAL Group. On the basis of 10 human rights issues, this agency calculated a human rights risk score for four industries, namely Homebuilder, Auto Parts, Industrial Machinery and Goods, and Pharmaceutical. Moreover, the results, which take into account the risks of each country in which Group companies are located, confirmed that SEKISUI CHEMICAL Group business activities, particularly overseas (China, India, Thailand, Brazil), held a potentially high risk of human rights violations in terms of occupational health and safety, etc.

### 10 Human Rights Issues in Primary Business Activities

(1) Child labor, (2) Fair wages, (3) Fair working hours, (4) Discrimination in the workplace, (5) Modern slavery\* (6) Freedom of association and right to collective bargaining, (7) Rights of indigenous peoples, (8) Rights relating to property, assets, and housing, (9) Occupational health and safety, and (10) Right to privacy

Industry	Priority Country	(Latent) Priority Issues
Homebuilder	Thailand	<ul style="list-style-type: none"> <li>· Modern slavery</li> <li>· Occupational health and safety</li> <li>· Fair wages</li> </ul>
Auto Parts	China India Brazil Thailand	<ul style="list-style-type: none"> <li>· Fair wages</li> <li>· Modern slavery</li> <li>· Occupational health and safety</li> </ul>
Industrial Machinery and Goods	China Thailand	<ul style="list-style-type: none"> <li>· Occupational health and safety</li> </ul>
Pharmaceutical	China	<ul style="list-style-type: none"> <li>· Occupational health and safety</li> <li>· Right to privacy</li> </ul>

\* The definition of slavery in the modern era as established in the UK Modern Slavery Act 2015. Primarily refers to (1) slavery, servitude, forced or compulsory labor, (2) human trafficking, and (3) exploitation (sexual exploitation, organ harvesting etc.).

Since February 2019, we have been implementing interviews of related internal staff with third parties. By carrying out these interviews regarding countries with high latent risks identified in human rights risk assessments and with staff at the Group who

## Internal Controls

### Respect for Human Rights

have experience stationed in Thailand, China, and India, as well as related internal departments, we confirmed whether there was any gap between the assessment results and actual business conditions at the Company.

#### Interview Results

- Awareness of safety at overseas production companies is high and safety activities have taken hold
- Positive conditions were identified at the Group companies involved in the interviews including no signs of the use of immigrant laborers or discrimination toward foreigners and women working there
- Although headquarters-led CSR procurement survey are implemented for suppliers, no supplier checks were performed from the perspective of human rights at the site level
- Some overseas production companies have factories that use a large number of temporary workers (fixed-term employees)

As per above, some of the findings indicated issues requiring further confirmation of on-site conditions.

We accordingly plan to conduct interviews at our production sites in Japan and overseas in fiscal 2020 with the aim of listening to the opinions of our employees to confirm if our business activities are adversely impacting human rights and to better understand how seriously those rights are being impacted. We will then work toward addressing the issues made clear during the interviews and conduct follow-up assessments as we build our human rights due diligence framework.

### Business Activities That Respect Human Rights

Along with its suppliers, SEKISUI CHEMICAL Group engages in business activities that respect human rights as part of its obligation to all stakeholders. All Group employees are provided with a copy of the Company's Compliance Manual. We have set strict standards for respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information. We conduct training and e-learning sessions for employees about the prevention of all forms of harassment. We work diligently to raise the understanding and awareness of such issues among all of our employees.

### Preventing Harassment

In order to prevent power, sexual, maternity, and other forms of harassment, SEKISUI CHEMICAL Group continues to cover harassment prevention as part of its compliance educational programs during employee rank-based trainings, including new employee and newly appointed manager trainings. In this way, we provide knowledge for preventing harassment tailored to each rank and position. We also periodically provide harassment training as part of field-based educational programs.

### Caring About Human Rights Issues Across the Entire Supply Chain

Guided by its procurement policy, SEKISUI CHEMICAL Group has been conducting surveys focused on the human rights considerations of business partners, environmental conservation, and social responsibility since 2007. We began inspections of overseas group company partners in fiscal 2015. With regard to suppliers that do not meet the prescribed standards, a request is made to ensure that the necessary steps are taken to resolve any issues. SEKISUI CHEMICAL Group works together with suppliers in the implementation of appropriate measures. We are making progress with the development of mechanisms, designed specifically for our overseas business partners and suppliers, to encourage improvements via our regional headquarters.

Regarding the conflict minerals which are serving as funding for the armed forces involved in human rights violations, environmental destruction, and other actions in the Democratic Republic of the Congo and the surrounding nations as well, we are conducting surveys on the use of conflict minerals throughout the supply chain, in accordance with the Conflict Minerals Survey Guidelines launched in April 2017.

In fiscal 2019, we implemented CSR procurement surveys for the partner firms of SEKISUI CHEMICAL Group companies in the EU to get a better understanding of the status of human rights-related initiatives. We were accordingly able to confirm that no major human rights infringements, including child labor and forced

labor, occurred at our major suppliers. As for conflict minerals, a total of 619 conflict mineral surveys were implemented for Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and their Group companies. No cases corresponding to smelting facility uncertainties or conflict minerals were found.

Regarding consideration of human rights problems within the supply chain as a whole, although we are only confirming conditions for direct clients at present, we are collecting opinions from outside experts and developing a framework for understanding the overall supply chain, including secondary, tertiary, and lower level suppliers. In addition, we are also considering endorsing and participating in accredited supply chain initiatives in order to further improve the quality of human rights due diligence.

# Corporate Governance

## Board of Directors (As of June 23, 2020)



Chairman of the Board  
and Representative  
Director  
**Teiji  
Koge**

Number of Shares of the Company Owned: 128,894 shares

Apr. 1976: Joined the Company  
Jun. 2005: Director of the Company  
President of Nagoya Sekisui Heim Co., Ltd.  
Oct. 2005: Director of the Company  
Head of President's Office of Housing Company  
Apr. 2006: Director of the Company  
Head of Planning & Control Department of Housing Company  
Apr. 2007: Director of the Company  
Head of Housing Division and Planning & Control Department of Housing Company  
Jul. 2007: Director of the Company  
Responsible for Sales Department, Head of Housing Division of Housing Company  
Feb. 2008: Director of the Company  
Responsible for Housing Company  
President of Sales Department, Head of Housing Division of Housing Company  
Apr. 2008: Managing Executive Officer of the Company  
President of Housing Company  
Apr. 2009: Director of the Company  
Senior Managing Executive Officer of the Company  
President of Housing Company  
Mar. 2014: Director of the Company  
Senior Managing Executive Officer of the Company  
Head of CSR Department  
Mar. 2015: President and Representative Director  
Chief Executive Officer of the Company  
Mar. 2020: Chairman of the Board and Representative Director [incumbent]

### Reasons for Election of the Director

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 which aims for ESG management and doubling of the business scale, with the aim of maintaining SEKISUI CHEMICAL Group's strong corporate presence for 100 years premised on the Group's management principles. Furthermore, 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 he was appointed as Chairman of the Board and Representative Director in March 2020, he has been properly supervising the Company's management as Inside Director who is not concurrently responsible for business execution. Therefore, the Company has judged that he is expected to further contribute to the establishment of the basic management policy and the proper supervision of management by the Board of Directors of the Company and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)

Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (6 out of 6)

Chairperson of the Board of Directors



President and  
Representative Director  
Chief Executive Officer  
**Keita  
Kato**

Number of Shares of the Company Owned: 83,582 shares

Apr. 1980: Joined the Company  
Apr. 2008: Executive Officer of the Company  
Head of Interlayer Film Division of High Performance Plastics Company  
Jul. 2011: Executive Officer of the Company  
Head of New Business Promotion Division of High Performance Plastics Company  
Mar. 2013: Executive Officer of the Company  
Head of New Business Promotion Division and Head of Research & Development Institute of High Performance Plastics Company  
Oct. 2013: Executive Officer of the Company  
Head of Research & Development Institute of High Performance Plastics Company  
Mar. 2014: Managing Executive Officer of the Company  
President of High Performance Plastics Company  
Jun. 2014: Director of the Company  
Managing Executive Officer of the Company  
President of High Performance Plastics Company  
Apr. 2015: Director of the Company  
Senior Managing Executive Officer of the Company  
President of High Performance Plastics Company  
Jan. 2019: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Head of Business Strategy Department  
Apr. 2019: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department  
Head of Business Strategy Department  
Jul. 2019: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department  
Head of Business Strategy Department  
Head of New Business Development Department  
Jan. 2020: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department  
Head of Business Strategy Department  
Mar. 2020: President and Representative Director  
Chief Executive Officer of the Company [incumbent]

### Reasons for Election of the Director

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. Additionally, 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. in the Board of Directors while also promoting the long-term vision which aims for ESG management and doubling of the business scale. Therefore, the Company has re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)

Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (1 out of 1)



Director  
Senior Managing  
Executive Officer  
**Yoshiyuki  
Hirai**

Number of Shares of the Company Owned: 43,180 shares

Apr. 1985: Joined the Company  
Apr. 2014: Executive Officer of the Company  
Head of Foam Division of High Performance Plastics Company  
Apr. 2015: Executive Officer of the Company  
Responsible for CSR Promotion Department  
Head of Business Strategy Department  
Jun. 2015: Director of the Company  
Executive Officer of the Company  
Responsible for CSR Promotion Department  
Head of Business Strategy Department  
Apr. 2017: Director of the Company  
Managing Executive Officer of the Company  
Responsible for Corporate Finance & Accounting Department  
Head of Business Strategy Department  
Apr. 2018: Director of the Company  
Managing Executive Officer of the Company  
Head of Business Strategy Department  
Jan. 2019: Director of the Company  
Managing Executive Officer of the Company  
President of Urban Infrastructure & Environmental Products Company  
Apr. 2020: Director of the Company  
Senior Managing Executive Officer of the Company  
President of Urban Infrastructure & Environmental Products Company [incumbent]

### Reasons for Election of the Director

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of global management structure and promoting constructive engagement with shareholders as Head of Business Strategy Department by leveraging the knowledge fostered through his abundant experience so far. As President of 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. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)



Director  
Senior Managing  
Executive Officer  
**Toshiyuki  
Kamiyoshi**

Number of Shares of the Company Owned: 61,554 shares

Apr. 1983: Joined the Company  
Apr. 2013: Executive Officer of the Company  
President of SEKISUI HEIM TOHOKU CO., LTD.  
Jan. 2014: Executive Officer of the Company  
Head of Sales Management Division of Housing Company  
Jan. 2015: Executive Officer of the Company  
President of TOKYO SEKISUIHEIM CO., LTD.  
Jan. 2018: Executive Officer of the Company  
Head of Housing Sales Management Division, Head of Housing Renovation Sales Management Division  
Head of Administrative Management & Control Department of Housing Company  
Mar. 2018: Managing Executive Officer of the Company  
Head of Housing Sales Management Division of Housing Company  
Apr. 2018: Managing Executive Officer of the Company  
Head of Housing Sales Management Division of Housing Company  
Jan. 2019: Managing Executive Officer of the Company  
President of Housing Company  
Head of Housing Sales Management Division and Head of Town and Community Development Department of Housing Company  
Jun. 2019: Director of the Company  
Managing Executive Officer of the Company  
President of Housing Company  
Head of Housing Sales Management Division and Head of Town and Community Development Department of Housing Company  
Jan. 2020: Director of the Company  
Managing Executive Officer of the Company  
President of Housing Company  
Apr. 2020: Director of the Company  
Senior Managing Executive Officer of the Company  
President of Housing Company [incumbent]

### Reasons for Election of the Director

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 at Board of Directors meetings 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 the Board's business strategy. Therefore, the Company has judged that he has the high capabilities necessary for further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (13 out of 13)



Director  
Senior Managing  
Executive Officer  
**Futoshi  
Kamiwaki**

Number of Shares of the Company Owned: 78,523 shares

Apr. 1983: Joined the Company  
Apr. 2011: Executive Officer of the Company  
Head of Planning & Control Department of Housing Company  
Oct. 2012: Executive Officer of the Company  
Responsible for Public Relations & External Relations Department  
Head of Planning & Control Department of Housing Company  
Jan. 2013: Executive Officer of the Company  
Head of Housing Product Research & Development Department of Housing Company  
Jan. 2014: Executive Officer of the Company  
Head of Product Research & Development Department of Housing Company  
Apr. 2017: Managing Executive Officer of the Company  
Head of Product Research & Development Department of Housing Company  
Mar. 2018: Managing Executive Officer of the Company  
Head of Housing Renovation Sales Management Division  
Head of Administrative Management & Control Department of Housing Company  
Mar. 2019: Managing Executive Officer of the Company  
Head of Administrative Management & Control Department of Housing Company  
Jan. 2020: Managing Executive Officer of the Company  
Head of New Business Development Department  
Mar. 2020: Managing Executive Officer of the Company  
Responsible for ESG Management Department and New Business Development Department  
Head of Business Strategy Department  
Apr. 2020: Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department  
Head of Business Strategy Department [incumbent]

### Reasons for Election of the Director

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 corporate organization 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 by leveraging the broad experience he has gained to date. Therefore, the Company has judged that he has the high capabilities necessary for enhancing the corporate value of SEKISUI CHEMICAL Group and thus elected him as a Director.

# Corporate Governance

## Board of Directors (As of June 23, 2020)



Director  
Managing  
Executive Officer  
**Hiroyuki  
Taketomo**

Number of Shares of the Company Owned: 27,466 shares

Apr. 1985: Joined the Company  
Apr. 2015: Executive Officer of the Company  
Head of Human Resources Department  
Apr. 2016: Executive Officer of the Company  
Responsible for Legal Department  
Head of Human Resources Department  
Jun. 2016: Director of the Company  
Executive Officer of the Company  
Responsible for Legal Department  
Head of Human Resources Department  
Apr. 2017: Director of the Company  
Managing Executive Officer of the Company  
Responsible for Legal Department  
Head of Human Resources Department [incumbent]

### Reasons for Election of the Director

Mr. Hiroyuki Taketomo was appointed as Director in 2016, he has implemented his strong leadership in developing an officers' remuneration scheme adapted to corporate governance, promoting diversity management and carrying out work-style reform, by leveraging the broad experience he has gained through back-office business execution centering on the human resources department. 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 compliance. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)



Director  
Managing  
Executive Officer  
**Ikusuke  
Shimizu**

Number of Shares of the Company Owned: 48,466 shares

Apr. 1987: Joined the Company  
Apr. 2015: Executive Officer of the Company  
Head of Foam Division of High Performance Plastics Company  
Apr. 2016: Executive Officer of the Company  
Responsible for Automobiles & Transportation field  
Head of Foam Division of High Performance Plastics Company  
Apr. 2018: Executive Officer of the Company  
Responsible for Electronic Device Materials field  
Head of Foam Division of High Performance Plastics Company  
Jan. 2019: Managing Executive Officer of the Company  
President of High Performance Plastics Company  
Responsible for Electronic Device Materials field of High Performance Plastics Company  
Director of Sekisui Fuller Company Ltd. [incumbent]  
Apr. 2019: Managing Executive Officer of the Company  
President of High Performance Plastics Company  
Jun. 2019: Director of the Company  
Managing Executive Officer of the Company  
President of High Performance Plastics Company [incumbent]

### Reasons for Election of the Director

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 the 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. Therefore, the Company has judged that he has the high capabilities necessary for further enhancing the corporate value of SEKISUI CHEMICAL Group especially from a global business perspective and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (13 out of 13)



Independent officer

Outside Director  
**Yutaka  
Kase**

Number of Shares of the Company Owned: —

May 1970: Joined Nissho Iwai Corporation  
Jun. 2001: Executive Officer of Nissho Iwai Corporation  
Apr. 2003: Director and Managing Executive Officer of Nissho Iwai Corporation  
Apr. 2004: Representative Director and Senior Managing Executive Officer of former Sojitz Corporation  
Aug. 2004: Representative Director and Executive Vice President of former Sojitz Corporation  
Oct. 2005: Representative Director and Executive Vice President of Sojitz Corporation  
Apr. 2007: President & CEO of Sojitz Corporation  
Apr. 2012: Representative Director and Chairman of Sojitz Corporation  
Jun. 2013: Outside Director of Astellas Pharma Inc. [resigned in 2017]  
Mar. 2016: Outside Director of JAC Recruitment Co., Ltd. [incumbent]  
Jun. 2016: Director of the Company [incumbent]  
Jun. 2017: Senior Advisor of Sojitz Corporation  
Jun. 2018: Advisor of Sojitz Corporation [incumbent]

### Reasons for Election of the Director

Since Mr. Yutaka Kase was appointed as Outside Director in June 2016, he has provided advice with respect to the business management of the Company at Board of Directors meetings and supervised business execution appropriately by leveraging his abundant experience and past achievements regarding global corporate management and business strategy fostered through his position as a corporate manager of a general trading company. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and re-elected him as an Outside Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 94% (16 out of 17)

Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (6 out of 6)

Chairman of the Nominating and Remuneration Advisory Committee



Independent officer

Outside Director  
**Hiroshi  
Oeda**

Number of Shares of the Company Owned: 7,000 shares

Apr. 1980: Joined Nisshin Flour Milling Inc.  
(currently Nisshin Seifun Group Inc.)  
Jun. 2008: Executive Officer of Nisshin Seifun Group Inc.  
Jun. 2009: Director of Nisshin Seifun Group Inc.  
Apr. 2011: Director and President of Nisshin Seifun Group Inc.  
Apr. 2017: Director and Executive Advisor of Nisshin Seifun Group Inc.  
Jun. 2017: Special Advisor of Nisshin Seifun Group Inc. [incumbent]  
President of Seifun Kaikan Inc. [incumbent]  
Mar. 2018: Outsider Director of EBARA CORPORATION [incumbent]  
Jun. 2018: Director of the Company [incumbent]  
Jun. 2019: President of Hitotsubashi University Koenkai [incumbent]

### Reasons for Election of the Director

Since Mr. Hiroshi Oeda was appointed as Outside Director in June 2018, he has been providing advice with respect to the business management of the Company at Board of Directors meetings and supervising business execution appropriately by leveraging his abundant experience and skill regarding global corporate management, business strategies, execution of overseas M&A, etc., gained from serving as a management executive of the largest milling company in Japan. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as an Outside Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)

Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (6 out of 6)



Independent officer

Outside Director  
**Yoko  
Ishikura**

Number of Shares of the Company Owned: —

Jul. 1985: Manager of Japanese branch of McKinsey & Company, Inc. [retired in 1992]  
Apr. 1992: Professor of School of International Politics, Economics & Communication of Aoyama Gakuin University [resigned in 2000]  
Apr. 2000: Professor of School of International Corporate Strategy of Hitotsubashi University Business School [resigned in 2011]  
Apr. 2004: Outside Director of Japan Post (part-time) [resigned in 2007]  
Oct. 2005: Vice President of Science Council of Japan [resigned in 2006]  
Jun. 2006: Outside Director of Mitsui O.S.K. Lines, Ltd. [resigned in 2010]  
Jun. 2010: Outside Director of NISSIN FOODS HOLDINGS CO., LTD. [resigned in 2019]  
Outside Director of FUJITSU LIMITED [resigned in 2013]  
Apr. 2011: Professor of Keio University Graduate School of Media Design [resigned in 2014]  
Apr. 2012: Professor Emeritus of Hitotsubashi University [incumbent]  
Jun. 2012: Outside Director of LIFENET INSURANCE COMPANY [resigned in 2016]  
Jun. 2014: Outside Director of Sojitz Corporation [resigned in 2018]  
Jun. 2015: Outside Director of Shiseido Company, Limited [incumbent]  
Jun. 2019: Outside Director of the Company [incumbent]

### Reasons for Election of the Director

Ms. Yoko Ishikura has advanced academic expertise in international politics/economics and international corporate strategy, and is well-versed in corporate management through her experience as outside director at multiple global enterprises. Furthermore, she has been actively involved in diversity management and promotion of greater participation of women, which are areas being addressed by SEKISUI CHEMICAL Group, and since she was appointed as Outside Director of the Company in June 2019, she has appropriately provided advice with respect to the business management and guidance on business execution of the Company at Board of Directors meetings. Therefore, the Company has judged that she would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected her as an Outside Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (13 out of 13)

Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (5 out of 5)

\* Independent officers: defined by the Tokyo Stock Exchange.

# Corporate Governance

## Audit & Supervisory Board Members (As of June 23, 2020)



Fulltime Audit & Supervisory Board Member  
**Toshitaka Fukunaga**

Number of Shares of the Company Owned: 79,438 shares

Apr. 1979: Joined the Company  
Apr. 2011: Executive Officer of the Company  
Head of Shiga Minakuchi Plant of High Performance Plastics Company  
Mar. 2014: Executive Officer of the Company  
Head of Technology & CS Promotion Department of High Performance Plastics Company  
Apr. 2016: Executive Officer of the Company  
Responsible for Electronic Device Materials field  
Head of Technology & CS Promotion Department of High Performance Plastics Company  
Apr. 2017: Managing Executive Officer of the Company  
Responsible for Electronic Device Materials field  
Head of Technology & CS Promotion Department of High Performance Plastics Company  
Apr. 2018: Managing Executive Officer of the Company  
Head of Technology & CS Promotion Department of High Performance Plastics Company  
Apr. 2020: Advisor of the Company  
Jun. 2020: Audit & Supervisory Board Member of the Company [incumbent]

### Reasons for Election of Audit & Supervisory Board Member

Mr. Toshitaka Fukunaga has served as division head, plant head, and Head of Technology & CS Promotion Department at the High Performance Plastics Company, and led the promotion of large-scale capital investment, reinforcement of manufacturing competitiveness, production innovation, strengthening of the foundation for CS quality, safety, environment, etc., in our expansion of the global businesses. He has deep insight in facility technology, digitalization, quality management, and other matters in the manufacturing field and is expected to contribute to the improvement of the supervisory functions of the Audit & Supervisory Board and the Board of Directors by leveraging his abundant management experience. Therefore, the Company has elected him as an Audit & Supervisory Board Member.

### Chair of the Audit & Supervisory Board



Fulltime Audit & Supervisory Board Member  
**Moritoshi Naganuma**

Number of Shares of the Company Owned: 37,466 shares

Apr. 1982: Joined the Company  
Oct. 2003: Head of Administrative Management & Control Department of High Performance Plastics Company  
Oct. 2006: Director of SEKISUI FILM CO., LTD.  
Apr. 2009: Head of Accounting Group of Corporate Finance & Accounting Department  
Oct. 2010: Head of Corporate Finance & Accounting Department  
Apr. 2015: Executive Officer of the Company, Head of Corporate Finance & Accounting Department  
Apr. 2017: Advisor of the Company  
Jun. 2017: Audit & Supervisory Board Member of the Company [incumbent]

### Activities since assuming office in June 2017

Mr. Moritoshi Naganuma conducts daily audit activities as a Fulltime Audit & Supervisory Board Member, utilizing his extensive operational experience and knowledge of finance and accounting. In addition, he makes appropriate opinions and recommendations that are useful for deliberations.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)  
Attendance rate of the Audit & Supervisory Board Meetings of the Company in FY2019: 100% (18 out of 18)



### Independent officer

Outside Audit & Supervisory Board Member  
**Tetsuo Ozawa**

Number of Shares of the Company Owned: —

Apr. 1973: Admitted to the bar  
Joined Tokyo Fuji Law Office  
Apr. 1978: Partner of Tokyo Fuji Law Office  
Jun. 2014: Audit & Supervisory Board Member of the Company [incumbent]  
Jan. 2016: Representative Partner of Tokyo Fuji Law Office [incumbent]

### Activities since assuming office in June 2014

Leveraging his legal perspective and broad insight as a lawyer, and his extensive business experience in legal and risk management, focusing on the field of corporate legal affairs, Mr. Tetsuo Ozawa provides valuable opinions and recommendations regarding the establishment and maintenance of the Group's compliance system. In addition, as a member of the Nomination and Remuneration Advisory Committee, he makes useful opinions and recommendations as appropriate.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 94% (16 out of 17)  
Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 94% (17 out of 18)  
Attendance rate of the Nominating and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (6 out of 6)



### Independent officer

Outside Audit & Supervisory Board Member  
**Kazuyuki Suzuki**

Number of Shares of the Company Owned: —

Apr. 2000: Professor of Graduate School of Information Systems of the University of Electro-Communications (currently Graduate School of Informatics and Engineering) [resigned in 2016]  
Oct. 2009: President of Japanese Society for Quality Control, Incorporated Association (Currently General Incorporated Association) [resigned in Oct. 2011]  
Apr. 2010: Professor of Graduate School of Informatics and Engineering of the University of Electro-Communications [resigned in 2016]  
Jun. 2012: President of Reliability Engineering Association of Japan [resigned in 2014]  
Jun. 2015: Audit & Supervisory Board Member of the Company [incumbent]  
Apr. 2016: Emeritus professor of the University of Electro-Communications [incumbent]  
Specially-appointed professor of Graduate School of Informatics and Engineering of the University of Electro-Communications [incumbent]

### Activities since assuming office in June 2015

Mr. Kazuyuki Suzuki has deep insight and abundant experience in quality control and reliability engineering. He continues to give useful opinions and suggestions, especially on the Group's safety and quality initiatives.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (17 out of 17)  
Attendance rate of the Audit & Supervisory Board Meetings of the Company in FY2019: 100% (18 out of 18)



### Independent officer

Outside Audit & Supervisory Board Member  
**Ryoko Shimizu**

Number of Shares of the Company Owned: —

Apr. 1982: Joined Tokyo branch of Citibank, N.A. [retired in 1985]  
Apr. 1989: Joined Chuo Shinko Audit Corporation [resigned in 2007]  
Aug. 1992: Registered as Certified Public Accountant  
Jan. 2004: Japanese representative member of International Public Sector Accounting Standards Board of International Federation of Accountants [resigned in 2005]  
Apr. 2007: Fulltime Professor of School of Accountancy of Kansai University [incumbent]  
Jun. 2019: Audit & Supervisory Board Member of the Company [incumbent]

### Activities since assuming office in June 2019

Making the most of her specialized knowledge as a certified public accountant mainly in the fields of finance and accounting, Ms. Ryoko Shimizu provides useful opinions and suggestions, especially with regard to improving the reliability of the Group's financial reporting and establishing and maintaining internal controls.

Attendance rate of the Board of Directors Meetings of the Company in FY2019: 100% (13 out of 13)  
Attendance rate of the Audit & Supervisory Board Meetings of the Company in FY2019: 100% (13 out of 13)

# Corporate Governance

## Executive Officers (As of June 23, 2020)

### Keita Kato

Chief Executive Officer

## Housing Company

### Toshiyuki Kamiyoshi

Senior Managing Executive Officer  
President of Housing Company

### Kenji Yagi

Managing Executive Officer  
President of SEKISUI HEIM KINKI CO., LTD.  
President of SEKISUI HEIM CHUBU CO., LTD.

### Shinichiro Koga

Executive Officer  
Head of Technology & CS Division

### Masahide Yoshida

Executive Officer  
Head of Housing Business Management Division  
President of TOKYO SEKISUI HEIM CO., LTD.

### Masakazu Okada

Executive Officer  
President of SEKISUI HEIM TOHOKU CO., LTD.

### Hirokazu Hisamune

Executive Officer  
President of SEKISUI HEIM KYUSHU CO., LTD.

### Akinori Kawase

Executive Officer  
Head of Development Division

### Shinichi Jose

Executive Officer  
Head of Manufacturing & Materials Division  
President of SEKISUI HEIM INDUSTRY CO., LTD.

## Urban Infrastructure & Environmental Products Company

### Yoshiyuki Hirai

Senior Managing Executive Officer  
President of Urban Infrastructure & Environmental Products Company

### Akira Nishimura

Managing Executive Officer  
Head of Management Planning Department

### Kiyoshi Fujii

Executive Officer  
Head of Higashinohon Sales Headquarters

### Takeo Kishitani

Executive Officer  
Head of Sheet Division

### Hiroki Okubo

Executive Officer  
Head of Pipe Systems Division

### Yoshiki Deguchi

Executive Officer  
Head of Industrial Piping System Division

### Toru Kurita

Executive Officer  
Head of Technology & CS Promotion Department

## High Performance Plastics Company

### Ikusuke Shimizu

Managing Executive Officer  
President of High Performance Plastics Company

### Toshio Konno

Executive Officer  
Responsible for Mobility field  
Head of Mobility Business Strategy Department

### Takatsugu Arai

Executive Officer  
President of SEKISUI MATERIAL SOLUTIONS CO., LTD.

### Akira Asano

Executive Officer  
Chairman of the Board of SEKISUI AEROSPACE CORPORATION

### Masayuki Inoue

Executive Officer  
Responsible for Building & Infrastructure Materials field  
Head of Building & Infrastructure Materials Business Strategy Department

### Takashi Muramatsu

Executive Officer  
Responsible for Electronics field  
Head of Electronic Business Strategy Department

### Kazuya Murakami

Executive Officer  
Head of Human Resources Development Department

## Headquarters

### Futoshi Kamiwaki

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

### Hiroyuki Taketomo

Managing Executive Officer  
Responsible for Legal Department  
Head of Human Resources Department

### Katsunori Mukai

Executive Officer  
Head of R&D Center

### Hitoshi Kobayashi

Executive Officer  
Head of Manufacturing Infrastructure Enhancement Center

### Tatsuya Nishida

Executive Officer  
Head of Corporate Finance & Accounting Department

### Meiko Koga

Executive Officer  
Head of Public Relations Department

# Corporate Governance Initiatives

SEKISUI CHEMICAL Group sets forth as the basic policy for corporate governance the promotion of sustainable growth and the increase of corporate value over the medium and long terms. To realize this, the Group will enhance the transparency/fairness of management, pursue prompt decision-making, and continue to fulfill the expectations of “customers,” “shareholders,” “employees,” “business partners,” and “local communities and the environment,” the five major categories of stakeholders that the Group emphasizes, through the creation of value for society, as declared in the Corporate Philosophy.

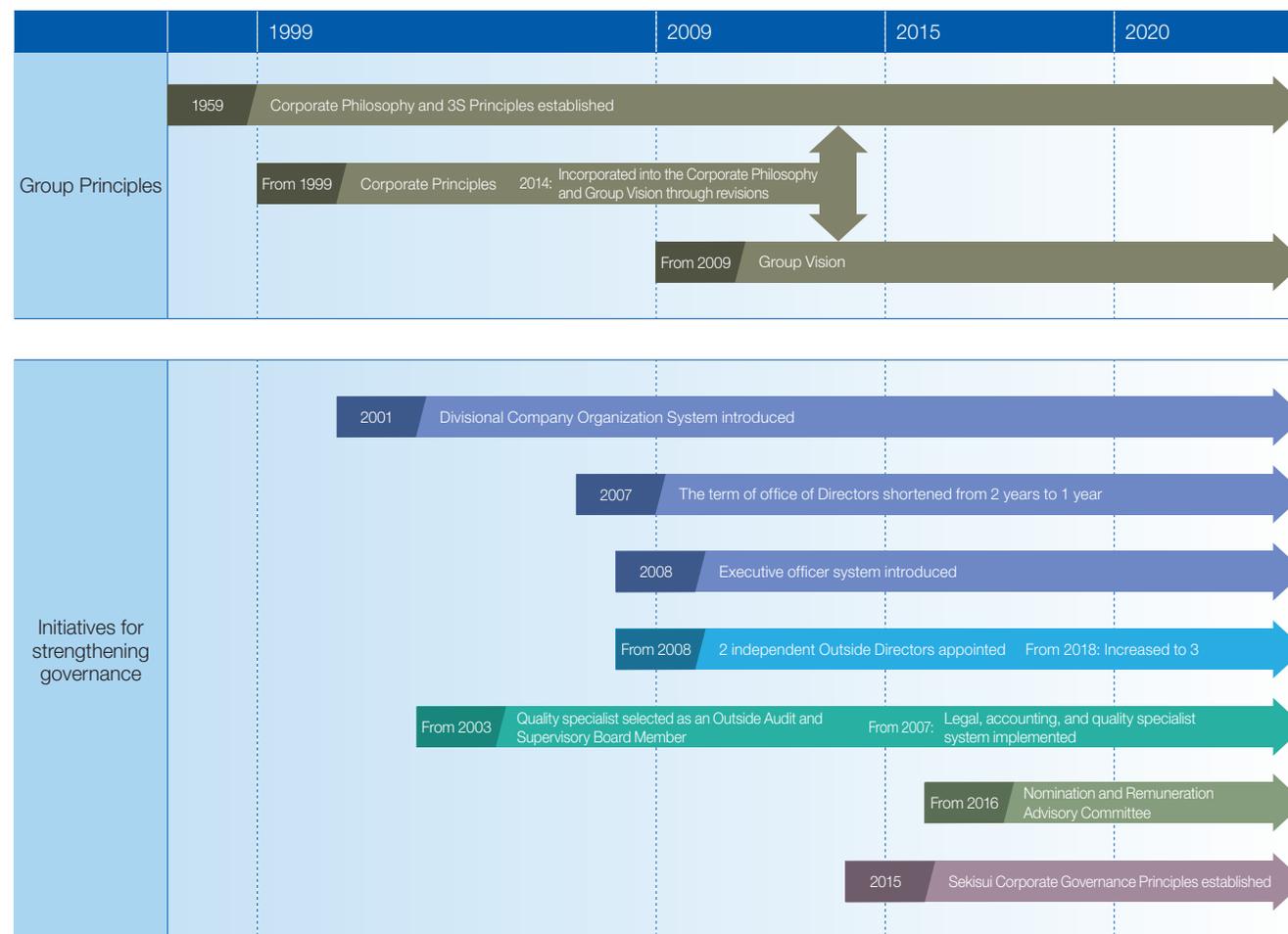
## SEKISUI Corporate Governance Principles

SEKISUI CHEMICAL Group has established and disclosed the Sekisui Corporate Governance Principles for the purpose of further evolving its corporate governance initiatives and communicating our corporate governance approach and initiatives to our stakeholders. In addition to the above Principles, the status of the Company’s initiatives and its approach with respect to all 78 items of the Corporate Governance Code, consisting of the General Principles, Principles and Supplementary Principles, are summarized and disclosed in the form of the Initiatives to Each of Principles of the Corporate Governance Code.

### ► Corporate Governance

<https://www.sekisuichemical.com/about/outline/governance/index.html>

## Initiatives Taken to Enhance Corporate Governance

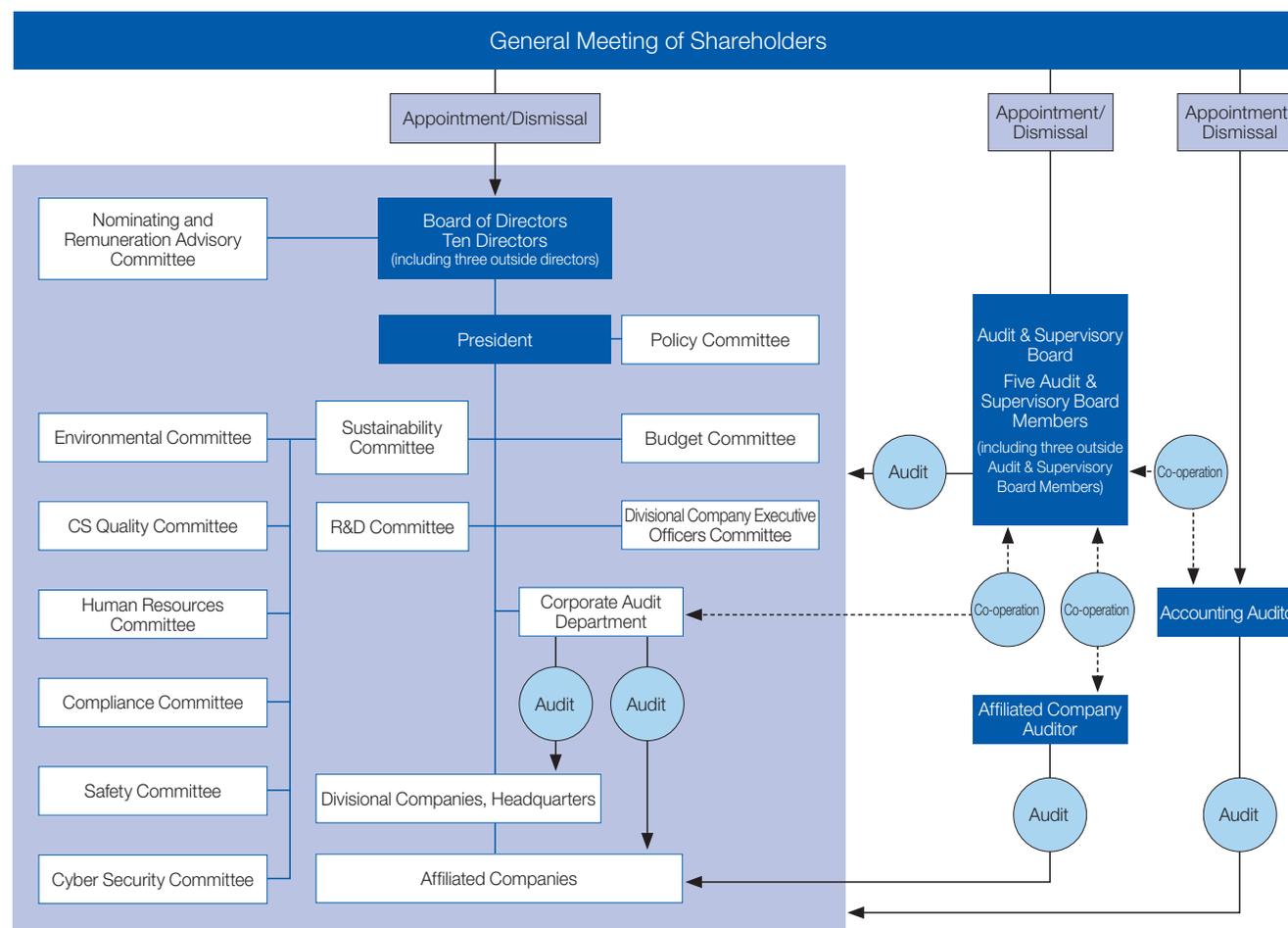


## Corporate Governance Initiatives

### Organizational Structure

As an organizational structure under the Companies Act, SEKISUI CHEMICAL Group has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, we have adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision-making function in management so we can rapidly adapt to changes in business conditions.

### Corporate Governance System (As of June 23, 2020)



### Board of Directors

The Board of Directors is positioned as the body responsible for decision-making concerning SEKISUI CHEMICAL Group's fundamental policies and upper-level management issues as well as for supervising the execution of business. The Board has in place a highly effective supervisory system for Directors by appointing three sufficiently experienced Outside Directors to ensure transparency in management and fairness in business

decisions and operations.

The number of Directors shall not exceed 15, and two or more of them shall be Outside Directors. The Board of Directors of SEKISUI CHEMICAL Group shall consist of Directors who are of excellent character, have insight and high moral standards in addition to knowledge, experience, and competence.

In addition, Audit and Supervisory Board Members, including Outside Audit and Supervisory Board Members, shall attend the meetings of the Board of Directors. As a non-executive director, the Chairman has served as chair from when a new president was appointed in March in 2020.

SEKISUI CHEMICAL Group ensures diversity among board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size. The presidents of the divisional companies, who are the top management of each business and senior corporate officers with significant experience and strong expertise, are appointed as inside Directors. Together with the independent Outside Directors, who have broad knowledge and experience, Audit and Supervisory Board Members with strong expertise effectively perform the roles and responsibilities of the Board of Directors and maintain a balance with respect to diversity, optimal size, and capabilities.

### Outside Directors

SEKISUI CHEMICAL Group appoints to the Board three Outside Directors with verified independence who contribute to the enhancement of corporate value by providing oversight and advice based on their extensive administrative experience and specialized knowledge gained in backgrounds different to those of SEKISUI CHEMICAL Group. Based on their diverse and objective perspectives, the Outside Directors provide counsel especially on priority management issues, such as global development strategy, business model revisions, and the strengthening of ESG management.

The ratio of Independent Outside Directors to total Board of Directors members will be reviewed as appropriate, taking into account any expansion in the scale or scope of SEKISUI CHEMICAL Group's business, as well as the overall environment in which it operates.

## Corporate Governance Initiatives

### Composition of the Board of Directors (As of June 23, 2020)

Name	Position in the Company	Number of Years <sup>1</sup>	Board of Directors	Audit & Supervisory Board	Nominating and Remuneration Advisory Committee	Policy Committee <sup>1</sup>	Sustainability Committee <sup>3</sup> R&D Committee	Directors' and Audit and Supervisory Board Members' Outstanding Expertise, Experience and Capabilities						
								Corporate Management/ Management Strategy	Financial Affairs/ Accounting	Legal Affairs	Quality Control	Human and Labor Administration Human Resources Development	International Mind Set	Research & Development
Teiji Koge	Chairman of the Board and Representative Director	15	● <sup>*2</sup>	-	○	○	-	●				●		
Keita Kato	President and Representative Director Chief Executive Officer	6	○	-	○	● <sup>*2</sup>	● <sup>*2</sup>	●	●		●		●	●
Yoshiyuki Hirai	Director Senior Managing Executive Officer	5	○	-	-	○	○	●	●				●	
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	1	○	-	-	○	○	●						
Futoshi Kamiwaki	Director Senior Managing Executive Officer	-	○	-	-	○	○	●	●					●
Hiroyuki Taketomo	Director Managing Executive Officer	4	○	-	-	○	-	●		●		●		
Ikusuke Shimizu	Director Managing Executive Officer	1	○	-	-	○	○	●			●		●	●
Yutaka Kase	Independent Outside Director	4	○	-	● <sup>*2</sup>	-	-	●					●	
Hiroshi Oeda	Independent Outside Director	2	○	-	○	-	-	●					●	
Yoko Ishikura	Independent Outside Director	1	○	-	○	-	-	●					●	
Toshitaka Fukunaga	Fulltime Audit and Supervisory Board Member	-	○	● <sup>*2</sup>	-	○	-				●			●
Moritoshi Naganuma	Fulltime Audit and Supervisory Board Member	3	○	○	-	○	-		●					
Tetsuo Ozawa	Independent Outside Audit and Supervisory Board Member	6	○	○	○	-	-			●				
Kazuyuki Suzuki	Independent Outside Audit and Supervisory Board Member	5	○	○	-	-	-				●		●	●
Ryoko Shimizu	Independent Outside Audit and Supervisory Board Member	1	○	○	-	-	-		●				●	

\*1 Policy Committee is held once a month in order to deliberate on important management policies, strategic items, and proposals to be presented to the Board of Directors.

\*2 The blue circle indicates the chairman or committee chairman.

\*3 The name of the CSR Committee was changed to the Sustainability Committee from fiscal 2020.

\*4 The list above does not reflect the full range of expertise possessed by the Directors and Audit and Supervisory Board Members

## Corporate Governance Initiatives

### Assessment Relating to the Board's Effectiveness

SEKISUI CHEMICAL Group evaluates the effectiveness of the Board of Directors every year.

Having set an appropriate agenda, the Board of Directors engages in sufficient discussion with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit & Supervisory Board Members. SEKISUI CHEMICAL Group has therefore determined that the current Board of Directors is contributing to enhancing its corporate value and is functioning properly.

In fiscal 2019, the Board of Directors thoroughly deliberated important management issues such as its Long-term Vision, new Medium-term Management Plan, growth strategies, including R&D, M&A, investment, and large new businesses, and fundamental strategies, including work-style reform, digital transformation, and CS & quality. The Board also ensured that adequate time was provided to sufficiently discuss these issues and active participation and opinions and recommendations were actively provided by both outside and inside directors as well as Audit and Supervisory Board Members.

The Nomination and Remuneration Advisory Committee made recommendations to the Board of Directors on such matters as director as well as Audit and Supervisory Board member nominations, individual performance, and remuneration levels. The Nomination and Remuneration Advisory Committee met six times, including to discuss the plan for the president's succession, the composition and effectiveness of the Board of Directors, and initiatives for strengthening governance.

In fiscal 2020, SEKISUI CHEMICAL Group will further enhance deliberations on important management issues and ensure fairness and transparency in its management by making what the Board of Directors deem to be appropriate decisions.

### Execution of Duties by the Board of Directors

With the goal of ensuring efficiency in the execution of its duties, the Board of Directors met 17 times in fiscal 2019. Important matters relating to SEKISUI CHEMICAL Group's management policy and management strategy are discussed at meetings of the Policy Committee, of which internal Directors are members. Following deliberation, matters are passed to the Board of Directors, where the final decisions are made.

### Execution of Duties by the Audit & Supervisory Board

The Audit & Supervisory Board confirms the status of maintenance

and operation of the internal controls system through the attendance of Board of Directors and other meetings, as well as by investigating related departments, including those at Group companies, and confirming approval documents for important matters. Alongside the implementation of on-site audits, the effectiveness of the audits has been improved through the regular exchange of information with internal audit departments and accounting auditors. With the goal of facilitating the exchange of information, SEKISUI CHEMICAL Group held 18 meetings of the Audit & Supervisory Board in fiscal 2019. Meetings with affiliate corporate auditors are also held with the goal of improving cooperation and raising overall audit quality. Moreover, the Company exchanged opinions with Outside Directors.

### 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, SEKISUI CHEMICAL Group continuously provides opportunities for them to deepen their understanding of the Group's 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 several times a year. To further enhance the effectiveness of management supervision by Outside Directors, SEKISUI CHEMICAL Group is making improvements to the deliberations that take place at the Nomination and Remuneration Advisory Committee, where the majority of the members are Outside Directors, and facilitating their dialogue with Audit & Supervisory Board Members and corporate auditors. From the point of view of succession planning, SEKISUI CHEMICAL Group is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures at Executive Officers Liaison Meetings that are held on a quarterly basis and providing opportunities for Directors, Audit & Supervisory Board Members and Executive Officers to meet when the new management system is inaugurated following the Annual General Meeting of Shareholders.

### Outside Directors Conduct Business Site Visits

To deepen their understanding of SEKISUI CHEMICAL Group and the characteristics of our wide-ranging businesses, Outside Directors conduct business site visits every year. In fiscal 2019,

Outside Directors visited the Kinki site of Sekisui Heim Industry Co., Ltd., which is advancing innovation in manufacturing at the Housing Company, and the headquarters Tsukuba Office, which is engaging in new technology development with a view to commercialization.

### Nominating and Remuneration Advisory Committee

SEKISUI CHEMICAL Group has established an optional advisory committee concerning nomination and remuneration to complement the functions of the Board of Directors as well as further enhance the fairness and transparency of management.

The Nomination and Remuneration Advisory Committee deliberates matters related to enhancing the effectiveness of the Board of Directors, including the nomination and non-reappointment of senior executives, including representative directors, the nomination of candidates for Director, and the system of remuneration and levels of remuneration for Directors. The Committee also discusses the commissioning of and dealings with advisors or executive advisors, including former representative directors and presidents, and submits recommendations and advice to the Board of Directors.

The Nomination and Remuneration Advisory Committee comprises six members, the majority of whom are independent Outside Directors. The Chairperson is elected from the independent Outside Directors.

### Policy and Procedures concerning the Appointment and Dismissal of Directors and Audit and Supervisory Board Members

SEKISUI CHEMICAL Group nominates candidates for the Board of Directors who are of excellent character, and have insight and high moral standards in addition to knowledge, experience, and competence. In order to ensure fairness and transparency in Board of Directors nominations, deliberations are held by the Nominating and Remuneration Advisory Committee, with opinions then reported to the Board of Directors, where the decision on candidates will be made.

At least one of the Audit & Supervisory Board Members shall be an individual who has knowledge and expertise in corporate finance and accounting and at least one other shall be an individual who has knowledge and expertise in legal affairs.

### Succession planning for the 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,

## Corporate Governance Initiatives

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.

### Remuneration and Other Compensation for Directors

#### (1) Policy regarding determination of remuneration and other compensation

##### ① Basic policy

The remuneration system policy for Directors of SEKISUI CHEMICAL Group is defined as follows in keeping with its corporate philosophy.

- The policy should contribute to continuous growth and medium- to long-term improvement of corporate value
- Directors of SEKISUI CHEMICAL Group should share value with shareholders and increase their awareness of shareholder focused management
- The remuneration policy should be highly-connected to business performance, providing motivation for Directors of SEKISUI CHEMICAL Group to achieve management plan goals
- The policy should provide a framework and baseline which enables SEKISUI CHEMICAL Group to acquire and keep on staff with a diverse variety of management talent in order to increase competitiveness

##### ② Remuneration Mindset

Remuneration and other compensation for executive directors of SEKISUI CHEMICAL Group is made up of basic remuneration, bonuses, and stock options. For Outside Directors and Audit and Supervisory Board Members, remuneration is made up of basic remuneration only.

#### (2) Determination Process for Director Remuneration and Other Compensation

In order to achieve the goals of the Director remuneration system, SEKISUI CHEMICAL Group has established a Nomination and Remuneration Advisory Committee as an advisory organization to the Board of Directors. This committee deliberates on the structure and levels of Director remuneration and verifies the validity of remuneration for individuals, carrying out these processes with objectivity and transparency.

<Overview of Nomination and Remuneration Advisory Committee Activities>

- This committee is convened by the chairperson (an Outside Director).
- The agenda items of this committee are introduced by the committee members, and the secretariat compiles them and presents them to the chairperson.
- The deliberation results of this committee are reported to the Board of Directors by the chairperson.
- The Board of Directors carries out final policy determination, respecting the report of this committee.

In addition, the Directors and members of this committee must carry out these decisions from the perspective of whether or not they contribute to the corporate value of SEKISUI CHEMICAL Group and provide benefit to shareholders. Decisions must never have the goal of providing individual benefit to the Directors or committee members themselves, management ranks, or any other third party.

#### Director Remuneration Details

Remuneration classifications	Basic Remuneration	Bonuses	Share-based compensation
	Fixed remuneration	Short-term incentive	Medium- and long-term incentives
Details	<ul style="list-style-type: none"> <li>• Regular monthly remuneration*</li> <li>• Remuneration within the framework of officer remuneration is a fixed payment determined by the roles and responsibilities of each Director.</li> </ul> <p>* For executive directors, a portion of the basic remuneration is required to be used for the purpose of SEKISUI CHEMICAL Group's stock through the Officers Stock Ownership Plan.</p>	<ul style="list-style-type: none"> <li>• Payments corresponding to earnings for the fiscal year</li> <li>• Linked to the business performance of SEKISUI CHEMICAL Group, ROE (return on equity), and dividend policy</li> </ul>	<ul style="list-style-type: none"> <li>• Aimed at further raising motivation to help improve medium- and long-term business performance and SEKISUI CHEMICAL Group's corporate value</li> <li>• Structure enabling Directors to receive a benefit at the time of retirement for their contributions to enhance SEKISUI CHEMICAL Group's medium- and long-term corporate value</li> <li>• Intended to enhance the link with shareholders' value over the medium to long term</li> </ul>

#### (3) Director Remuneration in Fiscal 2019

(Millions of yen)

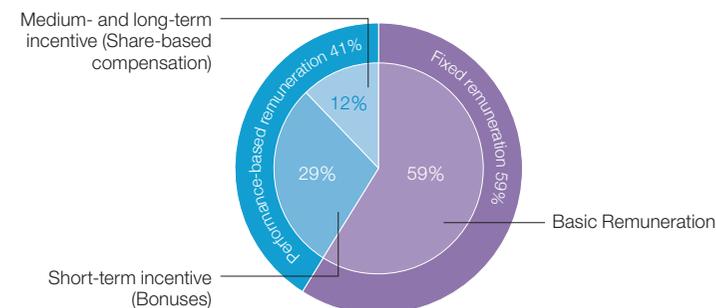
Classification	Basic remuneration		Bonus		Stock-based compensation		Total	
	Number of eligible persons	Amount						
Directors	13	311	6	136	6	54	13	502
(Of which outside Directors)	4	41	–	–	–	–	4	41
Audit & Supervisory Board Members	6	93	–	–	–	–	6	93
(Of which outside Audit & Supervisory Board Members)	4	34	–	–	–	–	4	34

(Notes)

1. The number of eligible directors includes four directors and one Audit and Supervisory Board member who retired at the closing of the 97th Annual General Meeting of Shareholders held on June 20, 2019.
2. The amount paid to directors does not include the portion of employee's salary (including bonus) amounting to 46 million yen for directors who concurrently serve as employees.

#### Ratio of performance-based and fixed remuneration for directors\* (fiscal 2019)

\* Excludes Outside Directors and the portion of employee's salary for Directors who concurrently serve as employees



## Corporate Governance Initiatives

### Director Company Stock Ownership Guidelines

In addition to having introduced, for Directors (excluding Outside Directors) and divisional company Executive Officers, a share-based compensation plan to further raise motivation to contribute to the improvement of medium- and long-term business performance and improve SEKISUI CHEMICAL Group's corporate value, we have established "Company Stock Ownership Guidelines" for those who are holding more than a certain number of shares.

### Executive Officer System and Executive Committee

To maximize corporate value, SEKISUI CHEMICAL Group has built its management structure based on the Divisional Company Organization System. Together with assigning to each divisional company Executive Officers specializing in business execution, an Executive Committee has been established to serve as the top decision-making body in each divisional company. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

By transferring authority to the divisional companies, the Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decisions on basic policies of SEKISUI CHEMICAL Group's management as well as high-level management decision-making and supervision of business execution.

### Basic Policy on Cross-Shareholdings and Criteria for the Exercise of Voting Rights

#### (1) Basic policy on cross-shareholdings

SEKISUI CHEMICAL Group may strategically hold shares of the other publicly-listed 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. Strategic rationale shall be reviewed in an appropriate and timely manner and SEKISUI CHEMICAL Group will reduce those holdings without sufficient strategic benefits or inconsistent with its capital policies.

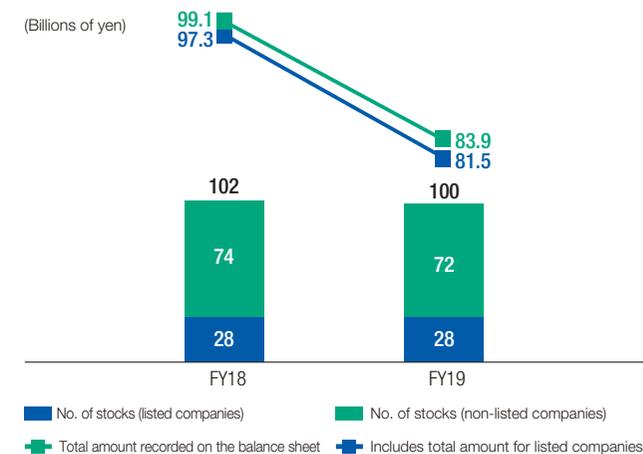
#### (2) Verification of the necessity of cross-shareholdings

SEKISUI CHEMICAL Group conducted an assessment of the individual holdings in accordance with the aforementioned basic policy to examine specific benefits by such share-holdings (listed companies) and consistency with the risk-benefit evaluation of such individual holdings over the cost-of-capital and other factors, and made a judgment for appropriateness of holding them at the Board meeting held on June 11, 2019. The total number of shareholdings of listed companies was 28 as of the end of March, 2020, compared with 28 holdings as of the end of March, 2019 as a result of new acquisition of one holding and disposition of one holding during FY2019.

#### (3) Criteria for the exercise of voting rights concerning cross-shareholdings

SEKISUI CHEMICAL Group exercises voting rights at shareholder meetings of the share-holding 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 with the corporate value enhancement of the above companies based on strategic position of such holding and dialogue and so forth with them, thereby performing its monitoring function as a shareholder. As to the exercise of voting rights, SEKISUI CHEMICAL Group applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items), business performance (equity ratio, profit/loss condition) in their current fiscal year, and their business sustainability. SEKISUI CHEMICAL Group then makes the final comprehensive decision on proposals based on dialogue with the said companies.

### Number of cross-held stocks, Number of Cross-held Stocks Recorded in the Balance Sheet, and Total Balance Sheet Amount



### Internal Control System

In May 2006, the Board of Directors resolved to adopt a fundamental policy regarding the establishment of an internal control system for ensuring the appropriateness of the Group's business activities. Based on the Corporate Activity Guidelines set forth in accordance with the Group corporate philosophy, the Company seeks to realize collaborative interaction concerning the supervision, directives, and communications of SEKISUI CHEMICAL Group (the Company and its subsidiaries), and SEKISUI CHEMICAL's duties include providing guidance and counsel, and undertaking evaluations of all SEKISUI CHEMICAL Group members to ensure that their business activities are being conducted in an appropriate manner.

# Stakeholder Engagement

To build relationships of trust with its five stakeholders—customers, shareholders, employees, business partners as well as local communities and the environment—SEKISUI CHEMICAL Group considers that it is important to improve corporate value through constructive dialogue. Positioning its stakeholders as partners in improving corporate value, having constructive dialogue with them, 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.

## Promoting Constructive Dialogue with Stakeholders

The various assessments and opinions of all stakeholders are reported to the CSR Committee (renamed the Sustainability Committee in fiscal 2020), which is chaired by the Company president and is composed of directors, among others, and the Company strives to adequately reflect these views in its activities.

In fiscal 2019, we received a variety of assessments and opinions through interactions such as “CAT (Customer And Top)” meeting (fiscal 2019: held 189 times, 1,413 participants) held as a way for housing sales company executives to hear customer feedback directly, communication with customers at the Eco Pro event we participate in every year, interviews with investors and investigative organizations, and direct communication between employees and top management at the “Town Hall Style Meeting with President” event.

## Distribute Value to Stakeholders (FY2019)

(Millions of yen)

Stakeholders	Dividends	22,400	Local communities	Donations	158
Business partners	Cost of Sales, Selling Costs /General Administrative Costs (Excluding Personnel Costs)	829,809	Global environment	Environmental conservation costs	17,850
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	211,675	Government and administrative bodies	Corporate taxes, local taxes, business taxes	22,619
			Creditors	Interest paid as part of costs apart from sales	695

## Distribute Value to Stakeholders

SEKISUI CHEMICAL Group calculates distribution status for each stakeholder based on its financial statements, using GRI and other accounting standards as a reference. We will accelerate CSR by quantifying, visualizing and assessing the business and social value brought about by engagement with our stakeholders.

## Dialogues with Employees

Believing that dialogue between management and employees is essential in resolving the problems faced by the Company as well as work-related issues, SEKISUI CHEMICAL Group has been providing opportunities for employees to have direct communication with top management since fiscal 2002. In fiscal 2019, SEKISUI CHEMICAL Group held “Town Hall Style Meeting with President,” in which employees and management leaders were able to exchange views, for employees at our 13 Group companies in Thailand. Participating employees actively exchanged their views on “fusion,” a subject in the Medium-Term Management Plan (fiscal 2017-2019). The President and other participating executives spoke directly with the local employees based on several of their various recommendations and proposals, including measures for improving productivity through collaboration between local Group companies and new business models that fuse the management resources of each company. The details of these meeting dialogues have been shared with each company and measures to realize these are underway. Going forward, we will hold these meetings in Europe, North America, and other areas, and will work to increase opportunities for Group employees throughout the world to have direct communication with top management.



“Town Hall Style Meeting with President” held in Thailand

## Promoting Dialogue with Our Shareholders and Investors

SEKISUI CHEMICAL Group believes it is important to actively disclose information in a timely and appropriate manner. On the SEKISUI CHEMICAL website, we established the “Corporate Information Disclosure Regulations,” which specify the content and system of disclosure as part of our effort to strengthen our internal information disclosure framework, based on the “Principle of Corporate Information Disclosure.” Taking full consideration of fair disclosure, SEKISUI CHEMICAL Group posts its financial statements and results briefings on its website in Japanese and English simultaneously and also provides recordings of the briefing and a transcript of the question and answer sessions.

With its business domains so diverse, SEKISUI CHEMICAL Group believes it is important to give clear explanations of its actions to individuals to ensure that the Group’s overall business characteristics and CSR initiatives are sufficiently and correctly understood. For example, in addition to quarterly results briefings held by management, the Company actively promotes individual meetings with institutional investors and sell-side analysts, briefings aimed at individual investors, and management briefings for all our shareholders.

We view “active engagement between investors and management” as one of our keys points for focus, and are actively promoting constructive dialogue with investors and shareholders, with the feedback from such reflected in our management efforts. The Company was praised for this proactive approach to IR and received the “IR Excellent Company Special Award” from the Japan Investor Relations Association in November 2019.

We intend to continue to focus on the voice of the capital markets moving forward, and will promote measures aimed at bolstering corporate value and ensuring sustainable growth.



Online briefing session for the management plan



IR Special Award (received November 2019)

# Review and Analysis of Consolidated Results for Fiscal 2019 Fiscal year ended March 31, 2020

## Business Environment

In fiscal 2019, the global economy deteriorated substantially experiencing a dramatic slowdown over the end of the period. Despite growing expectation of a temporary recovery from this decelerating spiral due the escalating trade friction between the U.S. and China following an agreement on the first phase of negotiations in December 2019, this harsh business environment was largely due the tightening of economic activity as a result of restrictions on companies and movement of people on the back of the global spread of the novel coronavirus (COVID-19) pandemic. While consumer spending picked up owing mainly to the rush in demand prior to the consumption tax rate hike in October 2019, the domestic economy deteriorated thereafter, impacted by such factors as the slow recovery in exports and typhoon damage. Entering 2020, the Japanese economy fell further into disarray as the added effects of COVID-19 took hold.

As far as the market environments for each of the Group's individual business segments are concerned, new housing starts in the domestic housing field came to 880,000 units in fiscal 2019, a decrease of 7.3% compared with the previous fiscal year. In addition to the persistently weak conditions for rental housing, this downturn largely reflected decreases in privately-owned homes and condominiums. Turning to detached houses, privately-owned homes declined 1.5% year on year, to 283,338 units, while built-for-sale detached housing edged up 0.9% compared with the previous fiscal year, to 146,154 units. In the Water Infrastructure field, PVC pipe shipment volumes fell below the levels recorded in the previous fiscal year in line with the downturn in condominium construction starts. Meanwhile, while private sector construction investment weakened, trends in government construction investment were firm. In the Electronics field, demand for smartphones declined. Operations in the Automobiles field were impacted by a slight decrease in the number of automobiles manufactured worldwide, primarily due to weak conditions in China and the growing market of India. From a foreign currency exchange rate perspective, the value of the yen against the U.S. dollar hovered above the ¥110 level at the start of the fiscal year in April 2019. While at one point appreciating sharply to ¥101 in March 2020 as COVID-19 spread throughout Europe and the U.S., the value of the yen against the U.S. dollar finished in the mid ¥108 range as of the end of the period. In fiscal 2019, the annual average foreign currency exchange rate against the U.S. dollar

was ¥109 and ¥121 against the euro. Compared with the previous fiscal year, the yen appreciated against both the U.S. dollar and the euro.

## Overview of Business Results and Financial Position

### 1. Analysis of Business Results for Fiscal 2019

#### (1) Net sales and operating income

In fiscal 2019, the final year of its Medium-term Management Plan "SHIFT 2019 -Fusion-," SEKISUI CHEMICAL Group secured quantitative growth. In addition to transitioning steadily toward "forward-looking investments" including M&As and strategic investments, we created new products and businesses while promoting "fusion" measures. Moreover, we strengthened efforts to affect a qualitative transition through constant structural reform. Among a variety of measures, we promoted cost innovation across the entire supply chain and strove to reduce fixed costs. Working in unison, energies were directed toward realizing the benefits of our endeavors. Under these circumstances, the UIEP Company reported record high operating income on the back of steady sales of prioritized products that help resolve social issues.

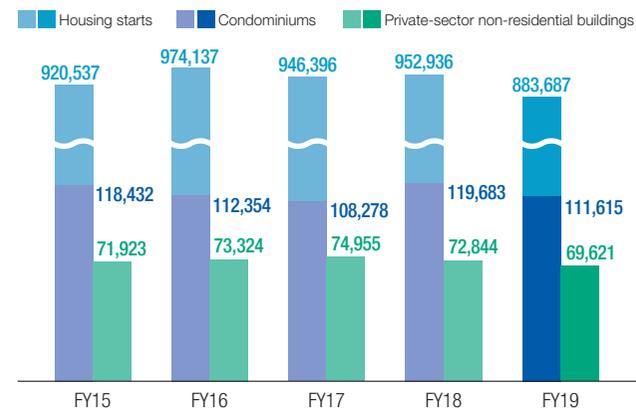
In contrast, the HPP and Housing companies were significantly

impacted by a variety of factors. In addition to the greater than expected deterioration in global automobile market conditions and the headwind created by Japan's consumption tax rate hike, each company was buffeted by the spread of COVID-19 in the fourth quarter, which led to such difficulties as restrictions on customers' movements in the Mobility field and delayed delivery of houses and renovations.

Accounting for each of these factors, in fiscal 2019 SEKISUI CHEMICAL Group reported a decrease in net sales of 1.2% compared with the previous fiscal year, to ¥1,129,254 million. From a profit perspective, operating income declined 8.3% year on year, to ¥87,768 million, and ordinary income contracted 6.6%, to ¥86,996 million. For the fiscal year under review, net income attributable to owners of the parent fell 10.8% compared with the previous fiscal year, to ¥58,931 million.

Of these totals, the Housing Company posted net sales of ¥512,379 million, up 1.2% compared with the previous fiscal year. Again, on a year-on-year basis, operating income came to ¥37,792 million, a decrease of 3.1%. Amid the downturn in demand for rebuilding and apartment buildings due to the consumption tax rate hike, the Housing Company placed considerable emphasis on increasing operating income by leveling out sales and improving the profit structure of the Housing Renovation business. The drop in operating income was however due to delays in delivery caused

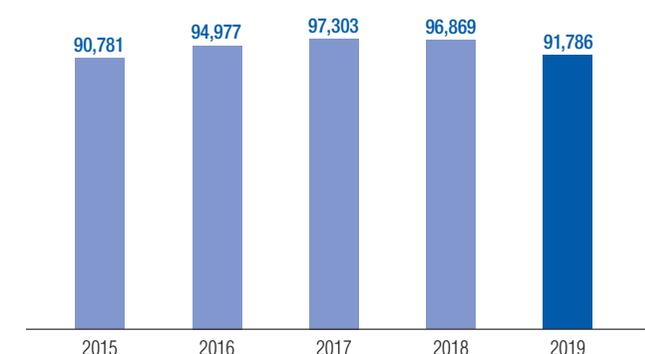
### Number of New housing starts and Private-sector Non-residential Building Construction Starts



\*Source: "New construction starts of dwellings," Ministry of Land, Infrastructure, Transport and Tourism

### World Motor Vehicle Production Volume

(Thousands of Cars)



\*Source: OICA correspondents' survey

\*Calendar year base

## Review and Analysis of Consolidated Results for Fiscal 2019 Fiscal year ended March 31, 2020

by the spread of COVID-19 in the fourth quarter. Regarding the New Housing Construction business, efforts were made to expand sales of smart houses centered on the new products Smart Power Station Urban and New Smart Power Station while at the same time promoting the nationwide introduction of experience-based showrooms. In addition, efforts were made to secure orders for housing from first-time buyers centered on ready-built houses through the expansion of land stock for sale. In the Housing Renovation business, efforts were made to expand sales of strategic products such as energy self-sufficiency proposals centered on storage batteries. The introduction of the showrooms FamiS Museum and FamiS Gallery was also undertaken. In addition, the SMARTHEIM DENKI power trading service was launched.

In the fiscal year under review, net sales in the UIEP Company came in at ¥237,380 million. This was a slight decrease of 0.8% compared with the previous fiscal year. Operating income climbed 3.1% year on year, to ¥15,480 million. In fiscal 2019, sales of general products struggled due to delays in construction and the suspension of capital investment attributable to COVID-19. Moreover, the construction of houses declined because of the consumption tax rate hike. However, sales of high prioritized products expanded smoothly, maintaining net sales at essentially the same level as the previous fiscal year. The Company set a record high in operating income due to the promotion of structural reforms and improvement in product mix. In the Piping and Infrastructure field, in addition to general products, sales of industrial piping materials struggled

due to a decrease in IT investment. However, in the non-residential facility and public infrastructure sales of such products as piping materials (AC drain, Eslo Hyper), which contribute to labor saving and reductions in the construction period, and materials associated with the sewer pipe renewal (SPR) method expanded steadily, while sales in the Piping and Infrastructure field surpassed the previous fiscal year. Regarding the Building and Living Environment business, while there was an impact from low demand for apartment buildings, sales were essentially at the same level as the previous fiscal year due to the expansion of sales of rainwater high flowrate drainage systems in response to torrential rain, and the nursing care and independence support equipment Wells. In Advanced Materials, the new adoption of synthetic lumber for railway sleepers steadily expanded overseas, and plastic molding sheets saw steady sales for medical use. However, net sales in this field were lower than the previous fiscal year due to a sharp decline in overseas demand for aircrafts.

Net sales in the HPP Company amounted to ¥322,421 million in fiscal 2019, down 5.5% compared with the previous fiscal year. On the earnings front, operating income fell 17.1% year on year, to ¥37,169 million. In the fiscal year under review, while steps were taken to promote cost innovation across the entire supply chain and improve spreads after a decline in raw material prices in the wake of a prolonged downturn in global market conditions mainly surrounding the automobile industry, revenue and earnings decreased due to lower operation rates of customers caused by the COVID-19

pandemic. In Electronics field, although progress was made in steadily expanding sales for non-liquid-crystal-related products such as heat release products related to 5G and joint parts, net sales were lower than the previous fiscal year due to the deterioration of market conditions for mobile devices such as smartphones and tablets. In Automobiles and Transportation field, net sales were lower than the previous fiscal year due to a prolonged downturn in global market conditions. This created a host of issues including a delay in the recovery of Europe's automobile market conditions, deceleration of the China market, and stagnation in automobile sales in the U.S. This difficult environment was exacerbated by much lower operation rates of customers caused by COVID-19 in the fourth quarter of fiscal 2019. To accelerate business expansion in the area of mobility materials, a stock purchase agreement was signed in June to acquire all outstanding stock in AIM Aerospace Group, which was included in the Company's scope of consolidation as SEKISUI AEROSPACE CORPORATION at the end of the third quarter of fiscal 2019. In Building and Infrastructure field, sales expansion of fire-resistant materials and noncombustible materials is making steady progress, and net sales were higher than the previous fiscal year. In the Industry domain, sales of general products such as tapes struggled due to a decrease in demand caused by the consumption tax rate hike and COVID-19, with net sales lower than the previous fiscal year.

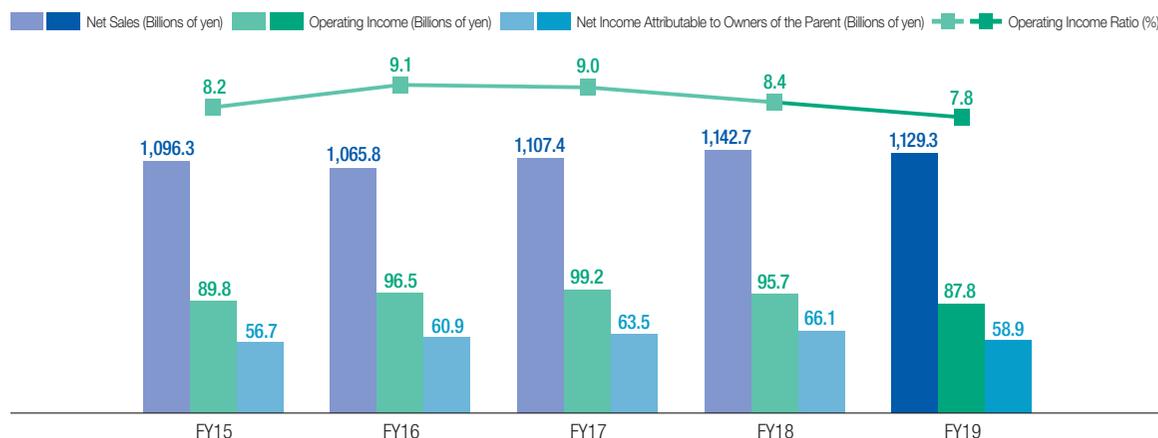
Effective from the fiscal year under review, the main portion of the Life Science field previously included in the HPP segment is being presented as the Medical Business segment in an effort to accelerate the pace its growth as a new divisional company candidate.

In the Medical business, net sales grew 2.6% compared with the previous fiscal year, to ¥72,588 million. Operating income, on the other hand, declined 4.4% year on year, to ¥9,204 million. The year-on-year increase in sales was due to growth in the Diagnostics business mainly in Europe, the U.S., and China. However, operating income fell below the level recorded in the previous fiscal year owing to the decline in outpatient tests for lifestyle related diseases caused by the spread of COVID-19 amid forward-looking growth investments to strengthen the business foundation and development system.

### (2) Non-operating income and expenses

In the fiscal year under review, SEKISUI CHEMICAL Group posted an ¥839 million downturn in foreign exchange gain, net. Accounting for this and other factors, non-operating income declined ¥135 million compared with the previous fiscal year. Taking into account such factors as the decrease in expenses for

### Performance Trends



## Review and Analysis of Consolidated Results for Fiscal 2019 Fiscal year ended March 31, 2020

exterior wall inspections and maintenance of ¥2,444 million, non-operating expenses contracted ¥1,903 million year on year.

### (3) Extraordinary income and loss

During the fiscal year under review, SEKISUI CHEMICAL Group posted a gain on sales of investments in securities of ¥6,929 million as extraordinary income, up 103.1% compared with the previous fiscal year. At the same time, the Company incurred a loss on impairment of fixed assets of ¥4,443 million, a loss on devaluation of investments in securities of ¥2,897 million, and a loss on sales of property, plant and equipment of ¥2,713 million. As a result, total extraordinary loss came to ¥10,344 million, up 290.5% year on year.

### (4) Net income attributable to owners of the parent

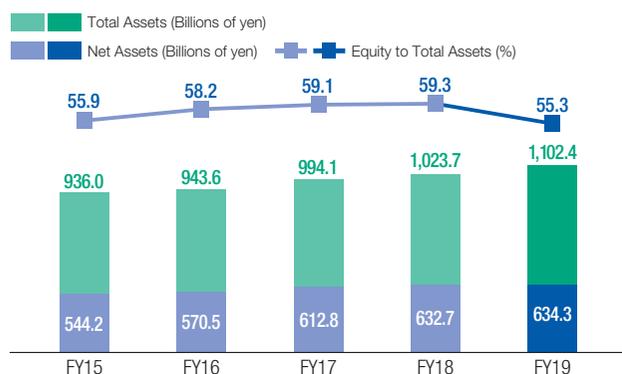
Accounting for each of the aforementioned factors, income before income taxes and minority interests totaled ¥83,581 million, a decrease of ¥10,327 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owners of the parent amounted to ¥58,931 million, down 10.8% year on year.

## 2. Financial Position

### (1) Assets, liabilities and net assets

Total asset as of March 31, 2020 stood at ¥1,102,352 million, an increase of ¥78,645 million compared with the end of the previous fiscal year.

#### Total Assets, Net Assets, and Equity to Total Assets



Equity = Shareholders' Equity including Accumulated Other Comprehensive Income  
Equity to Total Assets = Equity / Total Assets

### (Assets)

Current assets stood at ¥491,883 million as of the end of fiscal 2019, ¥21,846 million higher than the balance as of the previous fiscal year-end. While the balance of notes receivable, trade and accounts receivable, trade declined ¥12,848 million during the fiscal year under review, the balances of cash and deposits as well as total inventories climbed ¥6,937 million and ¥25,001 million, respectively. In addition, non-current assets grew ¥56,798 million year on year, to ¥610,468 million.

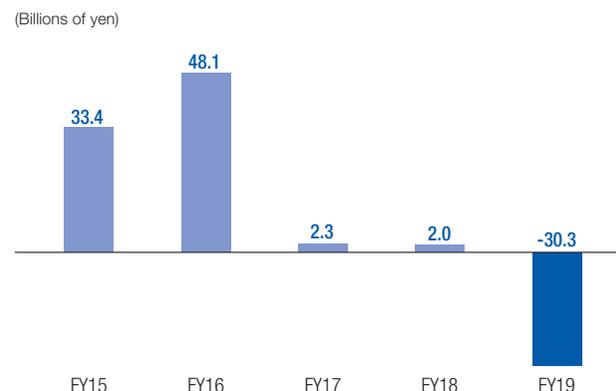
### (Liabilities)

Liabilities increased ¥77,116 million compared with the end of the previous fiscal year, to ¥468,076 million. The main components were increases of a combined ¥1,033 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses, and a total of ¥63,817 million in interest-bearing debt.

### (Net assets)

Net assets stood at ¥634,275 million as of the end of the fiscal year under review, an increase of ¥1,529 million compared with the end of the previous fiscal year. The balance of retained earnings increased after accounting for such factors as net income attributable to owners of the parent of ¥58,931 million and the payment of dividends totaling ¥21,261 million. Other movements included decreases in treasury stock at cost of ¥13,291 million, negative translation adjustments of ¥10,316 million, and a decrease in unrealized holding gain on securities of ¥9,365 million.

#### Free Cash Flow



Free Cash Flow = CF Operating Activities + CF Investing Activities - Dividend Paid

### (2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥74,721 million as of the end of fiscal 2019, an increase of ¥6,108 million compared with the end of the previous fiscal year. Factors influencing fiscal 2019 cash flow accounts were as follows.

#### (Operating activities)

Net cash provided by operating activities came to ¥92,647 million, up from ¥85,213 million in the previous fiscal year. In the fiscal year under review, major cash inflows, which included income before income taxes and minority interest of ¥83,581 million, depreciation and amortization of ¥42,209 million, and decrease in notes and accounts receivable of ¥9,644 million, exceeded such cash outflows as increase in inventories of ¥24,209 million, income taxes paid of ¥22,071 million, and gain on sales of investments in securities of ¥6,639 million.

#### (Investing activities)

Net cash used in investing activities amounted to ¥100,562 million, up from ¥62,553 million in the previous fiscal year. The principal cash inflow came from proceeds from sales or redemption of investments in securities totaling ¥14,417 million associated with the sale of a portion of shares held in Sekisui House, Ltd. Meanwhile, cash outflows largely included acquisition of investments in subsidiaries resulting in change in scope of consolidation of ¥54,377 million. In the fiscal year under review, SEKISUI CHEMICAL Group acquired all of the outstanding shares of AIM Aerospace Corporation (current SEKISUI AEROSPACE CORPORATION), a manufacturer and marketer of such composite molding products as carbon fiber reinforced plastics (CFRP) for aircrafts and drones. The company has been included in SEKISUI CHEMICAL Group's scope of consolidation as a wholly owned subsidiary. Other major cash outflows included purchases of property, plant and equipment of ¥52,683 million focusing mainly on priority and growth fields.

#### (Financing activities)

Net cash provided by financing activities was ¥15,450 million in the fiscal year under review, compared with net cash used in financing activities of ¥31,539 million in the previous fiscal year. Principal cash outflows came from cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries of ¥22,400 million and the purchase of treasury stock of ¥13,291 million. This was more than offset by the net increase in interest-bearing debt of ¥50,573 million.

# Review and Analysis of Consolidated Results for Fiscal 2019

Fiscal year ended March 31, 2020

## Business Risks

The following factors related to our business and accounting practices may materially influence investment decisions. The Company is endeavoring to establish a system for anticipating potential risks for the Group, preventing their occurrence, and promptly and appropriately dealing with them if they occur. Forward-looking statements contained herein are based upon assessments made by SEKISUI CHEMICAL Group at the end of fiscal 2019.

### (1) Major market trends

The Group's business results and financial position may be affected should an unforeseen event arise. This includes a downturn in demand in a variety of mobility, electronics, housing, construction, infrastructure, and other fields, or an economic slowdown in such business areas as Japan, North America, Europe, and Asia. For example, markets where business is undertaken in the mobility field are easily affected by conditions and demand trends in the global automotive and aerospace industries. Markets for businesses in the electronics field, which are characterized by volatile fluctuations in demand, may shrink over a short period of time. In addition, the Housing Company's activities are subject to the policies and taxation systems that apply to the acquisition of houses in Japan. The Housing Company's business can also be affected by trends in consumption tax rates, interest rates, private consumption, and regional economies. As far as the UIEP Company is concerned, activities, which encompass the public sector, may be impacted by trends in public investment, which are determined by governments at both the national and local levels.

### (2) Raw material price volatility and procurement

The market prices of steel, timber, polyvinyl chloride, olefin, and other petroleum-related raw materials used in the Group's production activities are affected by a variety of factors including trends in the global economy, the balance between demand and supply, and fluctuations in foreign currency exchange rates. In addition, some of the raw materials used in the Group's products comprise scarce resources, which pose a risk regarding stable procurement. A sharp rise in the price of raw materials could lead to higher production costs, while demand trends for scarce resources and problems at suppliers could interfere with the

Group's ability to supply products. As a result, the Group's business results and financial position may be affected. In response to rising raw material prices, the Group is implementing cost reduction measures. At the same time, energies are being directed toward maintaining a sufficient margin between selling and raw material prices, mainly in the UIEP and HPP companies.

### (3) Products and quality

The Group continues to engage in assurance and improvement activities to ensure that its products and services are of the utmost quality. However, despite these activities, the Group continues to run the risk of a product recall, discontinuation, payment of compensation, and loss of customer confidence should a major product-related incident, product safety, environmental, statutory and regulatory compliance, or other issue arise, and in the event of a dispute over intellectual property that results in a decision that is unfavorable to the Group. In this event, the possibility exists that the Group's business results and financial position may be affected. SEKISUI CHEMICAL Group engages in CS & Quality Management to consistently deliver value to customers so that they will always choose its products and services. We have also positioned "zero major quality issues" as one of our key indicators, and are working diligently to improve the level of consistent quality control across the entire value chain by preventing the incidence of a quality issue occurring through advance prediction of potential quality-related risks at the development stage after a product has been commercialized, and ensuring that basic guidelines for day-to-day management are being strictly adhered to by production departments. At the same time, the Group places the utmost importance on its intellectual property strategy in order to make the most of its prominence in technology. In striving to secure business competitiveness through the acquisition of strong patents, we conduct the necessary investigations to ensure that we do not infringe on the intellectual property of others, and take appropriate measures to avoid or prevent intellectual property infringement.

### (4) Foreign currency, interest rate, and owned asset price fluctuation

Operating and expanding its business globally, fluctuations in the value of the yen against foreign currencies could have a significant impact on the Group's foreign currency-denominated sales, raw material procurement costs, and the assets and liabilities of overseas subsidiaries and affiliates. Fluctuations in interest

rates may also impact the amounts of interest income received and interest expense paid by the Group as well as housing-related business demand. In the event of a change in the market and business environments, there is a risk that the Group's real estate holdings including land, other inventories, property, plant and equipment, intangible non-current assets including goodwill, and investments and other assets such as investment securities may need to be written down. Each of the aforementioned has the potential to impact the Group's business results and financial position. The Group continues to promote local production by its businesses seeking to expand globally. Under these circumstances, every effort is being made to manage the balance of the Group's foreign currency holdings by converting them into yen and utilizing intra-Group loans and other means to reduce foreign currency exchange risk.

### (5) Overseas business activities

Engaging in manufacturing and sales activities through an overseas network that currently spans 23 countries, the Group is promoting the development of its global business as a key growth strategy. In addition to trends in the overall global economy, the Group's overseas business activities are subject to the risk of social and political disruption due to political turmoil such as terrorism and war, tariff retaliation measures, unexpected changes in policies, laws and regulations, tax changes, industrial base fragility, natural disasters, infectious diseases, racial discrimination, product boycotts, and other factors. In the event that these risks materialize, the Group's overseas business activities could be impeded, and its performance and future plans affected. SEKISUI CHEMICAL Group has established four regional headquarters in the U.S., Europe, China, and ASEAN regions to gather information on the economic, social, and political conditions and trends in the laws and regulations of each country in which it has a base of operations. Should an event that requires a response occur, the Group company, regional headquarters, and specialized department at the Company's head office in Japan work together to respond as appropriate.

### (6) Major earthquake, natural disaster, industrial accident, and other incident

Major industrial accidents including fires, explosions, and the leakage of harmful substances that affect the areas surrounding the Group's factories and R&D facilities, as well as such natural

## Review and Analysis of Consolidated Results for Fiscal 2019 Fiscal year ended March 31, 2020

disasters as earthquakes and tsunamis at the Group's business sites, together with the spread of infectious diseases could interrupt the Group's business activities. Any resulting loss of public confidence, expenses in responding to industrial accidents, including compensation and other costs, opportunity loss attributable to the suspension of production, compensation paid to customers, and other factors may affect the Group's performance and financial position. In order to prevent industrial accidents including fires, explosions, and the leakage of harmful substances, the Group identifies and responds to risks through risk management activities at production sites that also include simulations of natural disasters, and has a dedicated head office department that periodically conducts on-site audits while providing remedial guidance on a global basis. Taking the lead, the Overseas Crisis Management Office at the same time shares crisis management information with regional headquarters, alerting them to the need for timely action. In addition, we have built a system that allows us to keep abreast of disasters and accidents should they occur through a global emergency contact network, and have strengthened employee training to ensure an appropriate initial response.

### (7) Information security

As the Group makes efficient use of IT in a wide range of business processes including production, sales, research and development, procurement, and accounting, it is becoming increasingly dependent on IT systems. Moreover, and in addition to confidential business process information, we handle personal information about many of our customers due to the nature of the Housing business. Taking these circumstances into consideration, the Group is subject to such risks as cyber-attacks, power outages, natural disasters, business interruptions and damages resulting from equipment and software failures or defects, and the leakage of confidential including personal information. In the event that any of these risks should materialize, the Group's business activities could be impeded affecting its business results and financial position. After putting in place certain guidelines codified in its Cyber Security Policy, the Group established a Computer Security Incident Response Team (CSIRT) to strengthen its response and constantly monitor the incidence or otherwise of system-based incidents. In addition, we have developed a system to take appropriate action and prevent recurrence in the event that an incident should

arise, and are working to prevent the leakage of human-related information through employee training. To counter the risk of backbone system stoppages due to such natural disasters as a major earthquake, we have taken a wide range of measures including the decentralization of data centers to multiple locations and the complete duplication of critical business operations.

### (8) Legal and other compliance

The Group is subject to a variety of statutory and regulatory requirements in the conduct of its business. In the event that the Group should seriously violate any of these laws following an amendment or unexpected introduction of a law or regulation, undertake an action or carry out an injustice that violates societal norms caused by pressure to achieve performance targets, it could suffer a loss of customer confidence and incur costs in order to address the infraction thereby impacting its business results and financial position.

The Group established its "Compliance Declaration" in 2003 based on principles such as "contributing to society," "being a trusted company," and "adherence to the letter and spirit of the law." In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In April 2019, under the leadership of then-president Koge, the declaration was made that compliance is management itself for SEKISUI CHEMICAL Group, and that each and every employee will work together to act in accordance with compliance regulations.

In addition, the Sustainability Committee, chaired by the President, deliberates on "Fundamental Compliance Policies" that require the approval of the Board of Directors, and has established a designated Compliance Subcommittee, which reports to the Sustainability Committee, to plan, consider, and decide on important compliance-related matters, with the aim of establishing and implementing a compliance system for the Company and its Group companies. In order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.

### (9) Climate change and environmental issues

Recognizing that climate change caused by greenhouse gases, resource depletion, water risk, and marine plastic waste are common social issues worldwide, the Group promotes ESG management to improve social and global environmental

sustainability through solutions to social issues as well as its own sustainable growth, in a bid to realize its Long-term Vision "Vision 2030" and the Sekisui Environment Sustainability Vision 2050. In the event that efforts aimed at addressing these issues prove inadequate, the Group could suffer a loss of public trust and a deterioration of its reputation and competitiveness, thereby impacting sales. We are working to create, certify, and expand the market for products to enhance sustainability that contribute to the sustainability of the global environment and society by helping to resolve environmental and social issues. As a measure to combat global warming, we have set the target of increasing our utilization ratio for renewable energy from electricity purchased to 100% by 2030, and to promote various other measures including collaboration with suppliers to procure raw materials with low environmental impact. Among a host of other initiatives, we are also undertaking activities to promote solutions to the marine plastic problem through industry-government-academia collaboration. This includes participation in the CLOMA\* and JalME\* corporate initiatives.

\* CLOMA: Acronym for the Japan Clean Ocean Material Alliance.

\* JalME: Acronym for the Japan Initiative for Marine Environment.

### (10) Impact of COVID-19

The global spread of COVID-19, first reported in China in December 2019, could threaten the safety of our employees, restrict the activities of our Group's businesses domestically and internationally, and impact our profit and loss, including market stagnation. In addition to setting up a Groupwide Emergency Response Headquarters, and with the safety of employees our primary concern, we have in principle prohibited the holding of meetings, training, business trips, and social gatherings, and are promoting telecommuting, among other measures. From a customer service perspective, we are trying to reduce the number of face-to-face meetings while emphasizing online communication and telephone negotiations to ensure that we address customers' needs in a timely manner. In similar fashion, we are promoting telecommuting and shortened work hours at our overseas offices while accommodating conditions in each country. We will continue to enhance safety measures for our stakeholders while monitoring future progress and prepare for unforeseen circumstances, including the need to secure stable working capital to deal with prolonged risks.

# External Evaluations Conducted During Fiscal 2019

## ESG Index

Earned selection to the “World” category of the DJSI

Earned selection to the FTSE4Good Index series

Earned selection to the FTSE Blossom Japan 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 Ethibel PIONEER and Ethibel EXCELLENCE

Earned selection to the S&P/JPX Carbon Efficient Index Composite

SNAM Sustainability Index

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



FTSE4Good

<https://www.ftserussell.com/products/indices/FTSE4Good>



FTSE Blossom  
Japan



THE INCLUSION OF SEKISUI CHEMICAL CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SEKISUI CHEMICAL CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

2020 CONSTITUENT MSCI ジャパン  
ESGセレクト・リーダーズ指数

2020 CONSTITUENT MSCI 日本株  
女性活躍指数 (WIN)



“Sekisui Chemical Co. Ltd. has been reconfirmed for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 09/12/2016. This selection by Forum ETHIBEL ([www.forumethibel.org](http://www.forumethibel.org)) indicates that the company can be qualified as a sector leader in terms of Corporate Social Responsibility (CSR).”



## ESG-Related Ranking, Awards

### CSR in General

Earned S&P Global sustainability rating

Earned sustainability rating of “Bronze Class” and “SAM Industry Mover” by S&P Global

Earned selection as one of the “2020 Global 100 Most Sustainable Corporations in the World index” ranking 12th

Ranked 74th in Toyo Keizai CSR Ranking



<http://www.corporateknights.com/reports/global-100/>

## External Evaluations Conducted During Fiscal 2019

### Environment

Earned selection to the 2019 “CDP Climate Change A-List”

Acquired certification from the “SBT (Science-Based Targets) Initiative” (June 2018)

Received the Silver (Minister of the Environment Award), ESG Finance Award Japan (Environmentally Sustainable Company category)

Received the 29th “Annual Global Environment Awards” Minister of the Environment Award

Received the Best Resilience Award from the 2020 Japan Resilience Award

Received the “Biodiversity Action Award Japan 2019” Biodiversity Biwako Network

Taga Plant Acquired 3-star certification from the 2019 Shiga Biodiversity Initiative Certification System

Received the 2019 Minister of the Environment Award for Global Warming Prevention Activities (Technology Development and Commercialization category)



### Human Resources

Earned selection as a “Nadeshiko Brand” in the first year of the Reiwa Era by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange

Certified as a 2020 Health and Productivity Management Organization by both the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi in the large enterprise category (“White 500”)

Received the 2nd Grand Prize Platinum Career Award

KOFU SEKISUI SANGYO CO., LTD. : Received the Ministry of Economy, Trade and Industry's New Diversity Management Selection 100 in fiscal 2016

Earned selection to the Ministry of Economy, Trade and Industry's Diversity Management Selection 100 for fiscal 2013



# Key Financial and Non-financial Data

	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Net Sales</b>	1,096,317 mil. yen	1,065,776 mil. yen	1,107,429 mil. yen	1,142,713 mil. yen	<b>1,129,254 mil. yen</b>
Housing	473,441 mil. yen	484,975 mil. yen	497,782 mil. yen	506,729 mil. yen	<b>512,937 mil. yen</b>
Urban Infrastructure & Environmental Products	226,279 mil. yen	240,332 mil. yen	239,241 mil. yen	239,193 mil. yen	<b>237,380 mil. yen</b>
High Performance Plastics	378,552 mil. yen	357,526 mil. yen	386,154 mil. yen	341,290 mil. yen	<b>322,421 mil. yen</b>
Medical*1	—	—	—	70,721 mil. yen	<b>72,588 mil. yen</b>
<b>Operating Income (Operating Income Ratio)</b>	89,823 mil. yen (8.2 %)	96,476 mil. yen (9.1 %)	99,231 mil. yen (9.0 %)	95,686 mil. yen (8.4 %)	<b>87,768 mil. yen (7.8 %)</b>
Housing	36,387 mil. yen	37,549 mil. yen	37,935 mil. yen	39,002 mil. yen	<b>37,792 mil. yen</b>
Urban Infrastructure & Environmental Products	3,610 mil. yen	12,827 mil. yen	14,791 mil. yen	15,007 mil. yen	<b>15,480 mil. yen</b>
High Performance Plastics	53,353 mil. yen	54,537 mil. yen	57,821 mil. yen	44,855 mil. yen	<b>37,169 mil. yen</b>
Medical*1	—	—	—	9,623 mil. yen	<b>9,204 mil. yen</b>
<b>Ordinary Income</b>	81,213 mil. yen	91,513 mil. yen	93,929 mil. yen	93,146 mil. yen	<b>86,996 mil. yen</b>
<b>Net Income Attributable to Owners of the Parent</b>	56,653 mil. yen	60,850 mil. yen	63,459 mil. yen	66,093 mil. yen	<b>58,931 mil. yen</b>
<b>Comprehensive Income</b>	37,080 mil. yen	57,638 mil. yen	73,898 mil. yen	55,648 mil. yen	<b>36,420 mil. yen</b>
<b>Total Assets</b>	936,043 mil. yen	943,640 mil. yen	994,137 mil. yen	1,023,706 mil. yen	<b>1,102,352 mil. yen</b>
<b>Net Assets</b>	544,156 mil. yen	570,549 mil. yen	612,757 mil. yen	632,746 mil. yen	<b>634,275 mil. yen</b>
<b>R&amp;D Expenditures</b>	31,693 mil. yen	34,169 mil. yen	36,974 mil. yen	38,838 mil. yen	<b>37,146 mil. yen</b>
<b>Capital Expenditures</b>	49,740 mil. yen	43,868 mil. yen	53,518 mil. yen	73,595 mil. yen	<b>66,667 mil. yen</b>
<b>Depreciation and Amortization</b>	34,735 mil. yen	34,843 mil. yen	36,016 mil. yen	38,789 mil. yen	<b>42,209 mil. yen</b>
<b>Amortization of Goodwill</b>	2,156 mil. yen	2,118 mil. yen	2,416 mil. yen	2,848 mil. yen	<b>3,253 mil. yen</b>
<b>Net Cash Provided by Operating Activities</b>	71,389 mil. yen	108,229 mil. yen	82,272 mil. yen	85,213 mil. yen	<b>92,647 mil. yen</b>
<b>Net Cash Used in Investing Activities</b>	-23,715 mil. yen	-44,057 mil. yen	-60,881 mil. yen	-62,553 mil. yen	<b>-100,562 mil. yen</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>	-41,726 mil. yen	-39,633 mil. yen	-35,981 mil. yen	-31,539 mil. yen	<b>15,450 mil. yen</b>
<b>Free Cash Flow</b>	33,375 mil. yen	48,107 mil. yen	2,325 mil. yen	2,043 mil. yen	<b>-30,317 mil. yen</b>
<b>Net Assets per Share</b>	1,071.24 yen	1,147.91 yen	1,245.91 yen	1,307.75 yen	<b>1,333.88 yen</b>
<b>Net Income Attributable Owners of the Parent per Share</b>	115.08 yen	126.13 yen	133.80 yen	141.74 yen	<b>128.25 yen</b>
<b>Dividend per Share (Dividend Payout Ratio)</b>	30.00 yen (26.1 %)	35.00 yen (27.7 %)	40.00 yen (29.9 %)	44.00 yen (31.0 %)	<b>46.00 yen (35.9 %)</b>
<b>Dividend on Equity Ratio</b>	2.8 %	3.1 %	3.3 %	3.4 %	<b>3.5 %</b>

Note: Effective from the start of fiscal 2018, the fiscal year ended March 31, 2019, SEKISUI CHEMICAL Group has applied the partial amendments to the accounting standard for tax effect accounting (the Accounting Standards Board of Japan (ASBJ) Guidance No. 28 revised on February 16, 2018). These partial amendments have also been retroactively applied to data for fiscal 2017.

Free Cash Flow = CF Operating Activities + CF Investing Activities - Dividend Paid

## Key Financial and Non-financial Data

	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Financial Index</b>					
Equity to Total Assets	55.9 %	58.2 %	59.1 %	59.3 %	<b>55.3 %</b>
Current Ratio	138.0 %	160.7 %	153.6 %	151.0 %	<b>147.2 %</b>
Fixed Ratio	95.9 %	86.9 %	91.0 %	91.2 %	<b>100.2 %</b>
Interest-Bearing Debt	52,338 mil. yen	43,734 mil. yen	46,326 mil. yen	53,848 mil. yen	<b>117,665 mil. yen</b>
Debt/Equity Ratio	10.0 %	8.0 %	7.9 %	8.9 %	<b>19.3 %</b>
Interest Coverage Ratio	64.5 times	100.4 times	109.9 times	113.5 times	<b>85.1 times</b>
Total Assets Turnover	1.15 times	1.13 times	1.14 times	1.13 times	<b>1.06 times</b>
Inventory Turnover	7.11 times	7.00 times	6.84 times	6.30 times	<b>5.52 times</b>
Tangible Fixed Assets Turnover	4.11 times	4.01 times	4.09 times	3.88 times	<b>3.49 times</b>
R&D Expenditures to Revenues	2.89 %	3.21 %	3.34 %	3.40 %	<b>3.29 %</b>
Return on Equity (ROE)	10.9 %	11.3 %	11.2 %	11.1 %	<b>9.7 %</b>
Return on Total Assets (ROA)	8.5 %	9.7 %	9.7 %	9.2 %	<b>8.2 %</b>
Return on Invested Capital (ROIC)					<b>7.7 %</b>
EBITDA	126,714 mil. yen	133,437 mil. yen	137,665 mil. yen	137,324 mil. yen	<b>133,231 mil. yen</b>
PER	12.04 times	14.83 times	13.87 times	12.55 times	<b>11.17 times</b>
Net Sales per Employee	45.88 mil. yen	45.44 mil. yen	45.12 mil. yen	43.47 mil. yen	<b>42.22 mil. yen</b>
Operating Income per Employee	3.75 mil. yen	4.11 mil. yen	4.04 mil. yen	3.64 mil. yen	<b>3.28 mil. yen</b>

Note: Effective from the start of fiscal 2018, the fiscal year ended March 31, 2019, SEKISUI CHEMICAL Group has applied the partial amendments to the accounting standard for tax effect accounting (the Accounting Standards Board of Japan (ASBJ) Guidance No. 28 revised on February 16, 2018). These partial amendments have also been retroactively applied to data for fiscal 2017.

Equity = Shareholders' Equity including Accumulated Other Comprehensive Income

Equity to Total Assets = 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 Income + 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

Return on Equity (ROE) = Net Income Attributable to Owners of the Parent/Average Equity

Return on Total Assets (ROA) = Ordinary Income/Average Total Assets

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

EBITDA = Operating Income + Depreciation and Amortization + Amortization of goodwill

PER = Stock Prices at the End of Fiscal Year/Net Income Attributable to Owners of the Parent per Share

Net Sales per Employee = Net Sales/Average Number of Employees

Operating Income per Employee = Operating Income/Average Number of Employees

\*Please refer to the Financial Highlight (11 years) of the FACT BOOK 2020 for detailed financial data.

<https://www.sekisuichemical.com/ir/library/fact/index.html>

## Key Financial and Non-financial Data

	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Human Resource</b>					
<b>Number of Employees</b>	23,901	23,006	26,080	26,486	<b>27,003</b>
<b>By Divisional Company</b>					
Housing	10,419	10,447	10,698	10,891	<b>10,937</b>
Urban Infrastructure & Environmental Products	5,044	4,789	4,945	5,139	<b>5,242</b>
High Performance Plastics	7,453	7,269	9,735	9,702	<b>8,078</b>
Medical*1				1,907	<b>2,050</b>
<b>By Region</b>					
Japan	18,065	17,928	18,935	19,464	<b>19,727</b>
Americas	1,512	1,403	1,482	1,494	<b>1,970</b>
Europe	1,048	973	961	958	<b>977</b>
Asia/Pacific (including China)	3,276	2,702	4,702	4,570	<b>4,329</b>
<b>Diversity</b>					
Ratio of Women among New-Graduate Hires (SEKISUI CHEMICAL Group in Japan)*2	26.5 %	31.3 %	29.8 %	29.7 %	<b>31.4 %</b>
Ratio of Women in Management Positions (SEKISUI CHEMICAL)	2.4 %	2.6 %	3.1 %	3.2 %	<b>4.1 %</b>
Employment Ratio of People with Disabilities (SEKISUI CHEMICAL)*3	2.21 %	2.29 %	2.29 %	2.81 %	<b>2.84 %</b>
Number of Elderly Employees Reemployed (SEKISUI CHEMICAL)	104	65	21	49	<b>46</b>
Global Talent Employees*4	329	341	340	326	<b>335</b>
<b>Work-Life Balance</b>					
Number of People Using Work-Life Balance Related Programs*5 (SEKISUI CHEMICAL)/ Including the Number of Male Users	177 / 85	196 / 95	253 / 32	330 / 186	<b>427 / 254</b>
<b>Fostering Personnel</b>					
Average Hours per FTE of Training and Development (SEKISUI CHEMICAL)	—	—	9.9 hours	9.4 hours	<b>9.4 hours</b>
Employee Turnover Rate (SEKISUI CHEMICAL)*6	1.5 %	1.3 %	1.3 %	1.5 %	<b>2.0 %</b>

\*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 Includes certain affiliates accounted for by the equity method and non-consolidated subsidiaries.

\*3 Including special provision subsidiary

\*4 Japanese employees with experience working overseas (including Global Trainees)

\*5 Programs for promoting diverse working styles including childcare leave, shorter working hours, use of flexible working hours, and family leave

\*6 (Annual Employee turnover (number of people) / Number of employees as of April of the subject year) x 100

Please refer to the CSR Report 2020 for detailed non-financial data.  
<https://www.sekisuichemical.com/csr/report/index.html>

## Key Financial and Non-financial Data

	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Environment</b>					
GHG Emissions in the Supply Chain	4,384 kilotons-CO <sub>2</sub>	5,272 kilotons-CO <sub>2</sub>	5,831 kilotons-CO <sub>2</sub>	5,317 kilotons-CO <sub>2</sub>	<b>4,968 kilotons-CO<sub>2</sub></b>
GHG Emissions That Arise from Business Activities	892 kilotons-CO <sub>2</sub>	928 kilotons-CO <sub>2</sub>	932 kilotons-CO <sub>2</sub>	921 kilotons-CO <sub>2</sub>	<b>884 kilotons-CO<sub>2</sub></b>
GHG Emissions during Manufacturing (Japan)	337 kilotons-CO <sub>2</sub>	329 kilotons-CO <sub>2</sub>	326 kilotons-CO <sub>2</sub>	316 kilotons-CO <sub>2</sub>	<b>306 kilotons-CO<sub>2</sub></b>
GHG Emissions during Manufacturing (Overseas)	472 kilotons-CO <sub>2</sub>	513 kilotons-CO <sub>2</sub>	525 kilotons-CO <sub>2</sub>	527 kilotons-CO <sub>2</sub>	<b>497 kilotons-CO<sub>2</sub></b>
Energy Usage during Manufacturing (Japan)	3,463 TJ	3,539 TJ	3,604 TJ	3,592 TJ	<b>3,572 TJ</b>
Energy Usage during Manufacturing (Overseas)	5,881 TJ	6,391 TJ	6,559 TJ	6,454 TJ	<b>6,225 TJ</b>
Waste Generated by Production Sites (Japan)* <sup>1</sup>	31.7 kilotons	36.8 kilotons	38.3 kilotons	40.5 kilotons	<b>37.5 kilotons</b>
Waste Generated by Production Sites (Overseas)* <sup>1</sup>	26.3 kilotons	30.1 kilotons	30.5 kilotons	32.8 kilotons	<b>32.3 kilotons</b>
Waste Generated on Construction Site of New Housing (Japan)* <sup>1</sup>	1.73 tons per unit	2.41 tons per unit	2.41 tons per unit	2.45 tons per unit	<b>2.38 tons per unit</b>
NOx Emission Volume (Japan)	190 tons	167 tons	166 tons	199 tons	<b>180 tons</b>
SOx Emission Volume (Japan)* <sup>1</sup>	14.7 tons	10.4 tons	8.6 tons	7.2 tons	<b>5.9 tons</b>
Soot and Dust Emission Volume (Japan)* <sup>1</sup>	17.1 tons	18.1 tons	17.1 tons	17.2 tons	<b>16.1 tons</b>
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,262 tons	1,066 tons	1,174 tons	1,142 tons	<b>1,108 tons</b>
COD Emission Volume (Japan)* <sup>1</sup>	65.4 tons	70.3 tons	90.2 tons	84.9 tons	<b>73.9 tons</b>
Water Intake Volume at Production Sites (Japan)* <sup>1</sup>	15,557 thousands of m <sup>3</sup>	15,386 thousands of m <sup>3</sup>	15,679 thousands of m <sup>3</sup>	15,218 thousands of m <sup>3</sup>	<b>14,146 thousands of m<sup>3</sup></b>
Water Intake Volume at Production Sites (Overseas)* <sup>1</sup>	4,238 thousands of m <sup>3</sup>	5,261 thousands of m <sup>3</sup>	5,607 thousands of m <sup>3</sup>	6,032 thousands of m <sup>3</sup>	<b>6,522 thousands of m<sup>3</sup></b>
<b>Environment-Contributing Products</b>					
Ratio of Sales of Environment-Contributing Products	44.3 %	45.2 %	50.2 %	56.3 %	<b>58.3 %</b>
Net Sales	485.8 bil. yen	481.2 bil. yen	555.9 bil. yen	643.8 bil. yen	<b>658.3 bil. yen</b>
Housing	280.6 bil. yen	290.9 bil. yen	317.6 bil. yen	364.3 bil. yen	<b>374.0 bil. yen</b>
Urban Infrastructure & Environmental Products	103.5 bil. yen	90.3 bil. yen	93.7 bil. yen	97.7 bil. yen	<b>101.5 bil. yen</b>
High Performance Plastics	99.8 bil. yen	99.4 bil. yen	142.2 bil. yen	178.9 bil. yen	<b>110.0 bil. yen</b>
Headquarters* <sup>2</sup>	1.8 bil. yen	0.6 bil. yen	2.4 bil. yen	2.8 bil. yen	<b>72.7 bil. yen</b>

\*<sup>1</sup> Past figures have been revised due to improvements in precision.

\*<sup>2</sup> Medical Business transferred from the High Performance Plastics Company to the Company's headquarters from fiscal 2019.

## Internal Control

<b>Safety</b>					
Loss Costs* <sup>3</sup>	393.7 mil. yen	375.1 mil. yen	478.3 mil. yen	468.9 mil. yen	<b>468.6 mil. yen</b>
<b>Compliance</b>					
Number of Employees Participating in e-Learning* <sup>4</sup>	20,450	20,618	20,934	20,896	<b>21,922</b>
<b>Quality</b>					
External Failure Costs (Costs responding to product-related claims)* <sup>5</sup>	108.9	100	102.4	98.6	<b>95.0</b>
<b>Risk Management</b>					
Number of Organizations Engaged in Risk-Management Activities	123	148	165	174	<b>175</b>
Sufficiency Rate for Disaster-Preparedness Systems (Average for Japanese business sites)	91 %	92 %	93 %	94 %	<b>94 %</b>
<b>Donations</b>					
	148 mil. yen	186 mil. yen	150 mil. yen	165 mil. yen	<b>158 mil. yen</b>

\*<sup>3</sup> Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences

\*<sup>4</sup> Average for the sessions conducted four times during the year. However, as the third and fourth sessions were under way during fiscal year 2019, data is the average of the results from the first and second sessions.

\*<sup>5</sup> FY2016=100

# Corporate Information and Stock Information

As of March 31, 2020

## SEKISUI CHEMICAL CO., LTD.

**Head Office:** 4-4, Nishitenma 2-Chome,  
Kita-ku, Osaka  
530-8566

**Tokyo Head Office:** 10-4, Toranomon 2-Chome,  
Minato-ku, Tokyo  
105-8566

**Founded:** March 3, 1947

**Employees:** 27,003

**Consolidated Subsidiaries:** 163

**Affiliates (Equity Method):** 8

**Paid-in Capital:** 100,002,375,657 yen

**Fiscal Year:** Ended March 31

**Authorized:** 1,187,540,000 shares

**Issued:** 484,507,285 shares

**Listings:** Common stock listed on  
the Tokyo Stock Exchange

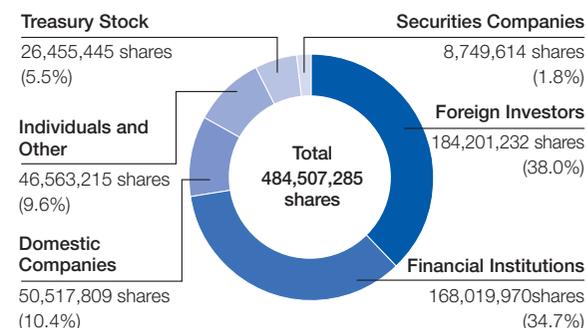
**Stock Ticker Number:** 4204

**Number of Shareholders:** 21,437

**Manager of the  
Register of Shareholders:** Mitsubishi UFJ Trust and  
Banking Corporation

**Accounting Auditor:** Ernst & Young ShinNihon LLC

## Breakdown of Shareholders



## Major Shareholders

Name/Company Name	Number of Shares Owned (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,996	6.11
Japan Trustee Services Bank, Ltd. (Trust Account)	22,356	4.88
Asahi Kasei Corporation	21,039	4.59
The Dai-ichi Life Insurance Company, Limited	19,681	4.29
Sekisui House, Ltd.	10,998	2.40
THE BANK OF NEW YORK MELLON 140042	10,563	2.30
Employees Stock Ownership Plan	9,408	2.05
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8,573	1.87
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8,570	1.87
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	7,441	1.62

Note1: The Company holds 26,455,445 treasury stocks, which are excluded in the above list.

Note2: The treasury stocks excludes 323 thousand shares held by entrusted Employee Stock Ownership Plan and 593 thousand shares held by Board Incentive Plan as officer remuneration system, respectively.

Note3: The percentage is calculated after deducting the number of treasury stocks from that of total outstanding shares.

## Regarding the Publication of the Integrated Report 2020 (Year Ended March 31, 2020)

SEKISUI CHEMICAL Group has issued a yearly integrated report since fiscal 2016, and this year marks the fifth issue. This report contains explanatory information on economic value as well as social value creation initiatives related to the strategies the Group uses to achieve contributions to the resolution of social problems and how we continue to achieve sustainable growth as a “company essential to society.”

In May 2020, as the entire world was drastically affected by the COVID-19 pandemic, SEKISUI CHEMICAL Group announced its long-term vision for 2030 and a new 3-year Medium-term Management Plan ending in fiscal 2022. In addition to the ongoing pandemic, we are also facing other social issues head-on, including the climate change problem and aging of societal infrastructure, both of which are becoming increasingly severe and complex year after year. Within this changing business environment, this integrated report will explain once again what kind of initiatives we use to improve corporate value.

In addition, President Kato assumed office in March 2020, and his speech on our long-term vision for sustainable growth is included at the beginning of the report as a “Message from the President.”

The editing of this integrated report was carried out using the international integrated report framework recommended by IIRC (International Integrated Reporting Council) and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI) as references.

We hope this integrated report will serve as a tool for understanding SEKISUI CHEMICAL Group and contribute to constructive dialogue.

In the future, we will continue to strive for careful and easy to understand explanations alongside thorough disclosure. Please feel free to share any comments or requests you may have.

August 2020



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

*Futoshi Kamiwaki*

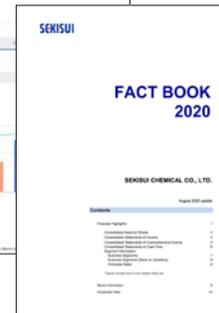
# Introduction of Tools Related to Integrated Report

**Investor Relations Information** <https://www.sekisuichemical.com/ir/index.html>



**IR Briefing Materials**  
The latest results presentation materials are available here. An audio recording of the presentation can be listened to online as well.

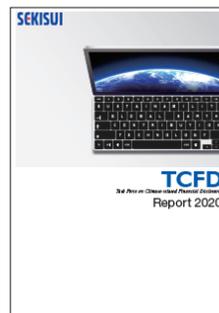
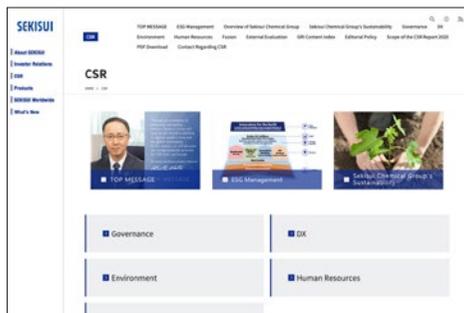
**Fact Book, Financial Analysis Tools**  
Eleven years of historical financial data and indicators can be viewed in graphs and tables here.



This report is available in a PDF and online version. Please see the following website.

- ▶ Integrated Report (PDF version)  
<https://www.sekisuichemical.com/ir/library/annual/index.html>
- ▶ SEKISUI Overview (Online version)  
[https://www.sekisuichemical.com/ir/sekisui\\_overview/index.html](https://www.sekisuichemical.com/ir/sekisui_overview/index.html)

**CSR** <https://www.sekisuichemical.com/csr/index.html>



**Corporate Information** <https://www.sekisuichemical.com/about/index.html>



## SEKISUI CHEMICAL CO., LTD.

10-4, Toranomon 2-Chome,  
Minato-ku, Tokyo  
105-8566

Investor Relation Group, Business Strategy Department  
<https://www.sekisuichemical.com>

(Ticker code:4204)