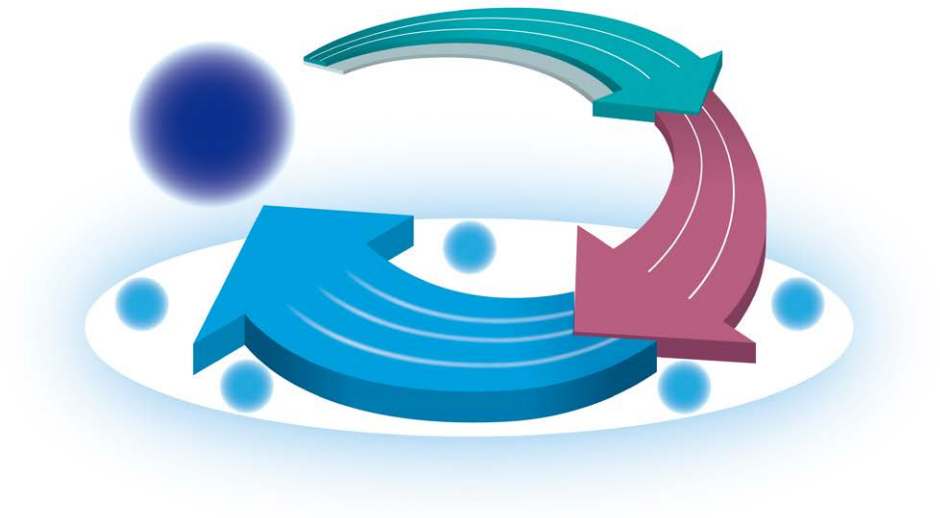
SEKISUI

SUSTAINABILITY REPORT 2023



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".

SEKISUI CHEMICAL CO., LTD.

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Materiality

Materiality

Editorial Policy

Editorial Policy

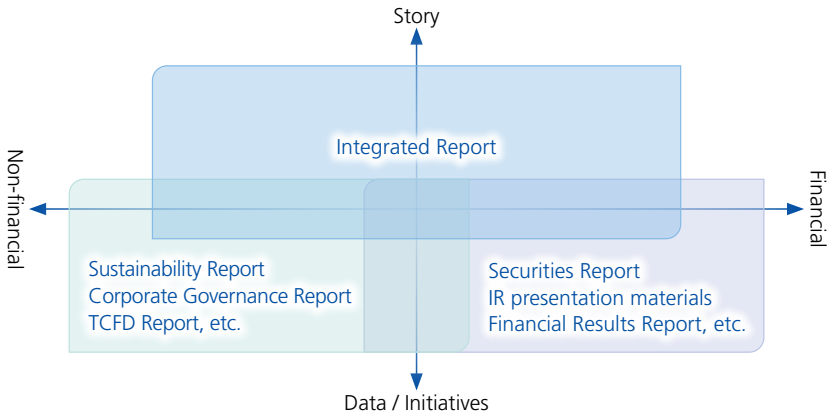
・In issuing its Sustainability Report, SEKISUI CHEMICAL Group (the Group) is looking to inform stakeholders of its various related initiatives with the aim of deepening their understanding of the activities in which it engages to realize both a sustainable society and sustainable growth of the Group itself.
・The Group's Long-term Vision, Vision 2030, is to support the basis of LIFE and to continue to create peace of mind for the future in order to realize a sustainable society. Guided by this vision, we have continued to place particular importance on strengthening ESG management. We have also identified and structured this report around the Key ESG management issues (Materiality) of governance (internal control), digital transformation (DX), the environment, human capital, and fusion (innovation).
・The information published in this report has been decided upon in reference to various report-drafting guidelines, based on internal and external surveys and third-party reviews, and in consideration of what is important for both society and the Group.
・Sustainability Report 2023 has been edited with an anticipated readership of all stakeholders involved with the Group, particularly institutions that evaluate ESG and long-term investors.
・In order to ensure that information is both comprehensive and easy to read, Sustainability Report 2023, which contains all information relating to the sustainability activities of the Group, has been centrally consolidated and posted to the Company's website. The PDF edition of Sustainability Report 2023 contains information as of March 31, 2023 that has been assured by a third-party organization. The HTML edition will be updated and supplemented as necessary after April 1, 2023.
・The standards used for calculating the major reported performance indicators are compiled together and listed after each set of performance data.
・To ensure reliability the environmental and social information in the Sustainability Report 2023 PDF Edition has been assured by a third-party organization. Information that falls within the scope of independent practitioner's assurance is identified by a check mark.

・Details of and information regarding the current Medium-term Management Plan in Sustainability Report 2023 refer to Drive 2022, which covers the three-year period from fiscal 2020 to fiscal 2022. Details of and information regarding the next Medium-term Management Plan in the Report refer to Drive 2.0, which covers the three-year period from fiscal 2023 to fiscal 2025. In addition, the key issues (materiality) of human resources and fusion identified as human capital and fusion (innovation), respectively, in the next Medium-term Management Plan.

Guidelines Used for Reference, etc.

・GRI Standards
・The Ministry of the Environment's Environmental Reporting Guidelines (2012 and 2018 editions)
・ISO26000 (Guidance On Social Responsibility)
・The Ten Principles of the United Nations Global Compact

SEKISUI CHEMICAL Group Information Disclosure System



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

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

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

Scope of the Sustainability Report 2023

Scope of This Report

Scope of This Report : The basic function of this Report is to comment on the activities of SEKISUI CHEMICAL Group, focusing chiefly on the business facilities that play key roles in those activities.

Timeframe Encompassed by This Report : April 2022-March 2023 (Includes some activities that occurred outside this timeframe.)

Date of Issue : July 2023 (Previous report published July 2022 / Next report scheduled to be published in July 2024)

Scope of Independent Practitioner's Assurance

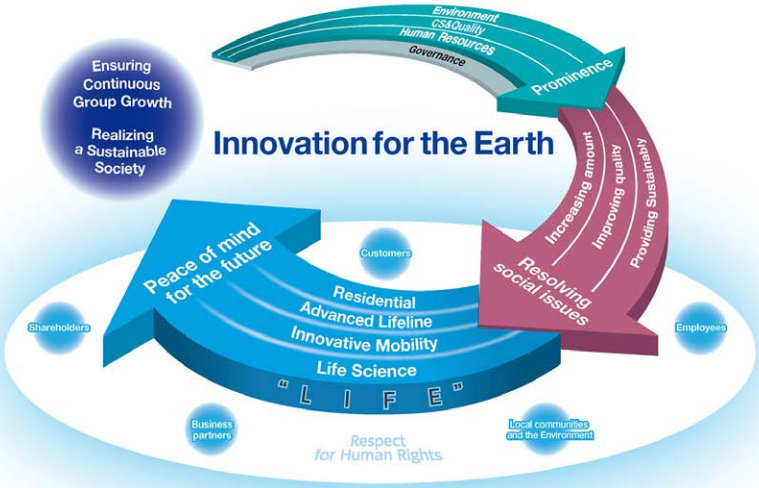
The environmental and social information in Sustainability Report 2023 (PDF Edition) has been assured by a third-party organization. Information that falls within the scope of independent practitioner's assurance is identified by a check mark. Please refer to the Independent Practitioner's Assurance Report on the applicable page for details.

Disclaimer

Readers are requested to note the following: The information in Sustainability Report 2023 includes not only past and present facts concerning SEKISUI CHEMICAL CO., LTD. and its affiliates but also future forecasts based on current plans and projections and management plans and management policies as of the time of publication. Changes in various factors could cause the results and outcomes of business activities in the future to differ from these forecasts. Also, since the figures in the tables and graphs contained in this report have been adjusted through rounding and other means, in some cases total figures may not be equal to the sums of their parts. In addition, for some items data for past fiscal years has been revised in line with expansion in the scope of summation, revision of calculation methods, and changes to environmental impact coefficients.

About the cover diagram

SEKISUI CHEMICAL Group is aiming to realize both a sustainable society and the sustainable growth of the Group itself. To this end, we are steadily practicing the three steps of securing prominence, solving social issues, and creating peace of mind for the future together with stakeholders.



Conceptual Diagram of ESG Management

Top Message

Keita Kato
President and Representative Director
July 2023

SEKISUI CHEMICAL Group has a history of growth by tackling head-on important social issues related to people's lives, lifestyles, and lifelines.
In the 76 years since its establishment as a plastics manufacturer in 1947, SEKISUI CHEMICAL Group has provided highly unique products drawing on its advanced technological capabilities. These products include water and sewage pipes that contribute to water safety, interlayer films for laminated glass that reduce the damage caused by traffic accidents, unit housing with a high degree of earthquake resistance and construction safety, and vacuum blood collection tubes and diagnostic reagent systems that contribute to the early detection of diseases and safety of medical professionals. Moreover, the Company has increased its efforts to provide solutions while adding such social and environmental perspectives as climate change.
Based on this history, we formulated our Long-term Vision, Vision 2030, in 2020. This Vision outlines how we will continue to grow while contributing to the solution of social issues in our own unique way using advanced technologies. Under Vision 2030, we have identified the vision statement, Innovation for the Earth. Here, we will support the basis of LIFE and create peace of mind for the future in order to realize a sustainable society while placing ESG concerns at the heart of our management. By expanding our contribution to solving social issues through our business, we have set the target of ¥2 trillion in sales by fiscal 2030.

Next, we have put in place a roadmap to achieve our Long-term Vision, Vision 2030.
In concert with the Long-term Vision, we formulated the Medium-term Management Plan, Drive 2022, which covered the three-year period from fiscal 2020 to fiscal 2022, as a first step. Based on the policy of drive sustainable growth/reform/preparation for doubling the Group's business by expanding its contribution to solving social issues,

SEKISUI CHEMICAL Group set the sales target pf ¥1,220 billion for fiscal 2022. The creation and expansion of products to enhance sustainability was a particular focus of this Medium-term Management Plan. Products to enhance sustainability add the perspective of sustainability to the natural and social environment while embodying the goal of our Long-term Vision of realizing both a sustainable society and the sustainable growth of the Group itself. As far as quantitative targets are concerned, we set the products to enhance sustainability sales goal of ¥800 billion for fiscal 2022.

During the three years of Drive 2022, sales of products to enhance sustainability exceeded the target set under the plan as well as the Group-wide sales growth rate. We are also making steady progress in addressing key issues (materiality) from an ESG management perspective, including the environment. In addition, we have taken positive steps with such innovative themes as biorefineries and perovskite solar cells that contribute to resource recycling and decarbonization.

Positioned as a second step, Drive 2.0, which covers the three years from fiscal 2023 to fiscal 2025, aims to accelerate the realization of our Long-term Vision. Against the Group-wide sales target of ¥1,410 billion, our goal is to secure sales of products to enhance sustainability of more than ¥1 trillion. In addition, we will promote such new business themes as biorefineries and perovskite solar cells in a bid to expand the scope and volume of our contribution to solving social issues. Meanwhile, we will accelerate our efforts to address environmental and human capital issues of particular importance, and further strengthen our business and human rights activities. Looking ahead, we will further ensure the realization of a sustainable society and the growth of the Group itself during the three years of Drive 2.0, a critical period leading up to 2030.

I recognize that most of the social issues we face today are not only becoming more sophisticated, but also more complex and require a multifaceted approach. Collaboration with stakeholders is essential for high-quality and timely solution of social issues. As a member of society, we will continue to solve social issues based on an open and flexible corporate stance.

I would ask that you please take a look at our Long-term Vision, Vision 2030, and this report, which show the direction and progress of the Group's aspirations and initiatives.

As we work to achieve our established goals, I also ask for the continued support and understanding of all stakeholders.

Long-term Vision and ESG Management

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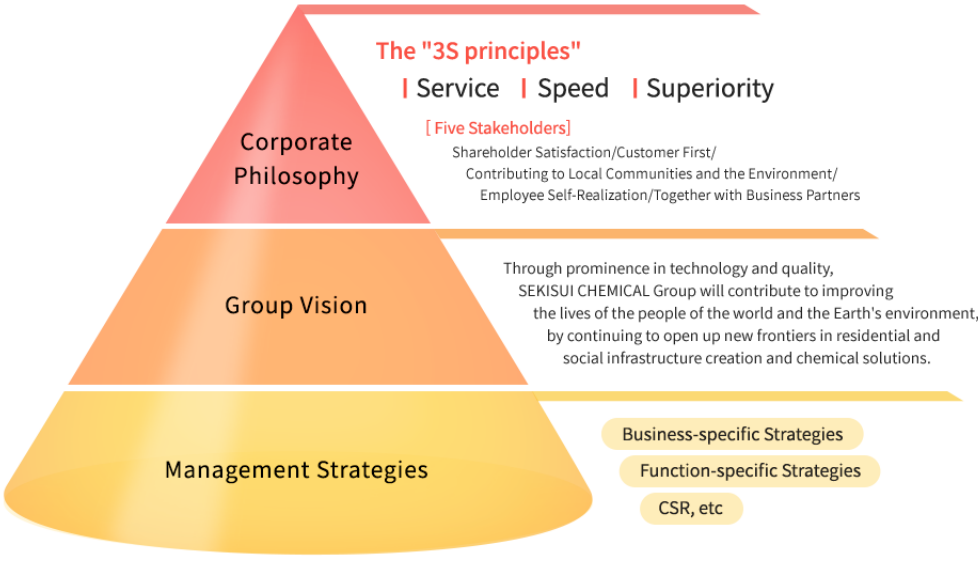
Long-term Vision and ESG Management

Under its Long-term Vision, Vision 2030, that carries the Group through to 2030, SEKISUI CHEMICAL Group has identified the Vision Statement to support the basis of LIFE and to create peace of mind for the future in order to realize a sustainable society. Through innovation and creativity with a focus on ESG management, we will increase our contributions toward solving social issues by expanding existing businesses and creating new businesses.

Realizing Vision 2030

SEKISUI CHEMICAL Group's Corporate Philosophy System

SEKISUI CHEMICAL Group's system of management principles comprises the Group's Corporate Philosophy, which outlines the approach and policies that underpin corporate activities; the Group Vision, which expresses the form to which we aspire under our Corporate Philosophy over the medium to long term; and Management Strategies to realize the Group Vision.



Corporate Philosophy-The 3S Principles

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

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

Superiority: At SEKISUI, we contribute to society* by helping to resolve social issues with our prominence in technology and quality.

* Five social, environmental, and economic stakeholders: Customers, Shareholders, Employees, Business Partners, Local Communities, and the Environment.

Group Vision

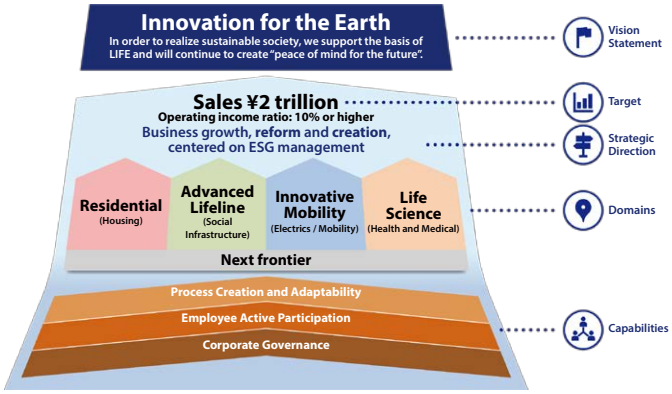
Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment, by continuing to open up new frontiers in residential and social infrastructure creation, and chemical solutions.

See the following website for details of such elements as the Corporate Philosophy and Group Vision within Our Principles.
https://www.sekisuichemical.com/about/outline/vision/principles/

Long-term Vision, Vision 2030

Guided by SEKISUI CHEMICAL Group's Corporate Philosophy and Group Vision, the Long-term Vision, Vision 2030, serves as a bridge for SEKISUI CHEMICAL Group's management strategy. Under Vision 2030, SEKISUI CHEMICAL Group has identified its vision statement, which incorporates the Group's resolute will to drive continuous innovation to support the basis of LIFE and to create peace of mind for the future in order to realize a sustainable society.
With business growth and reform and creating new business centered on ESG management at the center of its strategy, SEKISUI CHEMICAL Group aims to contribute more than ever before to resolving social issues by driving innovation through two distinct means: expanding existing businesses* through product and business reform and creating new businesses through the development and acquisition of new business bases. Drawing on this cycle, we envisage doubling our sales volume by 2030 (to sales of ¥2 trillion and an operating income ratio of 10% or higher).

* Four business domains: Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical).

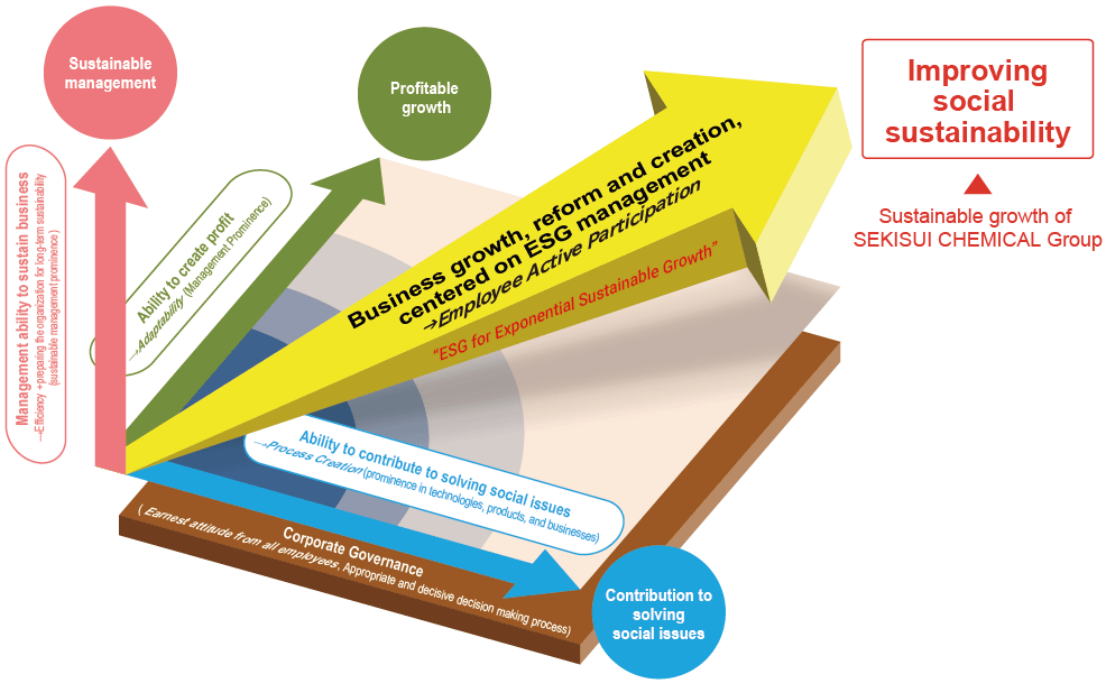


Overview of the Long-term Vision

See the following for materials on the Long-term Vision, Vision 2030.
Long-term Vision and Medium-term Management Plan Presentation (May 22, 2020)
https://www.sekisuichemical.com/about/outline/vision/principles/pdf/20200522kge_2.pdf

ESG Management

Through business growth and reform and creating new business centered on ESG management, SEKISUI CHEMICAL Group aims to realize both a sustainable society and sustainable growth of the Group itself by strengthening three driving forces: the ability to contribute to resolving social issues; the ability to create profit; and the Group's management ability to sustain business.



The Group's management ability to sustain business

Adopted ROIC as a KPI to strengthen the Group's management ability to sustain business.

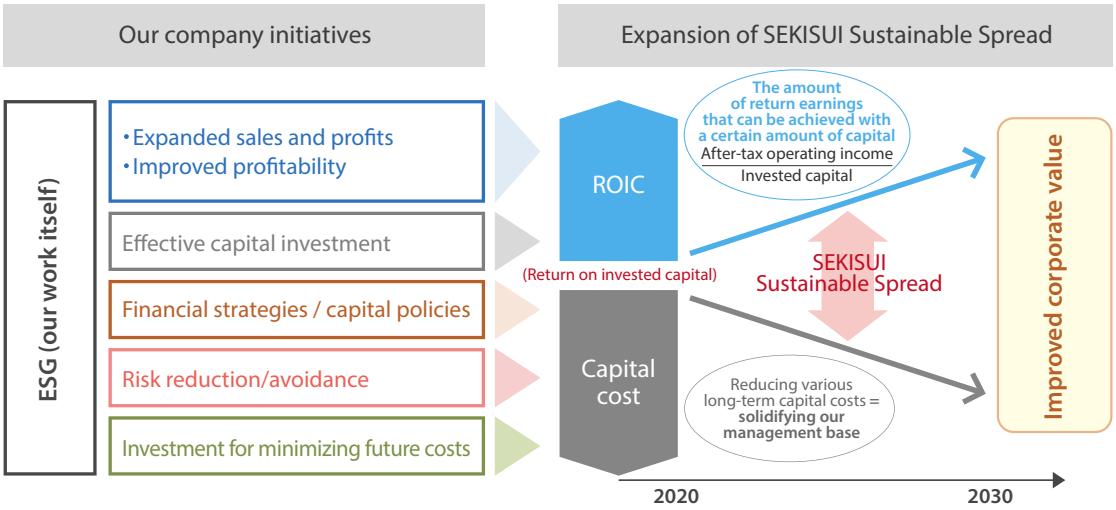
SEKISUI CHEMICAL Group adopted ROIC as an indicator of efficiency and is targeting an improvement over the medium to long term. To this end, we will improve our profit margin by such measures as expanding marginal profit and improving productivity and increase invested capital turnover through various efforts including effective capital investment, optimal plant utilization, and inventory adjustments.

Improve the Group's corporate value by increasing capital efficiency and lowering the cost of capital in a broad sense over the long term.

SEKISUI CHEMICAL Group defines the SEKISUI Sustainable Spread (ROIC spread) as the difference between ROIC and long-term capital cost. By expanding the SEKISUI Sustainable Spread, the Group is increasing its corporate value.

Control the cost of capital in a broad sense and improve the Group's management ability to sustain business by controlling major incidents and investing in the management base

SEKISUI CHEMICAL Group will increase investments in such areas as governance (internal controls on safety, quality, accounting, legal /ethical matters, information management and risk management), digital transformation (DX), the environment and human capital to mitigate risks that could lead to major incidents by establishing an ESG investment limit. We will also work to control medium- to long-term capital costs and improve our management ability to sustain business.



Overview of the Current Medium-term Management Plan)

Under the current Medium-term Management Plan, Drive 2022, SEKISUI CHEMICAL Group has worked diligently to promote business growth and reform, make preparations for long-term growth, and strengthen the ESG management base guided by the basic strategy of promoting ESG management. Through these endeavors, the Company reported record-high net sales of ¥1,242.5 billion in fiscal 2022 against a target of ¥1,220.0 billion. While operating income was held to ¥91.7 billion against a target of ¥110.0 billion and ROIC to 7.6% against a target of 8.6% owing to the fluctuation in demand and high raw material prices attributable to the prolonged impact of COVID-19, we are making steady progress in our efforts to promote the three Drives despite the pandemic.

Business Growth and Reform (Existing Business Drive)

Bring forward structural reforms, accelerate the shift to high-value-added products, address the surge in raw material costs through adjustments to product prices

Preparations for Long-term Growth (New Business Drive)

Push forward town and community development, Bio-Refinery (BR), perovskite solar cell, and other new business themes, and expand the Life Science business

Strengthening the ESG management base (Business Base Drive)

Set KPIs for each of the five materialities (governance (internal control), the environment, digital transformation (DX), human capital, and fusion (inclusion)) and products to enhance sustainability, and invest management resources to develop and implement Group-wide and divisional company initiatives.

The next Medium-term Management Plan Drive 2.0—The 2nd Phase for 2030

Three initiatives to enhance corporate value form the backbone of SEKISUI CHEMICAL Group's basic strategy under its Medium-term Management Plan Drive 2.0—The 2nd Phase for 2030—, which is positioned as the second stage in efforts to realize the Long-term Vision, Vision 2030.
Under the Plan, SEKISUI CHEMICAL Group will engage in strategic creation, work to strengthen existing businesses, and bolster its ESG management base in a bid to achieve sustainable growth, while at the same time upgrading and expanding efforts to create and acquire new businesses.
Targets set for fiscal 2025, the final year of the Plan, include net sales of ¥1,410 billion, operating income of ¥115 billion, and an ROIC of 8.5%.

Strategic Creation (Strategic Innovation)

SEKISUI CHEMICAL Group is undertaking detailed preparations to create new business domains. In specific terms, we are working to generate innovations in innovation areas and to promote the commercialization of seven major themes as a part of its Strategic Area Map, which was formulated as a compass for realizing our Long-term Vision.

Strengthening Existing Businesses (Organic Growth)

SEKISUI CHEMICAL Group is promoting efforts to steadily grow existing business and fine tune its portfolio. In particular, we are focusing on expanding enhancement areas, undertaking the balanced allocation of resources through portfolio management, and expanding growth drivers while promoting unrelenting structural reforms.

Strengthening the ESG Management Base (Strengthen Sustainability)

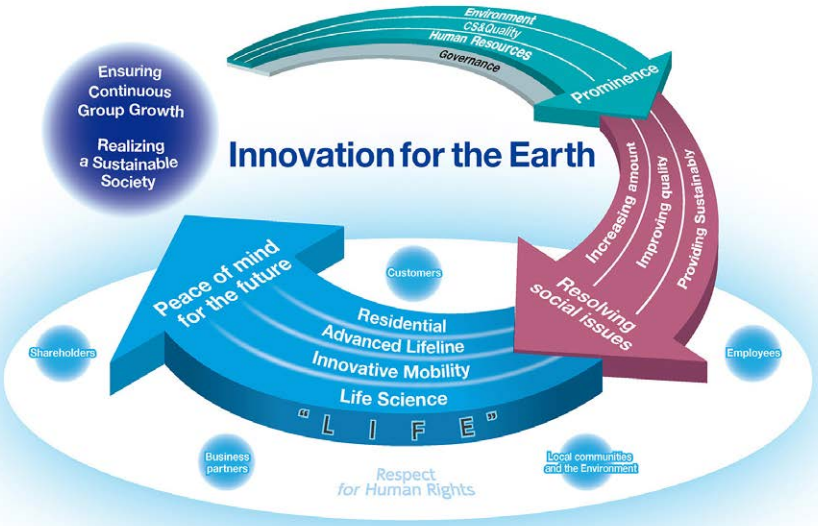
SEKISUI CHEMICAL Group is engaging in measures to strengthen ESG management in a bid to achieve sustainable growth while expanding and upgrading efforts to create and acquire new businesses.
Setting an expense budget of ¥55 billion (capital expenditure + expenses) for strengthening ESG measures under the next Medium-term Management Plan, SEKISUI CHEMICAL Group is actively engaging in medium- to long-term measures including activities to mitigate risks that lead to major incidents, investments in such areas as DX, human capital, and the environment.

See the following for materials on the next Medium-term Management Plan Drive 2.0.

- SEKISUI CHEMICAL Group's Medium-term Management Plan Drive 2.0
https://www.sekisuichemical.com/news/2023/__icsFiles/afieldfile/2023/05/23/230523_en.pdf
- Medium-term Management Plan Presentation (May 23, 2023)
https://www.sekisuichemical.com/ir/presentations/vision/__icsFiles/afieldfile/2023/06/19/20230523kge.pdf

Basic Concept of ESG Management

By means of its ESG management, SEKISUI CHEMICAL Group is aiming to realize both a sustainable society and the sustainable growth of the Group itself. To this end, we are working together with stakeholders on the three steps: securing prominence, solving social issues, and creating peace of mind for the future. While first focusing on strengthening our sustainable management capabilities and lowering the cost of capital under our current Medium-term Management Plan, we will develop initiatives that contribute to our growth strategies in the next Medium-term Management Plan.



Conceptual Diagram of ESG Management

Three Steps

(1) Securing prominence

Putting in place a corporate structure that is trusted by society through Governance (Internal Control) and driven by the challenge of its prominence in human resources to create products and services that are overwhelmingly different in terms of the environment as well as CS & Quality.

(2) Solving social issues

Based on its prominence, accelerating the solving of social issues by means of three approaches (increasing the quantity of contributions, improving the quality of contributions, and providing both quantity and quality in a sustainable manner).

(3) Creating peace of mind for the future

Creating and expanding the value that delivers peace of mind for the future to all generations, including those of the future, through four domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science).

Identifying Key Issues (Materiality)

To strengthen still further ESG management, which is the key to realizing the Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group has taken a revised look at key issues and is promoting measures centered on Governance (Internal Control), DX, the environment, human capital, and fusion (innovation).

Extracting and Identifying Key Issues

Key issues are identified based on the following processes.

Step 1: Extracting Issues
A comprehensive list of issues was identified from the following perspectives:

(1) SEKISUI CHEMICAL Group
- Corporate Philosophy system (Corporate Philosophy, Group Vision, Long-term Vision)
- Various policies
- Employee awareness surveys
- Discussions at various meetings

(2) Social demands
- Regulations and the soft law of each country in which the Group operates
- Opinions and expectations of external stakeholders (customer surveys, dialogue with shareholders and investors, NPOs)
- Opinions of outside experts (advisory boards)
- Evaluation institution and customer survey items and content
- Global guidelines (UN Global Compact, ISO26000, GRI Standards, SDGs, TCFD, IIRC, SASB, OECD's Guidelines for Multinational Enterprises)

(3) Other companies' trends
- Integrated reports, Sustainability reports
- Exchange of opinions at Global Compact subcommittee and other meetings

Step 2: Identifying Key Issues
We identify key issues after deliberation by the Sustainability Committee and prioritize in accordance with the two axes: A. Importance to stakeholders*1 and B. Importance to SEKISUI CHEMICAL Group*2.

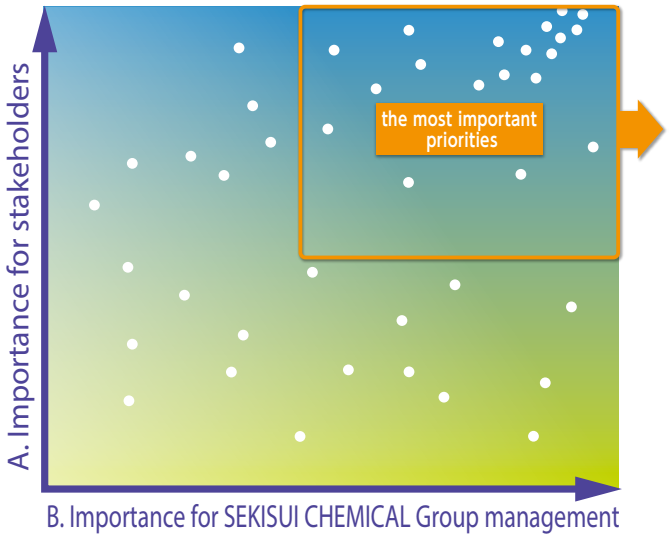
*1 Taking into consideration the magnitude of the positive and negative impact on the earth and society utilizing the SEKISUI Environment Sustainability Index.
*2 Utilizing the SEKISUI Sustainable Spread based on the assumption of a substantial financial impact in the future.

Step 3: Authorizing Key Issues
Key issues deliberated by the Sustainability Committee are ultimately authorized by the Board of Directors.
While key issues are revised as a rule every three years, when steps are taken to formulate the Medium-term Management Plan, SEKISUI CHEMICAL Group considers whether further revisions are required each year based on such factors as the status of the Group and changes in social conditions.

Execution and monitoring of key issues

As far as the key issues identified are concerned, each principal and related department of SEKISUI CHEMICAL Group's Corporate Headquarters and divisional companies formulate activity plans and targets, which are implemented following deliberation and authorization at management meetings.
The progress of activities is monitored by the Budget Committee, Sustainability Committee, and subcommittees, twice a year.

SEKISUI CHEMICAL Group's Key Issues (2020-2022)



<Governance (Internal Control)>
—Reduce operational risks that may damage corporate value on a Group and global basis—
○ Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)
○ Risk management (BCP)
・Reduce supply chain risk
・Implement human rights due diligence

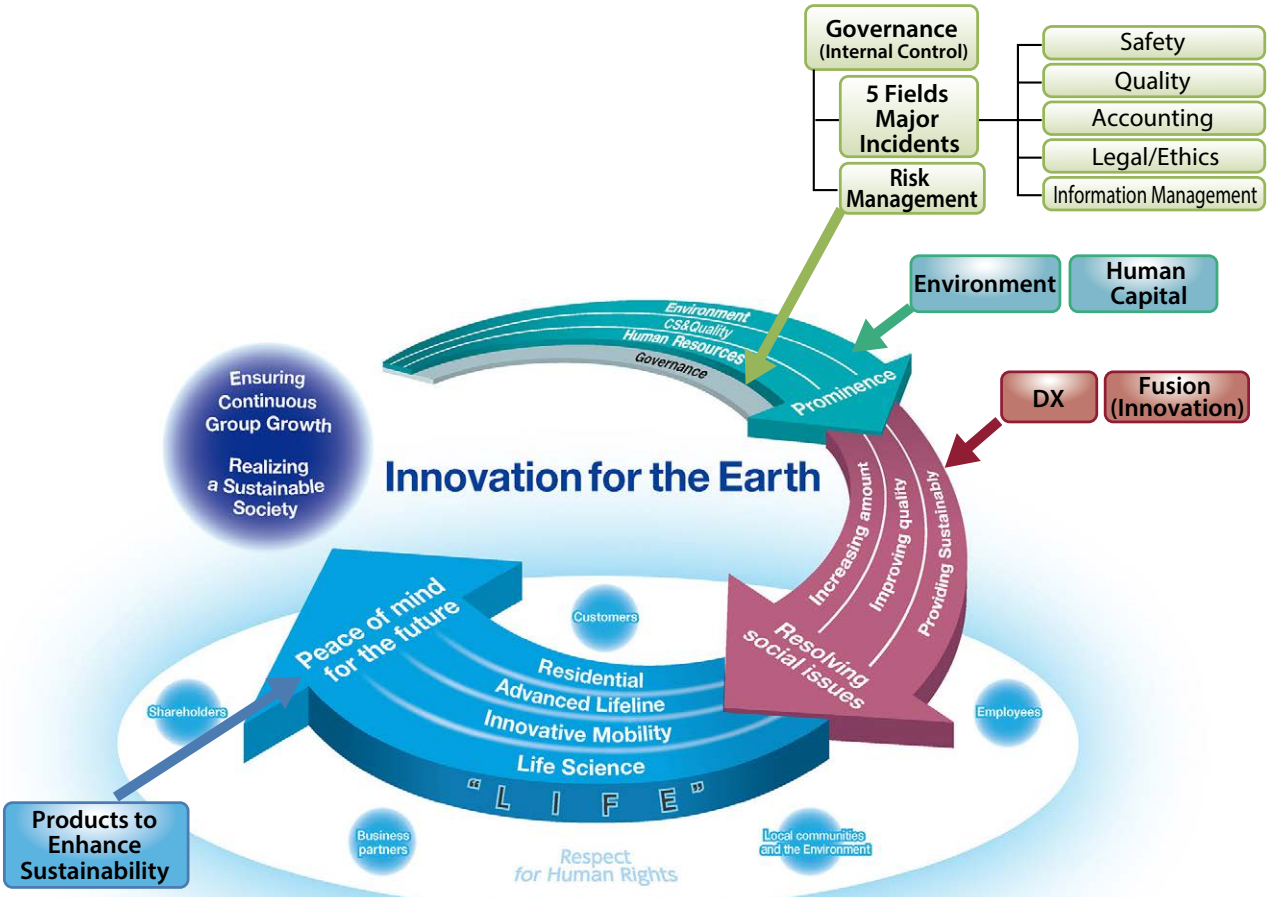
<DX>
—Revise work processes and drastically increase productivity triggered by DX—
○ Visualize and standardize (standardize operations, introduce ERP, renew infrastructure and networks)
○ Increase productivity (automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)
○ Sophisticate (increase the sophistication of operational control, Governance (Internal Control) and the supply chain)

<Environment>
—Reduce GHG emissions and waste through business activities and shift to sustainable management—
○ Adapt to and mitigate climate change
○ Promote a circular economy
○ Reduce water-related risks
○ Reduce environmental degradation

<Human capital>
—Foster a culture in which employees can thrive and take on challenges on their own—
○ Evolve toward a challenging corporate culture and active employee participation (culture and human resource development, system design)
・Promote diversity management and globalization
・Promote health management

<Fusion / Innovation>
—Steadily develop and launch new products and projects in existing areas; maximize speed and impact by breaking away from a new business area process that relies solely on closed innovation—
○ Create and expand the market for products to enhance sustainability
○ Promote open innovation
・Strengthen intellectual property strategies
・Promote activities that contribute to the solving of issues through cooperation with local communities

Positioning of key issues in the ESG management conceptual diagram



Supervisory Promotion System of ESG Management

Oversight and Promotion System Made Up of the Board of Directors, Sustainability Committee, and Seven Subcommittees

SEKISUI CHEMICAL Group promotes ESG management on an integrated Group-wide basis through an oversight and promotion system made up of the Board of Directors, which fulfills a supervisory function, the Sustainability Committee, which fulfills a business execution function, and seven subordinate subcommittees.

Board of Directors:

The Board of Directors receives reports on policies, strategies, and Group-wide risks deliberated by the Sustainability Committee twice a year. In addition to making final decisions, the Board oversees the executive function regarding sustainability.

Sustainability Committee:

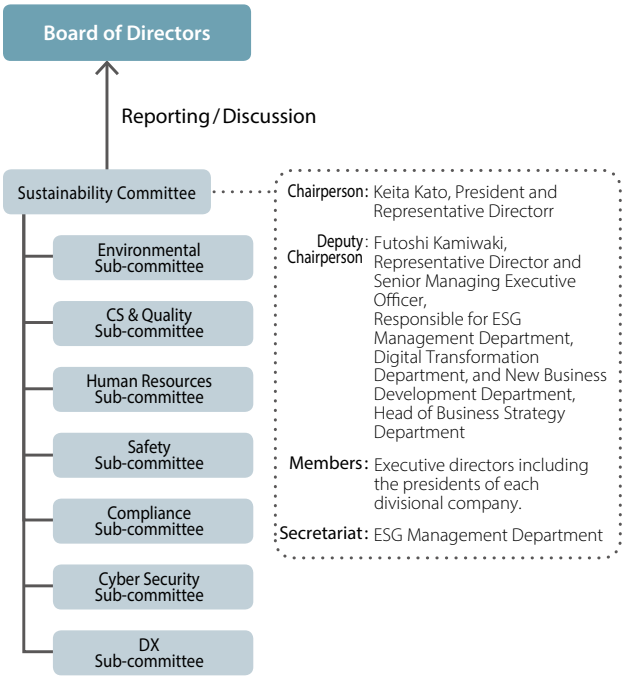
Chaired by the President, the Sustainability Committee's membership also includes the Senior Managing Executive Officer Responsible for the ESG Management Department serving as deputy chairperson, as well as executive directors including the presidents of the Housing Company, the UIEP Company, and the HPP Company. Meeting two times each year, the Sustainability Committee extracts and identifies risks and opportunities that the Group may face in the future, and reviews materiality as appropriate. At the same time, the Committee determines Group-wide policies and KPIs, formulates Group-wide action plans, receives reports from each subcommittee chairperson, and monitors the status of each materiality initiative.

Sub-committees:

SEKISUI CHEMICAL Group has established seven subcommittees related to the Group's materialities covering the environment, CS & Quality, human resources, safety, compliance, cyber security, and DX under the umbrella of the Sustainability Committee.

Meeting two times each year, each subcommittee is chaired by the executive in charge of Corporate Headquarters and includes the executives of each divisional company as well as general managers of divisional companies, Corporate Headquarters, and the Medical Business, which falls under the umbrella of Corporate Headquarters. Each subcommittee drafts specific measures for each divisional company based on details determined by the Sustainability Committee. These measures are incorporated into action plans and the status of progress monitored. The chairperson of each subcommittee participates in meetings of the Sustainability Committee to report on and discuss results.

Sustainability Committee / Subcommittee Structure



Key ESG Management Issues (Materiality) and KPIs

< Current Medium-term Management Plan (FY2020-FY2022) > **Implemented on a consolidated basis (certain items are implemented on a SEKISUI CHEMICAL non-consolidated and domestic consolidated only basis)**

			KPIs	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results	Reference Page(s)
Outputs		**Products to enhance sustainability**	Net sales of products to enhance sustainability	¥800 billion	¥908.9 billion ☑	P.36
			Net sales of products to enhance sustainability that are categorized as Premium	—*1	—*1	P.25
Key Issues (Materiality)	Risk mitigation/ avoidance	**Governance (Internal Control)**	**■ Number of serious incidents in the 5 fields**	0	—*1	P.39
			・Number of Workplace accidents resulting in a fatality ・Number of major quality issues ・Number (incidence) of serious non-compliance and negligence ・Cybersecurity incidents*3	0 0 0 0	0 ☑ 2*2 ☑ 0 ☑ 0 ☑	P.55 P.67 P.72 P.82
			Safety: Incidences of injuries attributable to machines and equipment	0	4	P.41
			Quality: Rate of application of measures for development risk prevention*4	100%	100%	P.59
			Accounting: Preparation for SAP introduction	Completion of the SAP (accounting) design process; begin the development process	Completed the SAP (accounting) design process; began the development process	P.77
			Accounting: Number of companies incorporating accounting information	Completion of incorporation in Japan; completion of preparations for incorporation overseas	Completed preparations for the incorporation of all consolidated companies	
			Accounting: Number of educational programs implemented to improve accounting skills	4	4	
			Legal/ethics: Deployment rate of important rules at overseas Group companies	100%	96%	P.72
			Legal/ethics: Number of regions where internal whistleblower systems have been established at overseas Group companies	All overseas regions (10 regions)	Established in 9 regions	
			Information management: Recovery time following incidence occurrence	Ongoing monitoring to set a baseline	Ongoing monitoring	P.82
			Information management: Formulation and overseas deployment of CSIRT*5 introduction plans	Formulation of detailed plans and the start of deployment	Commenced monitoring and operation at 3 companies*6 in North America	
			■ BCP operating rate	**BCP operating rate 100% (establishment of PDCA)**	**BCP operating rate 100% (establishment of PDCA)**	P.87
	Investment for minimizing future costs (Improving sustainability KPI)	**DX**	**■ Net sales per direct/indirect employee**	**Fiscal 2030: Indirect productivity 40% increase; direct productivity 15% increase (compared with fiscal 2019)**	**—*1**	P.98
			Execution status of development for constructing global standard operations and system models	Design and development of a backbone system for global rollout, and preparations for deployment	Completed design work for subject business processes/began development; confirmation of the outline of operations at overseas bases currently underway in preparation for global deployment	P.100
			Progress status of initiatives aimed at indirect materials purchasing (Deployment plans)	Enhancement of Governance (Internal Control) by visualization of transaction status, improvement of efficiency by consolidating purchasing operations	Deployment of an indirect purchasing system to major location in Japan currently underway; preparations completed for the launch of a centralized purchasing organization	
			Progress status of initiatives aimed at sales and marketing reforms (Number of participants and workload shift)	Reduction of steps in inward operations, expansion of steps in sales activities and use of IT to expand sales	Completed introduction of a sales support system to sales bases; development of new data-based business processes currently underway	
			Progress and usage status of initiatives for establishing new work styles	Provision of remote-work platforms that balance security and convenience	Completed deployment of secure remote work platform (MobileNET: 6,000 users, Integrated Authentication Platform: 25,000 users), established new work styles	
		Environment	**■ Renewable energy as a percentage of purchased power**	**20%**	**36.4%** ☑	P.149
			Resource recycling: Generated waste amount; reduction of unit of production	-1% (over the three-year Medium-term Management Plan)	-1.7% (compared with fiscal 2019)	P.156
			Water-related risks: Reduction of water intake volume at production sites which use large quantities of water	-10% (over the three-year Medium-term Management Plan)	-7.8% (compared with fiscal 2016)	P.169
			Water-related risks: Reduction of COD discharged into rivers by production sites where discharge is substantial	-10% (over the three-year Medium-term Management Plan)	-14.3% (compared with fiscal 2016)	

KPIs				Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results	Reference Page(s)
Key Issues (Materiality)	Investment for minimizing future costs (Improving sustainability KPI)	**Human capital**	**■ Degree of challenging behavior expression*7**	**17%**	**11%** ☑	P.214
			Rate of deployment of the Long-term Vision to each department	Rate of deployment to employees 100% Long-term Vision expansion workshops (for the heads of Group organizations): 100%	Rate of deployment to employees 69% Long-term Vision expansion workshops (for the heads of Group organizations): 88%	P.214
			Transition to the new HR system	Completion of transition to the new HR system (general employees and managerial positions)	Completion of transition to the new HR system (general employees and managerial positions)	P.218
			Rate of career interview implementation between superiors and subordinates for independent career development	Implementation of career interviews (general employees, managerial positions and senior experts) 100%	Implementation of career interviews (general employees, managerial positions and senior experts) 75.4%	P.216
		Fusion (Innovation)	**■ Increase in net sales from fusion**	**Up ¥50 billion (compared with fiscal 2019)**	**Up ¥46.8 billion (compared with fiscal 2019)**	P.243
			Number of new A-type products launched, number of A-type projects*8	—*1	—*1	P.243
			Number of external collaborations	—*1	—*1	

*1 Undisclosed.
*2 Based on individual divisional company standards.
*3 Virus infection, information leakage, backbone system outage, or other incident resulting from cyber attacks that have a significant impact.
*4 When using methods to prevent development risk at the product development stage
*5 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.
*6 Three companies in North America: SEKISUI AMERICA CORPORATION,SEKISUI VOLTEK ,SEKISUI DIAGNOSTICS
*7 Questionnaire survey to measure whether employees actually expressed challenging behaviors to achieve the Long-term Vision. Under the current Medium-term Management Plan, the percentage of respondents who answered "yes" from a 4-answer selection was used as an indicator. (See p. 213)
*8 New A-type product: Product developed using new technologies with the aim of cultivating new markets and customers. A-type project: Large-scale subdivision project with more than 30 lots.

＜ Next Medium-term Management Plan (FY2023-FY2025) ＞

			KPIs	Next Medium-term Management Plan (FY2025) Targets
Outputs		**Products to enhance sustainability**	Net sales of products to enhance sustainability	Over ¥1,000 billion
			Net sales of products to enhance sustainability that are categorized as Premium	—*3
Key Issues (Materiality)	Risk mitigation/ avoidance	**Governance (Internal Control)**	**■ Number of serious incidents in the 5 fields**	**0**
			Safety: Incidences of injuries attributable to machines and equipment	0
			Quality: Events to increase the level of CS & Quality	4
			Accounting: Rate of sales coverage of new ERP introduction companies	50% (excluding housing (number of companies: 23 in Japan, 3 overseas))
			Accounting: Percentage of new ERP introduction companies that automatically prepare consolidated financial accounting formats	100% (new ERP introduction companies)
			Legal/ethics: Deployment rate of important rules at overseas Group companies	100%
			Legal/ethics: Number of regions where internal whistleblower systems have been established at overseas Group companies	All overseas regions (10 regions)
			Information management: Recovery time following detection	Within 3 business days
			Information management: Deployment of Overseas CSIRT*2	Completion of deloyment in all regions
	Investment for minimizing future costs (Improving sustainability KPI)	**DX**	**■ Net sales per direct/indirect employee**	**Fiscal 2030: Indirect productivity 43% increase, Direct productivity 30% increase (vs.fiscal 2019)**
			Status of development and deployment progress of global standard operations and system models	Start of renewal and deployment of global management foundation; realization of the business transformation we are aiming for (introduction locations)
			Progress in the deployment of DX theme initiatives to the Group and globally as well as that status of benefit creation	Maximization of effectiveness in such key core areas as indirect purchasing, sales, and manufacturing
			Status of progress of initiatives to secure human resources that employ digital tools and data to generate benefits	Continuous acquisition of DX promotion human resources
			Progress in establishing a global cyber security response system	Completion of global cyber security management system deployment
		Environment	**■ Climate Change: Rate of GHG reduction**	**-33% (compared with fiscal 2019)**
			Climate Change: Renewable energy as a percentage of purchased power	70%
			■ Resource recycling: Material Recycling rate of waste plastic (Japan)	**Japan:65% (Overseas:BM+5%)**
			Resource recycling: Generated waste amount; reduction of unit of production	-3% (compared with fiscal 2022)
			Water-related risks: Reduction of water intake volume at production sites which use large quantities of water	-10% (compared with fiscal 2016)
		Human capital*7	**■ Degree of challenging behavior expression**	**60%*3**
			■ Rate of succesor candidate preparation*4	**100%**
			Hours of training*5	10 hours
			Ratio of women to total hires	35%
			Ratio of female managers	5%
			Gender wage disparity*6	—*1
			Ratio of male employees taking childcare leave	75%
		Fusion (Innovation)	**■ Number of open innovation**	—*1
			Number of new A-type products launched, number of A-type projects*8	—*1
			Number of external collaborations	—*1

*1 Undisclosed.
*2 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.
*3 Targets after redefining indicators. (See p. 213)
*4 Number of successor candidates to the most senior business leader post ÷ Number of the same post
*5 Hours of training per employee in the fiscal year.
*6 No institutional wage disparity; differentials based on the composition of labor (age and qualifications) rate.
*7 KPIs other than the degree of challenging behavior expression and the successor candidate readiness rate are disclosed as SEKISUI CHEMICAL non-consolidated targets.
*8 New A-type product: Product developed using new technologies with the aim of cultivating new markets and customers. A-type project: Large-scale subdivision project with more than 30 lots.

Products to Enhance Sustainability

- Contribution to Solving Social Issues through Products and Services -

TOPICS

- Basic Concept ····· p24
- Targets ····· p27
- System ····· p28
- Major Initiatives ····· p32
- Performance Data ····· p36

Products to Enhance Sustainability

SEKISUI CHEMICAL Group is accelerating efforts to create and expand markets for products that make a significant contribution to solving issues in the natural and social environments while working to realize a sustainable society and securing the Group's growth.

Basic Concept

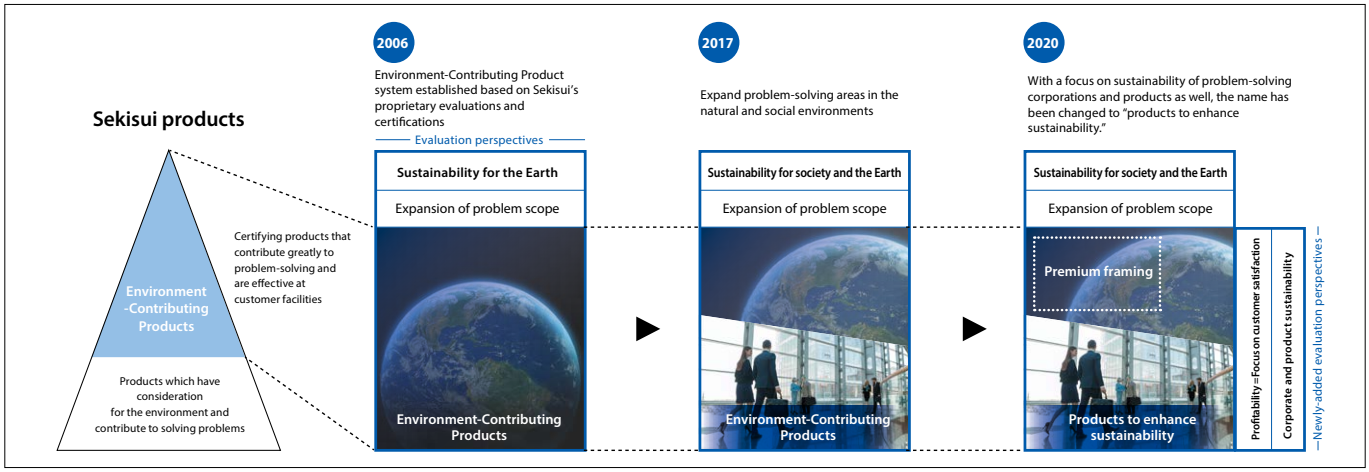
SEKISUI CHEMICAL Group has positioned products to enhance sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself. Through the creation and expansion of products to enhance sustainability, the Group aims to help achieve the SDGs while improving its contributions and ability to solve social issues as well as grow as a company. Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group has evolved the operation of the products to enhance sustainability system with the aim of transforming its product portfolio to accelerate corporate growth and the realization of a sustainable society by solving social issues. We have also strengthened technology platforms that are the source of innovation, developing human resources, and creating opportunities that transcend organizational boundaries. Under the next Medium-term Management Plan, our goal is to achieve sales of products to enhance sustainability in excess of \1 trillion in fiscal 2025. We will vigorously invest management resources in key businesses and products in enhancement areas, which focus on expansion as an extension of existing businesses, as well as in innovation areas, which create new innovations through fusion. In this manner, we will expand our contributions to solving social issues through our business activities and further accelerate the creation of new products that will drive future growth.

Evolving the Product Evaluation System based on Internal Strategies

SEKISUI CHEMICAL Group has continued to promote a product evaluation system in a bid to rapidly solve issues related to the natural and social environments since fiscal 2006. As part of this effort, we certify and register products that contribute significantly to solving issues based on the determination criteria established through discussions among internal committee members. Since fiscal 2010, we have received opinions and advice from outside advisors on the criteria and approach, as well as the validity of results, to ensure high standards and transparency.

- **Fiscal 2006: Launched the Environment-Contributing Products system**
  Based on internal criteria, SEKISUI CHEMICAL Group launched a product system to certify and register products that contribute significantly to the solving of issues in a bid to promote the creation and expansion of products that contribute to the solving of issues in the natural environment.
- **Fiscal 2017: Expanded the scope of the system to include not only products that contribute to solving natural environment issues, but also those that focus on the social environment.**
  SEKISUI CHEMICAL Group is promoting the creation and greater use of problem-solving products. We have also reaffirmed that the SDGs and our goals are one in the same.
- **Fiscal 2020: Evolution as products to enhance sustainability**
  Introduced Premium Framing and sustainability assessments. Sustainability assessments were concluded in fiscal 2022.
- **Fiscal 2023: Introduced negative checks for environmental issues**
  At the time of registration, we check whether or not products have a negative impact on various environmental issues, or confirm what measures are being considered to prevent a negative impact.

Evolution of the Product System at SEKISUI CHEMICAL Group



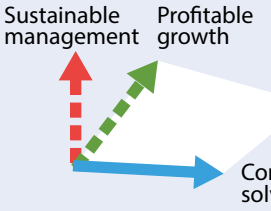
In order to drive the achievement of a sustainable society and to realize sustainable corporate growth as outlined under Vision 2030, SEKISUI CHEMICAL Group launched the following initiatives in fiscal 2020 in concert with efforts to improve its ability to contribute to solving social issues.

(1) To bolster profitability, unify the business portfolio in a way that expands business through products that contribute significantly to solving social issues, and establish Premium Framing in a way that strategically expands contributing products.

(2) To boost its capabilities in sustainable management, conduct sustainability assessments that confirm and evaluate items necessary to improve the sustainability of products and businesses with related departments.

SEKISUI CHEMICAL Group has established Premium Framing as a framework for strategically expanding products that contribute to solving social issues and is committed to expanding this framework with medium-term targets. Our goal is to accelerate contributions to solving social issues by crafting strategies that balance the solving of social issues and profitability.
In addition, ensuring the sustainability of the Group and Group products themselves is vital to continue making products that contribute significantly to solving social issues and expanding that contribution. For this reason, in fiscal 2020 we adopted a new perspective on evaluating corporate and product sustainability in addition to the conventional process of certifying products that contribute significantly to the solving of issues based on internal criteria.
Using confirmation assessments for initiatives undertaken by related departments regarding profitability, process evaluations, and Governance (Internal Control) across the supply chain, we confirmed the sustainability of the Group and its products. Moreover, the implementation of sustainability assessments was concluded in fiscal 2022, as the risks identified for each product through the assessments were addressed on a Group-wide basis through the renewal of the risk management and supply chain management system.

Environment-Contributing Products



Standards

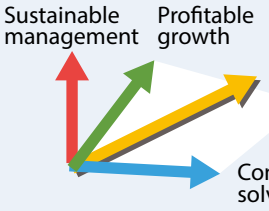
Evaluation of degree of contribution to problem solving

Natural environment : Establish contribution level determination standards based on problem solving methods and applications

Social environment : Conventionally, prominence compared to products of other companies has been evaluated by adding points from the perspectives of the supply-side and demand-side of the necessary requirements.

There are no evaluation standards for either.

Products to Enhance Sustainability



Standards

(Following the current standards)

(1) New "premium framing" with added profitability standard

Added sustainability standard
(2) Governance (Internal Control)
(3) Supply chain
(4) Customer satisfaction

Targets

Medium- to long-term targets
Sales of products to enhance sustainability (growth rate (compared with 2019))

Current Medium-term Management Plan (2020-2022)
¥800 billion
Growth rate equivalent of 22% (compared with 2019)

2030 Targets
Expand sales of problem-solving products

2050 Targets
Drive sustainable corporate growth through products and services that improve environmental and social sustainability

Number of new registered products

Current Medium-term Management Plan (2020-2022)
6 per year

2050 target
Drive sustainable corporate growth through products and services that improve environmental and social sustainability
In the next Medium-term Management Plan, we have set the following milestones to further accelerate the pace of efforts aimed at solving social issues and securing corporate growth.

Next Medium-term Management Plan (2023-2025)
Sales of products to enhance sustainability in excess of ¥1 trillion

System

Products to enhance sustainability are products that make a significant contribution to solving issues in the natural and social environments. An internal screening committee evaluates the degree of product contribution based on certain internal criteria, and certifies and registers them based on the results.
Vision 2030 positions products to enhance sustainability as the outcomes of efforts to resolve materialities with an important impact on management and society. By creating and expanding such product lines, SEKISUI CHEMICAL Group aims to solve social issues while growing its business.
We defined our target* for the creation and expansion of products to enhance sustainability as a key performance indicator (KPI), and devise strategies and carry out measures toward achievement.

* This target is a milestone back-cast from SEKISUI Environment Sustainability Vision 2050, a long-term environmental vision that sets goals for solving natural and social environmental issues that require a long-term approach.
  As such, this milestone is defined as a management target in the Group's Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: Accelerate II (2020-2022), and in the next Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: EXTEND (2023-2025). Progress on this target is managed based on the environmental management promotion system (see Environmental Management Promotion System for details) in an ongoing manner.

Discussion with External Advisors

SEKISUI CHEMICAL Group has held meetings of the External Advisory Board since fiscal 2010. These meetings are an opportunity to receive opinions and advice from outside experts regarding standards and the registration of Environment-Contributing Products.
Composed of internal and external members, the External Advisory Board meetings are organized by the supervising director of the organization in charge of the environment and sustainability.
Members of the internal certification screening committee* for products to enhance sustainability, including executive officers from each divisional company who oversee organizations in charge of the technical side and organization heads who are in charge of management planning work with a grasp for business conditions as a whole, participate in External Advisory Board meetings as internal committee members.
We also ask others from outside the Company with various backgrounds in industry, government, and academia, and who are currently engaged in environmental and other sustainability-related work, to take part as external experts.
Since fiscal 2022, we have appointed six external members with diverse backgrounds to run the committee and provide expert opinions from various perspectives. (Table A). In fiscal 2022, the External Advisory Board held two online meetings in October and one in February. At these meetings, SEKISUI CHEMICAL Group received opinions and advice regarding the significance of contributions made to the natural and social environments by newly registered products, how best to convey that significance, and future expectations.

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Masatsugu Taniguchi	Representative of the Resource and Environment Strategic Planning Office	・Experience as a company manager ・Well versed in resource-centered environmental strategies, a leading figure who advocated natural capital management from an early stage	The giving of opinions/advice on management including natural capital and the product portfolio
Juichi Shibusawa	President of the specified non-profit corporation Network for Coexistence with Nature	・Experience in business as a Doctor of Agriculture ・As president of an NPO, implements activities for forest, community, and human resource development with environmental NPOs in Japan and other countries	The giving of opinions/advice on business related to the solving of social issues based on the spirit of three-way benefits (the buyer, seller, and society as a whole) The giving of opinions from a nature-positive perspective
Takehisa Kabeya	Sustainable Management Promotion Organization (SuMPO), Senior Managing Director	・Experience as a government official at Japan's Ministry of Economy, Trade and Industry ・Promotes social change activities through environmental values, such as LCAs and support for regional revitalization	The giving of opinions from a life cycle perspective, the giving of opinions/advice based on regulations regarding environmental value and global trends
Minako Oishi	Nippon Association of Consumer Specialists (public corporation), Representative Director, Nippon Association of Consumer Specialist	・Knowledge and experience concerning consumers and their demands ・Promotes activities that connect consumers, businesses, and government	From the standpoint of using products, the giving of opinions/advice based on requests, expectations, and matters of concern

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Shoichi Saito	Nikkei Business Publications, Inc., Executive Director, ESG Management Forum	・Media experience ・Ascertains and disseminates global trends in all areas of sustainability	From a comprehensive perspective, the giving of opinions on future trends with regard to risks and opportunities in ESG management
Mari Yoshitaka	Mitsubishi UFJ Research and Consulting Co., Ltd., Principal Sustainability Strategist, Management Planning Department Virtue Design Representative Director	・Experience with regard to ESG investment in financial institutions ・Leading figure in SDGs, green business, and climate change finance	Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/green business

Note: Internal certification screening committee
The committee is chaired by the supervisor of the ESG Management Department and comprised of supervisors in charge of technology and business at the Company's headquarters and divisional companies. The committee meets to deliberate on issues related to the certification of products to enhance sustainability. Meetings are held regularly twice per year. The number of committee meetings depends on the number of applications.

Negative Checks for Environmental Issues Outside of Registration Criteria

Steps are being taken to strengthen and review the Products to Enhance Sustainability System's operations and criteria to ensure that the product portfolio continues to evolve in line with business strategies that account for social needs and business conditions.
In fiscal 2022, we discussed the possibility of conducting negative checks on all environmental issues at the time of product registration.
Based on social demands such as the EU Taxonomy and COP15, this move aims to avoid any negative impacts in addition to having a positive impact on each environmental issue, in other words it aims to improve the quality of solutions to environmental issues. Beginning in fiscal 2023, we will implement procedures that confirm negative checks at the time of product registration.

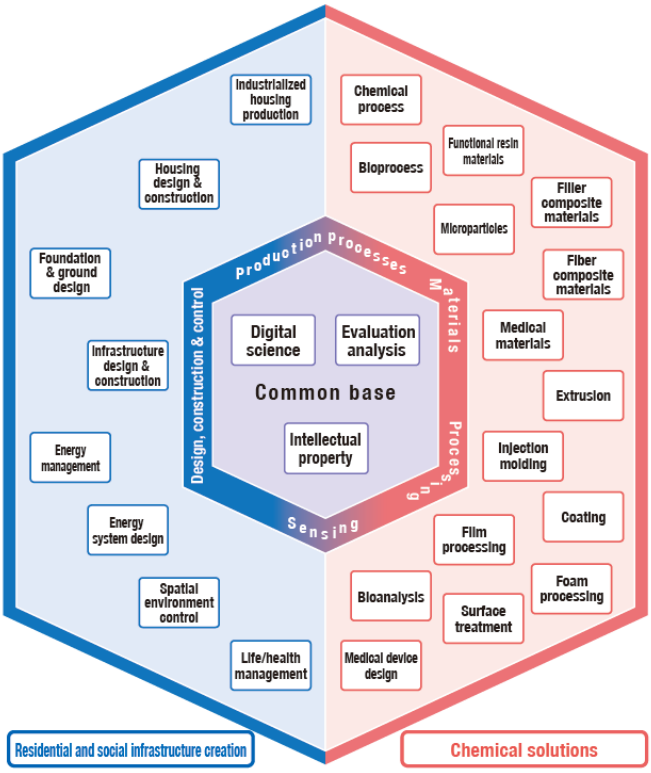
Visualization of the Degree of Contribution to Solving Social Issues

To clarify the amount of return to natural capital up to fiscal 2019, SEKISUI CHEMICAL Group worked to visualize the degree to which each Environment-Contributing Product contributed to solving social issues. We calculated and quantified into a single indicator (damage costs) the various contribution vectors in the life cycle of Environment-Contributing Products. We multiplied the market impact, based on sales, by the environment contribution of each product to arrive at a quantifiable contribution by product, reflected in the Sekisui Environment Sustainability Index.
In calculating the impact on the environment for each Environment-Contributing Product until fiscal 2016, we broadly classified environmental issues into three areas that should be resolved in our aim to help realize an earth with maintained biodiversity. However, since broadening the scope of Environment-Contributing Products from fiscal 2017, we have since taken steps to integrate contributions across four areas adding the area of human health/social assets.
We began conducting environmental impact assessments based on the contribution to solving issues in the natural and social environments of products to enhance sustainability throughout their respective life cycles from fiscal 2020. These contributions to natural and social capital are reflected in the Sekisui Environment Sustainability Index. In particular, we started to explore the possibility of evaluating the social value of our products based on impact-weighted accounting.
Starting in fiscal 2023, we will use the updated IDEA LCA database to calculate the Sekisui Environment Sustainability Index. The MiLCAver 3.1 LCA calculation system incorporates IDEA database ver. 3.1 and reflects further findings on the impact on biodiversity. Using this system to set new benchmarks will enable us to accurately gauge the impact on biodiversity in order to pursue activities that decrease negative impact and increase positive impact.

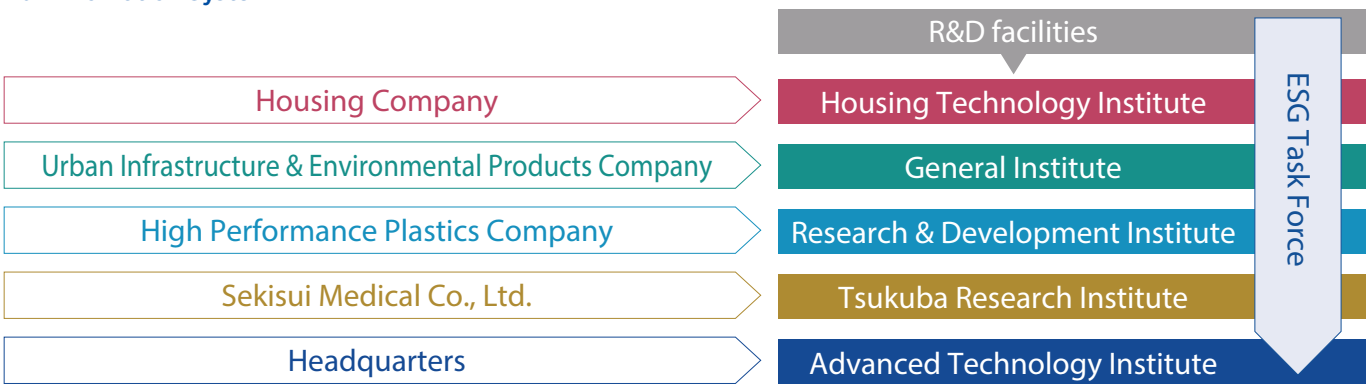
Major Initiatives

Revitalizing Liaison Meetings and Workshops to Create Products to Enhance Sustainability through Internal Fusion

Under the belief that fusing our 26 technological platforms within the Group will enable faster resolution of environmental and other social issues, SEKISUI CHEMICAL Group encourages forums to fuse these technological platforms. Currently, we are searching for startups along with holding workshops on new technologies and prior cases for each issue aimed at technologies, development, and market transformations necessary to achieve long-term goals related to carbon neutrality and the circular economy. In addition, we are offering forums to discuss matters that require initiatives that transcend organizational boundaries, particularly in development and strategic management organizations. Likewise, we are arranging these into task forces to promote activities regarding promising themes.



R&D Promotion System



Encouraging Development through the Use of ESG Investment and Measures to Support Expansion of Products to Enhance Sustainability

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group has established measures to support the expansion of products to enhance sustainability within its established limit for ESG investment. These measures are designed to encourage the creation of products to enhance sustainability, as well as to spur planning and proposals intended to expand their markets. This approach serves as a mechanism for incentivizing the fusion of technologies and knowledge in a way that transcends organizational boundaries.

These measures provide a financial incentive under the condition that the initiative for solving a particular social issue is highly urgent or long-term, and that the theme intends for internal fusion at the planning and testing stages.

After the leader planning the theme submits an application, a screening committee makes a decision on whether or not to invest. The screening committee also evaluates the importance attached to solving a particular social issue and verifies that the theme contributes to enhancing sustainable corporate value. Moreover, deliberations encompass how the promotion of a theme can be accelerated through internal fusion, the outcomes of fusion, and how the theme can help to increase corporate value.

In fiscal 2022, support measures were approved and implemented for three new creation or market expansion themes. The progress of each approved project is confirmed on an interim and fiscal year-end basis.

Past approved project examples:

- Introducing high-performance analysis equipment to obtain the base data necessary for material informatics (MI), which promotes the development of plastics material technology
- Visualizing rainwater storage conditions in a rainwater storage system for use in disaster forecasting technology

Environment-Contributing Products PR

SEKISUI CHEMICAL Group supports the basis of LIFE and solves social issues by delivering value to society including peace of mind for the future through its products and businesses. In fiscal 2022, we introduced products at the following venues, provided education on the means to solve issues, and promoted the importance of finding solutions.

[Promoting efforts to mitigate climate change through products]

February Sponsored by SB Forum Japan: Sustainable Brand International Conference 2023 Tokyo Marunouchi Breakout Session
Green Transformation (GX) Strategy toward 2030
SEKISUI CHEMICAL Group Green Transformation (GX) toward 2030

[Promoting efforts to adapt to climate change through products]

July Science Council of Japan "How to Ensure Resilience to Overcome National Disasters"
Transformative Capacity: Solve Social Problems through Main Businesses

November COP27 Japan Pavilion Seminar sponsored by Japan's Ministry of the Environment: The Role of the Private Sector in Achieving the Global Goal on Adaptation (GGA): - Japan's Technologies, Services and Experiences Contributing to Achieving a Climate Resilient Economy and Society Worldwide
「Responding to Physical Risks Caused by Climate Change through Businesses
-Resilient Community Development-」

February Sponsored by SB Forum Japan: Sustainable Brand International Conference 2023 Tokyo Marunouchi Breakout Session
Circular Economy Beyond 3R Toward the Realization of a Circular Economy
Sekisui Chemical's Aim for Circular Economy

Enhancing Product Environmental Value

Taking into consideration the needs of society and customers, we strive to stay one step ahead of the curve by promoting the value of low-carbon, decarbonized products that help mitigate climate change.
In order to convey the value of low-carbon, decarbonized products to customers, the Group calculates each product's carbon footprint through a carbon life cycle assessment (C-LCA).
Boundaries are set and calculations made according to the purpose and product. At this stage, calculations for raw materials utilize a database (IDEA) that applies publicly available average GHG emission coefficients. We believe that through the activities of raw material manufacturers and via collaboration along the supply chain, the efforts of each company will enable us to harness the value of low-carbon products.
The volume of raw materials used and energy consumed at the time of production are calculated using actual measurement data at production plants.
In order to understand and better appreciate the significance of the calculation methods for life cycle assessments (LCAs), which will become increasingly important in the future as an indicator of low carbon value, SEKISUI CHEMICAL Group actively participates in the LCA Utilization Promotion Forum, the LCA Forum, and the Institute of Life Cycle Assessment, among others. In addition to brushing up on knowledge for handling each method and solution, we encourage employees to take external training courses and conduct in-house LCA training.

The following illustrates the activities taken by the Group and the industry in fiscal 2022 to encourage transformation intended to achieve a decarbonized society.

1. Sales activities promoting the low-carbon value of products using Carbon Footprint of Products (CFP)
   The UIEP Company, which handles a large number of infrastructure products made from resin, provides training for sales staff, and prepares and distributes materials that help explain the calculated value to customers, with a focus on resin pipes and other products. The Company has trained more than 500 employees who have continuously engaged in sales activities that promote the value of low-carbon products since fiscal 2021.

2. Activities for enhancing the reliability of product CFP calculations
   In fiscal 2022 we formulated a PCR (Product Category Rule) and made every effort to acquire CFP certification as activities to boost the reliability of product CFP. SEKISUI CHEMICAL Group registered ESLON Heat-resistant Plastic AD Joint HG as an Approved CFP Product.

3. Activities promoting greater recognition of LCA and low-carbon value within the industry
   As part of the 2022 International Conference on EcoBalance organized by the Institute of Life Cycle Assessment, Japan, we planned and held a session titled "Chemical industries' challenge and contribution for carbon neutral and circular society with life cycle thinking" along with four chemical companies leading progress in the shift to low-carbon products, including the Japan Chemical Industry Association.
   By communicating the status of approaches taken by each company to promote LCA initiatives, we discussed the format and future of initiatives intended to help the chemical industry fulfill its role in achieving carbon neutrality.

4. Participation in a study group investigating environmental evaluation calculation methods for resource circulation
   We participated in a study group (Chairperson: Associate Professor Jun Nakatani of The University of Tokyo) called Considering Plastic Recycling administered by the Life Cycle Assessment Society of Japan (JLCA). The study group organized the issues involved in using LCA to evaluate the CO_2 emission reducing effects of plastic resource circulation in a broad sense of the term, including the introduction of recycling and biomass materials. The group also investigated various responses to these issues. In June, we introduced case studies as a participating company during the JLCA General Assembly Commemorative Seminar.

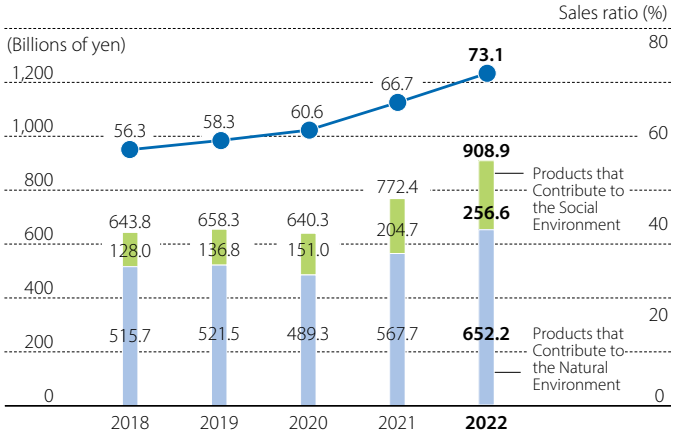
5. Participation in the UTOKYO LCA Center for Future Strategy
   In fiscal 2022, we participated in UTOKYO LCA Center for Future Strategy organized by Professor Ichiro Daigo of The University of Tokyo. As part of this effort, we embarked on an investigation into a preemptive LCA that will go beyond evaluating the present to serve as the groundwork for the future.
   A preemptive LCA quantitatively evaluates the benefits of advanced scientific technologies for the environment, economy, and society at the development stage, and serves as an evaluation method for suggesting real-world implementation. Suggesting strategies for real-world implementation based on evidence will also contribute to achieving the SDGs.

Recognizing that the growth of low-carbon values varies from industry to industry, we are first approaching business fields where value growth is slow. We believe this is helping to distinguish the Company's efforts in each business and transforming risks into opportunities. In order to proactively meet the requirements on low-carbon and decarbonized products, we will continue to work with the supply chain as we advance reforms in raw material selection and production processes, energy conversion, and studies that contribute to resource recycling, with the aim of expanding low-carbon and decarbonized products.

Performance Data

Note 1: From fiscal 2019, Medical Business results have been separated from the HPP Company and presented as a total of the Other Business following its separation from the HPP Company as an independent entity.
Note 2: From fiscal 2020, the product system has evolved and renamed products to enhance sustainability.
Note 3: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, net sales for fiscal 2022 of both companies are collated as if the change in control had been initiated from the beginning of fiscal 2022.

Net Sales / Proportion of Products to Enhance Sustainability



Trends in Net Sales of Products to Enhance Sustainability

(Unit: Billions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Housing Company	364.3	374.0	352.9	393.8	448.6
Urban Infrastructure & Environmental Products Company	97.7	101.5	93.2	101.3	152.1
High Performance Plastics Company	178.9	110.0	121.9	186.9	218.5
Medical, Other*	2.8	72.7	72.2	90.4	89.6
Corporate Expenses	643.8	658.3	640.3	772.4	908.9

* Manufacture, sale, and servicing of film-type lithium-ion batteries and other products outside of our three main businesses (Housing Company, UIEP Company, HPP Company)

Index	Calculation Method
Net Sales of Products to Enhance Sustainability	・Net sales of products to enhance sustainability = Consolidated SEKISUI CHEMICAL Group sales of products internally certified as products to enhance sustainability ・All businesses of the Group in and outside Japan are subject to assessment Note: See pages p. 24-28 of Sustainability Report 2023 for a definition of and approach toward products to enhance sustainability.
Proportion of Products to Enhance Sustainability to net sales	・Proportion of products to enhance sustainability to net sales = Net sales of products to enhance sustainability / Consolidated sales ・All businesses of the Group in and outside Japan are subject to assessment Note: See pages p. 24-28 of Sustainability Report 2023 for a definition of and approach toward products to enhance sustainability.

Number of Products to Enhance Sustainability Newly Registered

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Number of registrations as of the end of March 2023
24	18	5	12	28	18	198

Governance (Internal Control)

TOPICS

Reducing Serious Incidents

Safety Issues ····· p39

Quality Issues ····· p57

Legal and Ethical Issues ····· p71

Information Management Issues ····· p82

Risk Management ····· p86

Governance (Internal Control)

Three driving forces underpin the practice of ESG management: Contributions to solving social issues, profitable growth, and the Group's management ability to sustain business. Of these, SEKISUI CHEMICAL Group is striving to improve its management ability to sustain business by avoiding serious incidents (from the perspectives of safety, quality, accounting, legal and ethical issues, and information management) while also engaging in risk management.

Reducing Serious Incidents

Basic Concept

SEKISUI CHEMICAL Group positions Governance (Internal Control) as the foundation of its ability to remain a company that is trusted by its stakeholders. To ensure that we can continue to help solve social issues, we recognize the critical need to prevent incidents that undermine public trust and significantly damage our corporate value. With this in mind, we will work tirelessly to strengthen internal control on a Group-wide and global basis. Under the current Medium-term Management Plan, we have identified areas and items that could have a significant impact on the Group as a whole, and are working to improve our ability to prevent problems before they occur and to detect and respond to issues at the earliest possible stage. Group-wide initiatives and measures specific to each divisional company and business site have progressed as planned. While there has been no impact on human health or the environment, there was a serious incident involving the leakage of wastewater containing radioactive materials at one of the Group's business sites. In the next Medium-term Management Plan, we will continue our efforts to minimize Group-wide major risks, while thoroughly and promptly implementing measures to prevent recurrence.

Safety Issues

Basic Concept

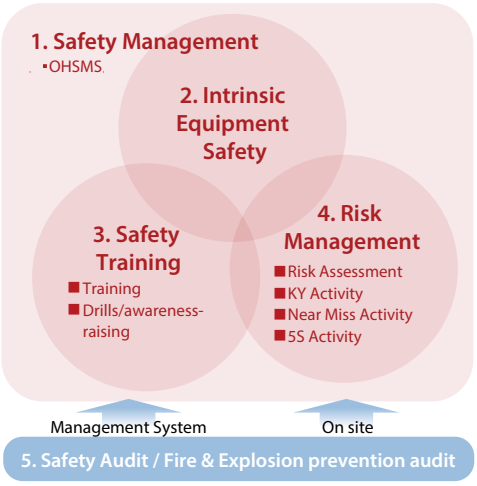
As part of the current Medium-term Management Plan, SEKISUI CHEMICAL Group promoted safety management activities along the four key axes of rebuilding audit systems, clarifying global equipment design standards, improving site qualities, and actively utilizing digital technology.
As a result of this approach, we have firmly instilled activities that help improve efforts to address issues regarding intrinsic equipment safety identified in domestic production site safety audits within the following fiscal year. Moreover, activities implemented by key safety personnel at domestic construction sites reduced the number of workplace accidents (particularly incidents that involve personnel falling off equipment and falling over), and have experienced no major equipment-related accidents (fires/explosions) in Japan or overseas.
On the other hand, several of the issues raised included discovering the risk of injuries attributable to machines and equipment at actual production sites, as well as reviewing the method and scope of discovery; developing automated detection technologies based on monitoring cameras for the purpose of reducing actions that deviate from rules at construction sites; taking measures against heatstroke amid the increasingly hot summer environment; and ensuring intrinsic equipment safety at overseas business sites while training the personnel to ensure safety promotion.

Each and Every Employee Has the Ability to Identify Dangerous Situations

The Group feels that the establishment of a workplace environment in which employees can carry out their duties with safety and security is a key corporate responsibility and one of management's most important priorities. Under this concept, we are 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 ((1) through (5) listed below). Despite a company's efforts to provide a safe and secure environment, however, employees must also take it upon themselves to prevent accidents from happening. Ultimately, safety is a byproduct of the actions undertaken and behavior of each individual. 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.

(1) Safety management using OHSMS
(2) Intrinsic equipment safety*
(3) Safety education of employees
(4) Risk management and control, etc.
(5) Safety audits and accident-prevention audits that assess the status of the above activities

* The term for machine safety activities implemented by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.



Targets

During the current Medium-term Management Plan, we promoted safety activities with a review to achieving the KPI of zero occurrences of workplace accidents that result in a fatality in order to prevent any damage to our corporate value due to major incidents. Based on these endeavors, there was one workplace accident that resulted in a fatality in fiscal 2020. The results of major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Safety audits, mutual on-site inspections, comments and sound improvements through on-site risk assessment	Incidences of injuries attributable to machines and equipment	0	4

System

We formulated and shared the SEKISUI CHEMICAL Group Safety Policy among all Group employees as our basic philosophy on occupational safety.
In terms of our efforts related to occupational health and safety, policies and activity guidelines are formulated by the Safety Subcommittee established under the Sustainability Committee. Each site puts into practice and promotes these policies and activities under the guidance of the Safety & Environment Group of the Manufacturing Infrastructure Enhancement Center.
In addition to data generated from ongoing work at SEKISUI CHEMICAL Group production and implementation sites and from research activities, a wide range of Group occupational health and safety data including data from partner companies (contractors) outside the Group is also collated.
In fiscal 2022, two meetings of the Safety Subcommittee were held online in October and March.
In the event of an actual occupational injury, information including the form of employment of the injured party is collected. Improvements as required are also sought when there is a problem with the management of a business site.
SEKISUI CHEMICAL Group determines the necessity of ISO 45001 certification for each business site, and promotes acquisition of and acquisition activities for this certification. Business sites that have not acquired this certification also build and apply safety and health management systems that reflect ISO and Occupational Health and Safety Assessment Series (OHSAS) requirements. The status of activities is monitored through safety audits and disaster-preparedness audits in an effort to encourage the continuation and vitalization of safety management activities.

[External certification (ISO 45001) Acquired]
- SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant
- SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi Plant,
- SEKISUI CHEMICAL CO., LTD. Taga Plant
- CHIBA SEKISUI INDUSTRY CO., LTD.
- SHIKOKU SEKISUI CO., LTD.
- TOKUYAMA SEKISUI CO., LTD.

The ratio of ISO 45001-certified business sites to the total number of SEKISUI CHEMICAL Group's domestic production sites is 13%.

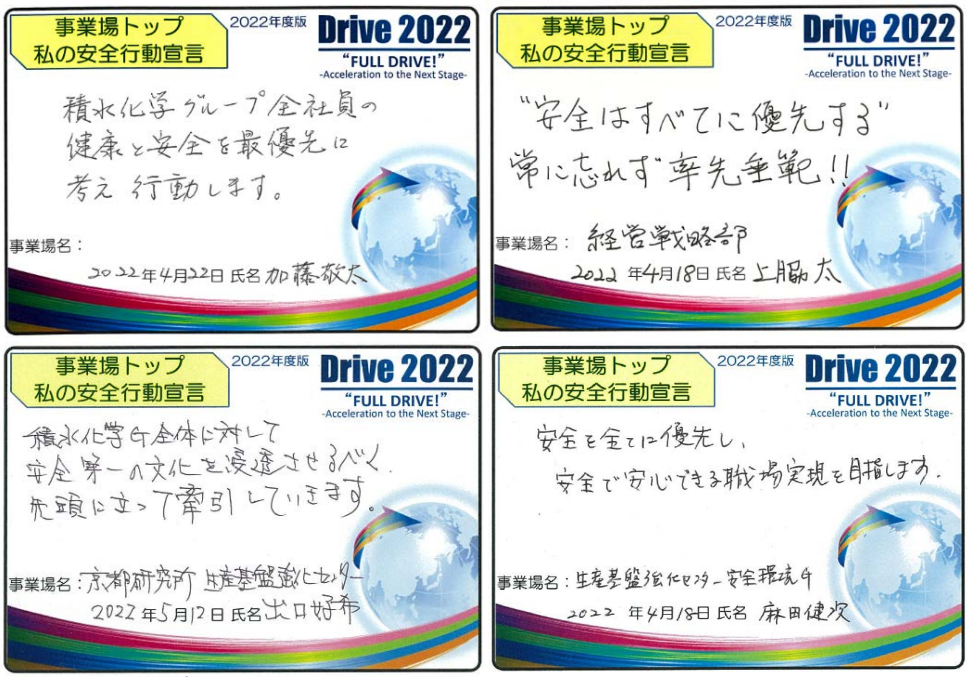
Safety-promotion System

Occupational Safety Committee Meeting Held

Each business site within the Group convenes legally mandated Occupational Safety Committee meetings on an individual basis, during which labor and management work together to conduct disaster-related investigations and make strategic proposals related to occupational health and safety.
Meetings of the Central Occupational Safety Committee were held as a Group-wide forum for discussion between labor and management up to fiscal 2019. Despite a hiatus owing to the COVID-19 pandemic, Central Occupational Safety Committee meetings, at which labor and management discuss issues and measures regarding safety activities, resumed from fiscal 2022.

Declaration of Commitments to Safe Business Practices Announced by the Leadership of Each Division

Based on the recognition that it is of the utmost importance for the top managers at business sites to exercise leadership and take the initiative in safety activities, leaders from each division, including the president, declare their commitment to safe business practices each fiscal year, and their personally written declarations are posted on the intranet.



A safety declaration posted on the intranet

Implementation of Safety Audits

SEKISUI CHEMICAL Group has identified occupational health and safety management system evaluation categories, which are employed in the self-evaluations conducted at each business site as well as safety audit evaluations by Corporate Headquarters. We review evaluation categories each year, taking into account issues related to Group-wide safety management activities.

With a view to preventing the spread of COVID-19, certain business sites were audited remotely online in fiscal 2022 in similar fashion to efforts in fiscal 2021. SEKISUI CHEMICAL Group succeeded in completing safety audits as initially planned at 17 business sites in Japan.

In the remote audits, document audits were executed with comparable efficacy to in-person audits. Site inspection tours, on the other hand, were more time-consuming than usual, as they required communication between auditors at remote sites and on-site staff touring the facilities with wearable cameras. In the future, the Group plans to make continuous improvements to its safety auditing procedures, to ensure that they are carried out appropriately in line with audit objectives and the circumstances in each case.

Implementation of 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.
Statutory and regulatory requirements differ by region, country, and state. With this in mind, overseas business sites are audited by external consultants (experts in local laws and ordinances) to confirm compliance.

Implementation of Medical Examinations

As far as medical examinations for employees are concerned, measures are applied based on the medical examination results of high-risk individuals under the work aptitude assessment guidelines for high-risk individuals (for health management officers). In addition, SEKISUI CHEMICAL Group confirms that the following legally mandated medical examinations are conducted at each business site through various means including safety audits.

・Special medical examinations
・Special medical examinations

Major Initiatives

Major Safety Management Initiatives
Development of Human Resources to Take the Initiative in Safety Activities

SEKISUI CHEMICAL Group established a Safety Leader (SL) certification system as a qualification for personnel who assist safety managers and promote safety management activities at each site. The Group has continued to promote this system since fiscal 2017 for the purpose of enhancing safety activities.
In fiscal 2022, 35 employees (157 in total since fiscal 2017) were certified under the SL qualification system. Safety leaders are tasked with identifying and mitigating risks at their respective workplaces, holding workshops with other safety leaders Group-wide, upgrading and expanding the content of safety training, and promoting the rollout of best practice examples.
In addition, since fiscal 2017 we have continued to provide support for employees to obtain safety sub-assessor* (SSA) qualifications, holders of which promote machine safety activities. As of March 2023, a total of 197 employees have been certified as SSAs. In addition, 23 employees have acquired safety assessor* (SA) qualification, which ranks above SSA, while one employee also acquired safety senior assessor* (SEA) qualification.

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

Major Intrinsic Safety of Equipment Initiatives

New Equipment Design Safety Standards

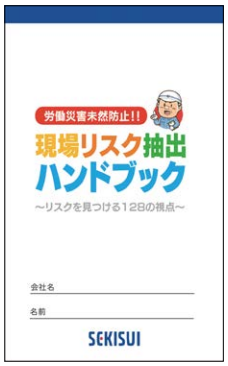
The New Equipment Design Safety Standards, which summarize the safety specifications necessary for production equipment used by the Group, kicked-off our Intrinsic Equipment Safety*1 activities. At the same time, the content was updated to reflect ISO/JIS machine safety standards, so it now serves as an important document for production equipment improvements. As a document, the Standards have been systematized in line with ISO/IEC Guide 51, and are comprised of Standard A: Basic Safety Standards, Standard B: Common Safety Standards, and Standard C: Individual Equipment Safety Standards. In 2020, we launched a revision committee comprised of 12 individuals with SSA*2 qualifications. This committee updates these Standards with the goal of revising the content once per year.

*1 Machine safety activities promoted by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.
*2 A Japan Certification Corporation safety qualification acquired to certify the knowledge and skills for machine safety. This certification is based on international safety standards.

Major Risk Management Initiatives

Increasing Risk Discovery Opportunities and Deploying Best Practices through Mutual On-site Inspections

Starting in fiscal 2021, the Technology & CS Promotion Department at each divisional company took the lead in initiating mutual on-site inspection activities through which employees from different manufacturing sites seek to uncover risks at each other's sites. Conventional safety, accident-prevention, and environmental audits are only conducted once every three years making frequent audits impossible. This has made it difficult to horizontally deploy the best practices of other business sites.
Mutual on-site inspections help participating employees become more aware of and sensitive to risk, while leaders and others at the sites that host these inspections are able to learn from other business sites, thereby making it easier to horizontally deploy best practices.
In addition, we distribute a Site Risk Identification Handbook, which was prepared by the Safety & Environment Group, to safety officers at each business site as a guideline for uncovering risks on their own.



Major Risk Management and Safety Audit Initiatives

Enhancement of Emergency Response Skills

SEKISUI CHEMICAL Group has identified getting caught or entangled in machinery at a production facility, falling off equipment or falling over at a business site, and a chemical process-related fire or explosion as high-risk scenarios on which particular emphasis should be placed on prevention.
Moreover, 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. Trainees are then 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 are able to improve equipment countermeasures and revise operating procedures. In addition to teaching trainees how to handle potential problems, the training is applied on various occasions, including evacuation drills and disaster prevention drills.

Major Safety Education Initiatives

Deepening Understanding of the Basic Safety Principles

SEKISUI CHEMICAL Group is working to prevent occupational injuries caused by manufacturing machines and equipment through activities that make equipment itself intrinsically safer* while also preventing occupational accidents caused by worker operations. Based on the lessons learned from past occupational accidents that actually occurred on Group business sites, the Six Basic Safety Principles, which summarize compliance matters and matters prohibited during operations for each operational process, were established and are currently in use.
In order to promptly disseminate these principles within the Group, we created and distributed to each workplace a poster that displays details in an easy to understand, illustrated format.

* Machine safety activities implemented by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.

Six Basic Principles for Hot Work Poster (Thai version)

Major Safety Audit/Disaster-preparedness Audit Initiatives

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, we invite outside disaster experts to perform emergency response audits when conducting safety audits.
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. In fiscal 2022, these audits were performed at 14 business sites uncovering 298 items. Each business site has been making improvements in regard to these items.

Type of audit	Target / Aim of audit
Safety audit	・Document review Checking of conditions relating to health and safety management activities ・On-site inspections Confirmation of the safety of people's work, their working environments, the surfaces on which they walk, etc. ・Intrinsic equipment safety measure status Inclusion of accident-prevention measures at the facility design and installation stages ・Process examinations of facility management departments Facility installation management, construction management, maintenance management Note: For sites that implement safety audits only, the audit will proceed in much the same manner as before, including the disaster-preparedness audit outlined as follows.
Disaster-preparedness audit	Primarily consists of audits for accident-prevention measures relating to business continuity ・Checking of storage and handling conditions of hazardous as well as designated flammable materials ・Checking of fire-fighting equipment maintenance status ・Measures for responding to earthquakes and other natural disasters

Major Safety Audit/Disaster-preparedness Audit Initiatives

Overseas Business Site Safety Audits

At our overseas production sites, which operate within different legal, regulatory, and cultural environments, SEKISUI CHEMICAL Group has established and deployed safety global standards to raise the level of safety activities.
In similar fashion to fiscal 2021, we conducted remote site inspections at 16 business sites while checking images from each premise in real-time in fiscal 2022. Moreover, we undertook occupational health and safety management audits based on the Group's evaluation standards with a focus on business sites that newly joined the Group.

Other Initiatives

Safety Awards

The SEKISUI CHEMICAL Group Safety Conference is held each year.
Awards were bestowed by the president and case studies were presented by the business sites with the best safety records using an online format on May 27, in fiscal 2022.

Safety Management Along Supply Chains

In order to secure the safety of employees from partner companies (contractors) involved in the on-site construction of housing, the Housing Company organizes the Sekisui Heim Cooperation Association with its partner companies (contractors) and holds periodic meetings. During these meetings, the Housing Company shares SEKISUI CHEMICAL Group's safety policy, offers safety education sessions, and provides a variety of training opportunities related to occupational safety.

Emergency-preparedness Drills

To prevent and mitigate environmental pollution during an emergency, our employees at each business site are trained at least once a year in emergency procedures and communications for a variety of scenarios unique to each business site.

Notification Regarding the Leakage of Wastewater Containing Radioactive Material from a Laboratory Building at the Drug Development Solutions Center of Sekisui medical Co., Ltd.

On August 4, 2022, a ruptured RI (radioactive material) water drainage pipe was discovered during demolition work at a building on the grounds of the Drug Development Solutions Center, Sekisui Medical Co., Ltd. (Tokai Village, Naka-gun, Ibaraki), at which point a trace amount of radioactivity was detected from the soil in the area surrounding the rupture. In preparation for such incidents, we had previously conducted drills in cooperation with local governments. In accordance with the established procedures, and in response to this incident, we swiftly contacted the Nuclear Regulation Authority, the local government, and others, released a press statement, and addressed inquiries from surrounding communities in the appropriate manner. It has been determined that there is no impact on human health or the environment as a result of this incident.

Notification Regarding the Leakage of Wastewater Containing Radioactive Material from a Laboratory Building at the Drug Development Solutions Center (Japanese Only)
https://www.sekisuimedical.jp/news/pdf/20220928.pdf

Environment-related Complaints and Accidents ☑

Category		Number	Details
Accidents	Fires	0	—
	Leaks	1	Trace amounts of radioactivity were detected in the soil around a ruptured pipe during demolition work at a building. (See above)
Complaints		0	—

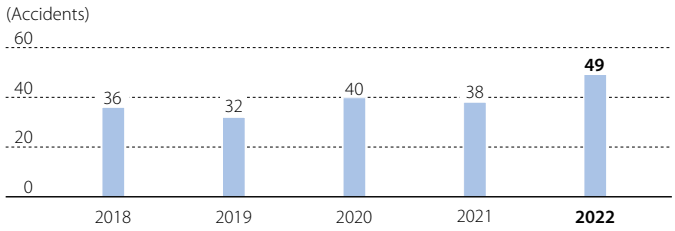
Performance Data ☑

Safety Performance

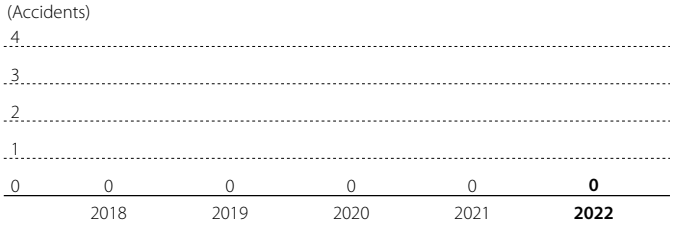
Japan

Aggregate scope: 47 production sites and five research institutes in Japan

Number of Occupational Accidents



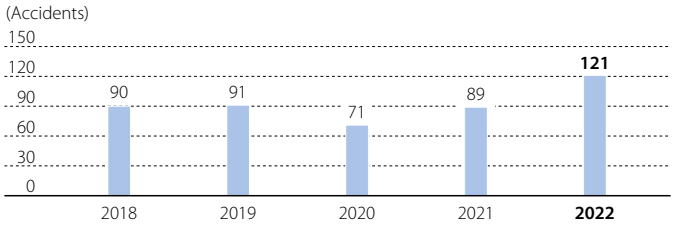
Number of Facility Accidents



Indicator	Calculation Method
Number of Occupational Accidents	The number of occupational accidents (both those resulting in lost time and those not) occurring during a given fiscal year (April through the following March)

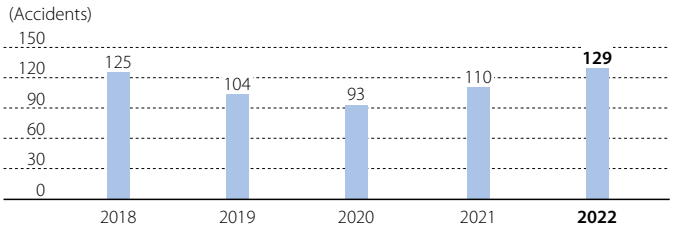
Indicator	Calculation Method
Number of Facility Accidents	The number of incidents where facilities malfunctioned (fires, leaks, etc.) that fulfill at least one of the following criteria (SEKISUI CHEMICAL Group criteria), from (1) to (3), occurring during a given fiscal year (April through the following March) (1) Human harm: An accident causing at least 30 days' lost work (2) Material harm: 10,000,000 yen or greater (3) Opportunity loss: 20,000,000 yen or greater

Number of Cases of Long-term Sick Leave



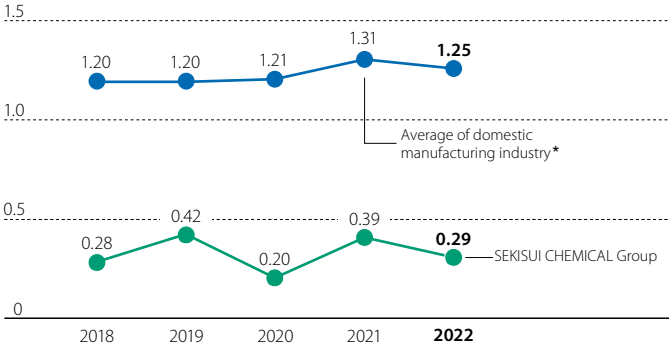
Indicator	Calculation Method
Number of Cases of Long-term Sick Leave	Describes leave of 30 days or more consecutively for sickness or injury occurring in a Japanese production site or research institute during the given fiscal year (April to the following March), and which is newly-occurring. Recurrences within 6 months of the start of work attendance are not counted. However, leave attributable to an occupational injury is counted as an occupational accident and not classified as long-term sick leave

Number of Commuting Accidents



Indicator	Calculation Method
Number of Commuting Accidents	The number of accidents occurring during commutes to Japanese production sites and research institutes during a given fiscal year (April to the following March); counting assault, damage, self-inflicted injury, and accidents; includes accidents while walking

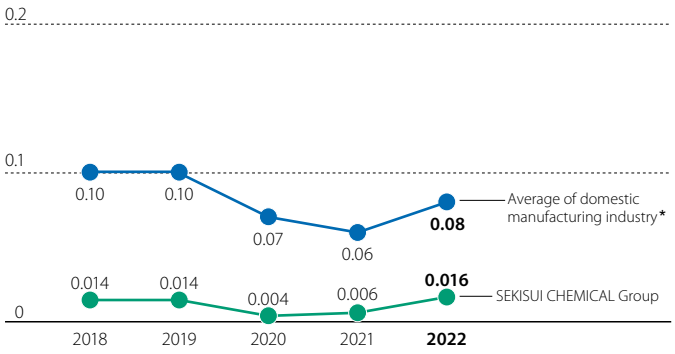
Number of Cases of Long-term Sick Leave



* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Indicator	Calculation Method
Frequency Rate	The total number of injuries, illness and fatalities in occupational accidents with lost time per 1,000,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of injuries, illness and fatalities in occupational accidents with lost time / total number of man-hours worked) × 1,000,000

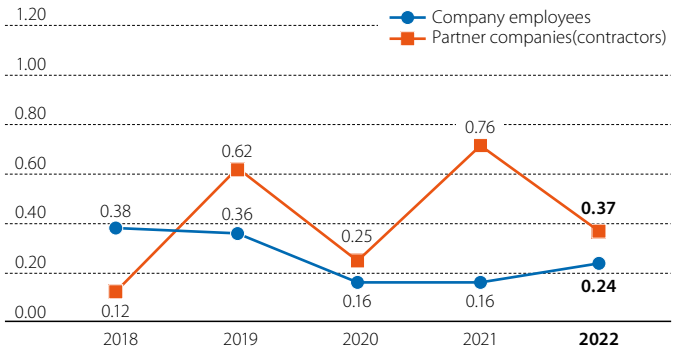
Number of Commuting Accidents



* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

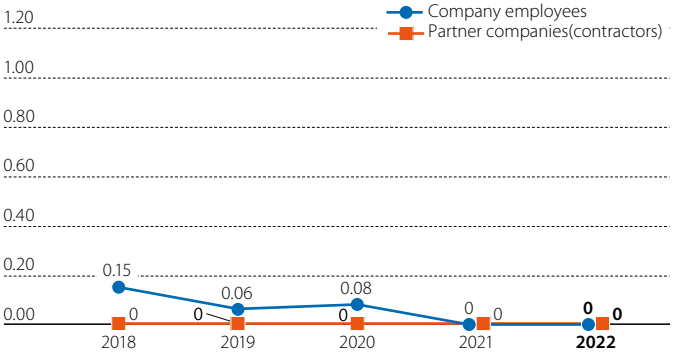
Indicator	Calculation Method
Severity Rate	The total number of days of work lost per 1,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of days of work lost / total number of man-hours worked) × 1,000

Lost Time Injury Frequency Rate (LTIFR)



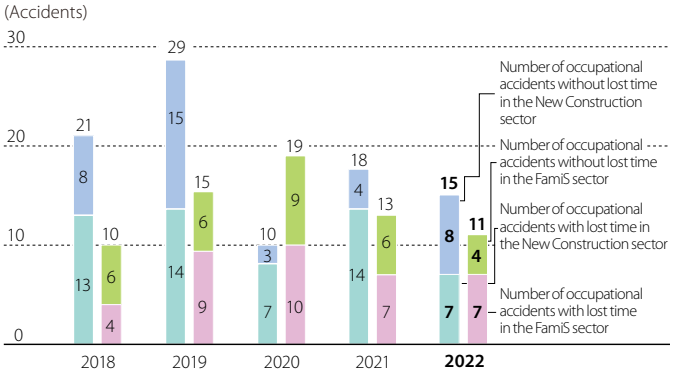
Indicator	Calculation Method
Lost Time Injury Frequency Rate	(Number of accidents causing sick leave / total number of man-hours worked) × 1,000,000

Occupational Illness Frequency Rate (OIFR)



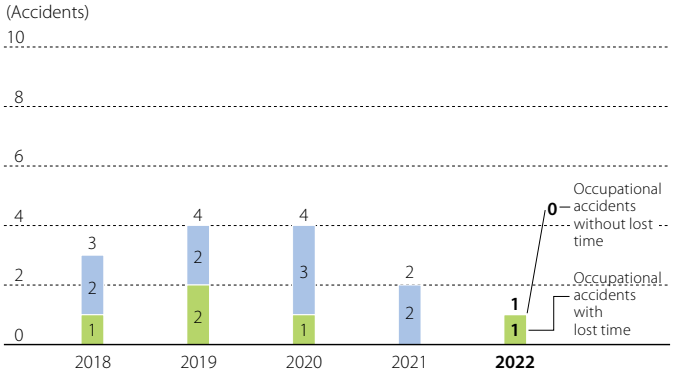
Indicator	Calculation Method
Occupational Illness Frequency Rate	(Occupational illnesses / total number of man-hours worked) × 1,000,000 Occupational illnesses as defined by the Ministry of Health, Labour and Welfare, including heat stroke, lower back pain, and intoxication by chemical substances

Safety Performance in the Housing Company's Construction Sites



Indicator	Calculation Method
Safety performance on the Housing Company's construction sites	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the Housing Company during a given fiscal year (April through the following March)

Safety Performance with Respect to Construction Sites in the Urban Infrastructure & Environmental Products Company

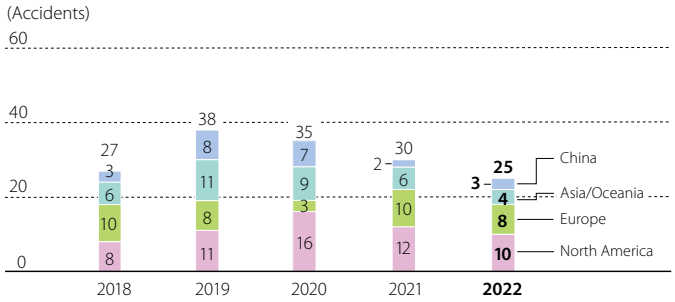


Indicator	Calculation Method
Safety Performance with Respect to Construction Sites in the UIEP Company	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the UIEP Company during a given fiscal year (April through the following March)

Overseas

Aggregate scope: 47 overseas production sites

Number of Occupational Accidents



Indicator	Calculation Method
Occurrence of occupational accidents at overseas production sites and research institutes	The number of occupational accidents (both those resulting in lost time and those not) occurring at overseas production sites and research institutes during a given fiscal year (April through the following March)

Japan and Overseas

Aggregate scope:
47 production sites, five research institutes, and 31 construction offices in Japan
47 production sites and two construction offices overseas

Occurrence of fatalities due to occupational accidents (Number of people)

		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Employees		0	0	0	0	0
	Japan	0	0	0	0	0
	Overseas	0	0	0	0	0
Partner Companies (contractors)		0	0	1	0	0
	Japan	0	0	1	0	0
	Overseas	0	0	0	0	0
Total		0	0	1	0	0

Health and Safety / Accident Prevention Costs

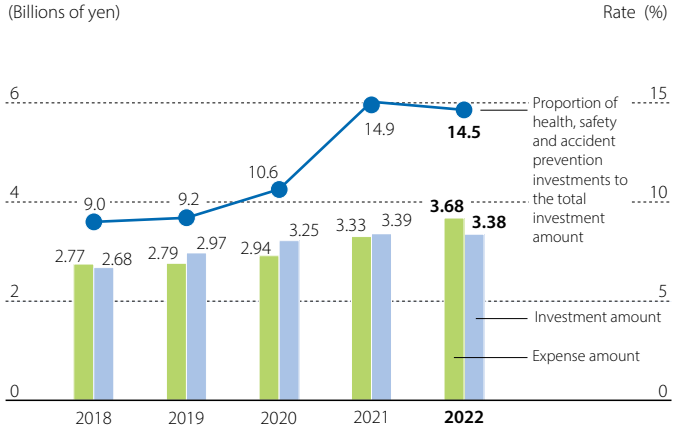
Aggregate Scope: 46 Production Sites, five Research Institutes, Corporate Headquarters Departments, Back Offices of Divisional Companies in Japan

Accident Prevention Costs (Fiscal 2022)

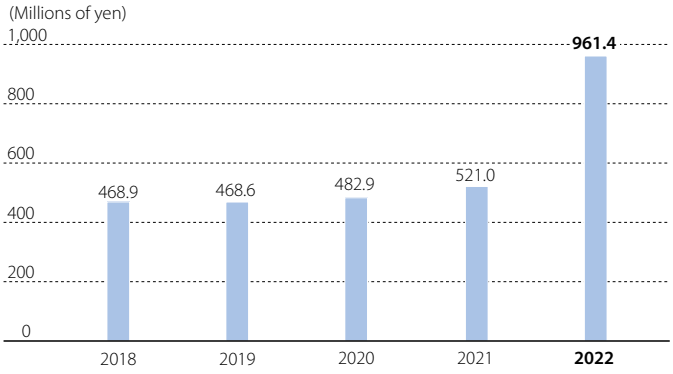
(Millions of yen)

Item		SEKISUI CHEMICAL Group	
Classification	Details	Expense amount	Investment amount
1) Costs within business site areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.	1,406	3,384
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	2,262	–
3) Other	Safety awards, etc.	9	–
Total		3,676	3,384

Costs and Investments Over Time



Loss Costs Over Time



Index	Calculation Method
Costs	Costs associated with health and safety as well as accident prevention activities during a given fiscal year (April through the following March)
Investment amounts	The amount invested in health and safety as well as accident prevention-related measures authorized during a given fiscal year (April through the following March)

Index	Calculation Method
Loss costs	The costs of responding to, and the labor costs incurred due to, occupational accidents, facility accidents, commuting accidents, and long-term sick leave due to illness occurring within a given fiscal year (April through the following March)

Note: Collated after adding maintenance costs (production, logistics, and power transformer facility management) to costs within business site areas from fiscal 2021.

Quality Issues

Basic Concept

We, SEKISUI CHEMICAL Group, consider CS & Quality as our central concept of management and will consistently promote innovation to maintain the quality of products throughout all of our business activities, continuously provide value (goods and services) that meets customer expectations, strive to constantly become the first choice of customers, and develop and grow with the customer over the long time. In order to achieve these established goals, we are prioritizing the need to strengthen basic quality while adhering strictly to quality compliance based on the understanding that manufacturing at the frontline underpins quality.

Preventing Defects, Strengthening Daily Management, and Reducing Quality Irregularities

SEKISUI CHEMICAL Group considers customer feedback as a precious management resource and strives to promote innovation in the quality of products, the quality of people and the quality of systems based on the motto: We consider customer feedback as the beginning of our manufacturing. Furthermore, we contribute to the realization of a safe and affluent society by continuously providing our customers and their communities with new value.
SEKISUI CHEMICAL Group emphasizes quality compliance. By continuously working to reinforce the foundation that supports quality by preventing the occurrence of defects and strengthening daily management, we are developing a culture that prioritizes quality while eliminating irregularities. Surmising that quality irregularities can occur as a result of the insufficient allocation of resources in such areas as quality and organizational systems, as well as various types of both external and internal pressure, the Group set about eradicating the root causes of risk. To this end, we have engaged in efforts to revise organizational systems, digitalize and reinforce quality data, provide quality compliance training, and strengthen reviews of new business from 2020.

CS & Quality Current Medium-term Plan

Roadmap for CS & Quality Management Initiatives

			FY2020	FY2021	FY2022
Minimization of quality-related compliance risks	Prevention of fraud and falsification of quality data		Understanding current status / defining requirements	System construction and operation	
	Prevention of malfunctions starting from the design and development stages		Training and education for developers and reviewers		
			Construction and trials of Design Review (DR) process for new business	Implementation and improvement of DR process for new businesses	
Maintaining and strengthening CS quality responsiveness	Constructing a global training framework for CS & Quality personnel	Promoting and maintaining awareness of CS & Quality	Implementing and providing feedback*1 for employee CS & Quality assessments	Follow-up of organizational activities (support problem-solving skills through conversation)	
		Reforming the qualities of KAIZEN activities	Establishing Group KAIZEN Activity guidelines	Expanding Group KAIZEN Activity guidelines to all companies	Promoting awareness of guidelines (sharing implementation casestudies)
		Self-drive KAIZEN activities	Developing an education program for leadership	Verifying the trial run for the leadership education program	Expanding the leadership education program
		Monitoring KAIZEN activities	Combining monitoring items and guideline contents	Monitoring using the new combination indicators	
	Constructing a CS & Quality education system	Strengthening the collection and utilization of customer feedback*1	Searching / Conduct internal questionnaires and interviews	Training related to collection and utilization and enhancement of cross-organizational information sharing	
		Promoting CS activities based on the guidebook	Basic CS training (telephone communication, creating a CS culture) (as needed)		
Reform of CS & Quality foundations	Constructing and effectively utilizing a new QMS system	Enhancing production fundamentals	Expanding the introduction of SPMC*2 and raising the level for utilization	Reconstructing, spreading, and solidifying understanding of effective utilization methods for SPMC*2	
	Promoting digitization of CS quality information	Constructing a quality incompatibility knowledge system	Understanding current situations and conducting surveys	Trial runs and expanding sites that implement system	

*1 For details, see Improving CS & Quality on p. 251.

*2 SPMC stands for Sekisui Process Management Chart.

Targets

Under the current Medium-term Management Plan, we set zero occurrences of major quality issues as a KPI and promoted quality activities with the goal of preventing or minimizing the impact of serious incidents on corporate value.
While there were no instances that could be categorized as Group-wide serious incidents, there were two major quality issues as defined by individual divisional company standards in fiscal 2022. The results of the major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Preventing the Occurrence of Serious Quality-related Problems	The rate of application of development risk prevention methods (number of themes for implementation of methods to prevent development risk/number of development themes)*	100%	100%

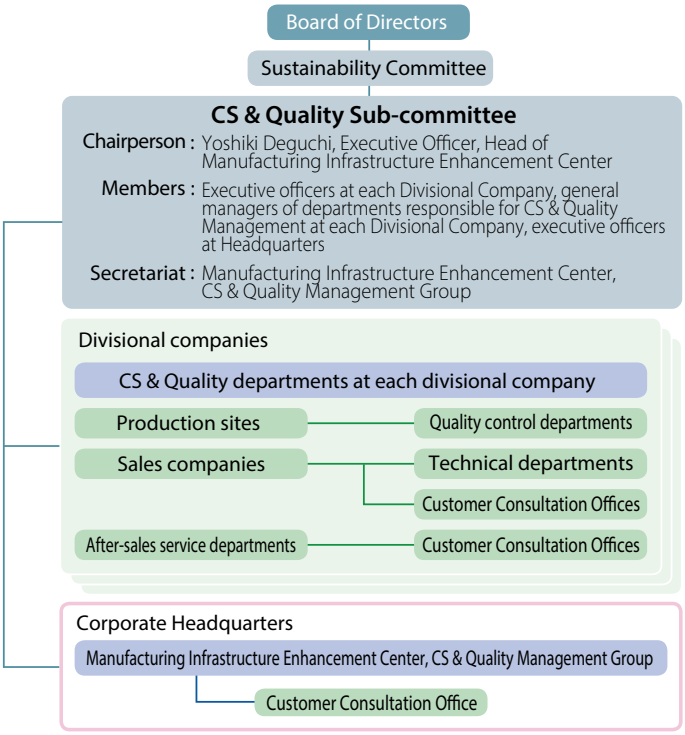
* When using methods to prevent development risk at the product development stage.

System

Holding meetings of the CS & Quality Subcommittee that reports to the Sustainability Committee

SEKISUI CHEMICAL Group deliberates on and determines all financial and non-financial initiatives and policies through its Board of Directors.
We maintain a CS & Quality Subcommittee, which reports to the Company's Sustainability Committee. Both the Sustainability Committee and CS & Quality Subcommittee meet twice a year to deliberate on non-financial CS & Quality issues. In fiscal 2022, meetings of the CS & Quality Subcommittee were held twice, in October and March.

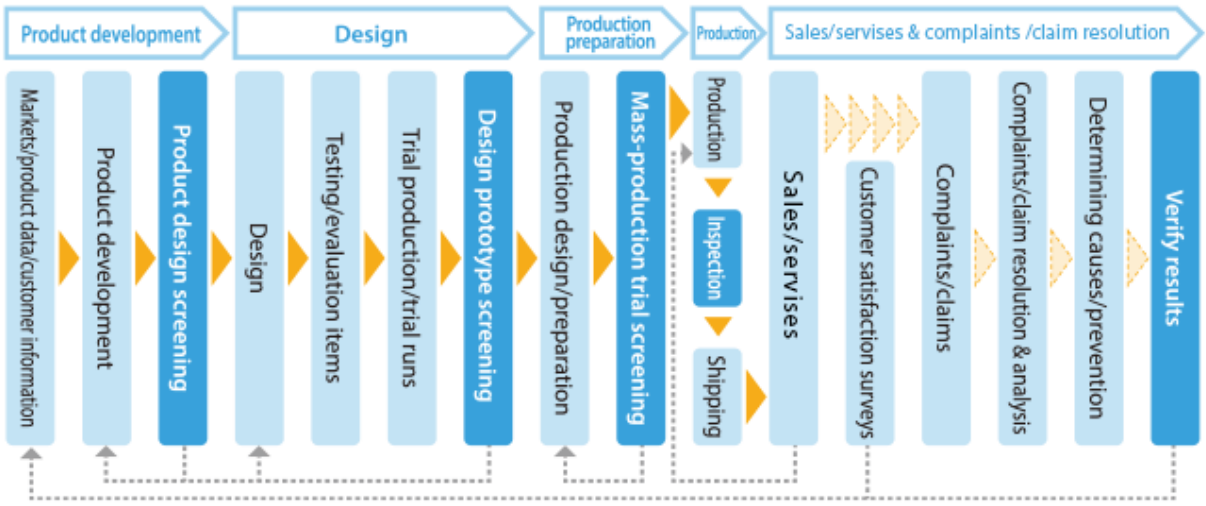
CS & Quality Management Promotion System



Building Quality Assurance Systems That Reflect Business Characteristics

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

Quality Assurance System



Major Initiatives

Initiatives to Prevent Quality Data Irregularities and Falsification

SEKISUI CHEMICAL Group put into place a system and framework for the thorough prevention of data irregularities and falsification based on the CS & Quality Medium-term Plan, which was launched in fiscal 2020.
In fiscal 2022, SEKISUI CHEMICAL Group focused mainly on securing the reliability and transparency of data, particularly regarding product inspections and the drafting of reports in order to ensure that the specifications agreed upon with our customers are observed. In addition, we are developing systems, as well as revamping and deploying daily management work, to make data input errors and falsification impossible. Moreover, we are focusing our efforts on digitizing inspection data while applying this data to help improve operations.
SEKISUI CHEMICAL Group will continue to strengthen internal quality control and to provide quality compliance training to ensure that the Group reinforces its awareness toward compliance. Through these means, we will enhance our quality assurance capabilities and extinguishing any potential for fraud.

Prevention of malfunctions starting from the design and development stages

Conducting Training Focused on Preventing Quality-related Problems

SEKISUI CHEMICAL Group holds a number of seminars on the theme of preventing quality problems. Development Risk Prevention Seminars aim to teach effective and efficient prevention methods. DR Reviewer Training Seminars are held to improve the skills of employees who conduct DRs*1, while QFD*2 Seminars are conducted to impart methods pertaining to the organization of information on product development.
In fiscal 2022, we continued to conduct Development Risk Prevention Seminars and QFD Seminars on an online basis.

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

QFD seminar

Creating a Design Screening Platform for New Businesses

SEKISUI CHEMICAL Group has created a Gate Review (GR)* platform to perform strict design screenings when new businesses are launched, which we have been operating since fiscal 2020. GR clarifies discussion points during design screenings by applying a design check sheet to highlight perspectives that should be considered during the design phase. In addition, we conduct External Expert Reviews aimed at gaining new insights from internal and external experts as a source of initial design input in such areas as new business fields and legal regulations.

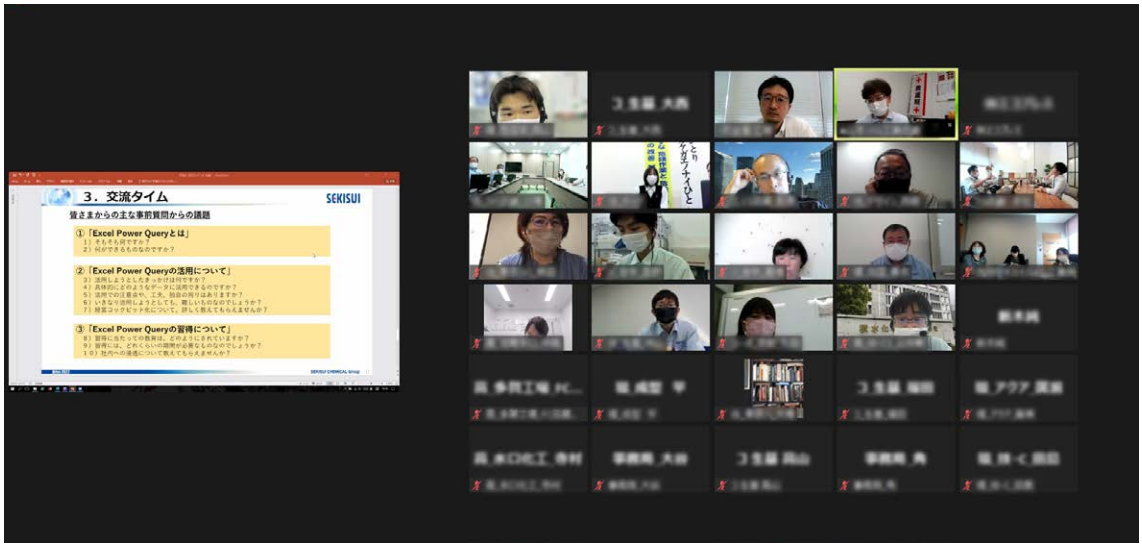
* Gate Review (GR): A continuous activity to judge whether or not to proceed to the next step (checkpoint management feature).

Constructing a global training framework for CS & Quality personnel

With the aim of enhancing the on-site manufacturing capabilities that underpin quality, the Group supports Group KAIZEN Activities.

Under the current Medium-term Management Plan, we deployed activities based on the following three pillars.

1. Reform the quality of Group KAIZEN Activities
   The freedom of KAIZEN Activities and announcements have expanded in an out-of-the-box manner along with the spread of online presentations, which we have successfully connected to quality reform.
2. Promote the independence of Group KAIZEN Activities
   In providing theme support, including basic education, we have steadily increased the number of business sites that are able to promote activities on their own, both in Japan and overseas.
3. Monitor Group KAIZEN Activities
   As a first for the Group, we held the KAIZEN Exchange Session online in 2022. This session broadly invited content that we wanted to introduce and hear about from among KAIZEN themes promoted by each business site. Ultimately, five teams made presentations and held question and answer sessions with attendees, in which many individuals participated to create a meaningful exchange.



Group KAIZEN Exchange Session

New image for Group KAIZEN Activities: Holding Group KAIZEN presentations in a hybrid format

In January 2023, we held the Group KAIZEN Activity presentations (Group-wide competition) in a hybrid format.
We made various adjustments including limiting the number of in-person attendees as a means of preventing the spread of COVID-19, as well as increasing the number of online attendees. Many presenting business sites, including those from three overseas regions, attended in-person at the auditorium for the first time in three years, allowing the event to come to a successful conclusion amid rousing interaction between business sites.
Many of the presentation themes during the event involved strengthening quality, leading us to recognize the height of quality awareness among every individual employee working on the front lines of each business site.

Fiscal 2022 Group KAIZEN Presentations

Constructing and effectively utilizing a new QMS system

We developed an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), in order to strengthen our process approach when promoting certification under the 2015 ISO 9001 standard. The SPMC provides an overview of the management flows of those processes, making it an effective tool in monitoring daily management, promoting corrective action as well as internal audits, and other activities including quality education.
In fiscal 2022, we revised the curriculum, including mock audit exercises, for SPMC Internal Audit Hands-on Training, which is held on an ongoing basis, and updated the content to be more easily understood by attendees.
In addition, we prepared Guidelines for Implementing Integrated Internal Audits Using SPMC and internal audit scenario videos with voiceovers. These efforts have served to deepen the level of permeation and understanding.
Every effort will continue to be made to improve the excellence of our quality management systems.

Guidelines for Implementing Integrated Internal Audits Using SPMC

SPMC Internal Audit Hands-on Training

Other Initiatives

Compliance with Laws and Internal Rules for Product Safety

Having positioned product safety as the most important element of quality, SEKISUI CHEMICAL Group strives to ensure the safety of all products manufactured and sold by each Group company in order to deliver safe products to its customers. We therefore implement safety reviews at the design and development stage to ensure product safety. In addition, when a legal violation related to product safety becomes known internally or is pointed out from external sources, SEKISUI CHEMICAL Group rapidly discloses information about the incident and moves quickly to discover the cause and prevent a reoccurrence. This is also true if internal rules and standards for product safety have not been followed.
As of the end of fiscal 2022, there were two incidents where the Group violated product safety laws and regulations. Each case was reported to Japan's Ministry of Land, Infrastructure, Transport and Tourism in April 2023. SEKISUI CHEMICAL Group takes each incident very seriously and will pursue prompt corrective measures while making Group-wide efforts to prevent a recurrence.

Nonconformity with building standards in residential complexes and detached houses
https://www.sekisuichemical.com/news/2023/__icsFiles/afieldfile/2023/04/18/20230414e.pdf

Product Quality Disclosure and Labeling: Compliance with Laws and Internal Rules Relating to Product Information Disclosure

SEKISUI CHEMICAL Group complies strictly with laws and internal rules relating to the disclosure of product quality and safety. The Group has established and confirms items to be checked regarding laws and product information disclosure at the development stage, and implements design reviews.
In fiscal 2022, there were no cases where we violated laws or internal rules related to the disclosure of product quality and safety.

Quality Assurance System in Collaboration with Suppliers

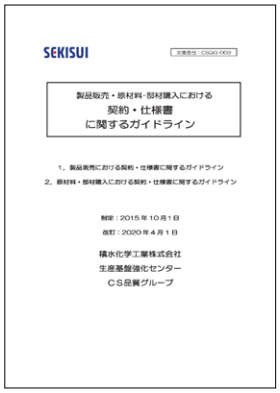
SEKISUI CHEMICAL Group engages in activities to ensure the quality of goods purchased from suppliers. For example, the Housing Company has established rules for 4M Change* management with suppliers and is building a product quality assurance system by ensuring implementation.

* 4M Change: A management method to prevent product defects and defective products from leaking into the market by controlling changes in four elements: Man, Machine, Method, and Material.

Formulating Quality Guidelines

Undertaking uniform quality control throughout the value chain—from product development to design, production, sales, and after-sales services—SEKISUI CHEMICAL Group is working to improve the level of its quality control in each process by formulating and issuing the following three guidelines.
The Development Guidelines for Strengthening Quality Assurance are aimed at preventing quality-related problems by predicting quality risks that can arise after commercialization. The Guidelines for Daily Management Activities are a collection of basic guides to routine management that must be followed in manufacturing.
The Contract / Specification Guidelines aim to reduce the risk of expanded compensation* related to product sales.

* Expanded compensation: Customer compensation in the case of product defects that extend beyond returns and exchanges to include compensation for processing / construction / items made with these products, and other related damage.


SEKISUI

製品販売・原材料・部材購入における
契約・仕様書
に関するガイドライン

1. 製品販売における契約・仕様書に関するガイドライン
2. 原材料・部材購入における契約・仕様書に関するガイドライン

制定：2015年10月1日
改訂：2020年4月1日

積水化学工業株式会社
生産基盤強化センター
CS品質グループ

Performance Data

Fiscal 2022 Results

In fiscal 2022, there were two major quality issues (as defined by individual divisional company standards)*1. As a result, external failure costs*2 came in at 99% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will continue to promote the application of development risk prevention methods (such as QFD and DRBFM*3) to reduce external failure costs.
The rate of application of development risk prevention methods in fiscal 2022 was 100%.

*1 Major quality issues: Problems related to product, technology, and service quality that could cause significant damage to customers, society, or SEKISUI CHEMICAL Group if not thoroughly resolved on an urgent basis.
*2 External failure costs: Costs arising from responding to product-related complaints.
*3 DRBFM: Design Review Based on Failure Mode (a preventive approach in which problems in new designs are discovered and solved by focusing on points of modification and change)

Business Sites That Have Received Third-party Certification for Their Quality Management Systems

The ratio of SEKISUI CHEMICAL Group production sites that have acquired ISO-9001 or other similar certifications is 99%.

Housing Company (integrated certification)

Housing Company (integrated certification)
- Development Division
- Residential Stock Business Management Division
- Housing Renovation R&D Department Technology & CS Division
- Manufacturing & Materials Division
- Sekisui Global Trading Co., Ltd.
- Administrative Management & Control Division
- Information Systems Department
- Hokkaido Sekisui Heim Industry Co., Ltd.
- Hoppou Jyubunka Institute Co., Ltd.
- Tohoku Sekisui Heim Industry Co., Ltd.
- Sekisui Heim Industry Co., Ltd.
  - Kanto Site
  - Tokyo Site
  - Chubu Site
  - Kinki Site
- Chushikoku Sekisui Heim Industry Co., Ltd.
- Kyushu Sekisui Heim Industry Co., Ltd.
- Sekisui Heim Industry Co., Ltd. Head Office
  - Supply Division Technology Department

Sekisui Board Co., Ltd.

Corporate Headquarters

SEKISUI CHEMICAL Co., Ltd. New Business Development Department LB Business Group
Sekisui Medical Co., Ltd. (Headquarters)
Sekisui Diagnostics, LLC.
Sekisui Diagnostics, LLC San Diego
Sekisui Diagnostics, LLC P.E.I. Inc.
Sekisui Diagnostics (UK) Ltd.
Veredus Laboratories Pte. Ltd.
Sekisui Medical Technology (China) Ltd.
Sekisui Medical Technology (Suzhou) Co., Ltd.

Urban Infrastructure & Environmental Products Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant
SEKISUI CHEMICAL Co., Ltd. Gunma Plant
Shikoku Sekisui Industry Co., Ltd.
Kyushu Sekisui Industry Co., Ltd.
Sekisui Aqua Systems Co., Ltd.
Chiba Sekisui Industry Co., Ltd.
Sekisui Home Techno Co., Ltd.
Sekisui Chemical Hokkaido Co., Ltd.
Toto Sekisui Co., Ltd. Ota Plant
Yamanashi Sekisui Co., Ltd.
TOKUYAMA SEKISUI CO., LTD.
Sekisui SoflanWiz Co., Ltd.
NIPPON INSIEK CO., LTD.
SEKISUI ESLON B.V.
Sekisui Chemical G.m.b.H.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.
Sekisui Industrial Piping Co., Ltd.
SEKISUI SPECIALTY CHEMICALS (THAILAND) CO., LTD.
SAND L SPECIALTY POLYMERS CO., LTD.

High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi Plant
SEKISUI CHEMICAL Co., Ltd. Musashi Plant
SEKISUI CHEMICAL Co., Ltd. Taga Plant
Sekisui Fuller Company, Ltd. (integrated certification)
- Shiga Plant
- Hamamatsu Plant
- Osaka Office
- Tokyo Office

Sekisui Techno Molding Co., Ltd. Tochigi Plant
Sekisui Techno Molding Co., Ltd. Aichi Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Sekisui Material Solutions Co., Ltd.
Sekisui Nano Coat Technology Co., Ltd.
Sekisui Chemical Co., Ltd. Tsukuba Site / IM Project
Sekisui Polymatech Co., Ltd
Sekisui Seikei Co., Ltd.
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec B.V.
Sekisui S-Lec Thailand Co., Ltd.
Sekisui S-Lec (Suzhou) Co., Ltd.
Sekisui S-Lec America, LLC.
Sekisui Alveo BS
Sekisui Alveo G.m.b.H
Sekisui Alveo S.r.L
Sekisui Alveo S.A.
Sekisui Alveo A.G.
Sekisui Alveo (Benelux) B.V.
Sekisui Alveo B.V.
Thai Sekisui Foam Co., Ltd.
Sekisui Voltek, LLC. Coldwater Plant
Sekisui Pilon Plastics Pty. Ltd.
Youngbo Chemical Co., Ltd.
Sekisui Youngbo HPP (Wuxi) Co., Ltd.
Sekisui Specialty Chemicals America, LLC.
- Calvert City Plant

Sekisui Specialty Chemicals America, LLC.
- Pasadena Plant

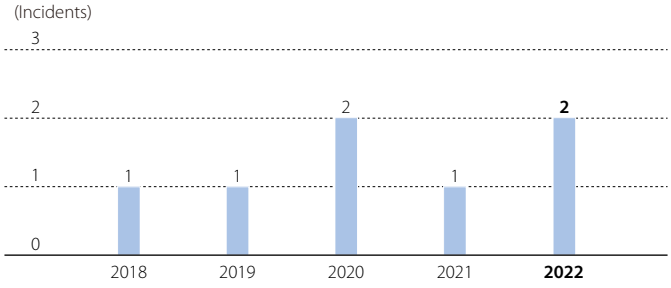
Sekisui Specialty Chemicals America, LLC.
- Dallas HQ

Sekisui Specialty Chemicals Europe, S.L.
- Tarragona Plant

SEKISUI DLJM MOLDING PVT LTD- CHENNAI-1
SEKISUI DLJM MOLDING PVT LTD- CHENNAI-2
SEKISUI DLJM MOLDING PVT. LTD GR. NOIDA
SEKISUI DLJM MOLDING PVT. LTD TAPUKARA
SEKISUI DLJM MOLDING PVT LTD GUJARAT
SEKISUI POLYMATECH (THAILAND) Co., Ltd.
PT. SEKISUI POLYMATECH INDONESIA
Sekisui Polymatech (Shanghai) Co., Ltd.
SEKISUI POLYMATECH EUROPE B.V.
SEKISUI AEROSPACE CORPORATION
SEKISUI KYDEX, LLC.

Data Concerning Major Quality Issues

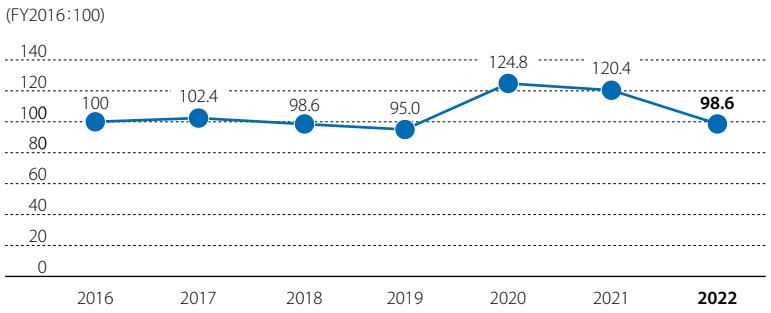
Number of Major Quality Issues



Indicator	Calculation Method
Major Quality Issues	These refer to product and service quality issues determined by Corporate Headquarters or divisional company presidents, based on evaluations and judgments by the quality assurance manager, which could cause significant damage to customers, society, or SEKISUI CHEMICAL Group and lead to the loss of society's trust in the Group if not thoroughly resolved on an urgent basis including: 1) Major incidents (1) Of the accidents that threatened user lives or lead to bodily harm, those in which the harm is serious. (2) Product loss or destruction incidents for which there is a risk of severe or fatal user injuries 2) Problems which have serious impacts (cause serious loss) to customers, users, or society 3) Compliance (such as complying with related laws and regulations) problems related to product or service quality 4) Product recall problems

Data Concerning External Failure Costs

External Failure Costs



Indicator	Calculation Method
External failure costs	Costs arising from responding to product-related complaints

Other Data

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Development Risk Prevention Seminars (cumulative total) fiscal 2022	302	418	502	555	604	657	710
Number of participants in the DR Reviewer Training Seminar (cumulative total)	166	259	283	296	349	363	363
Number of participants in the QFD Seminar (cumulative total)	–	–	31	90	188	251	325

Legal and Ethical Issues

Basic Concept

Compliance Management

In SEKISUI CHEMICAL Group, we established our Compliance Declaration in 2003 based on principles such as contributing to society, being a trusted company, and adhering to the letter and spirit of the law. In keeping with the spirit of the Group Principles and our Corporate Activity Guidelines, we defined our stance for the acquisition of high social trust through compliance.
Positioning compliance at the core of our efforts, we are currently working toward sustainable growth under our Long-term Vision, Vision 2030. Guided by the current Medium-term Management Plan we have worked diligently to raise each and every employee's awareness toward compliance by promoting various compliance programs in a bid to enhance the Group's management ability to sustain business through the reduction of serious incidents.
Looking ahead, we will continue to carry out initiatives for improving compliance awareness in order to ensure SEKISUI CHEMICAL Group remains widely trusted by society.

Targets

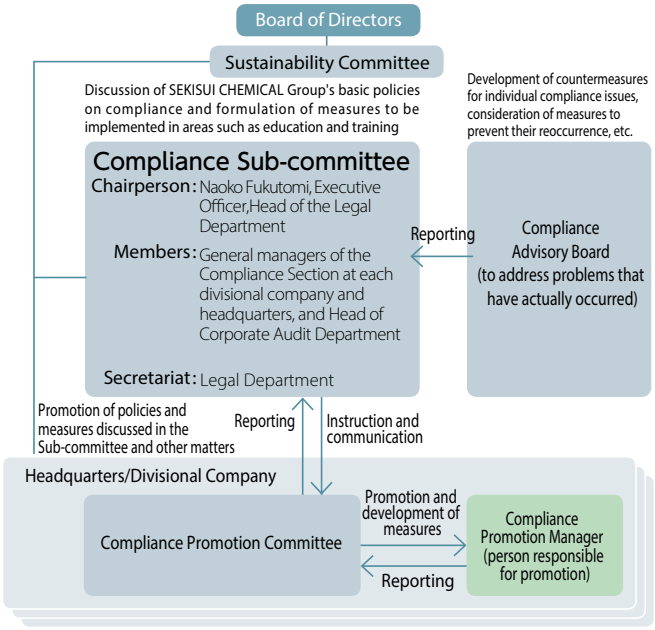
With the aim of preventing damage to the Group's corporate value resulting from a serious incident, we identified zero incidents of major compliance issues as a KPI under the current Medium-term Management Plan. In an effort to achieve this KPI, we have continued to promote compliance activities. Thanks to these endeavors, the number of major compliance issues was zero. The results of major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Strengthen overseas Group company control	Deployment rate of important rules (regarding antitrust laws, anti-bribery, etc.) at overseas Group companies	100%	96%
	Establishment of internal whistleblowing systems at overseas Group companies (number of regions)	All overseas regions (10 regions)	Completed in 9 regions

System

We are building a realistic and effective compliance promotion system to ensure that compliance management is fully put into practice. In addition to having established a Compliance Subcommittee, which reports to the Sustainability Committee and is chaired by the executive officer who heads the Legal Department, as an organization to oversee Group compliance and to put forward policies and implementation measures, we are also establishing compliance promotion committees at the Company's headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into practice and implementing and deploying each measure. In the unlikely event that a major compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.
In fiscal 2022, the Compliance Subcommittee met on two occasions, once in May 2022 and again in November 2022.

Compliance Promotion System



Major Initiatives

Formulating the Compliance Policy

SEKISUI CHEMICAL Group published a compliance manual, which contained a code of conduct and detailed explanation for various compliance items, including corruption prevention, conflicts of interest, antitrust laws, accounting, and harassment, in 2003. Utilizing this manual, we have undertaken in-house training and related activities.
To ensure that the Group's approach toward compliance is known to a wide range of stakeholders, we drew on the code of conduct portion of the manual to put in place a Compliance Policy and posted details on the Company's website in fiscal 2022.

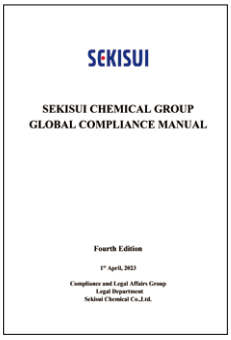
Compliance Policy
https://www.sekisuichemical.com/sustainability_report/pdf/update/Compliance%20Policy_EN.pdf

See Other Policies on p. 335

Fostering Compliance Awareness

SEKISUI CHEMICAL Group has created and distributed the aforementioned Compliance Manual, the Global Compliance manual, its overseas version, and a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee.
In fiscal 2022, the Compliance Card was updated and once again distributed to employees in Japan. At the same time, the Global Compliance Manual was revised and disseminated to all overseas regions.

The Company's Compliance Manual



The Company's Global Compliance Manual (English edition)

The conveniently sized Compliance card

Compliance Training

As part of our efforts associated with putting compliance management into practice, we also focus on employee compliance education. We continuously provide opportunities for all Group employees to learn about the importance of compliance, through such measures as including information about compliance in training for new employees and rank-specific training. We also conduct e-learning sessions specific to compliance at least four times each year. In fiscal 2022, we once again enabled employees to participate in paper-based learning programs at the request of Group companies and business sites to provide the same learning opportunities for those employees without access to an environment from which they can individually view the intranet, such as those working on production plant floors.

Promotion and Operation of the S.C.A.N. Intra-company Whistleblowing System

SEKISUI CHEMICAL Group established the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system. Operated under the supervision of the executive officer in charge of the Legal Department, the system serves as a mechanism for the early detection and revision as well as the prevention of any reoccurrence of compliance problems, including harassment, within the Group.

Group employees can use S.C.A.N. either anonymously or by giving their name while reporting not only through the intra-company whistleblowing system, but also to an outside law firm.

Intra-company whistleblower regulations strictly protect the whistleblower by ensuring that information remains confidential and prohibits prejudicial treatment or retaliation while requiring employees to report compliance violations that come to their attention.

When a report is received, interviews are conducted not only with informants but also with the accused, as well as other related parties as necessary. Based on a range of evidence, we confirm the veracity of the facts and, as a reporting point of contact strive to resolve organizational issues from an impartial standpoint.

In fiscal 2022, we took the opportunity to further strengthen the Company's intra-company whistleblower structure and systems while improving reliability by revising the intra-company whistleblower regulations, providing training to employees who work at the point of contact, and implementing other measures at the time Japan's Whistleblower Protection Act was revised.

From a global perspective, we have completed steps to establish whistleblower systems in North America, China, the EU, ASEAN, South Korea, and Taiwan.

SEKISUI CHEMICAL Group has also put in place points of contact for consultations from and whistleblowing by business partners.

These consultation / notification points of contact are intended for use by the executive officers and employees of business partners in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies. We accept requests for consultations and receive reports via a form made available on Group company websites and, while conducting consultations with business partners, proceed to confirm the facts and take corrective action concerning any alleged law-violating conduct. The content of consultations and reports is shared only among the minimum number of people necessary to resolve the law-violating conduct concerned, and all parties that need to be involved are obliged to keep that content confidential.

Status Regarding the Prevention of Bribery and Corruption

SEKISUI CHEMICAL Group has signed onto and endorsed the UN Global Compact, which identifies anti-corruption efforts under its voluntary action principles. In this spirit, we are promoting efforts to prevent acts of bribery and corruption through a variety of measures, including putting in place rules to prevent bribery and corruption as one of our internal regulations and introducing these rules to all Group companies.
In addition, we have formulated anti-bribery guidelines, which employees are expected to observe when doing business in Japan, the United States and China. We have worked to make these regulations and guidelines known via the intranet, so that employees can check them at any time.
As a major preventative measure against corruption and bribery, we have established and are implementing rules to prevent violations by identifying high-risk cases. For example, when a government official is to be entertained or presented with a gift, a specified form must be submitted in advance and approval obtained from management. In the event that we appoint an agent or consultant in connection with business transactions, including those involving overseas public officials, 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 departments, which are especially at risk for bribery and corruption, we encourage employees to learn about the relevant regulations and guidelines and to use the appropriate application forms through various measures, including training specific to countering graft and corruption.
Moreover, we are endeavoring to inform all relevant parties of our stance toward bribery prevention through our Compliance Policy, Compliance Manual, and Global Compliance Manual.
In fiscal 2022, we established a rule requiring prior approval from the Administration or Legal Departments when inviting foreign public and other officials. We also included questions on bribery in an e-learning program for employees of Group companies in Japan.

Status Regarding the Prevention of Transactions That Represent a Conflict of Interest

In the event of a conflict between the interests of the Company and an individual director or employee, the Group determines whether the subject transaction is in the best interests of the Company. Our policy is to that the Company does not incur damages as a result of a conflict of interest. In fiscal 2022, we formulated Guidelines for Outsourcing Transactions that May Raise Conflict of Interest Concerns and established rules to check in advance outsourcing transactions that may raise conflict of interest concerns in a bid to thoroughly implement the aforementioned policy.

Legal Compliance with Antitrust Laws as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling

At SEKISUI CHEMICAL Group, we operate a business organization membership payment system, a pre-application system for competitor contact, and a price revision committee system as a compliance program for antitrust laws. The implementation status of these systems is audited yearly, and the program is revised as needed. This program has also been introduced at domestic business companies with high cartel risk.
In addition, SEKISUI CHEMICAL Group adheres strictly to laws and regulations including the Act against Unjustifiable Premiums and Misleading Presentations while engaging in good faith marketing related to advertising and product labeling when conducting its business activities.

Initiatives to Strengthen Accounting Compliance

SEKISUI CHEMICAL Group is working to improve accounting skills and financial expertise across the Group as a whole in order to reduce risks related to finance and accounting.
We hold accounting meetings for personnel responsible for accounting at consolidated Group companies in Japan and overseas, to explain and share the rules of accounting and compliance activities. In addition, we conduct accounting workshop meetings as well as e-learning sessions to provide training on accounting skills and financial knowledge, to prevent any incidence of accounting treatment error or accounting fraud, and to enhance the awareness of divisions and employees involved in accounting operations regarding compliance.
Taking into consideration the need to prevent further spread on COVID-19, accounting meetings were held online, with 261 people in Japan and overseas participating in fiscal 2022 in similar fashion to fiscal 2021. The accounting training sessions and workshop meetings were also conducted online, with a total of 122 people participating.

Tax Compliance Initiatives

SEKISUI CHEMICAL Group considers paying taxes as one of the fundamental and important social responsibilities of a company. We comply with the tax laws of each of the countries and regions in which our business activities are conducted and properly pay taxes.
We do not use tax havens for tax avoidance purposes, and pay taxes appropriately in accordance with the economic realities of the countries and regions where we operate. We will contribute to the economies of those countries and regions, aiming for mutual harmonious and stable development.
Transactions with tax risks are confirmed by external specialists as necessary to ensure their proper treatment and to reduce tax risks.
In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length prices based on local laws and Organisation for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we will use Advance Pricing Arrangements (APAs) in accordance with the size of the transaction and level of tax risk. We respond to investigations by tax authorities in a sincere and appropriate manner, and report the results of investigations to the Board of Directors for improvement as appropriate. Through these efforts we endeavor to maintain good relationships with tax authorities.

Compliance Reinforcement Month

Initiatives Taken in Japan

SEKISUI CHEMICAL Group has set aside October of each year as Compliance Reinforcement Month, to give all employees the opportunity to reaffirm the importance of compliance.
In fiscal 2022, we implemented training in Japan covering four broad themes: labor management, labeling and representation regulations, intra-company whistleblowing system, and personal data protection. This training was conducted remotely online to prevent the spread of COVID-19 and to provide learning opportunities for employees who could not attend. A web conference system was employed in the case of labor management and video streaming for the remaining three themes.

Initiatives Taken During Compliance Reinforcement Month in Japan (Fiscal 2022)
1.Thorough dissemination of the Top Message on Compliance (October 2022) to all Group employees
2.Implemented all types of compliance training / Held an open-style legal seminar in which employees participated of their own accord (Web conference system relay training 9 times in total), video streaming (3 themes)
3.Introduced Compliance Reinforcement Month activities and provided class information on educational video programs in SWITCH Group web newsletters
4.Conducted e-learning using the Company intranet (setting themes centered on antitrust law and bribery as well as labor management)
5.Dissemination and reporting of compliance messages by global leaders to their own organizations
6.Initiatives in North America, China, Southeast Asia, and Europe (October to January)

Overseas Initiatives

We are also expanding and rolling out horizontally those initiatives undertaken during Compliance Reinforcement Month in Japan on a global scale across a wide range of countries and regions including North America, China, Southeast Asia, and Europe. The themes taken up during Compliance Reinforcement Month are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

Overseas Compliance Reinforcement Month Initiative Themes(Fiscal 2022)

North America: 1) Implementation of an intra-company whistleblowing system poster contest and display of the winning poster
2) Dissemination of the top message
3) Distribution of training videos on the intra-company whistleblowing system to local companies under the control of SEKISUI CHEMICAL Group
4) Implementation of training
- IInitiatives implemented during October: Emergency response training, cyber security training prepared by SAC, other compliance training, including harassment prevention
- IOther initiatives implemented: Bribery and corruption prevention training, Success Factors training

5) IImplementation of a survey on the degree of awareness of the intra-company whistleblower system
6) IImplementation of a survey to solicit feedback on activities during Compliance Reinforcement Month
7) IIntroduction of Compliance Awareness Survey conducted by SEKISUI CHEMICAL CO., LTD. in November 2022

China: Training conducted in the following format:
- Training format: Face-to-face and/or online training
- Themes: Information leakage countermeasures, explanation of contract templates, individual themes

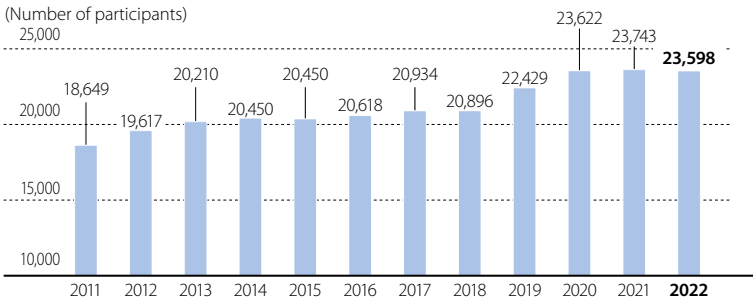
Southeast Asia: Training implemented on the themes of incident introduction in Japan, confidential information management, antitrust compliance program, and intra-company whistleblower system awareness

Europe: Raising awareness through articles in the SEBV Newsletter; distribution of Anti Skimming Cards with a message on Compliance Reinforcement Month; exchange of opinions on compliance.

Performance Data

Trends in e-learning participants

Trends in e-learning participants



Note 1: Average values for four sessions conducted in each year. However, the third and fourth sessions were underway during fiscal 2022 when this chart was created, so the average value for sessions one and two is provided for that year.

Note 2: With the exception of overseas local hires, all SEKISUI CHEMICAL and SEKISUI CHEMICAL Group employees are required to take part in e-learnings programs.

List of Results Relating to Compliance Training

Fiscal 2022 List of Results Relating to Compliance Training

Training	Training content	Trainees			Attendance
		SEKISUI CHEMICAL Co., Ltd.	Group companies		
			Domestic	Overseas	
Employee rank-based training	New employee training	✓	✓		497
	Newly appointed senior management training	✓	✓		101
	Newly appointed management training		✓		62
	Newly appointed executive officer training	✓	✓		6
	Affiliated company director training		✓		44
	Manager training		✓		63
Area-specific training	Compliance training	✓	✓		806
	Harassment prevention training	✓	✓		79
	Export controls training	✓	✓		708
	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors training	✓	✓		3,742
	Anti-monopoly law training	✓			129

Training	Training content	Trainees			Attendance
		SEKISUI CHEMICAL Co., Ltd.	Group companies		
			Domestic	Overseas	
Area-specific training	Personal information protection training	✓	✓		43
	Information management training	✓	✓		531
	Affiliated company institutional management training		✓		18
	Industrial waste management training		✓		28
	Startup business collaboration training	✓			56
Global training	Overseas transfer training	✓	✓		25
Compliance Reinforcement Month	Domestic training	✓	✓		3,084
	North America training			✓	3,243
	China training			✓	564
	Southeast Asia training			✓	1,060

Number of Whistleblowing Cases and Consultations

Fiscal 2022 Number of Whistleblowing Cases and Consultations

Reports/consultations	Number of cases
Power harassment	25
Working conditions	40
Sexual harassment	4
Workplace environmental concerns	18
Misuse of expenses	4
Sales method related	2
Misrepresentation of work performance	5
Collusive relationship with business partners	1
Others	33
Total number of complaints	132

Donations to Political Groups

SEKISUI CHEMICAL Group does not make illegal political contributions.
The amount of donations (made by SEKISUI CHEMICAL on a consolidated basis) to political groups that are intended to encourage the formulation of public policies that benefit society as a whole are as follows:
SEKISUI CHEMICAL Group does not make illegal political contributions.
The amount of donations (made by SEKISUI CHEMICAL on a consolidated basis) to political groups that are intended to encourage the formulation of public policies that benefit society as a whole are as follows:

(Unit: thousands of yen)

Fiscal Year	Amount
FY 2018	14,429
FY 2019	16,936
FY 2020	8,705
FY 2021	10,690
FY 2022	12,562

Information Management Issues

Basic Concept

To avoid the occurrence of serious information management-related incidents that impact the Group's ability to improve and sustain business, SEKISUI CHEMICAL Group is putting in place a system and operational structure that ensures the confidentiality, integrity, and availability of its information system while at the same time working to increase employees' literacy on information security through e-learning programs and incident response training.

Cyber Security Policy

To strengthen cyber security measures throughout SEKISUI CHEMICAL Group as a whole, we formulated the Group-wide Cyber Security Policy* and disclosed details both internally and externally.

* For details of SEKISUI CHEMICAL Group's Cyber Security Policy see p. 344.

Targets

With the aim of preventing damage to the Group's corporate value resulting from a serious incident, we identified zero cyber security incidents as a KPI under the current Medium-term Management Plan. In an effort to achieve this KPI, we have continued to promote information management activities. Thanks to these endeavors, the number of cyber security incidents was zero. The results of major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Rapid response in the event of a cyber security incident (Japan)	Recovery time following incidence occurrence	Ongoing monitoring to set a baseline	Continued monitoring
Overseas deployment of CSIRT	Formulation and rollout of overseas deployment plans	Formulation of detailed plans and start of deployment	Commenced monitoring and operation of three companies in North America*

* Three companies in North America: SEKISUI AMERICA CORPORATION, SEKISUI VOLTEK, LLC, SEKISUI DIAGNOSTICS, LLC

System

Cyber Management System Headed by an Executive Officer

To provide a cyber security response system, we established a CSIRT*1, which reports to the Sustainability Committee chaired by the president.

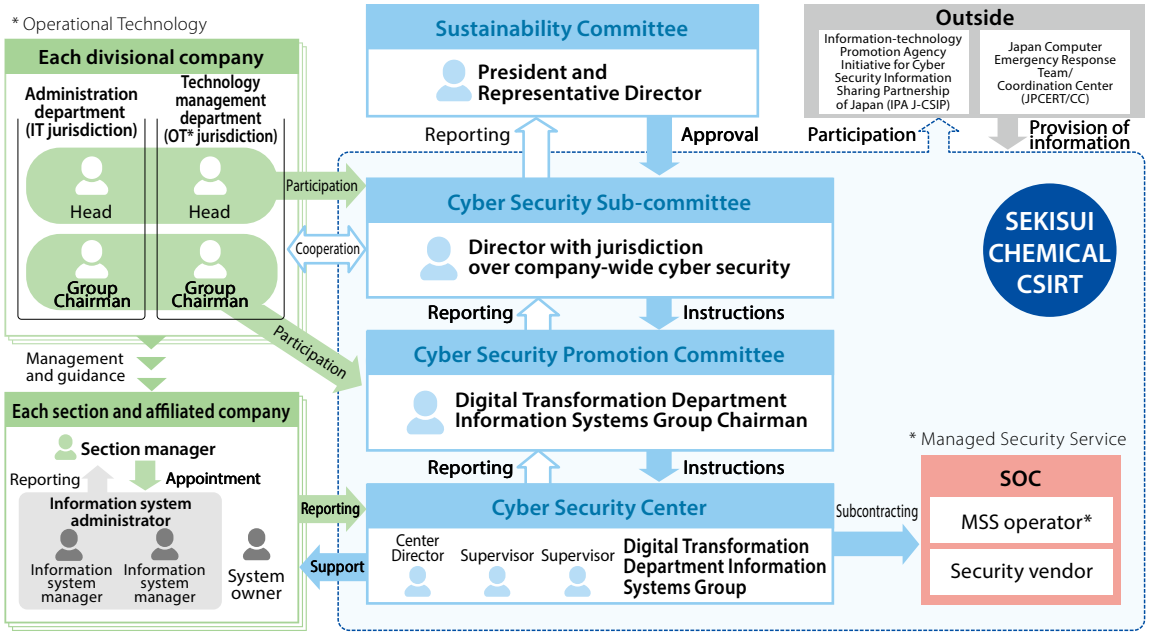
Chaired by Futoshi Kamiwaki Representative Director and Senior Managing Executive Officer, who serves as the Chief Information Security Officer (CISO), the Cyber Security Subcommittee is a policy-making body that deliberates on Group-wide cyber security measures and significant security incidents. The Cyber Security Promotion Committee advances measures based on subcommittee decisions. We have also set up a Cyber Security Center as a working unit.

Acting in partnership with the SOC*2, the Cyber Security Center monitors the security of networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents. Having posted at least one cyber system administrator on site at each business, we have established a comprehensive Group-wide 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. Together with making our operations in Japan more sophisticated, going forward we will advance the development of CSIRT at Group companies overseas.

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

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

Diagram of Overall Management System



Major Initiatives

Measures Taken Against Information Leaks and Risks from Both System and Human Aspects

The Company takes measures, from both system and human aspects, to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the Company has positioned its SOC 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 counter-measures. We are also working to prevent information leaks before they occur by, for example, employee education based on e-learning courses and by conducting audits.
CSIRT operations involve the holding of regular Cyber Security Subcommittee/Promotion Committee meetings, reporting the assessments of risk countermeasures at Subcommittee meetings and the content of risk countermeasure activities at Promotion Committee meetings. In addition, we conduct annual training for Subcommittee members on management decision-making in the event of a cyber security incident.

Key System-related Measures

(1) Store important information on data center servers and fortify data centers
(2) Establish firewalls to completely separate internal networks from external and control networks
(3) Install cloud firewalls that are effective even for direct Internet connections (including remote environments)
(4) Install next-generation virus protection, on all servers and PCs.
(5) Monitoring of the aforementioned three points 2-4 by SOC, 24 hours a day, 365 days a year
(6) Install e-mail filters and web filters, ensure the safe and secure utilization of employee e-mails and the Internet
(7) Upgrade authentication infrastructure for both convenience and security

Key Human-related Measures

(1) Thorough information management by degree of importance
(2) Thorough enforcement of duty of confidentiality for retiring employees and new hires
(3) Conduct regular e-learning programs for all employees
Augment implementation of e-learning sessions for important technology development workers
(4) Conduct desk training for CSIRT members (encompassing such areas as the confirmation of communication flows and the questioning of management decisions)

Measures to Mitigate Risk from Natural Disasters by the Dispersal of Systems, etc.

So that business operations can be continued even in the event that backbone systems are damaged in a natural disaster, we have established backbone systems within data centers that have measures in place to deal mainly with earthquake resistance and seismic isolation.
In addition, by dispersing data centers across 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 Group handles the personal information of its customers based on its Privacy Policy, which is available on the Company's website. The Company complies with legal regulations and norms regarding personal information and, by voluntarily putting in place rules and systems based on internal confidential information management regulations, strives to appropriately protect such information.
We have also formulated Guidelines for Web Server Construction and Management, and endeavor to protect servers managed at relevant companies and each work site.
At the same time, we ensure thorough management by limiting access rights and other management authority according to the importance of the information handled.
Furthermore, we are strengthening governance over the handling of personal (customer) information by raising employee awareness and providing training, especially during the Compliance Reinforcement Month held annually.

Preventing Leakage of Technical Information

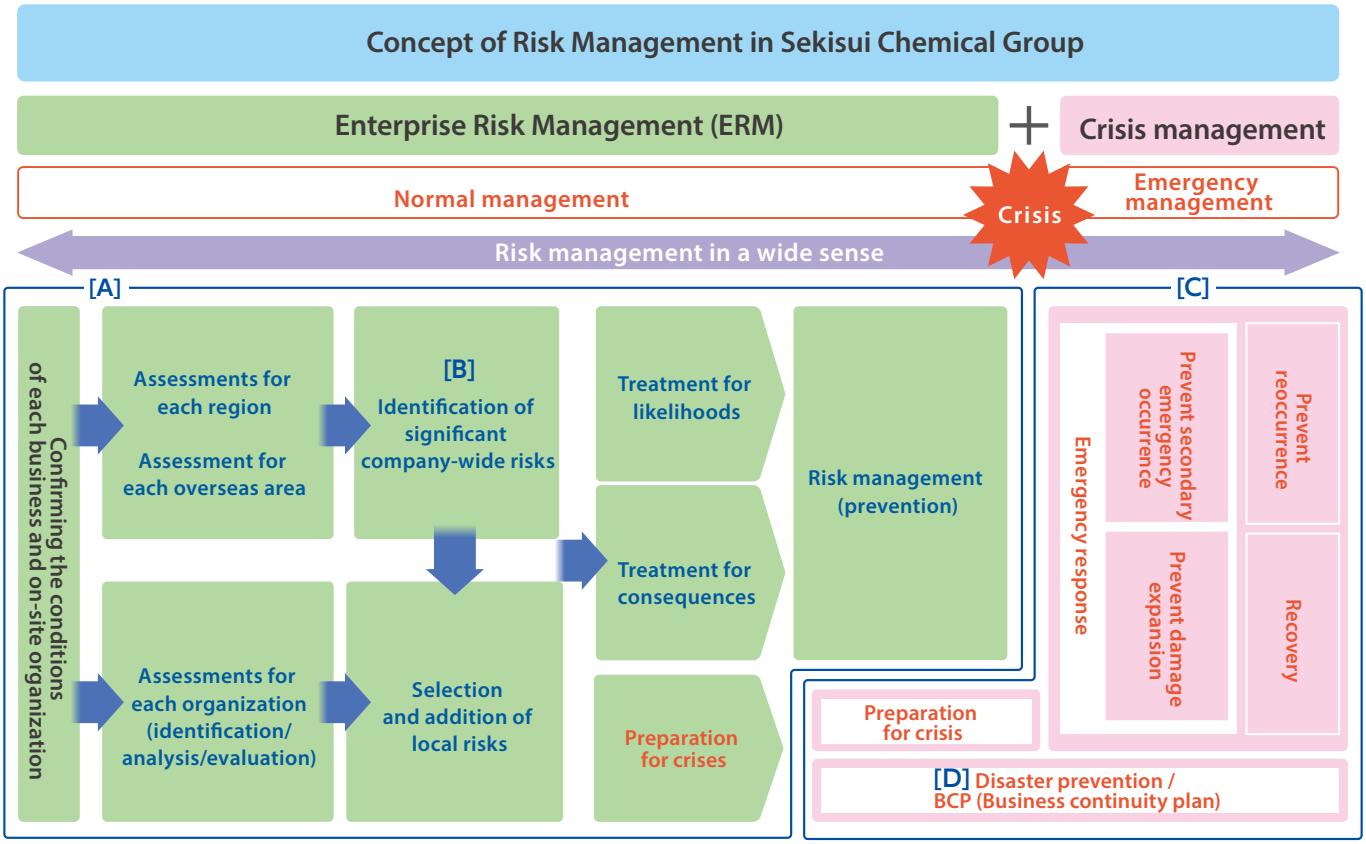
In 2019, a then-employee leaked technical information about the HPP Company's conductive fine particles to an external third party. After this incident was discovered, information management and employee training were enhanced. In order to prevent recurrence, we not only take measures to prevent data leakage through IT technology, but also implement a wide array of measures such as introducing risk management activities in departments that handle confidential technical information, providing moral education and training for engineers, and thoroughly educating employees on confidentiality obligations upon hiring.
As for the overall progress of these recurrence prevention measures, we monitor information leak risks while consolidating the activities of both the Cyber Security Subcommittee and Compliance Subcommittee.

Risk Management

SEKISUI CHEMICAL Group's Approach Toward Risk Management

In order to realize our Long-term Vision against the backdrop of a drastically changing business environment, while earning stakeholders' trust and confidence as we meet expectations, it is imperative that we take on risks in a proactive and decisive manner. To this end, we recognize that our ability to manage risk while enhancing the Group's resilience are of the utmost importance. With this in mind, SEKISUI CHEMICAL Group has positioned risk management as a key foundation of its management.

As far as our approach to risk management is concerned, we understand the critical need to manage risks and crises in an integrated manner before and after they occur. While ensuring that an important concern is not overlooked, this approach will allow us to engage in agile risk management and centralize efforts aimed at preventing and minimizing the impact of risks and crises when they occur.



* See page 88 for more information on A and B systems and initiatives; see page 93 for more information on C and D initiatives.

Risk management

In the past, we have focused on identifying and responding to risks in each business and organization (bottom-up approach) in accordance with the characteristics of the Group, which has a diverse range of businesses and business categories. Under the current Medium-term Management Plan, we are following this same approach, while at the same time adopting and reinforcing a top-down structure and system to identify risks that could lead to serious Group-wide incidents (significant Group-wide risks).
Under the next Medium-term Management Plan, we will work to strengthen our global risk detection capabilities while enhancing our risk mitigation capabilities through the combined efforts of each business, organization, and specialized headquarters departments.

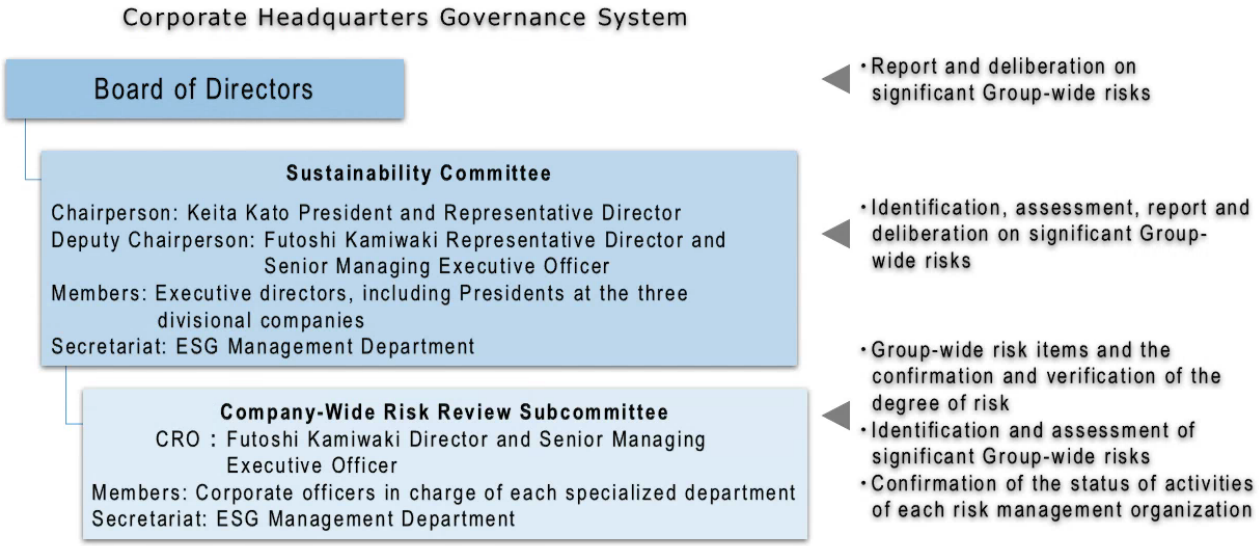
Crisis management

In the wake of the outbreak of COVID-19 as of the end of fiscal 2019, Corporate Headquarters took the lead in developing and renewing BCPs for all organizations while putting in place a BCM system under the current Medium-term Management Plan.
Under the next Medium-term Management Plan, we will work to establish autonomous training programs while conducting reviews for each organization and constantly raising performance.

Targets

Under the current Medium-term Management Plan, we have worked to minimize the impact of earthquakes, pandemics, and other incidents by setting the rate of BCP establishment and operating rate as a KPI. As a result, we achieved the BCP (initial response) operating rate target of 100% (PDCA established).

Structure of Risk Management Activities



From fiscal 2022, the officers in charge with specialized expertise from each Corporate Headquarters have attended meetings of the Group-wide Risk Review Subcommittee. In light of changes in the internal and external environments, officers deliberated on whether or not to correct or modify serious Group-wide risks identified in fiscal 2022 and whether or not their consequences or likelihood of occurring have changed. The results of deliberations by the Subcommittee as well as various measures to reduce risks are discussed by the Sustainability Committee and then reported to the Board of Directors. They are also reflected in each organization's fiscal 2023 risk management action plan.

ERM (Enterprise Risk Management): A reference to Group-wide risk management.

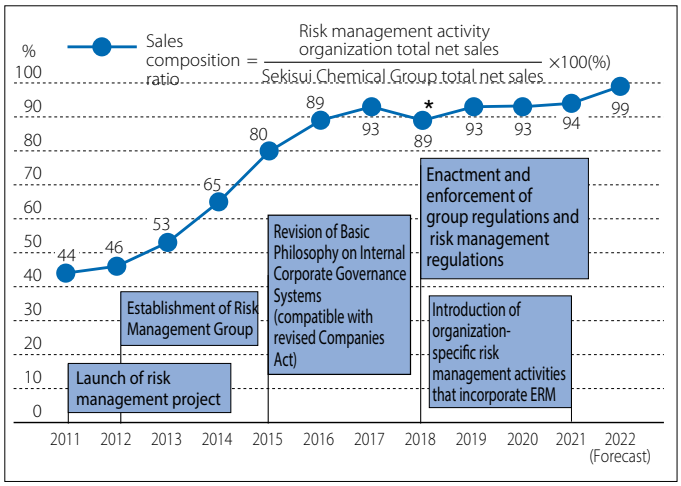
As the business environment in which companies operate becomes increasingly uncertain and complex, SEKISUI CHEMICAL Group believes that increasing risk sensitivity among employees is essential to properly handling such risks. On this basis, the Group continuously runs PDCA cycles in line with the international standard for risk management ISO 31000. By making it mandatory to comprehensively uncover the variety of risks associated with the business objectives of each organization, quantify these risks from the perspectives of their consequences and likelihood of occurring, ensure that dedicated offices in Corporate Headquarters identify serious Group-wide major risks that could lead to a serious Group-wide incident—in the five fields of safety, quality, accounting, legal and ethics, and information management—, and undertake assessments through risk management activities by organization, we established an ERM system that is shared and managed within the Group and are continuously verifying the effectiveness of ERM by reviewing uncertainties on a regular basis.
Starting in fiscal 2023, the overseas regional headquarters will identify risks specific to each overseas region and conduct assessments at divisional companies in each region together with serious Group-wide major risks while promoting risk management activities by specialized area in a similar manner as in Japan.

Bolstering Risk Management Structures by Organization:

Increasing Risk-sensitivity Using PDCA Cycles

In an increasingly complex external and internal environment, it is extremely difficult to accurately assess the risks that may emerge moving forward. SEKISUI CHEMICAL Group believes that increasing risk sensitivity among employees is essential to properly 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. The number of organizations engaged in these actions has increased each year, reaching 170 in total, including Japanese and overseas affiliates accounting for 99% of consolidated sales in fiscal 2022. Activities have also taken root in the R&D divisions of all divisional companies.



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

Identifying, Analyzing, and Assessing Risks:

Risks that SEKISUI CHEMICAL Group Should Manage

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
- ・Large earthquakes, natural disasters, industrial accidents
- ・Climate Change and environmental issues (resource depletion, water, marine plastics)
- ・Politics and society (political change / terrorism)
- ・Impact from the spread of COVID-19

2.Strategic risk

- ・M&A / New Business / R&D

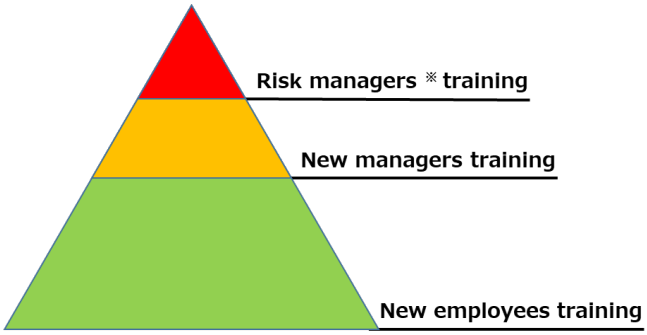
3.Operational risk

- ・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)

Enhancement of training systems

Raising awareness of risk management activities and employee rank-based training system for risk management

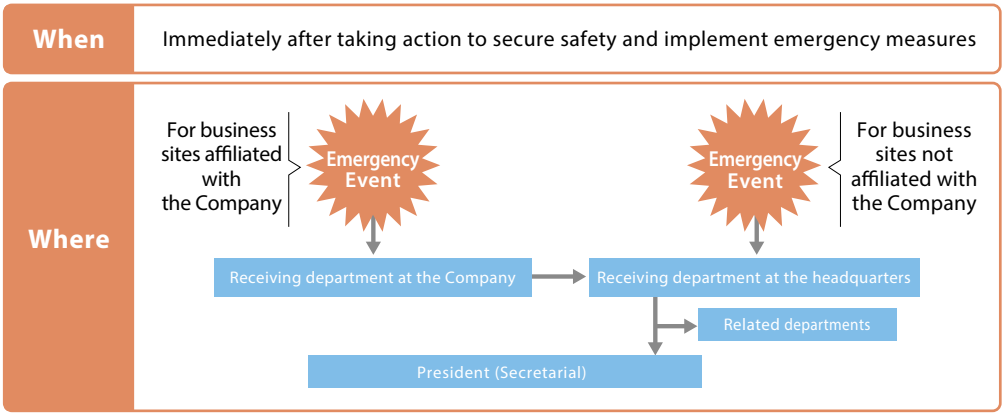
Risk Management Training System



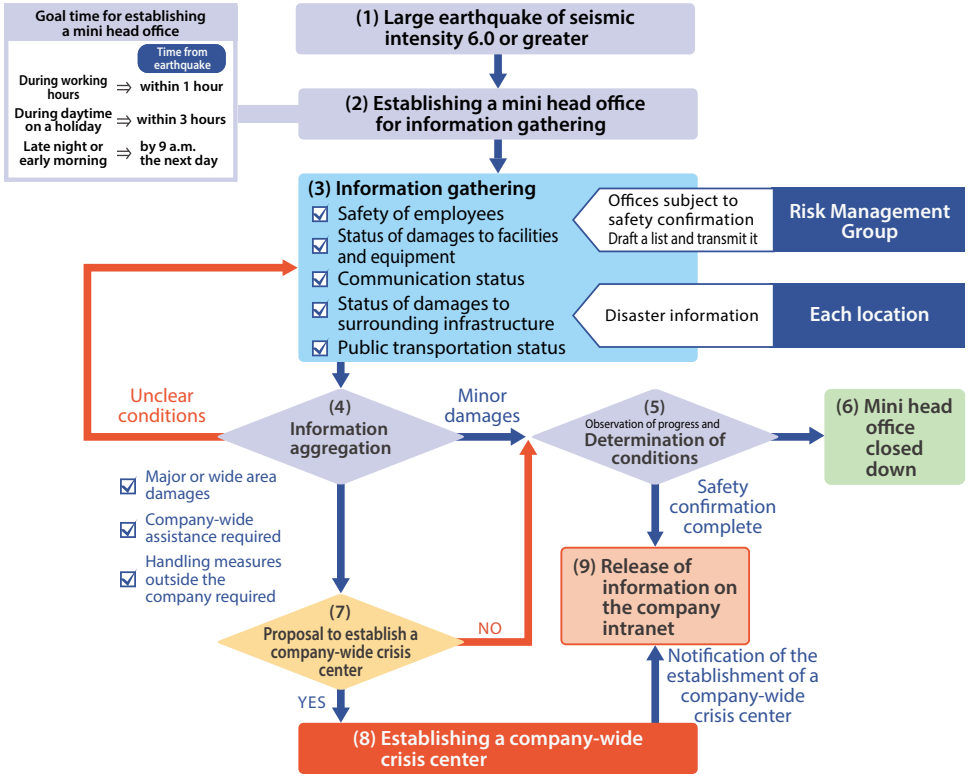
SEKISUI CHEMICAL Group is working to foster a risk culture through rank-based training relating to risk management (new company employees, newly appointed people in management positions, and risk managers*).
Every year since fiscal 2017, we have been conducting risk management training for newly appointed risk managers (persons responsible for duties related to risk management activities in their respective organizations). In fiscal 2022, 22 underwent training, making the cumulative total of participants to date 265.

Domestic Crisis Management Organizational Structure

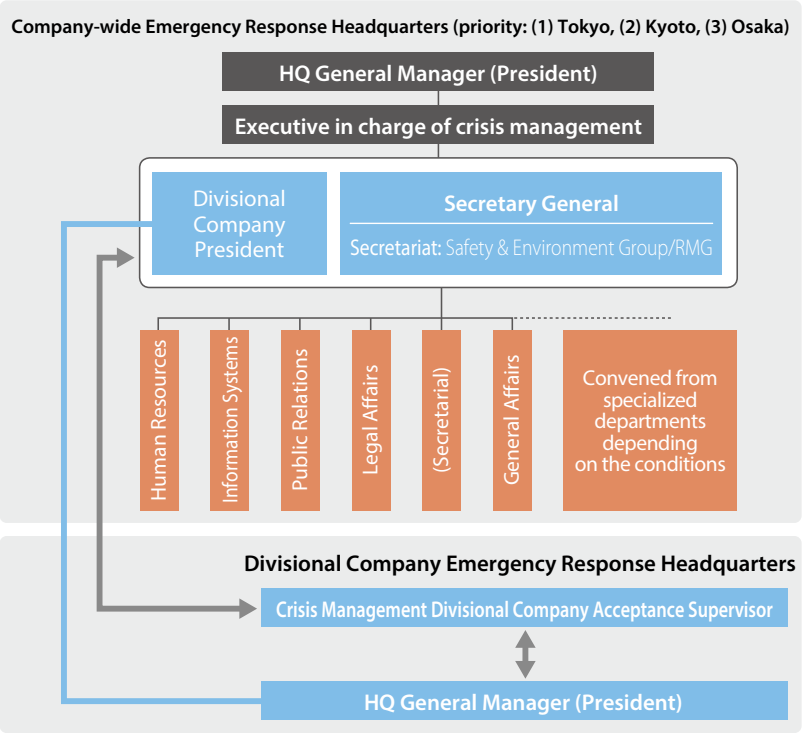
Procedures for contacting divisional companies / Corporate Headquarters from the frontline immediately after an emergency occurs.



Initial action of the Emergency Response Headquarters (in the event of a major earthquake)



Emergency Response Headquarters Functions (when a major earthquake occurs)



Crisis Management Activities

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 enhancing that system and its mechanisms ever since. Crisis management activities are conducted in accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines. A crisis management liaison committee consisting of each Corporate Headquarters' group and divisional company representatives holds regular meetings to review case studies and conduct training.

Specifically, by means of drills attended by members from initial response headquarters across the Group, we are conducting a review of the Emergency Situation Initial Response Procedures Manual and confirming coordination.

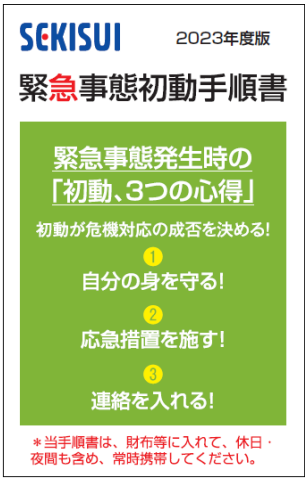
We provide an Emergency Situation Initial Response Procedures Manual to all employees every year, so that they can take the appropriate action in the event of an emergency. Moreover, in fiscal 2019 we installed a safety confirmation system in various forms, including the work mobile telephones of all employees, which enables rapid confirmation of the safety of our employees in emergencies.

With regard to measures designed to counter the spread of infectious diseases, in March 2020 we launched an infectious disease emergency task force, set up a special page dealing with infectious diseases on the Company intranet and have been working to disseminate action guidelines and share strategies on how best to prevent the spread of infectious diseases. The safety of our employees is our top priority, and in the event that an infected person is confirmed within the Group, we have been working to promptly assess the situation and share the information with the relevant parties. As a result, up until the time the infectious diseases emergency task force was disbanded in September 2022, there had been no major impact on business.

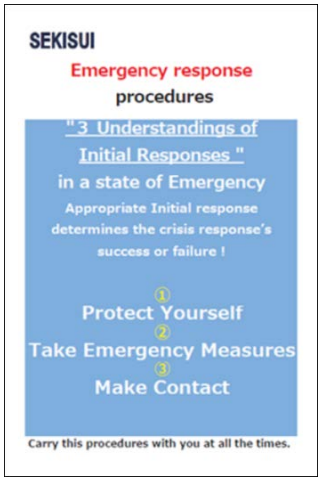
Crisis Management Activities—BCP (Business Continuity Plan) Implementation

BCP is positioned as an essential tool to support business strategies. 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 business companies, etc.) determine the necessity of BCP individually, based on the particulars of the business in which they are engaged, and is promoting the formulation of business continuity plans and implementation of business continuity management (BCM) based on ISO 22301, the standard for implementing BCM. In light of the recent increase in the number of threats, as well as the growing need to determine how to continue operations in the event of a medium- to long-term loss of key management resources, and to prepare for such an event, in fiscal 2021 the Group revised the wording and formulated its initial response plan (ERP) that places the protection of human life as the highest priority at all organizations as a Group-wide initiative. In addition, major business organizations throughout the Group implemented efforts to put in place resource-based all-hazard BCPs to address every type of crisis event. In fiscal 2022, we declared desktop training mandatory for all relevant organizations, verified the effectiveness of and made revisions to the initial response plan (ERP) document, and completed the PDCA cycle of the BCM cycle. In addition, with the presidents of each division company in attendance, we also carried out a task force joint drill designed to improve the resilience of the division companies. In the years to come, we aim to establish autonomous BCM operations in each activity organization. By making these efforts going forward, even in an emergency situation that could threaten the continuance of operations, we will minimize losses to our organization and customers while continuing to fulfill our social responsibilities as a company by responding quickly and restoring important functions as soon as possible.

Emergency Situation Initial Response Procedures Manual (April 2023 revised edition)

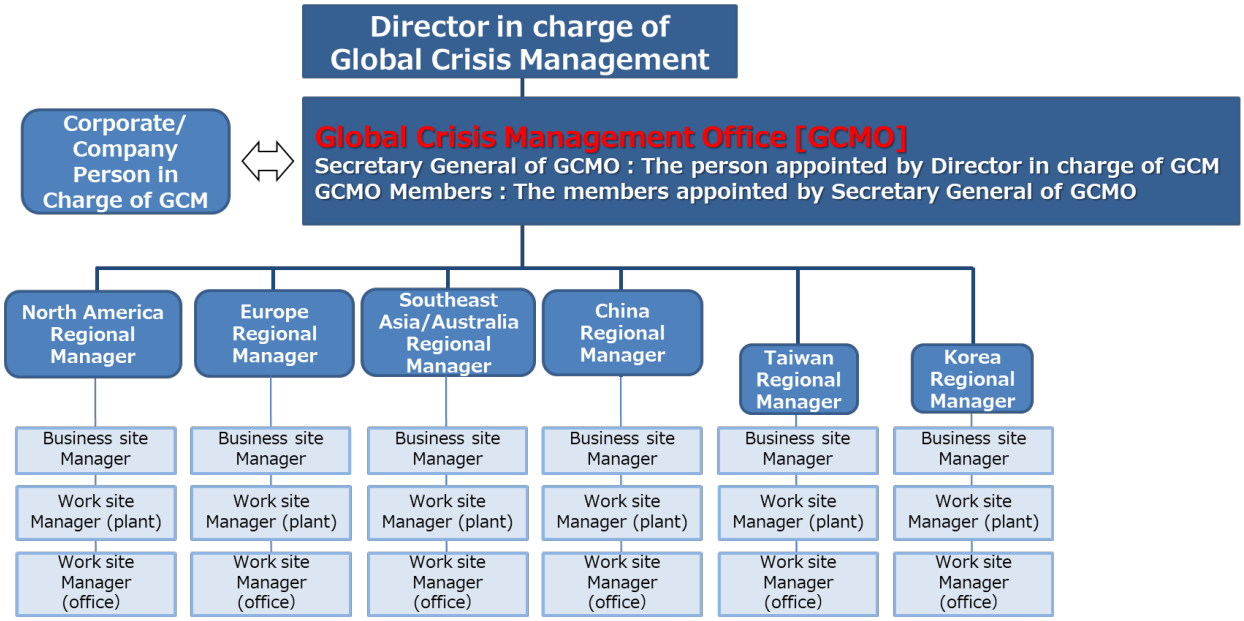


Japanese edition



English edition

Overseas Crisis Management Organizational Structure

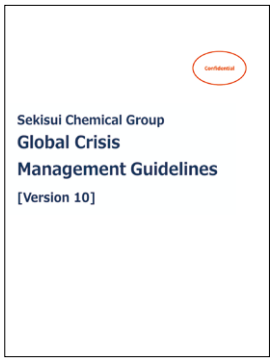


Overseas Crisis Management Activities

Based on the Overseas Safety Management Regulations, SEKISUI CHEMICAL Group divides the world into six crisis management regions. The Overseas Crisis Management Office (Risk Management Group, ESG Management Department) plays a central role in sharing crisis management information with business travelers, expatriates, and local employees, alerting them in a timely manner and instructing them on travel restrictions in addition to other activities in emergency and non-emergency situations. As the number of overseas Group locations increases with each passing year, we established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. In the event of a crisis event, the Regional Head and the Overseas Crisis Management Office will work together to collect information and take initial action. We have also established a highly specialized support framework in coordination with our security assistance and medical assistance partners. Additionally, the Group conducts training sessions for employees seconded overseas before they are dispatched abroad, provides pre-trip e-learning for employees sent on business trips, provides country-specific training focusing in particular on infectious diseases, and educates employees on the basics of crisis management and specific countermeasures.

Global Crisis Management Guidelines

Japanese edition



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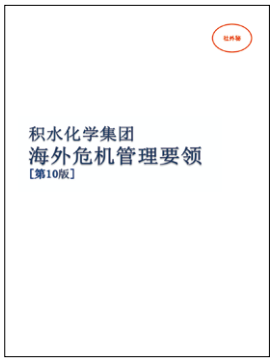
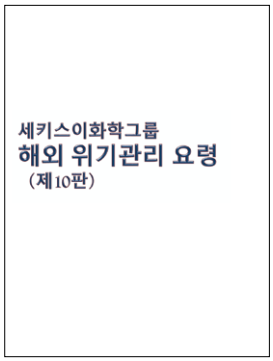


Chinese edition



Korean edition

DX

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DX

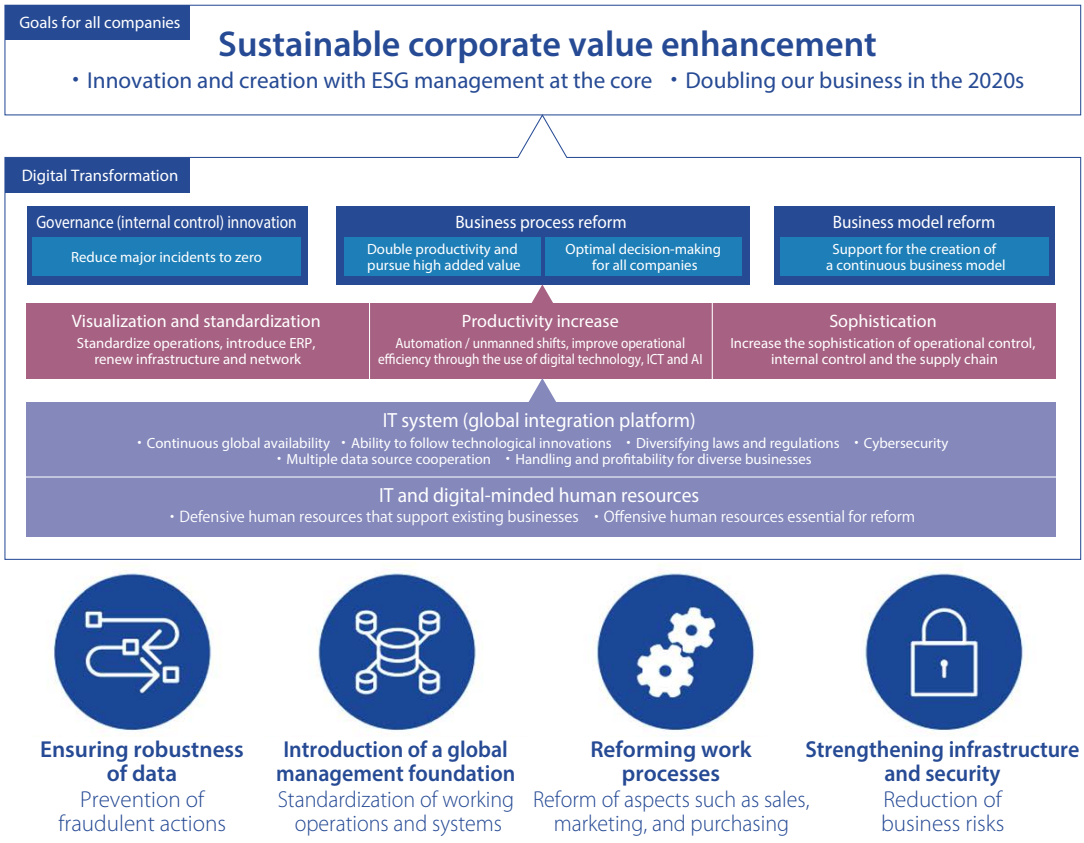
SEKISUI CHEMICAL Group will push forward corporate activities grounded in digital transformation in a bid to support the basis of LIFE and to continue to create peace of mind for the future in order to realize a sustainable society.

Basic Concept

For the Group, its Digital Transformation (DX) mission is to accelerate and support growth business strategies and structural reforms for the realization of its Long-term Vision.
Against the backdrop of major changes in the external environment, on the basis of the four areas to be addressed with a sense of urgency—governance, labor shortages, dispersal of management data, and decline in earning power due to market changes—we are working on DX as the means to win out against global competition.

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

DX Overview



Ensuring robustness of data
Prevention of fraudulent actions

Introduction of a global management foundation
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

* Visualization and standardization: standardize operations, introduce a global management foundation, renew infrastructure and network

Under the current Medium-term Management Plan, we are promoting thorough standardization and data-based productivity improvements as business process transformation and have taken preparatory steps toward the Group's long-term global growth with respect to the Group's global management foundation and in the areas of purchasing as well as sales and marketing. Regarding the infrastructure and security that support these reforms, we realized remote work that safely enables diverse work styles.
In the next Medium-term Management Plan, we will shift to a phase of further digital development and the generation of results to accelerate growth strategies and structural reforms aimed at realizing our Long-term Vision. We will strengthen governance through the effective use of a global management base, while at the same time generating full-fledged results from the DX themes advanced to date. To underpin efforts aimed at achieving these goals, we will develop human resources who can make full use of digital tools and data, and establish a global cyber security response system.

Targets

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Global management foundation innovation	Execution status of development for constructing global standard operation and system models	Design and development of a backbone system for global deployment, and preparations for deployment	Completion of design and the start of subject business process development, business outline of overseas bases for global deployment being confirmed
Reform of global indirect purchasing	Progress status of initiatives aimed at indirect materials purchasing (development plans)	Enhancement of Governance (Internal Control) by visualization of transaction status, improvement of efficiency by consolidating purchasing operations	In the process of deploying indirect purchasing system to major domestic bases, preparations for launch of centralized purchasing organization
Enhancement and improvement of efficiency of sales and marketing duties	Progress status of initiatives aimed at sales and marketing reforms (number of participants and workload shift)	Reduction of steps in inward operations, expansion of steps in sales activities and use of IT to expand sales	Completed introduction of sales support system to sales bases, new data-based business processes under development
Promotion of remote work (Japan)	Progress and usage status of initiatives for establishing new normal work styles	Provision of remote-work platforms that balance security and convenience	Completed deployment of secure remote work platform (MobileNET: 6,000 users, Integrated Authentication Platform: 25,000 users), established new work styles

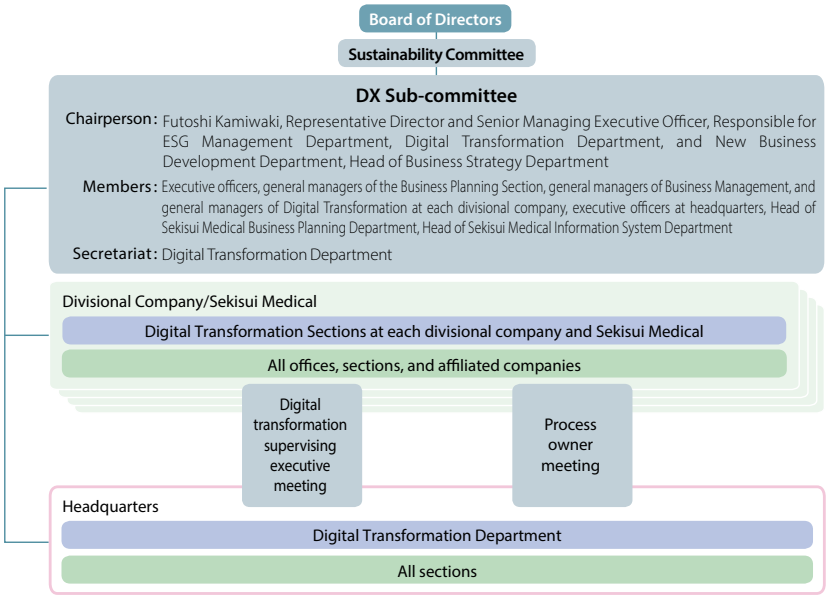
System

As a company that engages in a variety of different businesses while building business models that differ between divisional companies, it is not easy to standardize and enhance the sophistication of business operations. In some cases, this process may actually lead to reduced efficiency. To prevent this and promote standardization and sophistication with optimal solutions throughout the Company and Group, we have established a promotion system headed by our CEO and senior managing executive officer.

To promote DX in unison throughout the Company and Group, we established the Corporate Headquarters Digital Transformation Department, which serves the function of project leader in this system and is thus responsible for transforming business processes and building IT infrastructure and information security.
Having established a Digital Transformation Department at each divisional company, SEKISUI CHEMICAL Group is strengthening competitiveness in areas that leverage the strengths of each business.

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

DX Promotion System



Major Initiatives

DX promotion addresses the putting in place of plans and themes in each of the following areas: global management foundation, purchasing, supply chain management, and sales and marketing.

Global Management Foundation

To support the business strategies of SEKISUI CHEMICAL Group, which is growing globally, we are working on the renewal of core systems (global ERP*) that form our management foundation. Consequently, we are aiming to improve the productivity of indirect business operations—by the visualization and analysis of the data necessary for decision making to maximize global consolidated profit, business standardization, and efficiency improvements—while improving Governance (Internal Control) and minimizing risk through business standardization and visualization on a global basis.
In fiscal 2022, we carried out the design of the target business processes and embarked on their development. We also proceeded to confirm the outline of the operations of overseas bases in preparation for global expansion. Going forward, we will advance preparations for testing and production operations while making adjustments toward roll-out.

* ERP (Enterprises Resource Planning): A system that merges and centrally controls core operations, such as corporate accounting, human resources as well as manufacturing and sales operations.

Purchasing

As a part of global purchasing reform, we are aiming to use the system for the standardization of purchasing operations and the visualization of transaction data.
The visualization of global transactions will enable the deterrence and early detection of fraudulent activity. We will also improve purchasing power and reduce procurement costs by realizing overall optimal purchasing and minimize low value-added operations by introducing the system, while establishing mechanisms and infrastructure that are capable of continuously reducing costs.
In 2022, we completed verification of an indirect purchasing system in a model factory and are progressively installing the system at major sites in Japan. We are also advancing preparations for a centralized purchasing organization to strengthen our bargaining power and management/control through consolidation.

Sales and Marketing

We aim to thoroughly improve efficiency and productivity through the standardization and automation of business operations relating to sales and marketing.
In the business operations relating to sales and marketing, there had been incidences of problems arising, such as the different systems used by each divisional company and many individualized parts. To solve these problems, we will work on the standardization of efficient and highly productive business models and the real-time visualization of work processes.
Having completed the introduction of a sales support system at our sales offices in fiscal 2022, we are working on an initiative to strengthen our sales processes by utilizing the visualization of customer transaction status and data analysis. We are also promoting further information security measures for sales data that are essential to DX initiatives.

Remote Work

SEKISUI CHEMICAL Group is promoting remote work in a bid to realize various working styles. In this manner, employees are able to carry out their duties using the Company's in-house operating system from locations other than the office including the home and outside.

In fiscal 2022, we worked to entrench MobileNET, IT infrastructure that safely enables access to in-house operating systems from anywhere in the world. At the same time, we rolled out integrated authentication infrastructure for the safe and secure use of cloud services, which are attracting rapid widespread use.

These initiatives have made it possible to maintain both work productivity and information security while working from home despite the ongoing COVID-19 pandemic, and has greatly contributed to the continuity of business and efforts to strengthen IT governance.

Environment

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Environment

SEKISUI CHEMICAL Group is working to address environmental issues with a long-term outlook in a bid to realize an earth with maintained biodiversity.

Basic Concept

The planet's air, water, land, and other elements interact with each other to form a healthy foundation for the survival of living things and a rich biodiversity. Moreover, human lifestyle and economic activities develop sustainably through the use of the Earth's valuable natural capital and the social capital generated in the course of wide-ranging activities. SEKISUI CHEMICAL Group is working to help create this kind of planet and society and has positioned the environment as a materiality (key focus area) of its ESG management.

We have also identified long-term targets and initiatives in our Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. Recognizing climate change, resource recycling, and water-related risks as important issues, we are promoting efforts to reduce GHG emissions and promote the recycling of resources. Not to mention the need to prevent further deterioration of natural capital, including steps to reduce the impact on ecosystems, we are endeavoring to provide returns to natural and social capital through such measures as sales expansion of products to enhance sustainability and are engaging in business activities on a daily basis with the aim of realizing an earth with maintained biodiversity.

As far as our approach toward climate change is concerned, which we recognize as our most important challenge, we reanalyzed the risks and opportunities related to this issue. In response to efforts aimed at accelerating targets as a result of initiatives taken to date, we also revised our strategy based on the roadmap laid to maintain the increase in temperature to less than 1.5°C in fiscal 2022, the final year of our current Medium-term Management Plan. In addition, we acknowledge the critical need to reduce greenhouse gas emissions not only in our corporate activities, but also across the supply chain as a whole in order to contribute to the realization of a truly decarbonized society. With this in mind, we have adopted a strategy that prioritizes resource recycling and are strengthening efforts in collaboration with the supply chain.

Under the Medium-term Management Plan starting from fiscal 2023, we will focus on accelerating the shift to renewable energy for purchased power and reducing fuel-derived GHG emissions in a bid to address the risks associated with climate change. As far as resource recycling is concerned, we will focus on the resource conversion of raw material resins, increasing the material recycling rate for waste plastics. From a water-related risks perspective, we will place particular emphasis on reducing water intake and COD emission volumes while minimizing the impact of our business. Furthermore, we will renew our understanding toward the interrelated nature of such environmental issues as climate change, resource recycling, water-related risks, and biodiversity, and bolster efforts to consider solutions that do not involve trade-offs throughout the product lifecycle as we carry out these endeavors.

Note: Natural capital: A term that refers to physical resources from nature, such as soil, air, water, minerals, flora and fauna, as well as biological capital, human capital, and social capital.

Social capital: A term that refers to the social infrastructure and facilities that form the basis of production activities and living environments, such as roadwork, housing, ports, airports, railroads, water supply and sewerage systems, public parks, educational facilities, social welfare facilities, electricity, gas, and hospitals.

Targets

The long-term goal of SEKISUI CHEMICAL Group's environmental activities is to realize an earth with maintained biodiversity as stated in its Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. To this end, we believe it is important to simultaneously achieve the long-term goals for environmental issues such as climate change, resource recycling, and water-related risks. In the current Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: Accelerate II (fiscal 2020-2022), we have implemented initiatives to solve environmental issues while recognizing the correlation between each issue. Looking ahead, we will further improve the quality of our efforts to avoid trade-offs with other environmental issues as we work to resolve them. Progress on each environmental issue is managed by setting milestones that are backcast from long-term targets and are based on individual management targets. Regarding overall progress for environmental issues, we will continue to use the integrated Sekisui Environment Sustainability Index to monitor the progress of the Group's overall environmental management.

Approach to Environmental Issues and Our Long-term Vision: Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050

Through its corporate activities, products, and businesses, SEKISUI CHEMICAL Group contributes to solving various natural and social environmental issues in order to realize an earth with maintained biodiversity. We remain conscious that the business activities we carry out incorporate the earth's natural capital as well as meaningful social capital from society. We are therefore committed to accelerating efforts aimed at returning such capital back to the environment and society while collaborating with stakeholders.
Working toward the realization of an earth with maintained biodiversity entails the same stance required to achieve the SDGs set for 2030. This is because this earth cannot be realized without a society in which many of the issues in natural and social environments have been solved.
The following three activities are emphasized as activities that contribute to solving issues.

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

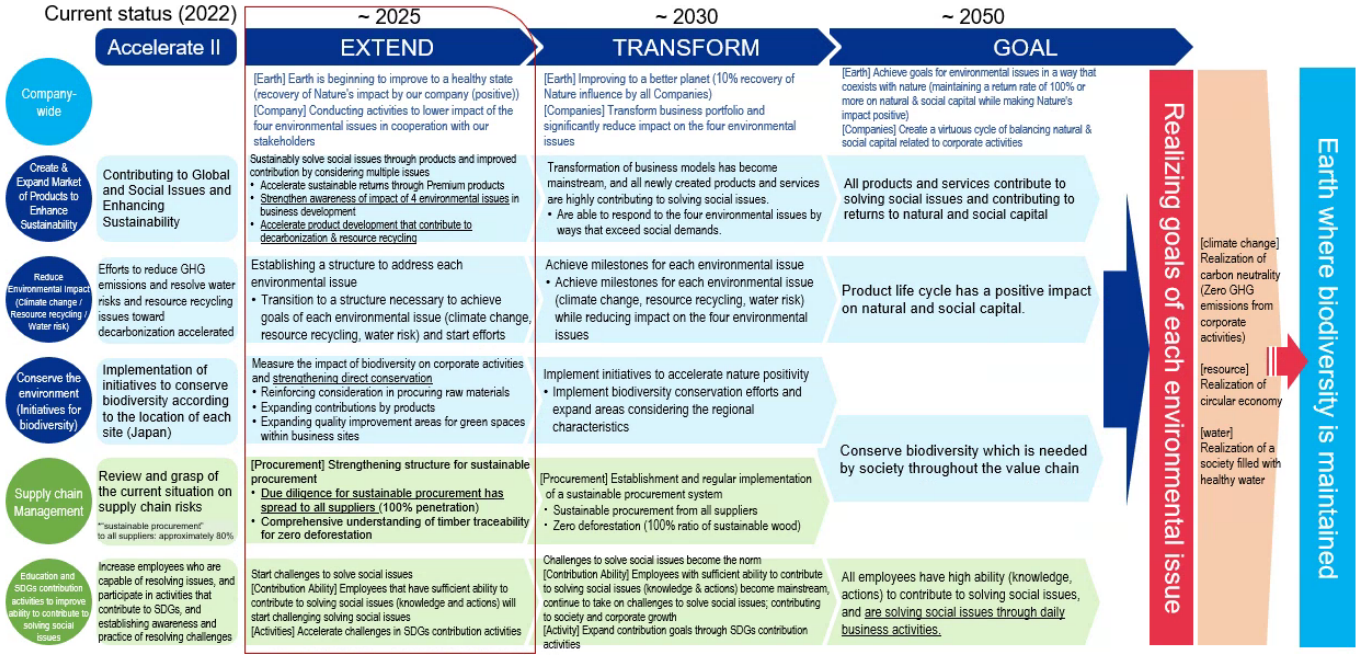
*1 For details, see products to enhance sustainability on p. 24.
*2 For details, see Social and SDGs Contribution Activities on p. 273.

*Stakeholders: "Customers", "Shareholders", "Employees", "Business partners", "Local Communities and the Environment"

In order to revitalize these activities and solve issues more quickly, we believe it is necessary not only for each employee to be aware of various environmental issues and become an organization with a strong ability to help solve problems, but also to work in partnership with all stakeholders to promote these activities.
Backcasting from the Group's vision for 2050, we have set milestones for medium-term units and formulated an environmental roadmap. In fiscal 2022, we updated our environmental roadmap from the following perspectives, undertaking a review of the status of social demands and environmental issues, as well as corporate risks and opportunities.

・The state to be achieved over the medium term by addressing environmental issues
・Important environmental issues that should be addressed and medium-term milestones

Environmental Roadmap



Setting Long-term Goals for Eeach Environmental Issue

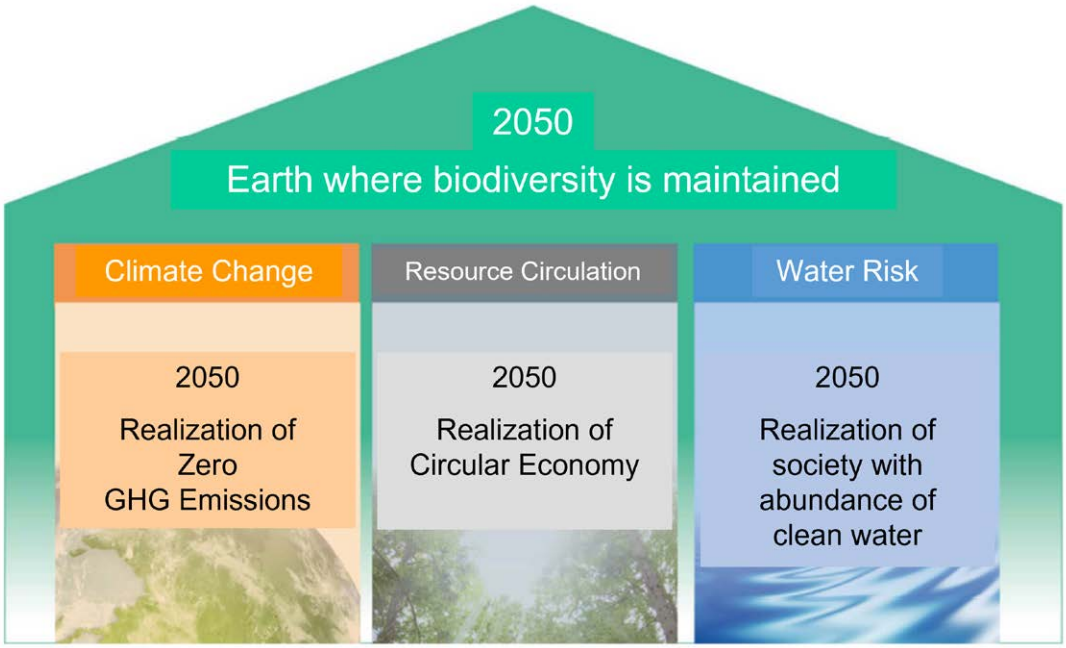
In order to realize an earth with maintained biodiversity targeted under our Long-term Environmental Management Vision, we have identified the following environmental issues of particular importance and the goals we aim to achieve by 2050

・Climate change: Realize zero greenhouse gas emissions that arise from business activities (achieve carbon neutrality)
・Resource recycling: Realize a circular economy
・Water-related risks: Realize societies with abundant access to clean water

By achieving all of these long-term goals for environmental issues, we aim to achieve

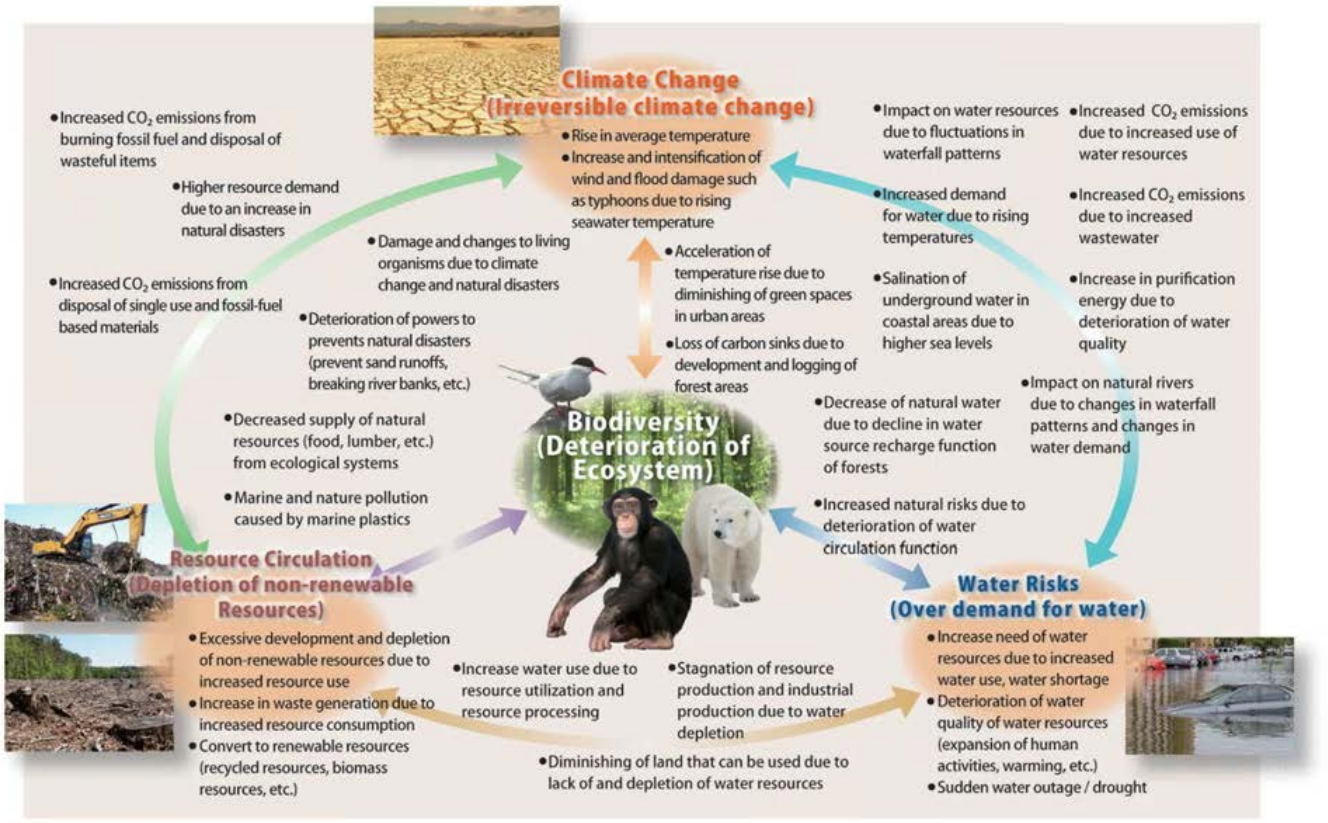
・Biodiversity: An Earth with Maintained Biodiversity (= Realize Nature Positive)

Long-term Goals by Environmental Issue



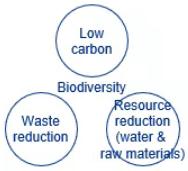
For each environmental issue, we have drawn a roadmap backcasted from the 2050 goal and set individual medium-term milestones.
Environmental issues are interrelated, and selecting and promoting solutions that do not involve trade-offs for any of them will enable the simultaneous realization of long-term goals. To that end, we will focus on increasing the quality of initiatives to solve environmental issues in the next Medium-term Management Plan.

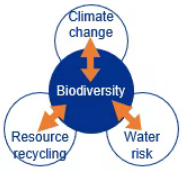
Correlation between Environmental Issues

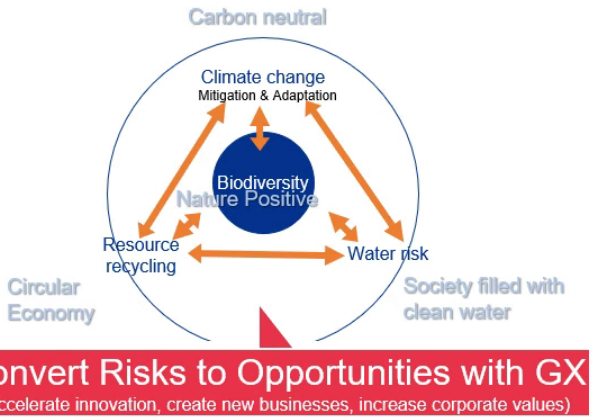


Trends in Environmental Issue Initiatives Enhancement Points

Points of reinforcement	Reduction of Environmental Impact	Response to individual environmental issues	Improving the quality of solving environmental issues: Solving with awareness of the correlation between environmental problems
Term	Until recently	Current medium-term	Next Environmental Mid-term Plan
Concept	Measures taken in the mid-term to achieve milestones back casted from the long term (environmental vision)	Focusing on the long term (environmental vision), decoupling environmental impact and corporate growth, and achieving both environmental impact reduction and corporate growth.	Recognize interrelationships between environmental issues from a long-term perspective (environmental vision), solve environmental issues with solutions that consider all issues, and direct the impact on natural capital (biodiversity) in a positive direction.







Convert Risks to Opportunities with GX
(Accelerate innovation, create new businesses, increase corporate values)

Medium-term Milestones and Action Plan: Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: Accelerate II (fiscal 2020-2022)

We implemented our three-year Environmental Medium-term Plan, SEKISUI Environment Sustainability Plan: Accelerate II, from fiscal 2020. As discussed above, using backcasting to achieve the goals we have set for 2050 in our Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050, we are aiming for milestones established for the Medium-term Plan and implemented initiatives for each important working item.

SEKISUI CHEMICAL Group has identified climate change, water-related risks, and resource recycling as important environmental issues that the Group should address. To accelerate the solution of these issues in an effort to reach our long-term goals, we are setting categories that form the core of ongoing important initiatives from the previous medium-term plan and focusing in particular on three categories: creating and expanding the market for products to enhance sustainability; reducing environmental impact; and environmental conservation.
We have identified the following initiatives to be further specialized in the next Medium-term Management Plan:
・Supply chain management
・Improve employees' ability to contribute to solving social issues

We have set the following targets and have launched initiatives for the key items listed as follows within our Environmental Medium-term Plan, SEKISUI Environment Sustainability Plan: Accelerate II.

Improving the Rate of Return of Natural and Social Capital

Monitoring progress with the integrated index, Sekisui Environment Sustainability Index: Maintaining a rate of return to natural capital of 100% or more

Improve the Sustainability of the Earth and Society with Our Products

Sales of products to enhance sustainability: 800 billion yen

Initiatives Aimed at Addressing Climate Change

[Decarbonization]

Renewable energy as a percentage of purchased power: 20%

Reductions in greenhouse gas emissions: 9% or more (compared with fiscal 2013)

Initiatives Aimed at Addressing Resource Depletion

[Promoting resource recycling]

Recycling rate for waste materials: Grasp current conditions and set a baseline (achieve double or more of the baseline by fiscal 2025)

Initiatives Aimed at Addressing Water-Related Risks

[Preservation of water resources]

Water intake volume at production sites using a large amount of water: 10% reduction (compared with fiscal 2016)

Total amount of COD discharged into rivers by production sites where discharge is substantial: 10% reduction (compared with fiscal 2016)

[Minimizing water-related risks]

Understanding water-related risks specific to watersheds and implementing related initiatives

Improving the Ability of Employees to Contribute to Solving Issues

Promoting SDGs contribution activities

In the medium-term plan, "Sekisui Environment Sustainability Plan: EXTEND," starting from fiscal 2023, we will pursue the following goals.

Improving the Rate of Return of Natural and Social Capital
Monitoring progress with the integrated index, Sekisui Environment Sustainability Index: Maintaining a rate of return to natural capital of 100% or more

Improve the Sustainability of the Earth and Society with Our Products
Sales of products to enhance sustainability in excess of 1 trillion yen

Initiatives Aimed at Addressing Climate Change
[Decarbonization]
Renewable energy as a percentage of purchased power: 70%
Reductions in greenhouse gas emissions: 33% or more (compared with fiscal 2019)

Initiatives Aimed at Addressing Resource Depletion
[Promoting resource recycling]
Recycling rate for waste plastic materials: 65%

Initiatives Aimed at Addressing Water-Related Risks
[Preservation of water resources]
Water intake volume at production sites using a large amount of water: 10% reduction (compared with fiscal 2016)
Total amount of COD discharged into rivers by production sites where discharge is substantial: 10% reduction (over the three-year period of the Medium-term Plan) (compared with fiscal 2016)
[Minimizing water-related risks]
Implementing measures aimed at minimizing the impact of water-related risks at sites where the impact on business is significant

Improving the Ability of Employees to Contribute to Problem Solving
Promoting Training
Promoting SDGs contribution activities

Summary of Crucial Action Items in the Current Environmental Medium-term Plan

Products to enhance sustainability

Since its launch in 2006, the predecessor of the products to enhance sustainability, the Environment-Contributing Products program, has on the basis of internal standards registered products that have a high degree of contribution to solving environmental issues. We had committed to society to increase the ratio of such products in all of the Company's products and had been promoting the creation of products that solve social issues and the expansion of those product markets. Since the system's inception, we have continued to accelerate our efforts to solve environmental issues through our products, aiming to balance ecology and economy.

In fiscal 2017, we expanded the scope of Environment-Contributing Products to encompass not only the natural environment but also human capital and social capital. SEKISUI CHEMICAL Group aims to improve the lives of the people and the earth's environment. In terms of improving people's lives, we believe it is essential to solve the issues noted in the Sustainable Development Goals (SDGs) adopted by the UN in 2015, including promoting welfare and health, improving the global environment, and securing robust infrastructure by mitigating and adapting to climate change. We reaffirm our commitment toward addressing and resolving issues in these areas. First, we are promoting our efforts by maintaining a focus on solving these issues.

From fiscal 2020, we have renamed our product system to products to enhance sustainability and launched two new operations to grow as a company by continuously solving social issues (including environmental issues) and to improve our Companywide sustainable management and profit generation capabilities.

- Sustainability assessment: To improve the sustainability of both the Company and its products, we have implemented verifications and assessments in regard to governance (internal control), the supply chain, customer satisfaction, and social responsibilities and risks, including environmental considerations within development processes.
  We identify areas that need to be improved or strengthened and apply this to effectively manage each item. In particular, environmental issues include reducing greenhouse gas emissions from raw material suppliers, sourcing from sustainable forests, and ensuring that environmental issues are considered from raw materials to disposal.
- Premium framework: We have set a strategic framework that strategically position products for growth that contribute further to solving social issues, including environmental issues, and drive profits.

Climate change issues

In terms of issues related to climate change, we have established a long-term goal of zero greenhouse gas emissions by 2050, and to achieve that goal we reached the milestone in the roadmap for reducing greenhouse gas emissions toward the 2°C target ahead of schedule halfway into the Medium-term Management Plan (fiscal 2021). As a result, we have revised the roadmap to a 1.5°C target aimed at accelerating these initiatives.
We have left as is the milestone in which all purchased power in Scope 2 comes from renewable energy by 2030 but we will also focus on reducing greenhouse gas emissions with an eye to fuel conversion, targeting a 50% reduction compared to fiscal 2019.

Under the current Medium-term Management Plan, we set and promoted conversion support measures from fiscal 2020 for our energy procurement innovation phase to actively promote the conversion of electricity used at production plants to renewable energy. We are targeting a 20% conversion of energy procured to renewable energy and are starting to implement conversion support measures. With regard to fuel sources under Scope 1, we are continuously promoting efficiency improvements by renewing aging equipment, converting power source to electricity, and continuous energy saving activities at production sites.

Water-related risk issues

In fiscal 2020, we set the goal to realize societies with abundant access to clean water as our 2050 goal, backcasted milestones in priority areas, and formulated a roadmap for water-related risks reduction. Based on this for issues related to water-related risks, we are focused not only on continuing to reduce the amount of water used on a Group-wide basis and promoting the recycling of water, but also on working to improve quality of water, based on COD indicators discharged into watersheds. In addition, SEKISUI CHEMICAL Group aims to better understand water-related risks specific to a given area and is committed to formulating and implementing measures for high-risk businesses to reduce water-related risks in each of their respective operating regions.
Through these efforts, we will work to improve aquatic environments in watersheds centered on production sites and reduce water-related risks in the supply chain, thereby lowering water-related risks to companies and society.

Resource recycling issues

As far as the recycling of resources is concerned, while focused on reducing the amount of waste generated even as we aim to double our businesses by 2030, we will also promote initiatives emphasizing recycling with the aim of realizing a circular economy and a recycling-based society in 2050. Recognizing that resource recycling efforts in the supply chain are essential to achieving a decarbonized society, in fiscal 2021 we formulated a resource recycling policy, strategy, and roadmap to achieve a circular economy in 2050.

Positioning innovation as central to creating products that contribute to sustainability for resource recycling, we have begun to strengthen our efforts to convert raw materials for existing products and recycle waste generated in the production process into valuable materials.
As technologies that accelerate resource recycling that extends beyond the Company to society at large, we are currently conducting pilot projects relating to Bio-Refinery (BR) technologies that can use microorganisms to produce ethanol from waste and are proceeding toward their business implementation.
We believe that the solution of environmental issues will be accelerated if the entire supply chain works as one. More than ever, we will develop measures and carry out activities with an emphasis on supply chain management throughout the product life cycle.

Environmental Medium- to Long-term Plan and Fiscal 2022 Results

✓: FY2022 target achieved

Initiatives		Goals	Indicators	Base Year	Medium-to Long-term Targets			Targets and Results for FY2022				Targets					
					Medium-term Management Plan Targets (FY2020~FY2022)	FY2030 Targets	FY2050 Targets	FY2022 Targets	FY2022 Results ☑	Self-evaluation	Reference Page	Domestic (Japan) Production Sites	Research Facilities	Domestic (Japan) Offices	Overseas Production Sites	Overseas Offices	Other
Rate of return to natural and social capital		Achieving an "Earth with Maintained Biodiversity" through corporate activities	Sekisui Environment Sustainability Index Rate of return to natural capital	—	Maintain 100% or more			Maintain 100% or more	127.3%	✓	P.119	✓	✓	✓	✓	✓	✓
Products to enhance sustainability	Improve economic value	Maximize value (social and economic)	Sales of products to enhance sustainability (growth rate (compared with 2019))	—	800.0 billion yen	Expand sales of products that solve issues	Drive sustainable corporate growth thorough products and service which improve environmental and social sustainability.	800.0 billion yen	908.9 billion yen	✓	P.27, 36						
			Number of new registered products	—	6 per year	—		6 per year	18 per year	✓	P.27, 37						
Reduce environmental impact	GHG	Decarbonization: Zero GHG emissions	Renewable energy ratio of purchased electricity (including solar power generation for in-house use)	—	20%	100%	Maintain 100%	20%	36.4%	✓	P.135	✓	✓	✓	✓	✓	✓
			GHG emissions	FY2013	-9%	-26%	-100%	-9%	-26.8%	✓	P.135	✓	✓	✓	✓	✓	✓
	Reduce energy usage volume	Improve energy efficiency and reduce energy expenses during production	Energy consumption per unit of production	FY2019	-3%	-10%	—	-3%	-1.1%	×	P.135	✓			✓		
	Resource circulation	Promotion of resource reuse	Waste generated per unit of production	FY2019	Decrease of waste generated per unit of production: 1% over a 3-year period	—	Achieve a circular economy	Decrease of waste generated per unit of production: 1% over a 3-year period	-1.7%	✓	P.159	✓			✓		
			Copier paper use per unit of production	FY2019	-3%	—		-3%	-39.0%	✓	P.159			✓		✓	
			Amount of waste generated per building at new housing construction sites	FY2019	-6%	—		-6%	-8.9%	✓	P.159						✓
	Water-related risks	Maintain water resources	Water intake volume at production sites which use large quantities of water	FY2016	-10%	—	—	-10% (three-year Medium-term Management Plan)	-7.8%	×	P.171	✓					
			Total COD volume of river discharge water at production sites with large COD emission volumes	FY2016	-10%	—	—	-10% (Three-year Medium-term Management Plan)	-14.3%	✓	P.171	✓					
	Reduce the impact of chemical substances	Reduce chemical emission and transport volumes	VOC emissions (Japan)	FY2019	-3%	—	—	-3%	-17.1%	✓	P.201	✓					
	Ecosystem	Ecosystem impact: Minimize risks of ecosystem deterioration	JBIB Land Use Score Card® points	FY2019	+3 points over a 3-year period	Promote ecosystem consideration*at all business sites *Ecosystem consideration: Increased quantitative evaluation of biodiversity	Maintain ecosystem consideration at all business sites	'+3 points over a 3-year period	+4.9 points	✓	P.184	✓	✓				
Education and development	Enhancing the ability to contribute to the resolution of social issues through education	Improve employees' ability to contribute to solving social problems (employee education)	Problem-solving capability indicators for personnel	FY2020	Implement education and human resource index checking to develop the skills needed by human resources with excellent problem-solving abilities (ESG human resources). Achieve FY2020 benchmarks and set goal values.	Level up as human resources with excellent problem-solving ability	Take a leading role in society as human resources with excellent problem-solving ability	51 points (Benchmark + 10 points)	39 points	×	P.262~ P.272	✓	✓	✓			

Environmental Medium- term Plan "Environment Sustainability Plan EXTEND" Target (Fiscal 2023-2025)

Initiatives		Goals	Level Setting Guidelines	Indicators Red: Public Targets Black: Monitoring Items	Base Year	FY2023 Targets	FY2024 Targets	FY2025 Targets	FY2030 Targets	FY2050 Targets	Targets					
											Domestic (Japan) Production Sites	Research Facilities	Domestic (Japan) Offices	Overseas Production Sites	Overseas Offices	Other
Progress management through the Integrated Index		Achieving an "Earth with Maintained Biodiversity" through corporate activities	Environmental returns that exceed environmental impact	Sekisui Environmental Sustainability Index Return to natural capital rate	—	Maintain 100% or more	Maintain 100% or more	Maintain 100% or more	Maintain 100% or more	Maintain 100% or more	✓	✓	✓	✓	✓	✓
Products to enhance sustainability	TOTAL	Balance between economic value and social value	Double the Group's business by 2030	Net sales of products to enhance sustainability	—	960.0 billion yen	—	Over 1 trillion yen	—	—						
	By major environmental issue	Contribution to the promotion of resource reuse (particularly carbon)	Realization of recycling-based society	Increased net sales of products that contribute to resource recycling	FY2020 55.3 billion yen	1.6 times (88.5 billion yen)	1.65 times (91.2 billion yen)	1.7 times (94.0 billion yen)	Double or more (110.6 billion yen)	All products						
				Net sales of products derived from non-fossil fuel sources and use recycled materials	FY2019 3.0 billion yen	38.0 billion yen	39.0 billion yen	40.0 billion yen	100.0 billion yen	—						
Reduce environmental impact Products to enhance sustainability	GHG	Decarbonization Zero GHG emissions	The Paris Agreement 1.5°C target Realization of decarbonized society	GHG emission reduction rate	FY2019	-26%	-30%	-33%	-50%	-100%	✓	✓	✓	✓	✓	
				Ratio of Renewable Energy of purchased power	—	50%	60%	70%	100%	Total power consumption including co-generation 100%	✓	✓	✓	✓	✓	
				Fuel-source GHG emission reduction rate (including GHGs not arising from energy consumption)	FY2019	-10%	-10%	-12%	-11%	-100%	✓	✓	✓	✓	✓	
	Reduce energy usage volume	Improve efficiency of energy usage of during manufacturing and reduce energy costs	Cost reductions above cost increases from purchasing renewable energy	Reduction rate of energy consumption per unit of output	FY2022	-1%	-2%	-3%	—	—	✓			✓		
	Resource Recycling	Promotion of resource reuse (particularly carbon)	Realization of recycling-based society Issue of marine plastics	Reduction rate of amount of waste generated per unit of output	FY2022	-1%	-2%	-3%	—	Achieve a circular economy	✓			✓		
				Materials recycling rate of waste plastic	—	Japan; 61% (Overseas; base acquisition)	Japan; 63% (Overseas; base+3%)	Japan; 65% (Overseas; base+5%)	100%	100%	✓	✓		✓		
			Reduce the amount of resources used at office	Reduction rate of paper consumption per headcount	FY2022	-1%	-2%	-3%	—	Achieve a circular economy			✓		✓	
			Reduce Waste Generated by Construction Sites of New Housing	Reduction rate of amount of waste generated per building	FY2022	-4%	-8%	-12%	—	Achieve a circular economy						✓
	Water-related risks	Mimimizing business impact by water-related risks Contributing to solving watershed-specific water issues*	Sustainable operation is possible Contributing return to natural capital	Implementing measures to minimize the business impact of water-related risks specific to five sites in Japan and overseas	—	Efforts to minimize business impact at individual sites with large business impact			Minimum impact to environment where water-related risks exist	Minimizing water risk in all the areas	✓			✓		
		Maintain water resources	Does not increase water stress in watersheds	Reduction rate of water intake volume at production sites using a large amount of water	FY2016	-10% over a 3-year period			—	—	✓					
			Do not increase impact on watersheds	Reduction rate of total volume of COD discharged into rivers by production sites where discharge is substantial	FY2016	-10% over a 3-year period				—	✓					
	Ecosystem	Ecosystem impact: Minimize risks of ecosystem deterioration	Biodiversity Conservation	The JBIB Land Use Score Card®	FY2022	+3 points over a 3-year period			Promote ecosystem friendliness at all business sites	Promote ecosystem friendliness at all business sites	✓	✓				

Fiscal 2022 Results for Crucial Items

Creating and expanding the market for products to enhance sustainability

In fiscal 2022, we newly registered 18 products and services. Examples of products that help solve new resource recycling issues include:

- Exterior wall renovation coating that extends the life of homes
- Low-temperature degradable plastic that allows less use of rare earth minerals that leads to the promotion of EVs that contribute to solving climate change issues
- Anticorrosion tape that renews infrastructure through a dry process and longer lifespans

Solving climate change issues

- Products that reduce greenhouse gas emissions in the process from raw materials:
  Sales of "industrial piping" and products that support functional improvements necessary for the evolution of 5G have also increased in response to the growing demand for low-carbon and decarbonization. These, too, contribute to the overall increase in sales of products to enhance sustainability.

<Quantification of the Contribution Effect on Solving Issues through Products>

In fiscal 2022, we identified environmental values from products equivalent to 50% of products to enhance sustainability.

Regarding returns and value of social capital, we are also looking into engaging in economic value conversion that utilizes an impact accounting method.

The Group will leverage the visualized environmental and social values (degree of contribution on solving issues) of products and lines of business, releasing information and enlightening society, and will also step up its activities that allow it to receive feedback about its business.

Reducing Environmental Impact

GHG emissions:
Accelerated reductions through the effects of converting purchased power to renewable energy sources.
Energy savings:
Reduction in energy consumption per unit of production owed to the recovery in production volume.

Amount of waste generated:
Japan:
Continued reduction in the amount of waste by allowing the re-use of scrap generated as part of the production process for high-performance resin products as well as a reduction in per unit of production owing to the recovery in production volume.
Overseas:
Continued reduction in the amount of waste at UIEP Company business sites

Going forward, we will not only reduce the amount of waste generated in the production process, but also work to advance the recycling of waste and products, while simultaneously promoting the use of recycled resources in order to achieve a truly circular economy.

Environmental Conservation

SDGs Contribution Activities*
With regard to social contribution activities, such as environmental conservation and nurturing of the next generation, which have been carried out mainly by business sites or employees, recommendations advocate a change in consciousness toward awareness of SDGs during the undertaking of activities while continuing conventional endeavors.
The objectives of conventional activities becomes clear by considering which social issues to focus on and why to work on solving those social issues, centered on the SDGs, and expect that activities will be reviewed and effects will further improve.

* For details, see Social and SDGs Contribution Activities on p. 273.

Integrated Index Sekisui Environment Sustainability Index

Rates of return to natural and social capital

Integrated Index Sekisui Environment Sustainability Index

The Sekisui Environment Sustainability Index reflects the impact on the environment of the activities of SEKISUI CHEMICAL Group companies (the use of natural and social capital) and their degree of contribution to the environment (returns to natural and social capital) as a single indicator.

We have gradually expanded our scope of coverage and awareness of the impact and returns not only on natural capital but also social capital.

The major items for implementation in the Environmental Medium-term Plan - reducing various impacts on the environment, expanding products and services that contribute to the natural and social environments, conserving the environment, and so forth - were integrated into this indicator; the Group has been running preliminary calculations (established in fiscal 2013) since fiscal 2014. From fiscal 2017, this index is being used to monitor the overall progress of Group companies' environmental management.

As far as the Environmental Medium-term Plan from 2020 is concerned, the Group is evaluating its impact on and contribution to not only the natural environment but also the social environment while declaring its intention to contribute to the return of natural and social capital for its Sekisui Environment Sustainability Index.

In 2050, even as we expand our business, we will promote ESG management while maintaining a return of 100% or higher for both natural capital as well as social capital.

Calculation Results

The results of calculating the Sekisui Environment Sustainability Index, utilizing results from fiscal 2022, are as follows. Setting the use of natural and social capital (the impact on natural and social environment) at 100, the return of natural and social capital (contributions to natural and social environment) was 127.3% (a 9.6 percentage point increase over the 117.7% achieved in fiscal 2021).

Trends in the return rate are analyzed as follows.

(1) Regarding the use (impact) of natural and social capital

A reduction in the amount of impact is considered to have been made through progress in the conversion of purchased electricity to renewable energy.

(2) Regarding the return (contributions) of natural and social capital

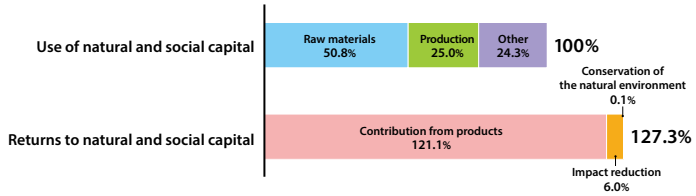
The returns (contributions) due to products to enhance sustainability are steadily increasing. From an environmental conservation activity perspective, while the implementation and content of activities had been limited due to various policies, including efforts to address the further spread of COVID-19 at business sites, the Group' contributions are increasing as conditions gradually become conducive to activities.

Going forward, we will maintain the rate of return to natural and social capital at 100% or higher while growing the company and expanding our businesses. By 2050, we aim to realize the sustainable use of the earth's natural capital and the social capital generated by human society.

In this index, promoting solving issues by means of products will contribute to improving the sustainability of the earth and society. We also believe that bringing about improvements in the returns on natural and social capital will link to improvements in the sustainability of SEKISUI CHEMICAL Group and its products.

Results of Fiscal 2022 Calculation ✓

Sekisui Environment Sustainability Index (2022)



Calculation Method

(1) Quantitatively calculate the amount of environmental impact and the benefits of environmental activities for each category

Environmental impact and environmental activities (I)
- Raw material usage
- Water used
- Environmental contribution of each product
- GHG emissions
- Emissions of chemical substances
- Employee participation rate in activities to conserve the natural environment
- Volume of waste generated
- Area of land used

(2) Calculate the impact (-factor) and contribution (+ factor) for each category using a database of experts who have accumulated coefficients for calculating the impact on the environment.

Raw data by category Ai × Coefficient ki = Environmental impact (TI)

(3) Add up the amount of impact and contribution for each category (= integration)

Σ (Raw data for each category) Ai × Coefficient ki = Σ (Environmental impact TI)

Note: Units are the amount of damage calculated (= amount necessary to restore the environment to the original conditions [living organisms, plants, and global warming] if our activities damaged the environment)

After compiling the raw data in (1) above, the damage calculation-based impact assessment method LIME2, developed for use in Japan by Professor Norihiro Itsubo of WASEDA University, was employed for the calculations in stages (2) and (3).

The LCA database IDEA has been updated from ver. 2.3 to ver. 3.1 in the calculation system MiLCA, which uses LIME 2 to calculate the rate of return. We will use the upgraded MiLCA 3.1 from the next medium-term plan.

In MiLCA 3.1, the ascertained data shows that the environmental impact per unit amount is larger, especially in terms of the impact of chemical substances on ecosystems.

Under the Medium-term Management Plan starting from fiscal 2023, we will place even more importance on the impact on biodiversity, and promote activities aimed at shifting from negative to positive aspects. We have determined that our approach is consistent with the direction MiLCA 3.1 upgrades We will reconfirm the status of current conditions by utilizing the updated calculation system and continue to confirm the progress of activities aimed at addressing environmental issues based on the rate of return from fiscal 2023.

Note: Based on this approach, recalculation yields a rate of return on natural and social capital of 127.3% (using MiLCA ver. 2.1) for fiscal 2022 and a rate of return on natural and social capital of 97.6% (using MiLCA ver. 3.1) for fiscal 2022.

Indicator	Calculation Method
Sekisui Environment Sustainability Index	Sekisui Environment Sustainability Index = Group-wide amount of natural and social capital returned / Group-wide amount of natural and social capital used Calculating the amount of natural and social capital used and the amount of natural and social capital returned Employing LIME 2 (a damage calculation-based impact assessment method developed for use in Japan by Professor Norihiro Itsubo of WASEDA University) and covering all the criteria for conservation defined by LIME 2, the impacts on each of human health (including the effects of global warming), societal assets (including the effects of global warming), the effects on plants (reducing interference on growth), and the effects on life (restricting the extinction of living species) were evaluated and then made into a single indicator. The amount of return to natural and social capital is calculated assuming that the risk of damage to natural capital has been reduced by various environmental contribution efforts of the entire group compared to the case without such efforts. ・Items included in the amount of natural and social capital used Direct use: Use of land, greenhouse gases, amounts of emissions into the air of PRTR substances and air pollutants, the COD discharged into bodies of water Indirect use: Purchased raw materials*1, energy use, water intake volume, amount of waste material emitted, amount of GHGs emitted indirectly in supply chains (Scope 3) ・Items included in returns to natural and social capital Amount of contributions to reducing use of natural capital through products to enhance sustainability, the amount of contribution from environmental conservation activities, environment-related donations, mega-solar (solar farms that produce over 1,000 kilowatts (1 megawatt) of energy each year) power generation output *1 Until fiscal 2017, the Group gained an understanding of environmental impact, including the volume of greenhouse gasses emitted, by making calculations using MiLCA, the database provided by the Japan Environmental Management Association For Industry. However, from fiscal 2018, the Group is reflecting the actual GHG emissions of its raw material suppliers with regard to four principal resins (PP, PE, PVC and PVA).

Indicator	Calculation Method
Sekisui Environmental Sustainability Index	Scope of Calculation / Listing by category of calculation: Estimated calculations were conducted using the following assumed conditions: ・Raw materials: Purchased raw materials covered; estimates incorporated into calculations Concerning housing, the calculation includes the constituent raw materials for one structure multiplied by the number of structures manufactured ・Manufacturing / Emissions of harmful chemical substances: 〈Japan〉 emissions of 1 t per year or more of substances covered under PRTR are included in the calculation. 〈Overseas〉 Not included ・Manufacturing / Land maintenance: Domestic plants and research facilities were incorporated into the calculation using the area of the premises, generally considered in terms of the land used for buildings*2. The areas of the premises of overseas plants were estimated. The effects of land use are included in the calculation based on the 30-year period after the purchase of the land *2 Concerning land use, starting with fiscal 2017, improvements to land quality in the JBIB Land Use Score Card® system promoted in Japan were deemed as reductions of the impact of land use, weighted accordingly, and included in the calculation. ・Others: Capital goods in supply chains, other fuel- and energy-related activities, transport and shipping, waste, business trips, commuting by employees, leased assets (downstream), processing/use/disposal of sold products Business trips and commuting by employees: Covers consolidated numbers of employees and includes some estimation Use of sold products: Covers housing sold during the fiscal year, and included in the calculation with assumed energy use for 60 years into the future. Until fiscal 2017, the Group calculated the amount of greenhouse gas reduction achieved through solar power generation as the amount of reduced environmental impact. From fiscal 2018, however, we are also calculating the effect of reduction in energy used in residences built to zero energy house (ZEH) specifications. Processing of sold products: Energy use by customers while processing our products anticipated to consume large amounts of energy was estimated and included in the calculation Disposal of sold products: Major raw materials for each fiscal year were covered and included in the calculation based on the assumption that they would be made into products and disposed of during that fiscal year

Indicator	Calculation Method
Sekisui Environmental Sustainability Index	・Product contributions: (1) The differences in contribution to the environment between the relevant products and previous technologies were evaluated qualitatively for each criterion, based on the contribution to the natural and social environments for each life-cycle (the five stages of procurement of raw materials, manufacturing, distribution, use/maintenance, disposal, and recycling) in terms of CO_2 reductions and energy savings, reductions in waste materials, resource savings, water-savings and the water cycle, preventing pollution, direct preservation of biodiversity, QOL improvements, and other factors. For factors for which a significant difference was estimated, data per product unit was investigated. (2) Based on the results*3 of these investigations, a coefficient for calculating the impact on the environment for each series of data was multiplied by the data, yielding a calculation of the degree of contribution to the environment of each product unit. (3) The sales amount for products in each fiscal year were multiplied by the results found in (2) to calculate the degree of contribution to the environment for each product, and the results were included in the calculation. Trial calculation was performed on the effects of products equivalent to around 52% of products to enhance sustainability. *3 Based on individual standards of the divisional companies ・Direct contribution / Contribution from activities reducing environmental impacts: The effects on the environment relating to production for each fiscal year were compared to [the effects on the environment relating to manufacturing in fiscal 2016 × (revenue in that fiscal year / revenue in fiscal 2016)], and the difference was included in the calculation. There was a proportional relationship between revenue and the effects on the environment relating to manufacturing, based on the idea that the difference was the result of efforts undertaken in the Group's activities. ・Direct contribution / Conservation of the natural environment: The Group keeps track of the number of participants and the amount of time spent on each activity. In the case of planting cedar trees, a fixed coefficient of CO_2 (1.1 t-CO_2 / person-hour) was multiplied by the number of people and the amount of time spent and incorporated into the calculation. Regarding activities in cooperation with local communities which were promoted in Japan, because improving the sustainability of activities through local cooperation and making them conduct the activities on their own (autonomous) were made targets from fiscal 2017, the Group's ability to work toward this target was weighted against the growth axis and included in the calculation ・Direct contributions / donations: The amount intended to be paid for conservation was deemed equal to the amount of money calculated for damage caused and included in the calculation. ・Direct contribution / Mega-solar: Amount of electricity generated included in the calculation as generated energy converted to a CO_2 basis

System

Environmental Management System

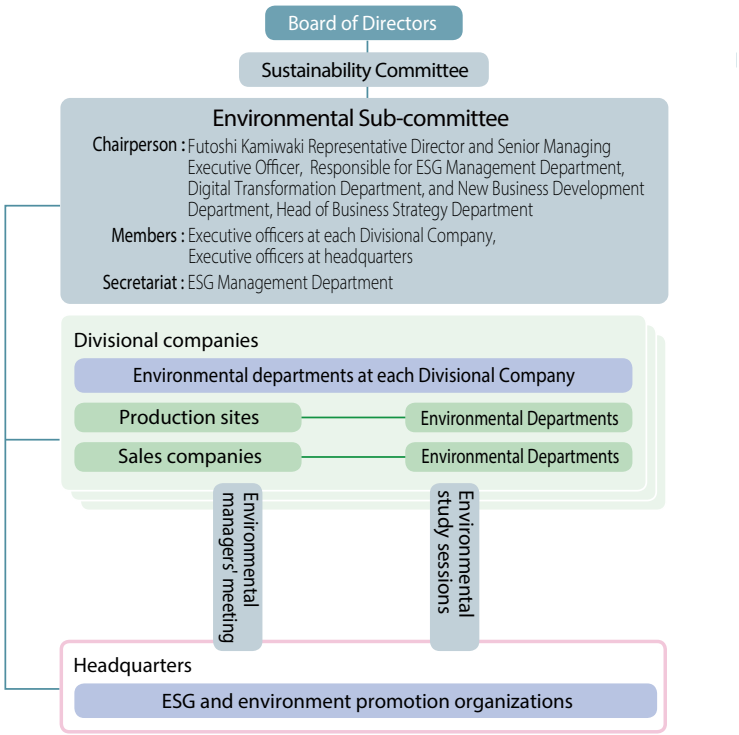
SEKISUI CHEMICAL Group has thus far promoted environmental activities through an environment management system based on ISO 14001 at each of the production sites and research facilities. Although we will shift the long-term target for these activities from 2030 to 2050, the overall direction will remain the same as we deploy our initiatives for solutions to environmental issues.

In order to implement the solutions to environmental issues for which we aim as our long-term goal, we recognize the importance of steadily achieving medium-term milestones and milestones for each fiscal year. By identifying the effect of these efforts on legal compliance and the environment on a regular basis, we strive to reduce our impact on all manner of environmental issues. At the same time, we will investigate actions to take prior to and after disasters and accidents, for example, and periodically conduct training and drills based on the results so that we can mitigate the impacts of such incidents on the environment to the greatest degree possible in the event of an emergency. We also feel we must bring the entire supply chain into our sights as we undertake initiatives, and have therefore reviewed the Group's Sustainable Procurement Guidelines and systems to strengthen supply chain management. By approaching and working with suppliers, we will accelerate the pace of solutions to environmental issues.

Environmental Management Promotion System

The environmental aspects of SEKISUI CHEMICAL Group have been managed and promoted under the Sustainability Committee since fiscal 2020. The Sustainability Committee serves as a forum for discussing polices and strategies intended to improve the sustainability of society and SEKISUI CHEMICAL Group.
As a series of committees under the Sustainability Committee, we established subcommittees for each issue defined under materiality by the Group, and established the Environmental Subcommittee to address environmental issues.
The main sustainability-related initiatives, including the environment, as well as activity policies and related issues, that have been deliberated by the Sustainability Committee are reported to and approved by the Board of Directors, and advanced under a framework that is reflected within management. In addition, the determination and implementation of a detailed activity plan related to the environment is carried out through meetings of environmental managers for each issue from Corporate Headquarters and each divisional company.
In fiscal 2022, the Environmental Subcommittee met twice, in November and March. At these meetings, the subcommittee confirmed progress for the final fiscal year of the current Environmental Medium-term Plan, and deliberated on the direction for the three-year Environmental Medium-term Plan (fiscal 2023-2025) that will begin during the next fiscal year, and discussed initiatives and promotion measures for reducing greenhouse gas emissions, handling water-related risk problems, reducing the amount of waste products generated, and other issues. In addition, cases requiring urgent expansion of measures are deliberated as needed at management meetings (which meet monthly and are chaired by the head of the Business Strategy Department who is also the person in charge of the ESG Management Department) and reported to the Board of Directors.
Looking for example at the climate change issue, in response to the milestone achieved for fiscal 2021, namely the reduction of greenhouse gas emissions ahead of schedule, we deliberated and made a decision at the management meeting on revising the target from the original 2°C to 1.5°C in July, and on reviewing the roadmap for greenhouse gas emissions reduction. As a result, we were able to revise the target early on, and began investigating measures toward accelerating initiatives.

Environmental Management Promotion System



Environmental Management Across the Supply Chain

When starting or continuing business transactions, we ask our suppliers to establish an environmental management system in conformity with ISO 14001 and to reduce their environmental impact. With regard to the issue of climate change, in particular, we are confirming progress in setting and tackling reduction targets.
In terms of the raw materials used by SEKISUI CHEMICAL Group, we assess the volume consumed along with the environmental impact as an approach to material balance. When it comes to the issue of climate change, we recognize that raw materials account for the largest portion of Scope 3 emissions, and, in particular, are therefore strengthening our approach to raw material suppliers with regard to reducing greenhouse gas emissions.
From a raw material perspective, we are requesting the presentation of greenhouse gas emissions data during raw material manufacture from more than 10 manufacturing companies, while promoting efforts to reduce greenhouse gases under Scope 3 for the future for the four major resins that are purchased in large volumes and have high levels of greenhouse gas emissions. These emissions represent 2.2% of the emission calculated using the IDEA database of GHG emissions derived from the raw materials used.
While the amount of data obtained directly from suppliers is not large, the use of databases makes it possible to grasp the amount of GHG emissions over the entire lifecycle of products, even if only in terms of averages, and to consider countermeasures after determining the emissions to be reduced. Through these efforts, we are also promoting reduction activities across the supply chain.
In addition, we are checking with suppliers and initiating investigations into substitutes in regard to lower carbon materials made from biomass and the potential of supplying recycled materials.
Given that timber is considered to have a significant impact on the issue of biodiversity, we will formulate specific procurement guidelines* for timber, and will work to assess risk through supplier surveys, as well as implement DD in order to reduce risk, in an effort to procure 100% of timber from sustainable forests.

* For details, see Timber Procurement Policy on p. 347.

Group EMS-Aligned Environmental Activities in Offices

SEKISUI CHEMICAL Group encourages environmental activities in its offices that are in line with its Environmental Management System (EMS). At our offices located throughout Japan, we refer to the EMS for guidance on environmental activities, such as turning off lights during lunch breaks and other steps to conserve energy and reducing the use of paper.

Setting Self-management Targets That Are Stricter than Environmental Laws and Regulations

SEKISUI CHEMICAL Group has set its own environmental management targets. This includes reducing emissions into the atmosphere and water environments, which are stricter than legal regulations. Each business site closely follows these internal targets. We aim to prevent environmental accidents before they occur by conducting internal environmental audits to uncover latent environmental risks.
In addition, we are developing comprehensive activities by sharing information on new legal and regulatory trends as well as incidents of other companies within the Group.
In fiscal 2022, there were no reports of violations of environmental laws or regulations including transgressions relating to the disposal of waste, wastewater discharge, and contamination. There were also no reports on incidences of administrative guidance.

Expansion of EMS Overseas

At our overseas business sites, we are also expanding EMS implementation with similar policies to Japan. We are putting in place systems for obtaining environmental impact data and taking initiatives to reduce environmental impact based on this data.

As of March 2023, 48 business sites in Japan and 36 business sites overseas had acquired ISO 14001 or other similar certifications. The proportion of SEKISUI CHEMICAL Group production sites and research institutes that have acquired these certifications is 88%.

The Group aims to obtain ISO certification at all production sites.

Business Sites That Have Received Third-party Certification for Their Environment Management Systems

Housing Company

SEKISUI CHEMICAL Co., Ltd. Tsukuba R&D Site*
Hokkaido Sekisui Heim Industry Co., Ltd.
Tohoku Sekisui Heim Industry Co., Ltd.
Sekisui Heim Industry Co., Ltd. Kanto Site
Sekisui Heim Industry Co., Ltd. Tokyo Site
Sekisui Heim Industry Co., Ltd. Chubu Site
Sekisui Heim Industry Co., Ltd. Kinki Site
Chushikoku Sekisui Heim Industry Co., Ltd.
Kyushu Sekisui Heim Industry Co., Ltd.
Sekisui Board Co., Ltd. Minakuchi Plant
Sekisui Board Co., Ltd. Gunma Plant

Urban Infrastructure & Housing Company Environmental Products Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant
SEKISUI CHEMICAL Co., Ltd. Gunma Plant
SEKISUI CHEMICAL Co., Ltd. Kyoto R & D Laboratories
Chiba Sekisui Industry Co., Ltd.
Sekisui Chemical Hokkaido Co., Ltd.
Toto Sekisui Co., Ltd. Ota Plant
Nishinihon Sekisui Industry Co., Ltd. Okayama Plant
Shikoku Sekisui Co., Ltd.
Kyushu Sekisui Industry Co., Ltd.
Nara Sekisui Co., Ltd.
Yamanashi Sekisui Co., Ltd.
Sekisui SoflanWiz Co., Ltd.
[Sekisui SoflanWiz Co., Ltd. Iwaki Plant, Atsugi Plant, Akashi Plant and R&D Division]
Sekisui Home Techno Co., Ltd.
Sekisui Specialty Chemicals (Thailand) Co., Ltd.
S and L Specialty Polymers Co., Ltd.
Sekisui Eslon B.V.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.
Sekisui (Qingdao) Plastic Co., Ltd.
Tokuyama Sekisui Industry Co., Ltd.

High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Musashi Plant
SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi Plant
[Sekisui Fuller Company, Ltd. Shiga Plant]
SEKISUI CHEMICAL Co., Ltd. Taga Plant
SEKISUI CHEMICAL Co., Ltd. Minase Site
Sekisui Techno Molding Co., Ltd. Tochigi Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Sekisui Techno Molding Co., Ltd. Aichi Plant
Sekisui Fuller Co., Ltd. Hamamatsu Plant
Sekisui Nano Coat Technology Co., Ltd.
Sekisui Polymatech Co., Ltd.
Sekisui Seikei, Ltd. Chiba Plant
Sekisui Seikei, Ltd. Kanto Plant
Sekisui Seikei, Ltd. Hyogo Plant
Sekisui Seikei, Ltd. Hyogo-Takino Plant
Sekisui Seikei, Ltd. Izumo Plant
Sekisui S-Lec B.V. Film Plant
Sekisui S-Lec B.V. Resin Plant
Sekisui-Alveo B.V.
Sekisui Alveo BS G.m.b.H.
Sekisui Specialty Chemicals Europe, S.L.
Sekisui S-Lec America, LLC.
Sekisui Votek, LLC. Coldwater Plant
Sekisui Specialty Chemicals America, LLC. Pasadena Plant
Sekisui Specialty Chemicals America, LLC. Calvert City Plant
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec Thailand Co., Ltd.
Thai Sekisui Foam Co., Ltd.
Sekisui Polymatech (Thailand) Co., Ltd.
Sekisui Pilon Pty. Ltd.
Sekisui DLJM Molding Private Ltd. Great Noida Plant, Tapukara Plant, Chennai Plant, Gujarat
Sekisui Youngbo HPP (Langfang) Co., Ltd.
Sekisui S-LEC (Suzhou) Co., Ltd.
Sekisui Polymatech (Shanghai) Co., Ltd.
Sekisui Polymatech Europe B.V.
Sekisui KYDEX, LLC. Bloomsburg Plant
Sekisui KYDEX, LLC. Holland Plant

Headquarters

SEKISUI CHEMICAL Co., Ltd. R&D Center*
Sekisui LB Tec Co., Ltd. Chubu Plant

Medical Business

Sekisui Medical Co., Ltd. Iwate Plant
Sekisui Medical Co., Ltd. Tsukuba Plant
Sekisui Medical Co., Ltd. Tsukuba Plant and Ami Site
Sekisui Diagnostics (UK) Ltd.
Sekisui Diagnostics, LLC, San Diego
Sekisui Diagnostics P.E.I. Inc.
Sekisui Medical Technology (China) Ltd.

[ ]: Organizations in brackets are included in the scope of certification. Some sites without parentheses may include related sections that have attained EMS certification.
* The SEKISUI CHEMICAL Co., Ltd. Tsukuba R&D Site and the R&D Center share a single certification

Indicator	Calculation Method
Number of EMS-certified business sites	Number of business sites that have received external EMS certification External EMS certification: ISO 14001, Eco-Action 21, etc.
The proportion of all production sites and research facilities within SEKISUI CHEMICAL Group that have received external EMS certification	The proportion of all EMS-certified business sites within SEKISUI CHEMICAL Group = The number of all production sites and research facilities that have received external EMS certification / The number of all production sites and research facilities within SEKISUI CHEMICAL Group

Environmental audits

SEKISUI CHEMICAL Group conducts environmental audits for the purpose of legal compliance and preventing accidents before they occur. Upon performing these audits, we verify laws, ordinances, hazard maps, and other materials in advance, and prioritize environmental risk reductions and accident prevention in accordance with ongoing legal compliance and the business activities of each business site. Along with requiring all business sites to conduct self-audits and report the results of such, headquarters performs audits of production sites and research facilities once every three years. In fiscal 2022, we audited 18 business sites in Japan and 12 business sites overseas.
We did not discover any violations coinciding with fines or penalties.

Enhancing the Ability to Contribute to Solving Social Issues through Education

In order to realize our environmental problem-related goals, we are investigating their solutions and developing human resources that can promote and execute measures. For this purpose, we are placing a particular emphasis on environmental education as part of education intended to enhance the ability to contribute to solving social issues.
We provide education and training in an effort to encourage employees to take the initiative in understanding and solving social issues, while putting into practice their own thoughts, depending on their responsibilities and working environment.

Note: For details, see p. 262~p. 272.

Scope of Tabulation for Environmental Performance Data

Note: Regarding the scope of aggregation for environmental performance data, all SEKISUI CHEMICAL (consolidated) business sites (100% of production sales amounts) are subject to environmental reporting.

Japan

Housing Company

R&D institute — **One company and one business site**

SEKISUI CHEMICAL Co., Ltd. Tsukuba R&D Site

Production plants — **Six companies and 10 business sites**

Hokkaido Sekisui Heim Industry Co., Ltd. / Tohoku Sekisui Heim Industry Co., Ltd. / Sekisui Heim Industry Co., Ltd. / Chushikoku Sekisui Heim Industry Co., Ltd. / Kyusyu Sekisui Heim Industry Co., Ltd. / Sekisui Board Co., Ltd., etc.

Sales and construction companies — **49 companies and 328 business sites**

Sekisui Heim sales companies
Construction and service companies

56 companies and 339 business sites in total

High Performance Plastics Company

R&D institutes — **One company and one business sites**

SEKISUI CHEMICAL Co., Ltd. Minase Site

Production plants — **Six companies and 15 business sites in total**

Sekisui Chemical Co., Ltd. Musashi Plant, Shiga-Minakuchi Plant and Taga Plant / Sekisui Techno Molding Co., Ltd. / Sekisui Nano Coat Technology Co., Ltd. / Sekisui Fuller Company, Ltd. / Sekisui Polymatech Co., Ltd. / Sekisui Seikei, Ltd. etc.

Sales — **Six companies and 18 business sites**

Sekisui Material Solutions Co., Ltd. etc.

Eight companies and 34 business sites in total

Urban Infrastructure & Environmental Products Company

R&D institutes — **Two companies and two business sites**

Sekisui Chemical Co., Ltd. Kyoto Research & Development Laboratories
Sekisui SoflanWiz Co., Ltd. R&D Division

Production plants — **12 companies and 16 business sites**

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant and Gunma Plant / Higashinihon Sekisui Industry Co., Ltd. / Nishinihon Sekisui Industry Co., Ltd. / Chiba Sekisui Industry Co., Ltd. / Sekisui Chemical Hokkaido Co., Ltd. / Toto Sekisui Co., Ltd. / Shikoku Sekisui Co., Ltd. / Nara Sekisui Co., Ltd. / Yamanashi Sekisui Co., Ltd. / Tokuyama Sekisui Industry Co., Ltd. / Sekisui SoflanWiz Co., Ltd., etc.

Sales — **14 companies and 99 business sites**

Sekisui Chemical Co., Ltd. Tohoku Sales Headquarters, Higashinihon Sales Headquarters, Chubu Sales Headquarters, Nishinihon Sales Headquarters, Kyushu Sales Headquarters, etc.

23 companies and 117 business sites in total

Headquarters

R&D institutes — **One company and one business site**

SEKISUI CHEMICAL Co., Ltd. Advanced Technology R&D Center

Production plants — **Two companies and two business sites**

Sekisui LB Tec Co., Ltd. Chubu Plant
Research Laboratory of Plastics Technology Co., Ltd.

Sales — **Three companies and seven business sites**

SEKISUI CHEMICAL Co., Ltd. Osaka Headquarters and Tokyo Headquarters etc.

Three companies and 10 business sites in total

Medical Business

R&D institutes — **One company and one business site**

Sekisui Medical Co., Ltd. Drug Development Solutions Center

Production plants and Headquarters — **One company and three business sites**

Sekisui Medical Co., Ltd. Iwate Plant, Tsukuba Plant and Ami Site

Sales — **One company and eight business sites**

Sekisui Medical Co., Ltd. Higashinihon sales office etc.

Five companies and 16 business sites in total

Note: The total number of companies and business sites do not match, since some companies have two or more business sites, and some business sites are shared by two or more companies.

Overseas

Housing Company

Production plants

Sekisui-SCG Industry Co., Ltd.

One business site in total

Sales and construction companies

Sekisui (Dalian) Housing Technology Co., Ltd.

One business site in total

High Performance Plastics Company

Production plants

Sekisui S-Lec America, LLC.
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec B.V. Film Plant
Sekisui S-Lec B.V. Resin Plant
Sekisui S-Lec (Thailand) Co., Ltd.
Sekisui S-LEC (Suzhou) Co., Ltd.
Sekisui Specialty Chemicals America, LLC. Pasadena Plant
Sekisui Specialty Chemicals America, LLC. Calvert City Plant
Sekisui Specialty Chemicals Europe S.L.
Sekisui Voltek, LLC, Coldwater Plant
Sekisui-Alveo B.V.
Sekisui Alveo BS G.m.b.H.
Sekisui Pilon Pty. Ltd.
Youngbo Chemical Co., Ltd.
Youngbo HPP (Langfang) Co., Ltd.
Sekisui Youngbo HPP (Wuxi) Co., Ltd.
Sekisui DLJM Molding Private Ltd. Greater Noida Plant
Sekisui DLJM Molding Private Ltd. Tapukara Plant
Sekisui DLJM Molding Private Ltd. Chennai Plant
Sekisui DLJM Molding Private Ltd. Chennai Factory 2
Sekisui DLJM Molding Private Ltd. Gujarat
Sekisui Polymatech (Thailand) Co., Ltd.
PT. Sekisui Techno Molding Indonesia
Sekisui Polymatech (Shanghai) Co., Ltd.
SEKISUI AEROSPACE CORPORATION, Renton
SEKISUI AEROSPACE CORPORATION, Sumner
SEKISUI AEROSPACE CORPORATION, ORANGE CITY
Sekisui KYDEX, LLC. Bloomsburg-North Campus
Sekisui KYDEX, LLC. Bloomsburg-South Campus
Sekisui KYDEX, LLC. Holland Plant
Thai Sekisui Foam
Polymatech EU

32 business sites in total

Sales

Sekisui Products, LLC. etc.

45 business sites in total

Urban Infrastructure & Environmental Products Company

Production plants

Sekisui Eslon B.V.
Sekisui Industrial Piping Co., Ltd.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.
Sekisui (Shanghai) Environmental Technology Co., Ltd.
Sekisui Specialty Chemicals (Thailand) Co., Ltd.
S and L Specialty Polymers Co., Ltd.

Seven business sites in total

Sales

Sekisui SPR Americas, LLC. etc.

10 business sites in total

Headquarters

Regional headquarters

Sekisui Europe B.V.
Sekisui America Corporation
Sekisui Southeast Asia Co, Ltd
Sekisui Chemical(China) Co., Ltd. etc.

Seven business sites in total

Medical Business

Production plants

Sekisui Diagnostics, LLC. San Diego
Sekisui Diagnostics (UK) Ltd.
Sekisui Diagnostics P.E.I. Inc.
Sekisui Medical Technology (China) Ltd.
Sekisui Medical Technology (Suzhou) Ltd.
Veredus Laboratories Pty. Ltd.

Six business sites in total

Sales

Sekisui Diagnostics, LLC. etc

26 business sites in total

Major Initiatives

SEKISUI CHEMICAL Group has identified climate change, water-related risks, and resources recycling as important issues under its Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. The Group is working to realize an earth with maintained biodiversity by solving each of these issues.

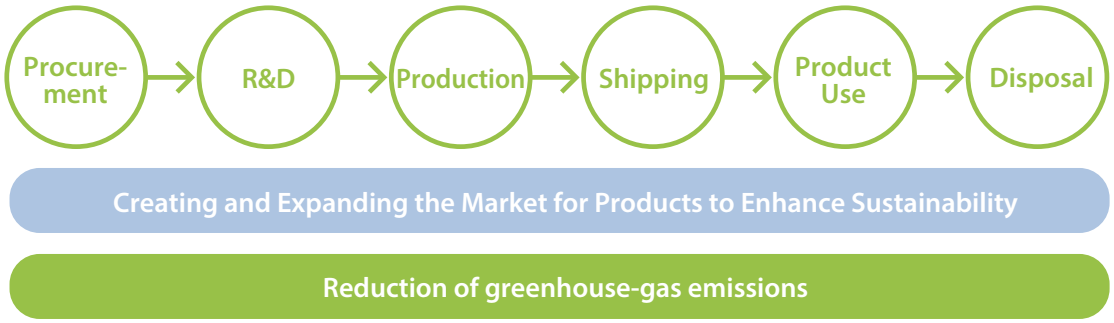
・For details of the Long-term Environmental Management Vision, our approach to various issues, and environmental targets see p. 104.

Climate Change

Basic Concept

Reducing Emissions throughout the Supply Chain

SEKISUI CHEMICAL Group has formulated a medium-term greenhouse gas emission reduction plan in line with targets established at COP21 (the 21st Conference of the United Nations Framework Convention on Climate Change). We are identifying and disclosing the effects in terms of risks and opportunities that climate change will have on business continuity in line with science-based scenarios aimed at the achievement of the ambitious goals of the Paris Agreement, which are based on Science Based Targets (SBT). Moreover, we reflect these factors into our business plans and emission reduction targets. Concerning emissions, SEKISUI CHEMICAL is engaged in reducing greenhouse gas emissions at every stage, from the procurement of raw materials to development, manufacturing, transport, and use. We monitor these emissions throughout the entire supply chain. This does not only include our own business sites, but also raw material suppliers as well as the use of our products after being sold. Steps are then taken to publicly disclose the findings.



Addressing Climate Change

SEKISUI CHEMICAL Group believes that it is important to earnestly confront all climate change risks and make every effort to keep the temperature rise to less than 1.5°C. Under the SEKISUI Environment Sustainability Vision 2050 that was formulated in 2019, we are trying to contribute to solving environmental issues by reducing the environmental impact of our business activities. We have set a target of zero GHG emissions from our business activities by 2050. Moreover, we are advancing the introduction of solar power equipment to generate electricity for use at our own business sites in which equipment was installed, increasing our utilization ratio for renewable energy from externally purchased electricity and target a value of 100% by 2030. Consequently, we focused on initiatives to achieve a 26% reduction in GHG emissions by 2030. As a result, we expect to reach this target earlier than planned and therefore have begun considering raising the 2030 reduction target. SBT certification was updated to a target of 1.5°C, raising it to a 50% reduction from the 2019 level by 2030. To accelerate GHG reductions toward this 1.5°C target, we will start fuel conversion and production innovation to promote the reduction of fuel-derived GHG (Scope 1), which is highly difficult.

Risks and Opportunities Posed by Climate Change to Our Businesses

We also strive to understand the risks and opportunities that climate change presents to the operations of SEKISUI CHEMICAL Group, in terms of their magnitude, scope of impact, and other matters through scenario analysis conducted based on the TCFD Guide.
SEKISUI CHEMICAL Group examines measures to mitigate identified risks and considers the creation of new businesses by developing products and services for identified opportunities. Significant risks along with possible countermeasures and strategies are reported to the Board of Directors through the Sustainability Committee, and important strategies are decided at Board of Directors meetings.
Through this kind of management, we believe it is possible to remain a company that meets the demands of society through sustainable business development.

Addressing the Rising Costs Associated with Climate Change Strategies

As an initiative to reduce environmental impact, SEKISUI CHEMICAL Group is working to promote visualization of energy use while reducing the amount by transforming and improving production processes, and continuously upgrading equipment for the purpose of greatly increasing energy efficiency in production processes.
SEKISUI CHEMICAL Group has been switching globally to purchased power generated from renewable energy sources since fiscal 2020. We are working to reduce electricity costs from a long-term perspective by using generated power in-house as we invest capital to install solar power generation equipment.

Product Development and Strategies Aimed at Solving Environmental Issues and Meeting the Changing Needs of the Market

SEKISUI CHEMICAL Group manages risks that arise from changing market needs due to climate change and other global social issues by continuing to develop products that make a significant contribution to solving issues in the natural and social environment, and disclosing and distributing detailed data on outcomes. At the same time, we believe that this will help in seizing the opportunity of increased demand.
In particular, we believe it is possible to magnify the impact we create by quantifying as much as possible the size of the contribution Group products make to solving social issues, which leads to opportunities to create markets in ways that help solve global issues and heighten the awareness of consumers.
From fiscal 2020, we intend to strengthen our partnerships with stakeholders and engage in activities to increase our contribution to solving issues through co-innovation (fusion) and accelerate solutions through early dissemination. With this in mind, we established the MINASE INNOVATION CENTER (MIC) as an organization to promote open innovation with our stakeholders.
MIC has started to accelerate efforts to solve social issues by actively engaging in technological exchanges with start-up companies that possess low-carbon technologies, and materials and technologies that contribute to resource conversion.

Addressing the Deterioration in Operating and Working Conditions

If climate change becomes a grave problem and the highest and lowest temperatures become increasingly extreme, it is possible that people in manufacturing and construction will no longer be able to work. SEKISUI CHEMICAL Group believes that it is possible to minimize the effects of climate change by proposing construction and engineering plans that take into account the seasonality of each region.
Each divisional company and Group subsidiary has formulated its own BCP based on its unique situation as a means of avoiding as much as possible the risk of loss in operations and work availability due to natural disasters.

Targets

1. GHG

Aim: Decarbonization / zero GHG emissions

Indicator 1. Renewable energy ratio of purchased electricity (including solar power generation for in-house use)

Current Medium-term Management Plan (2020-2022) Target 20% Fiscal 2022 Results 36.4%
Next Medium-term Management Plan (2023-2025) Target 70%
FY2030 Target 100%
FY2050 Target 100% of all electricity used, including from co-generation systems

Indicator 2. GHG emissions

Current Medium-term Management Plan (2020-2022) Target -9% Fiscal 2022 Result -26.8 % (compared with fiscal 2013)
Next Medium-term Management Plan (2023-2025) Target -33% (compared with fiscal 2019)
FY2030 Target -50% (compared with fiscal 2019)
FY2050 Target -100%

2. Reduce Energy usage volume

Aim: Improve energy efficiency and reduce energy consumption during production

Indicator: Energy consumption per unit of production

Current Medium-term Management Plan (2020-2022) Targets -3% Fiscal 2022 Result -1.1% (compared with fiscal 2019)
Next Medium-term Management Plan (2023-2025) Target -3% (compared with fiscal 2022)
FY2030 Target —
FY2050 Target —

System

See the Environmental Management Promotion System diagram*.

* For details, see Environmental Management Promotion System on p. 126.

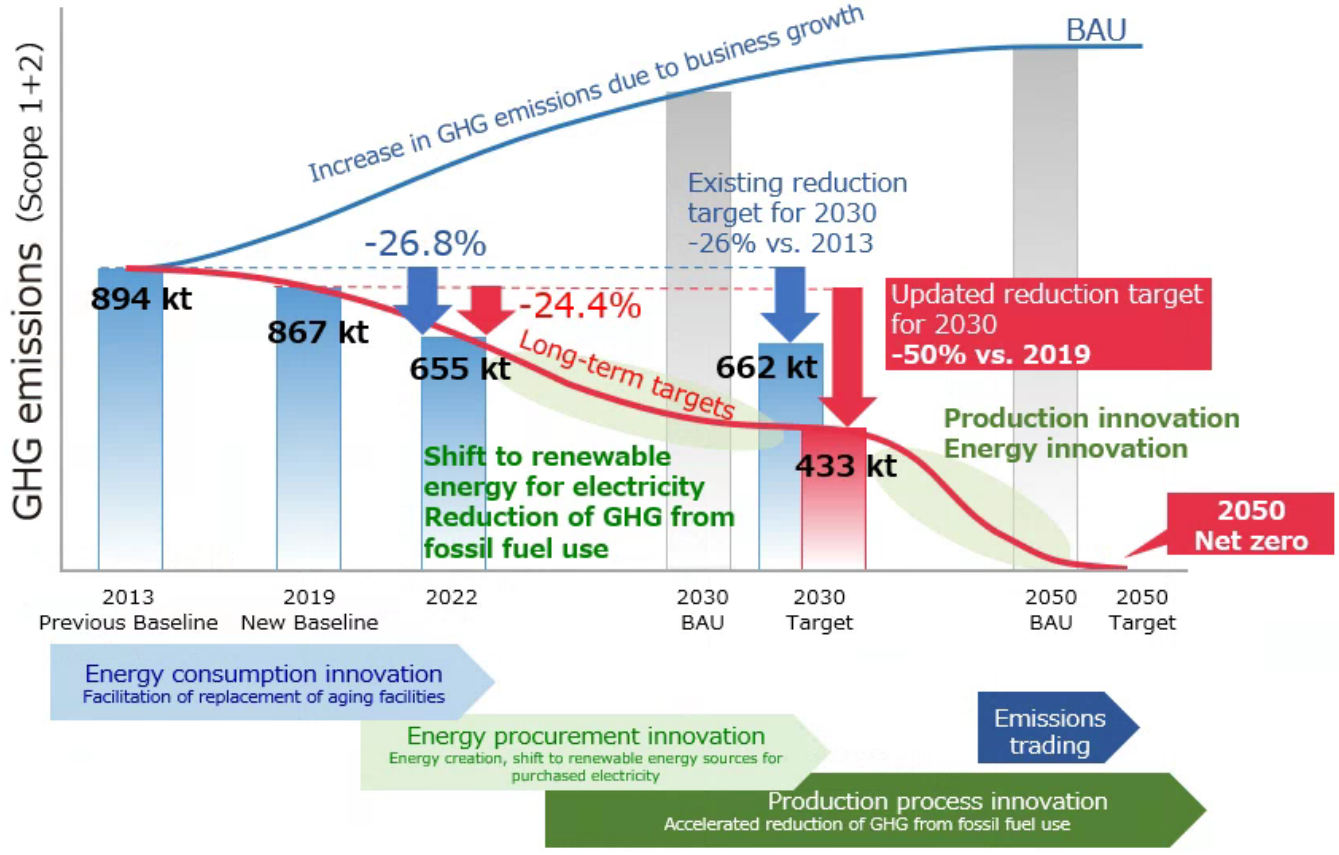
Major Initiatives

Acquisition of Certification under the SBT* Initiative for Greenhouse Gas Reduction Target for 1.5℃

SEKISUI CHEMICAL was the first company in the chemical sector to acquire SBT certification in 2018 and target a reduction in greenhouse gas emissions by 26%, relative to fiscal 2013, by 2030. Accordingly, we have promoted energy consumption innovation such as upgrading aging facilities and energy procurement innovation that includes converting to renewable energy from externally purchased electricity and installing solar power generation facilities for on-site consumption.

As a result, in fiscal 2022, the ratio of renewable energy to the Group's total purchased electricity reached 36.4%, which is 1.8 times the ratio of the original plan, and the GHG emissions reduction rate reached 26.8% compared with fiscal 2013.

Climate change countermeasures are becoming an even more pressing social issue. Against this backdrop, we decided to increase our GHG emissions reduction rate for 2030 by pursuing ahead of schedule the technologically difficult task of reducing fuel-derived GHG emissions by switching to electricity at facilities that consume fuel, converting to low-carbon fuels, and pursuing production process innovation. Consequently, we fully renewed our SBT certification to the 1.5°C target in March 2023.



	Previous Targets	Updated Targets	Means of Achieving Updated Targets
Scope1+2	Base year: 2013 Target year: 2030 Reduction rate: 26% (2.0°C target)	Base year: 2019 Target year: 2030 (unchanged) Reduction rate: 50% (1.5°C target)	Adopt renewable energy for conventional purchased electricity, and also pursue in advance the shift to low-carbon fuels, electrification, and production innovation to reduce fuel-derived GHGs
Scope3	Base year: 2016 Target year: 2030 Reduction rate: 27%	Base year: 2019 Target year: 2030 (unchanged) Reduction rate: 30%	Add resource recycling measures (conversion to non-fossil raw materials, increased use of recycled materials, and recycling of waste) to promote reductions in categories 1, 5, and 12

<Progress in Fiscal 2022>

SCOPE 1+2: Reduced greenhouse gas emissions by 24.4%, compared with fiscal 2019

SCOPE 3: Reduced greenhouse gas emissions by 4.8%, compared with fiscal 2019

The Group will continue to affirm its growing responsibility to play its role as an industry leader and will strive to engage in activities leading and imploring society as a whole to work on measures to address climate change.

* 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 targets that are scientifically based (SBT) that contribute to long-term measures combating climate change.

Promoting the Use of Renewable Energy in Electricity by Joining RE100

We recognize that the issue of climate change is not only a major social challenge, but also a major risk factor for SEKISUI CHEMICAL Group. In August 2020, we joined the international initiative RE100, which aims to procure the energy consumed in business activities entirely from renewable energy, in order to accelerate efforts that contribute to solving this problem in society as a whole. In the future, we will promote activities in cooperation with member companies and organizations.
To achieve zero GHG emissions from our business activities by 2050, and to attain the greenhouse gas reduction target certified by the SBT Initiative by fiscal 2030, SEKISUI CHEMICAL Group will enact strategies such as entrenching energy conservation measures and promoting a shift to renewable energy.
We intend to shift to renewable energy sources for 100% of the electric power we purchase from external sources by 2030, and aim for all our electric power, including that produced by cogeneration systems, to come from renewable energy sources by 2050.

Reducing Greenhouse Gases at the Supply Chain Stage

In the case of SEKISUI CHEMICAL Group, we were able to determine that greenhouse gas emissions falling under SCOPE 3 are highest at the raw materials procurement and product use stages. The reason that emissions are high in the raw materials procurement stage is because of the characteristics of our business as a chemicals manufacturer.
As for reducing emission volumes from raw materials procurement, we will review our selection criteria for new materials and have worked with suppliers to reduce the use of four resins known to be raw materials that result in high levels of emissions. We pursue reductions through resource recycling efforts in order to further promote reductions in the future. Specifically, we will convert plastic raw materials that account for 50% of purchased product and services (Category 1) to non-fossil derived materials and increase the use of recycled materials. This will help reduce GHG emissions from the disposal of products sold (Category 12). In addition, we will promote the recycling of waste plastics and make new efforts to lower waste from our operations (Category 5).
Meanwhile, emissions from the product-use stage arise from the large volumes of greenhouse gases emitted as the result of the energy consumed by the houses that we sell. As for the use of products sold (Category 11), higher sales of ZEH homes with Sekisui Heim's energy-saving performance and large-capacity photovoltaic / large-capacity storage batteries have contributed significantly to reducing GHG emissions. Increased sales of ZEH homes will achieve further reductions going forward.

Promoting the Use of Renewable Energy

SEKISUI CHEMICAL Group has been promoting the use of renewable energy by installing solar power generators at its domestic and overseas production sites.
SEKISUI CHEMICAL Group has also begun proactively switching over to renewable energy sources for electricity purchased from fiscal 2020, and there are currently a total of 31 facilities in Japan and overseas where 100% of electric power is derived from renewable energy.
Energy consumption from renewable sources in fiscal 2022 was 267.5GWh, comprising 36.4% of total purchased power (including solar power generation for in-house use) and 32.4% of total power consumption, including self-generated power from co-generation systems.

The following manufacturing sites have installed solar power generation equipment producing electricity for in-house use in fiscal 2022.
・SEKISUI-SCG INDUSTRY
・Shiga-Ritto Plant
・SEKISUI (WUXI) PLASTICS TECHNOLOGY CO., LTD.

SEKISUI-SCG INDUSTRY CO., LTD.

SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant

SEKISUI (WUXI) PLASTICS TECHNOLOGY CO., LTD.

Solar Power Generation Facilities Producing Electricity for On-site Use			
Japan	Tohoku Sekisui Heim Industry Co., Ltd.	USA	SEKISUI S-LEC AMERICA, LLC.
	Chushikoku Sekisui Heim Industry Co., Ltd.	Netherlands	SEKISUI S-LEC B.V. Film Plant
	Kyushu Sekisui Heim Industry Co., Ltd.	Thailand	SEKISUI S-LEC (THAILAND) CO., LTD.
	Sekisui Heim Industry Co., Ltd. Kanto Site		SEKISUI-SCG INDUSTRY CO., LTD.
	Yamanashi Sekisui Co., Ltd.	China	Sekisui Medical Technology (China) Ltd.
	SEKISUI SEIKEI, LTD. Kanto Plant		Sekisui (Wuxi) Plastics Technology Co., Ltd.
	Sekisui Medical Co., Ltd. Tsukuba Plant		
	SEKISUI CHEMICAL Co., Ltd. Taga Plant		
	SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant		

Facilities for which 100% of electricity is derived from renewable energy sources			
Japan	SEKISUI CHEMICAL Co., Ltd. Gunma Plant	Netherlands	SEKISUI S-LEC B.V. Film Plant
	SEKISUI CHEMICAL Co., Ltd. Taga Plant		SEKISUI S-LEC B.V. Resin Plant
	SEKISUI CHEMICAL Co., Ltd. Research and Development Institute		SEKISUI ALVEO B.V.
	SEKISUI CHEMICAL Co., Ltd. Tsukuba Site		SEKISUI POLYMATECH EUROPE B.V.
	SEKISUI CHEMICAL Co., Ltd. Tokyo Headquarters	Germany	SEKISUI ALVEO BS GmbH
	SEKISUI CHEMICAL Co., Ltd. Osaka Headquarters	Spain	SEKISUI SPECIALTY CHEMICALS EUROPE S.L.
	Hokkaido Sekisui Heim Industry Co., Ltd.	UK	SEKISUI DIAGNOSTICS (UK) LIMITED
	Tohoku Sekisui Heim Industry Co., Ltd.	USA	SEKISUI S-LEC AMERICA, LLC.
	Sekisui Heim Industry Co., Ltd. Kanto Site	China	Sekisui S-Lec (Suzhou) Co., Ltd.
	Sekisui Heim Industry Co., Ltd. Tokyo Site	Thailand	SEKISUI S-LEC (THAILAND) CO., LTD.
	Sekisui Heim Industry Co., Ltd. Chubu Site	Singapore	VEREDUS LABORATORIES PTE. LTD.
	Sekisui Heim Industry Co., Ltd. Kinki Site		
	Chushikoku Sekisui Heim Industry Co., Ltd.		
	Kyushu Sekisui Heim Industry Co., Ltd.		
	Sekisui Board Co., Ltd. Minakuchi Plant		
	Sekisui Board Co., Ltd. Gunma Plant		
	Yamanashi Sekisui Co., Ltd.		
	Sekisui Medical Co., Ltd. Tsukuba Plant		
	Sekisui Medical Co., Ltd. Ami Site		
	Sekisui Medical Co., Ltd. Drug Development Solutions Center		

Energy Savings in Newly Constructed Buildings:

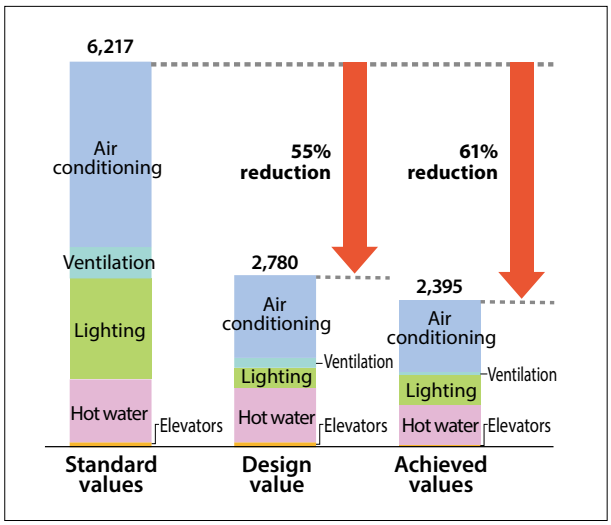
ZEB Ready* Certified Research Facility, MINASE INNOVATION CENTER

The MINASE INNOVATION CENTER (MIC), a new research facility, was opened in Shimamoto-cho, Osaka Prefecture in August 2020. The facility was designed with a skip-floor configuration and a central atrium so as to make the entire building a space for people to interact. While this gives the building a complex shape, it has also been certified as ZEB Ready thanks to the use of materials that contribute to energy conservation such as thermal barrier interlayers in south-facing windows as well as a design that makes the best use of solar energy by providing a perimeter walkway around the building and incorporating an eave structure.

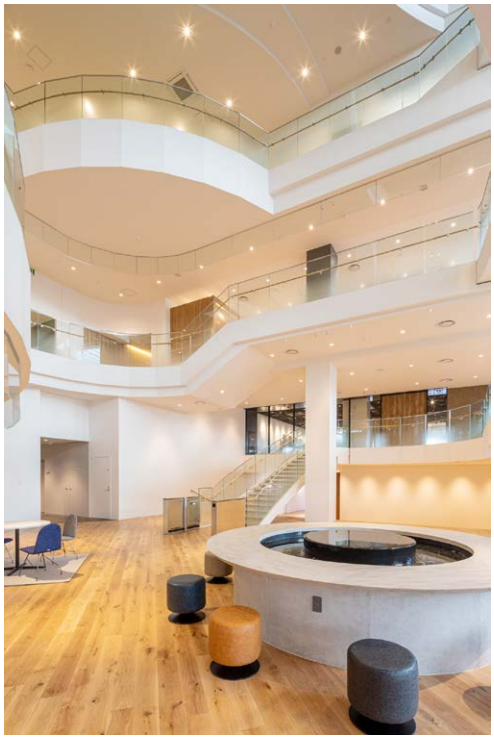
We have been able to engage in continuous operations at a total volume that meets design values for the past three years. Particularly in fiscal 2022, the final year of the project, in addition to measures taken to date, we were able to significantly reduce air conditioning energy consumption by more strictly complying with room temperature settings and implementing chiller timer operations. Going forward, we intend to entrench energy conservation activities by strictly adhering to the rules and operations developed to date.

* ZEB (Net Zero Energy Building): Buildings that reduce annual primary energy consumption balance to zero.
ZEB Ready: Advanced buildings in anticipation of ZEB certification, buildings with high thermal insulation and highly efficient energy-saving equipment.
(From the Ministry of the Environment web page [Japanese language only]:
http://www.env.go.jp/earth/zeb/terms/index.html?id=term_01)

MINASE INNOVATION CENTER (exterior view)



Primary energy consumption (fiscal 2022) (GJ per year)



MINASE INNOVATION CENTER (interior view)

Decarbonization through Our Businesses and Contributing to Carbon Reduction

SEKISUI CHEMICAL Group is promoting the creation and expansion of markets through its in-house products to enhance sustainability system. This initiative is designed to help accelerate the Group's contribution through its businesses and the realization of a decarbonized society in 2050.
Products that not only help mitigate the effects of climate change, but also adapt to changes in the environment are considered important from a roadmap perspective. As such, we are looking to expand our lineup of these products. Specific examples are listed as follows.

[Examples of Products That Contribute to Climate Change Mitigation]

<Housing> Products and services that support energy-efficient lifestyles through the use of renewable electricity
Examples) ZEH-specification housing (net-zero energy house)
SEKISUI's SMARTHEIM DENKI power trading service selling surplus generated renewable energy purchased from customers of sold housing to factories and other customers

<Mobility> Lightweight and highly functional products that reduce energy consumption during transportation and shipping
Examples) S-LEC® interlayer film for automotive laminated glass that boasts thermal and acoustic insulation functions
Sheet materials used in aircrafts, trains, etc. (SEKISUI KYDEX product)

<Electronics> Materials indispensable for energy-efficient products, products that contribute to improving the durability and performance of related parts, which are becoming increasingly important with the development of 5G connectivity, etc.
Examples) Heat release materials that help mitigate issues caused by overheating circuit boards (Sekisui Polymatech Co., Ltd. product)
Materials used in energy-efficient equipment (Micropearl), functional tape

<Infrastructure> Products that can reduce greenhouse gas emissions over their life cycles by extending their service lives or by converting conventional raw materials, production, or molding methods
Examples) Plastic piping in factories through which chemicals and other materials flow. Compared to mainstream metal piping, plastic piping reduces greenhouse gas emissions over its lifecycle.

[Examples of Products That Adapt to Changes in the Climate]

<Building & Civil Engineering> Products that help manage natural disasters that are increasing or becoming more severe due to the progression of climate change
Examples) Products that enable the temporary storage of rainwater during periods of torrential rain

[Initiatives Undertaken in Collaboration with Other Companies] Carbon recycling technology project partnership with ArcelorMittal, S.A.
SEKISUI CHEMICAL and ArcelorMittal concluded a partnership to pursue a project to capture and re-use the CO_2 emitted during the steelmaking process in a bid to reduce the dependence on fossil resources and contribute to the decarbonization of steelmaking. Through this project, energies will be directed toward developing technologies that separate, recover, and reuse the CO_2, which would otherwise have been emitted into the atmosphere during the steelmaking process. Key to this work is SEKISUI CHEMICAL's innovative technology that converts CO_2 to carbon monoxide at high yields.

[Progress against Commitments] Expanding the market penetration rate of ZEH- specification housing

In order to reduce the consumption of energy derived from fossil resources by customers living in Sekisui Heim homes sold by the company, we are committed to and are considering various measures aimed at expanding the penetration rate of ZEH-specification housing. In fiscal 2022, the ratio of new detached net-zero energy houses (ZEH) (actual results compiled in accordance with ZEH builders' reporting methods) was 94%. Of this percentage, the ratio of ZEH houses with the highest energy reduction rate among the three nationally defined categories came to 88%. The number of storage cell-equipped homes (energy self-sufficient houses) proposed in conjunction with ZEH houses has also increased on a cumulative basis, and the storage cell installation rate for new detached homes has grown to 83%*.

* Contract-based storage cell installation rate from April 2022 to March 2023 (Company data)

Activities in related initiatives

Aimed at mitigating climate change

As far as the issue of climate change is concerned, we are collaborating with various entities, including other companies and organizations in a bid to achieve our long-term goals. Through collaboration, we hope to expand our contributions and better help find solutions, raising the potential to achieve milestones ahead of schedule. The Group is committed to achieving the target identified under the Paris Agreement, namely the 1.5°C target, and to achieving carbon neutrality. SEKISUI CHEMICAL Group participates and registers with various initiatives, forums, and other organizations after confirming that such key parameters as their founding principles, direction of efforts, and goals are consistent with the Group. Our continued participation is determined on an annual basis to ensure that there are no discrepancies in the direction in which we are heading. In the event that the direction differs, steps will be taken to withdraw from the initiative, forum, or other organization.

The Japan Climate Initiative (JCI)

Significance/objectives ... The Group is joining the front line of the global push for decarbonization from Japan in order to mitigate climate change.

Activities ..... In order to drive social change and help realize decarbonization, the JCI promotes information dissemination from and opinion exchanges with companies, local governments, and NGOs that are actively engaged in addressing climate change. Central to efforts aimed at accelerating activities through corporate collaboration, we are promoting the declaration of goals and activities to achieve objectives.

Our Company's role ..... We share the latest information on our initiatives and using them to consider measures.

RE100

Significance/objectives ... Aim for companies to cover 100% of the electricity used in their operations from renewable energy sources

Activities ..... Motivated companies that have made declarations cooperate with each other and are promoting communication and activities that have an impact on society.

Our Company's role ..... We are contributing to greater use and diffusion of renewable energy in society by declaring our commitment to shifting toward renewable energy.

JAPAN CLIMATE LEADERS' PARTNERSHIP (JCLP)

Significance/objectives ... Aim to realize a rapid transition to a decarbonized society and achieve the 1.5°C target to avert a climate crisis.

Activities ..... Leading Japan in five pillars to achieve policy changes
(Pursuing policy engagement, promoting decarbonization within companies, providing solutions to decarbonize society, communicating with society, global networks)

Our Company's role ..... Decarbonize the Company and society by making a decarbonization declaration, transitioning to a decarbonized business model, and pursuing corporate collaboration to promote internal decarbonization mainly within supply chains.

GX League

Significance/objectives ... Aim to accelerate corporate collaboration in an effort to address the challenges associated with the transition to carbon neutrality in Japan.

Activities ..... Participating companies that have endorsed the objectives of the GX League are working together and are preparing to promote initiatives to solve various issues.

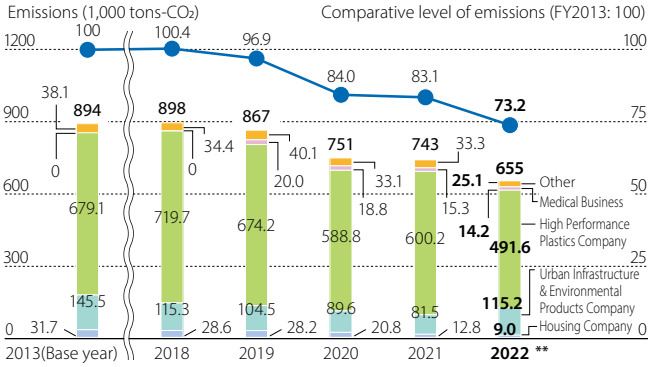
SEKISUI CHEMICAL's role We will consider participating in and promoting initiatives to resolve various issues in the future.

Performance Data

Note 1: From fiscal 2019, Medical Business results have been collated separately following its independence from the HPP Company and the presentation of Headquarters results reclassified as Other.

Note 2: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data of both companies for fiscal 2022 is collated as if the change in control had been initiated from the beginning of fiscal 2022.

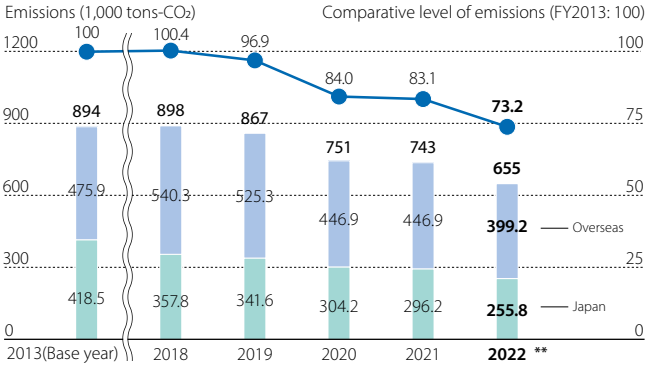
SCOPE1+2 (By Divisional Company)



* Some past figures have been revised due to improvements in precision.

** Data after deducting 44 thousand tons of CO_2 equivalent to non-fossil certificates.

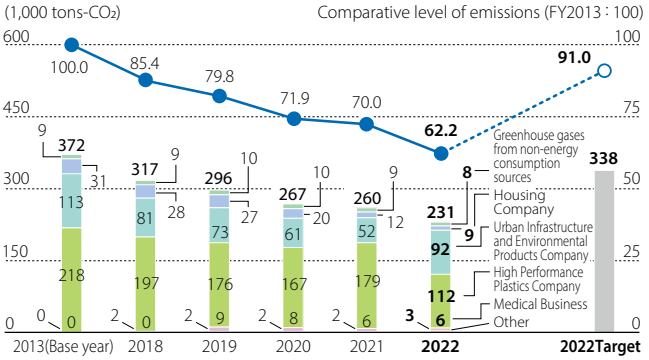
SCOPE1+2 (By Japan and overseas)



* Some past figures have been revised due to improvements in precision.

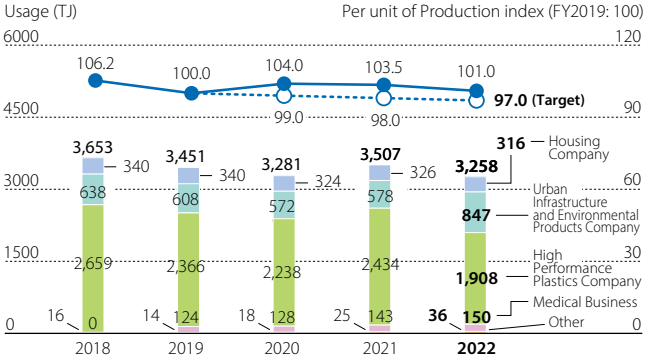
** Data after deducting 44 thousand tons of CO_2 equivalent to non-fossil certificates.

Greenhouse Gas (GHG) Emissions during Manufacturing / Japan



Note: Some past figures have been revised due to improvements in precision.

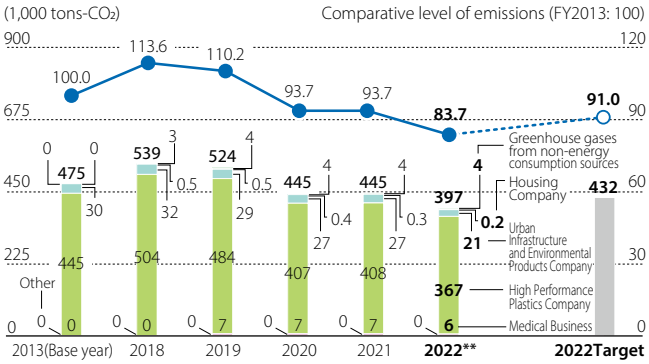
Energy Use and per Unit of Production* (Index) during Manufacturing / Japan



Note 1: Energy consumption per unit of production weight

Note 2: Some past figures have been revised due to improvements in precision.

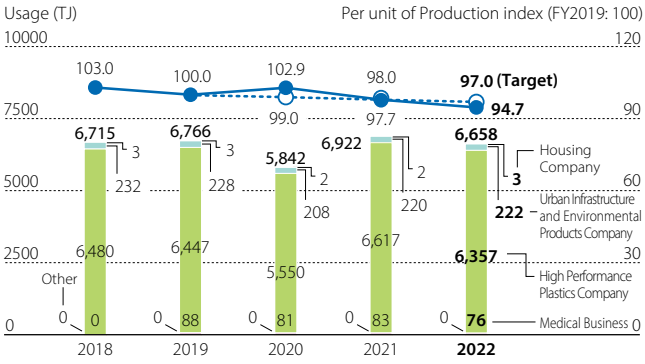
Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas



* Some past figures have been revised due to improvements in precision.

** Data after deducting the equivalent non-fossil certificate of 44 thousand tons of CO_2.

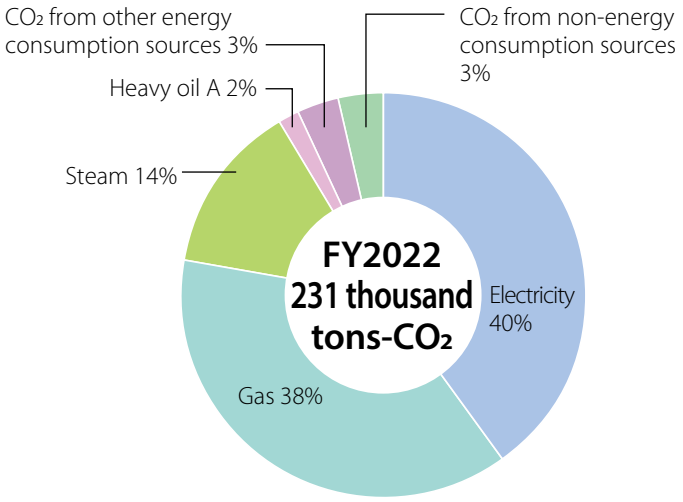
Energy Use and per Unit of Production* (Index) during Manufacturing / Overseas



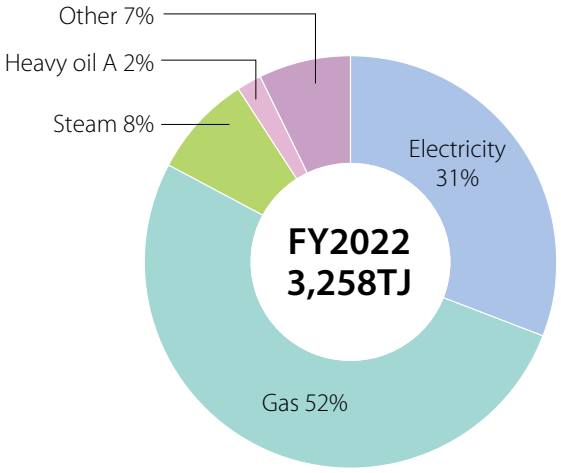
Note 1: Energy consumption per unit of production weight

Note 2: Some past figures have been revised due to improvements in precision.

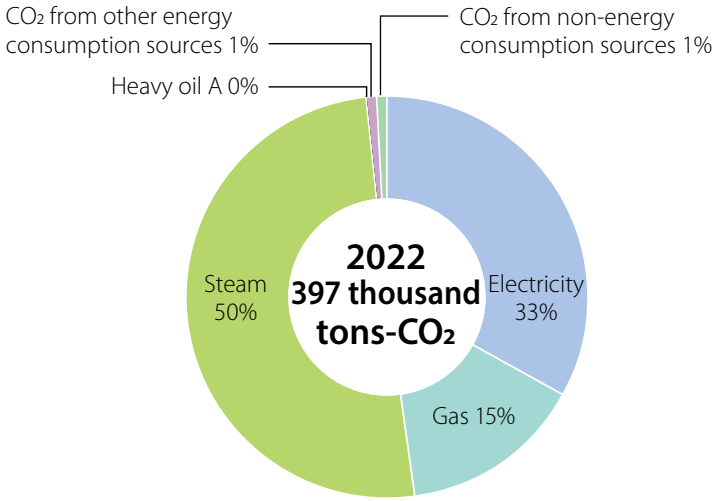
Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Japan



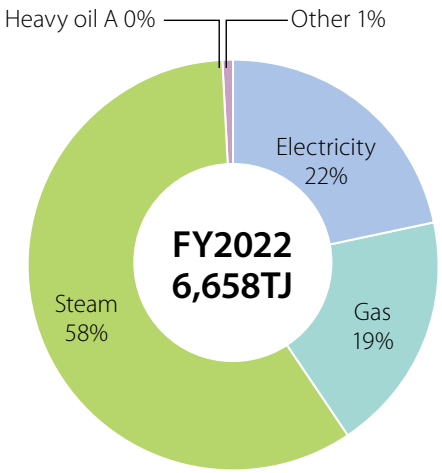
Breakdown of Energy Use during Manufacturing / Japan



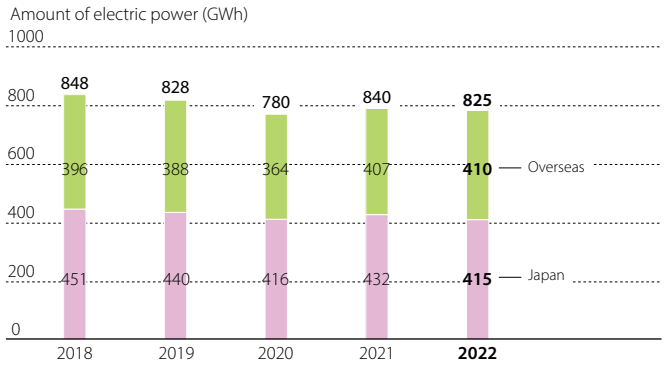
Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas



Breakdown of Energy Use during Manufacturing / Overseas

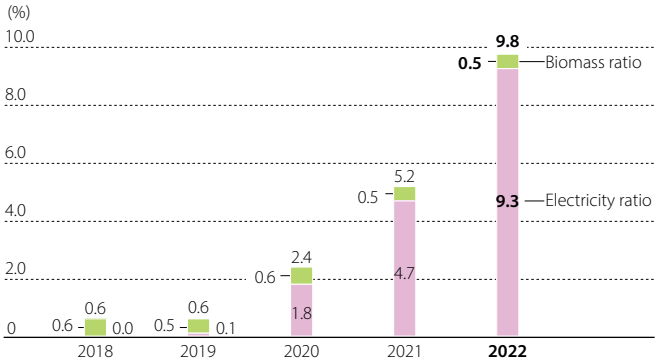


Electricity Consumption in Japan and Overseas



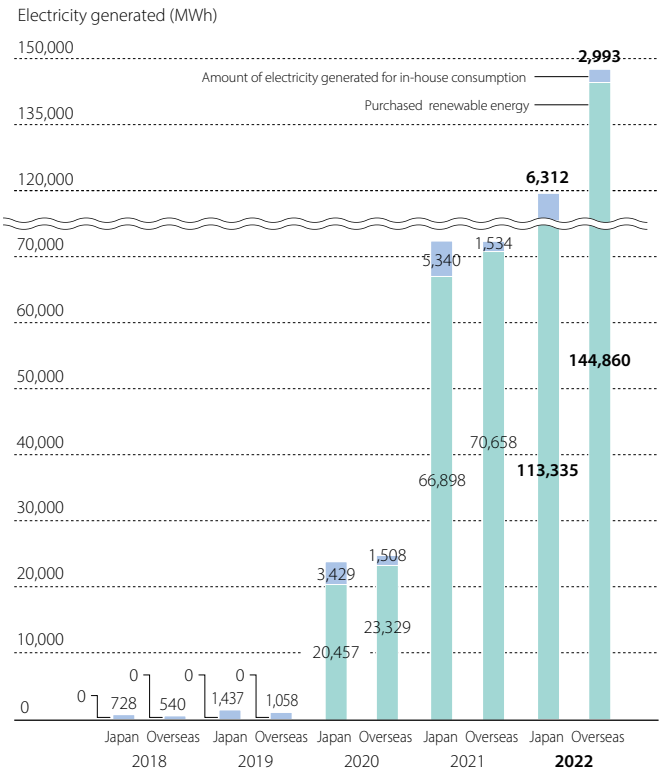
Note: Some past figures have been revised due to improvements in precision.

Ratio of Renewable Energy to Total Energy Consumption / Electricity, Biomass Boilers



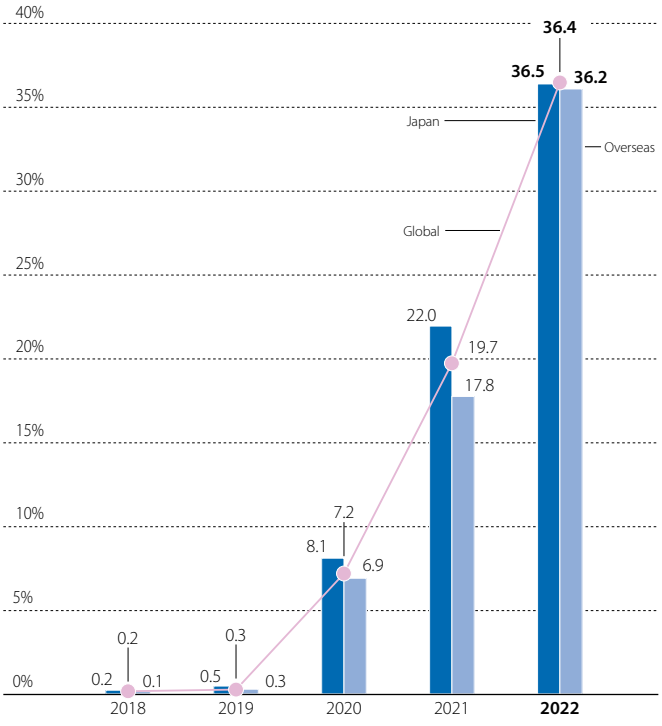
Note: Some past figures have been revised due to improvements in precision.

Energy generated for in-house consumption, amount of purchased electricity derived from renewable energy sources, and Japan and overseas
*excluding co-generation



Note: Some past figures have been revised due to improvements in precision.

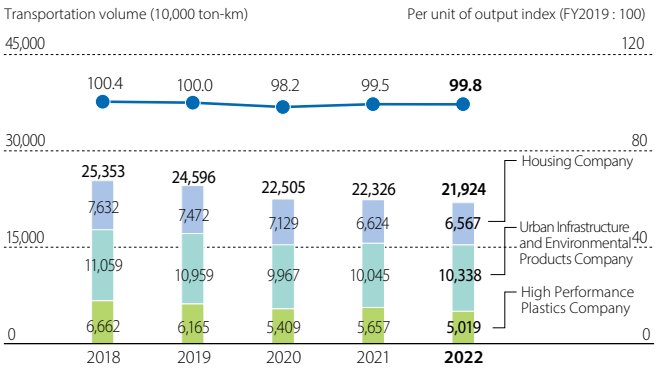
Ratio of electricity derived from renewable energy sources / Japan and overseas
*excluding co-generation



Note: Some past figures have been revised due to improvements in precision.

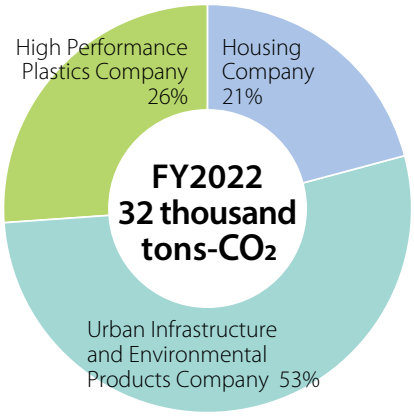
Indicator	Calculation Method
Greenhouse Gas Emissions	GHG emissions = ∑[fuel use, purchased electricity, purchased steam × CO_2 emissions coefficient] + greenhouse gas emissions from non-energy consumption sources Greenhouse gas emissions from non-energy consumption sources = CO_2 emissions not arising from energy consumption* + ∑[emissions of non-CO_2 greenhouse gases × global warming potential] *Includes CO_2 emissions from burning of non-fuel gases based on local laws related to countermeasures on global warming, both inside Japan and overseas [CO_2 Emissions Coefficient] Purchased Electricity: In Japan, the coefficient provided in notices pursuant to the Act on Promotion of Global Warming Countermeasures is applied to the latest data at the start of each fiscal year. In case the purchased electricity for which the emission factors are set for each menu, the adjusted emission coefficient applies. For overseas data, the latest coefficient data obtained from local power suppliers as of the beginning of each fiscal year is applied. When unavailable, data from the GHG Protocol and EPA eGRID 2019 were used. City Gas / Natural Gas and Purchased Steam: Coefficients obtained from suppliers are applied to the latest data at the start of each fiscal year. If a coefficient cannot be obtained in this manner, it is based on local laws related to countermeasures on global warming. Fuel Other than the Above: Based on local laws related to countermeasures on global warming. Global warming potential: Emissions coefficients determined based on greenhouse gas emission calculations, reports, and official disclosures. Fuels that corresponds to energy sources is calculated based on local laws related to countermeasures on global warming both in Japan and overseas.
Energy Use	Energy use = ∑[amount of fuel used, amount of electricity purchased, amount of solar power generation for in-house use, and amount of steam purchased x unit calorific value] [Unit Calorific Value] Purchased Electricity: 3.60 MJ/kWh (Amount of solar power generation for in-house use and amount of purchased electric power from renewable energy sources are included in the energy use) Fuel, Purchased Steam: Based on the Act on the Rational Use of Energy

Transportation Volumes and Energy per Unit of Transportation (Index) / Japan



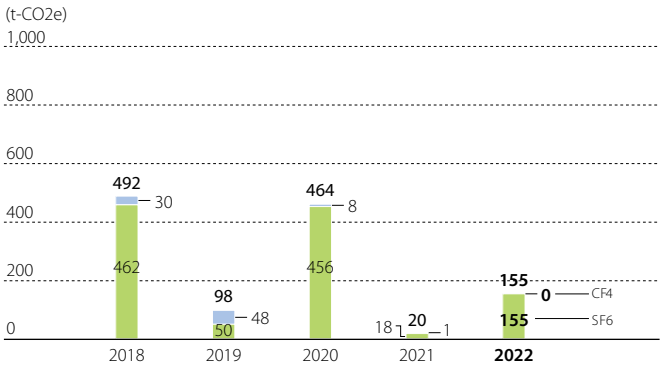
* Energy consumption per unit of transportation volume

CO_2 Emissions during the Transportation Stage / Japan



Indicator	Calculation Method
CO_2 Emissions during the Transportation Stage	The calculation is made by combining the fuel consumption method (transport of housing units, etc.) and the improved ton-kilometer method (other than transport of housing units, etc.) CO_2 emissions = Σ[fuel use × CO_2 emissions coefficient] + Σ[amount transported (metric tons) × distance transported (km) × fuel use per unit of transportation × CO_2 emissions coefficient] Fuel use per unit of transportation is the value used in the reporting system for specified freight carriers under the Act on the Rational Use of Energy Major domestic distribution (shipment of products) is covered

Emissions of Non-CO_2 Greenhouse Gases (Global Production, Laboratories)



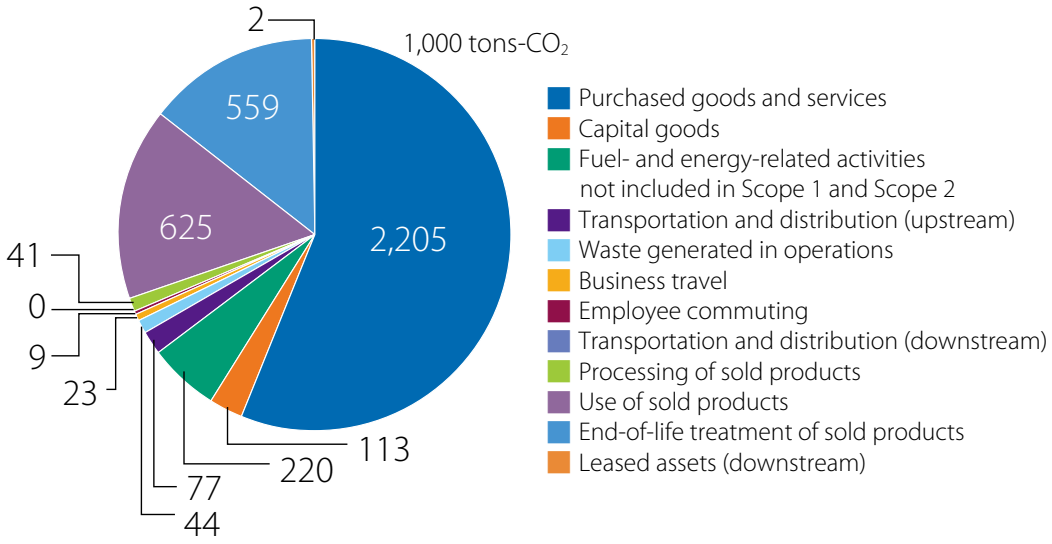
Greenhouse Gas Emissions throughout Our Supply Chain (SCOPE 3)

Estimated emissions (1,000 tons-CO_2)

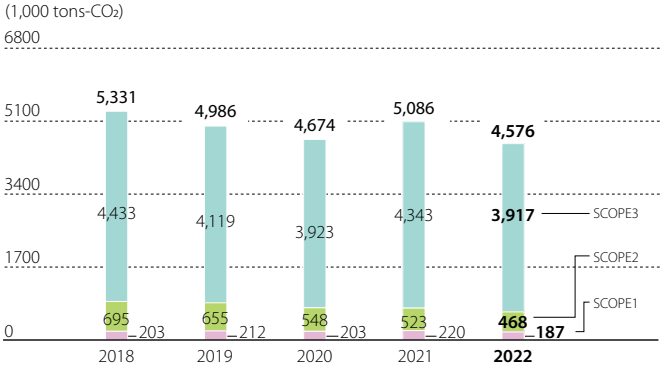
Category		FY2018	FY2019	FY2020	FY2021	FY2022
Upstream	Purchased goods and services	2,457	2,352	2,282	2,445	2,205
	Capital goods	123	96	80	74	113
	Fuel-and energy related activities not included in Scope 1 and Scope 2	129	127	198	226	220
	Transportation and Distribution (Upstream) (Transportation of major raw materials)	97	95	86	93	77
	Waste generated in operations	44	44	37	41	44
	Business travel	27	24	7	6	23
	Employee commuting	6	6	5	4	9
Downstream	Transportation and Distribution (Downstream) (Transportation of products)	0	0	0	0	0
	Processing of sold products	48	45	39	41	41
	Use of sold products	940	772	708	810	625
	End-of-life treatment of sold products	560	558	481	601	559
	Leased assets (downstream)	1	2	1	1	2
Total(upstream / downstream)		4,433	4,119	3,923	4,343	3,917

Note 1: Past figures have been retroactively revised due to the change in collation classification. (Past emissions from transportation and distribution (downstream) were added to transportation and distribution (upstream))

Note 2: 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.



Greenhouse Gas Emissions throughout Our Supply Chain as a Whole (Classified by SCOPE)



Note 1: 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.

Note 2: Some past figures have been revised due to improvements in precision.

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Our Supply Chain	Purchased Goods and Services	CO_2 emissions = ∑[(amount of major raw materials used (excluding substances subject to regulation by the PRTR Law) as listed in Material Balance section of this report + estimated values for other raw materials) × emission coefficient (Inventory Database for Environmental Analysis (IDEA) Ver.3.1 (the world's largest GHG emissions database developed by the National Institute of Advanced Industrial Science and Technology (IDEA v.3.1))] Up to and including fiscal 2017, the Group gained an understanding of environmental impact, including the volume of greenhouse gases emitted, by making calculations using MiLCA, the database furnished by the Japan Environmental Management Association for Industry. However, from fiscal 2018, the Group is reflecting the actual emissions of its raw material suppliers with regard to four principal resins (PP, PE, PVC and PVA).
	Capital Goods	CO_2 emissions = ∑[(amount of spending on capital expenditures authorized for the given fiscal year for buildings, structures, mechanical equipment, and transport vehicles) × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.3) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))]
	Fuel- and Energy-related Activities not Included in SCOPE 1 and SCOPE 2	CO_2 emissions = ∑[(fuel use, amount of purchased electricity, and amount of purchased steam) × emissions coefficient] The emissions coefficients used are as follows. For fuel IDEA v.3.1 For purchased electricity and steam, per unit emission database for calculating greenhouse gas emissions by organizations, etc., arising from supply chains (Ver. 3.3) (Ministry of the Environment and Ministry of the Economy, Trade and Industry). Applicable to production sites, laboratories, and offices both inside Japan and overseas.
	Transportation and Distribution (Upstream) (Transportation of major raw materials)	CO_2 emissions = ∑[amount of major raw materials used (excluding substances subject to regulation by the PRTR Law) as listed in the Material Balance section of this report × transport distance × emission coefficient (IDEA v.3.1)] (Calculated assuming that the transport distance was uniformly 200 km)
	Transportation and Distribution (Downstream) (Transportation of products)	The calculation is made by combining the fuel consumption method (transport of housing units, etc.) and the improved ton-kilometer method (other than transport of housing unit, etc.) CO_2 emissions = ∑[fuel use × CO_2 emissions coefficient] + ∑[amount transported (metric tons) × distance transported (km) × fuel use per unit of output × CO_2 emissions coefficient (value used in the reporting system for specified freight carriers under the Act on the Rational Use of Energy)] (Estimates used for overseas) Covers shipments of products by Group companies in Japan and overseas.

Indicator	Calculation Method	
	Waste Generated in Operations	CO_2 emissions = ∑[amount of waste materials generated (by type) × emission coefficient (IDEA v.3.1)] Scope: Major production sites and research facilities in Japan and overseas.
	Business Travel	CO_2 emissions = ∑[transportation costs by method of transport × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.3) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))] (Includes estimates of transportation costs for group companies) Group companies in Japan and overseas all covered.
Greenhouse Gas Emissions throughout Our Supply Chain	Employee Commuting	CO_2 emissions = ∑[amount spent on commuting allowance × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.3) (Ministry of the Environment and Ministry of the Economy, Trade and Industry)] (Calculated based on the assumption that all commuting is done by passenger train) (Group company commuting costs include estimates) Group companies in Japan and overseas all covered.
	Processing of Sold Products	CO_2 emissions = ∑[production volume of relevant products × emission coefficient at the time of processing the relevant products (IDEA v.3.1)] Covers products for the automotive industry by Group companies in Japan and overseas.
	Use of Sold Products	CO_2 emissions = ∑[number of structures sold as housing during the relevant fiscal year × amount of electricity purchased from power companies throughout a year × 60 years × electricity-based emissions coefficient], including the effect of the solar power generation system. The amount of electricity purchased from power companies throughout a year is based on the Electricity Income and Expenditure Home Survey of Houses with Built-In Solar Power Generation Systems (2018). The electricity-based emissions coefficient employed is the emissions coefficient from the fiscal 2022 report produced by the Act on Promotion of Global Warming Countermeasures reporting system (alternate value), equal to 0.453 metric tons-CO_2 /MWh. The calculation is performed under the assumption that housing will be used for 60 years. Housing sold within Japan for the fiscal year relevant to the calculation is covered. Up to and including fiscal 2017, the Group calculated the amount of greenhouse gas reduction achieved through solar power generation as the amount of reduced environmental impact. From fiscal 2018, however, we are also calculating the effect of reduction in energy used in residences built to zero energy house (ZEH) specifications.

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Our Supply Chain	End-of-life Treatment of Sold Products	CO_2 emissions = ∑[amount of major raw materials used in the products sold during the relevant fiscal year × emission coefficient (IDEA v.3.1)] The calculation assumes that products sold during a given fiscal year are disposed of during the same fiscal year.
	Leased Assets (Downstream)	Calculated for construction work carried out using machinery leased by SEKISUI CHEMICAL. CO_2 emissions = ∑[relevant installation units × fuel usage per unit x CO_2 emissions coefficient (emissions coefficient determined based on a system of greenhouse gas emission calculations, reports, and official disclosures)]

Realizing Resource Recycling

Basic Concept

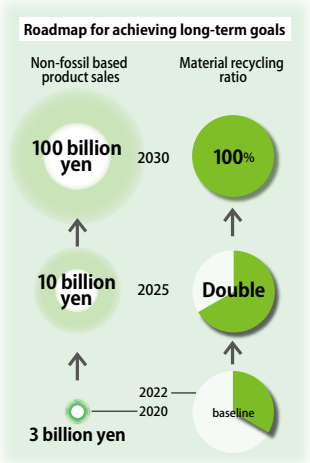
Working to realize a circular economy and establish a resource recycling system

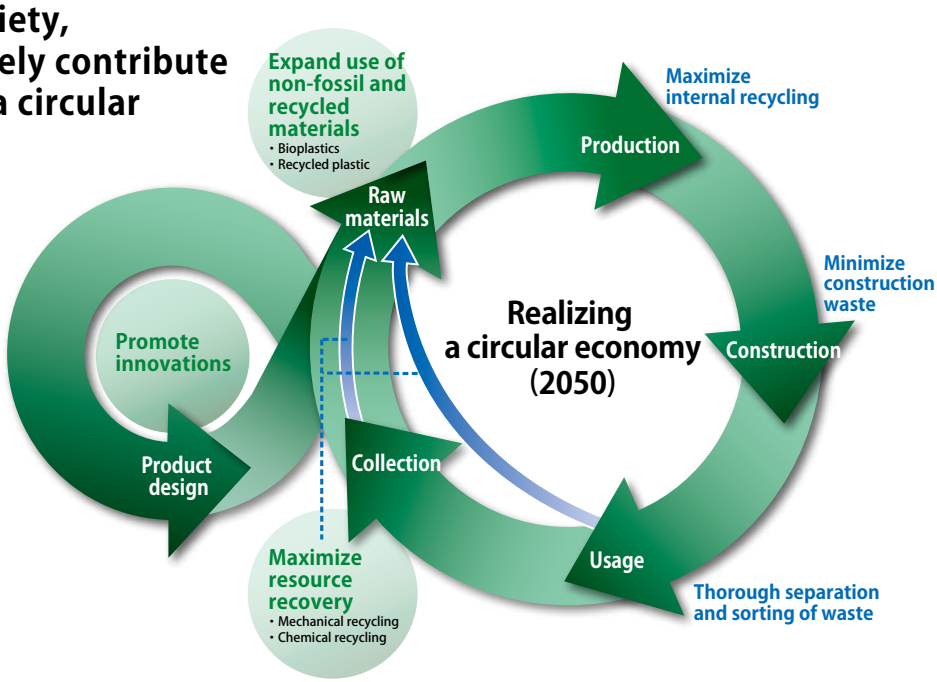
SEKISUI CHEMICAL Group aims to realize a circular economy and a sustainable society in 2050. To achieve this long-term goal, we established a resource recycling policy and strategy in fiscal 2020.
In partnership with our supply chain, we minimize the consumption of virgin raw materials derived from fossil fuels. In addition, we are promoting recycling of resources through material circulation, aiming for a circular economy throughout our businesses. In order to achieve, we are intensifying our initiatives related to the following three points as our Group policy.

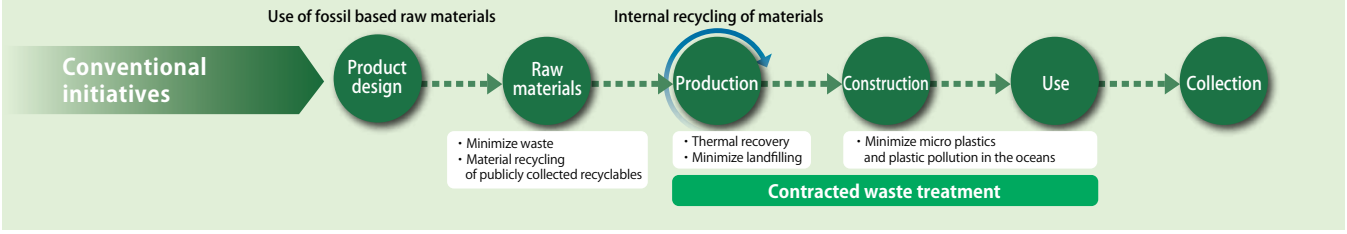
Group Policy

(1) Promote innovations that contribute to resource recycling
(2) Expand the use of non-fossil fuel-based materials and recycled materials in our business operations
(3) Maximize resource recovery during the entire product life cycle

For a sustainable society, SEKISUI will extensively contribute to the realization of a circular economy.







Promoting Efforts Based on the Resource Recycling Policy

For Vision 2030, SEKISUI CHEMICAL Group will strategically expand its businesses in four domains and double sales volume through solving social issues, aiming to achieve a sustainable society and corporate growth. In these business domains, we believe plastics will continue to be an important material. Up until now, in the production process, we have continually made efforts year after year to reduce the amount of waste generated, using waste per unit of production as an indicator for these efforts. In addition, we have carried out for example internal recycling to reuse wood scraps and other waste materials generated and implemented processing for reuse of resources including energy when disposing of materials as waste.

Under our resource recycling policy released in fiscal 2021, we will expand the ratio of plastic materials we use comprised of biomass plastics and other recycled materials which are not derived from fossil fuels. Regarding our production processes, we will promote internal recycling more than ever before, intensifying initiatives to minimize the waste products emitted from our construction projects. In addition, in both the use and recovery stages, we will work on our product design and supply chain to ensure products can be disposed of with thorough sorting and separation. In this way, we will promote initiatives to maximize reuse of material resources through mechanical recycle, chemical recycle, and other recycling methods. Based on the results achieved ahead of schedule through initiatives undertaken up to fiscal 2022, we have reviewed and reset milestones for fiscal 2025. From fiscal 2023, we will accelerate our efforts to achieve the revised milestones.

Within these life cycles, we believe that innovation at the product design stage is important for driving the promotion of resource circulation. By designing new products and revising the various processes for existing products, we are promoting initiatives for innovation that will accelerate resource circulation.

Road Map for Long-term Goal Achievement

		2020～2022	By 2025	By 2030
Business strategy	Net sales of products to enhance sustainability that contribute to resource circulation (Base year: 2020)	1.1 times	1.7 times	2 times or more
Raw material resource conversion	Net sales of products not derived from fossil fuels and using recycled materials	3 billion yen	40 billion yen	100 billion yen
Recycling waste products	Rates for recycling waste plastic into new materials	Analyze current conditions and set baselines	2 times	100%

Addressing Plastic Waste Issues

In recent years, plastic waste as typified by marine plastic waste has emerged as a significant environmental issue. The Group does not engage in the manufacture and sale of primary microplastics where use presupposes dissolution. However, we do recognize that plastic processed products and plastic materials contained in products that are used or discarded after use of the sold products may deteriorate in the natural environment and become microscopic if not properly treated.

1. Employee education
   In both the products we produce and our manufacturing processes, we must correctly recognize these issues, and develop human resources with considerable ability to contribute to solving social issues. To this end, we engage in employee education while promoting environmental and social contribution activities.

2. Contributing to the transformation of society
   To ensure the proper use of plastic, SEKISUI CHEMICAL Group recognizes the importance of building social systems while promoting a shift in the awareness of each individual employee and undertaking education and training. The Group is therefore engaged in various collaborations between industry, government, and academia.
   For example, in regard to the issue of marine plastics, SEKISUI CHEMICAL Group participates in the Clean Ocean Materials Alliance (CLOMA), a collaboration initiative between companies organized by the Ministry of Economy, Trade and Industry. For a fundamental solution, we are working on the common issues necessary for the social implementation of resource recycling schemes with the aim of realizing a circular economy.

3. Creating and expanding the use of products, technologies, and services that contribute to the realization of a recycling-based society and a circular economy
   SEKISUI CHEMICAL Group has developed a technology to convert combustible waste into gas and then convert that gas to ethanol, which is the raw material for plastics, by means of a microbial catalyst. Currently, a one-tenth commercial scale (processing capacity of approximately 20 tons/day) demonstration plant has been constructed in Kuji City, Iwate Prefecture, and has been in operation since this spring, for practical application of the technology in the future.

4. Promotion of recycling back into materials
   With regard to the waste generated by its production businesses, SEKISUI CHEMICAL Group has been exchanging manifests with waste contractors, and disposal has been undertaken in a proper manner. Going forward, we will continue to endeavor to improve the rate of recycling back into materials after having undertaken proper treatment.

Targets

Resource circulation

Aim: Promotion of resource reuse

Indicator 1. Waste generated per unit of production

Current Medium-term Management Plan (2020-2022) Targets
Waste generated per unit of production -1% over a 3-year period Fiscal 2022 Result -1.7% (compared with fiscal 2019)
Next Medium-term Management Plan (2023-2025) Target
Waste generated per unit of production -3% (compared with fiscal 2022)
FY2030 Target —
FY2050 Target Achieve a circular economy

Indicator 2. Recycling rate for waste plastic materials

Next Medium-term Management Plan (2023-2025) Target Japan 65% Overseas Baseline + 5% in fiscal 2023
Fiscal 2030 Target 100%

Indicator 3. Copier paper use per unit of production

Current Medium-term Management Plan (2020-2022) Target -3% Fiscal 2022 Result -39% (compared with fiscal 2019)
Next Medium-term Management Plan (2023-2025) Target -3% (compared with fiscal 2022)
FY2030 Target —
FY2050 Target Achieve a circular economy

Indicator 4. Amount of waste generated per building at new housing construction sites

Current Medium-term Management Plan (2020-2022) Target -6% Fiscal 2022 Result -8.9% (compared with fiscal 2019)
Next Medium-term Management Plan (2023-2025) Target -12% (compared with fiscal 2022)
FY2030 Target —
FY2050 Target Achieve a circular economy

System

For a diagram of the Environmental Management Promotion System see p. 126.

Major Initiatives

Waste plastic initiatives

Promoting Material Recycling

SEKISUI CHEMICAL Group revised our definition of material recycling and has worked to identify the current situation under this new definition.
Our first step has been to maximize use of material recycling through existing technologies. Along with advancing a shift to reuse for our own raw materials, we are selecting approaches to disposal that prioritize material recycling.
In regard to waste that is difficult to manage using material recycling, we are working to establish new disposal methods.

Promoting Packaging Material Reductions

SEKISUI CHEMICAL Group has long engaged in efforts to reduce packaging materials, introduce reusable boxes*, and eliminate packaging materials wherever possible, among other initiatives.
Our proactive efforts to reduce packaging since the early 2000s have enabled us to achieve significant results. We will continue these efforts in the future, taking further steps to reduce packaging waste.

* Boxes that can be used multiple times to ship materials, parts, and products between locations.

Promoting Construction Material Recycling

The housing industry is engaged in the efficient use and recycling of construction materials throughout. As a member of this industry, SEKISUI CHEMICAL Group is reducing the amount of construction waste produced when building houses and promoting recycling.

Converting External Wall Panel Scrap into Raw Materials for Products

Sekisui Board Co., Ltd. Gunma and Mizukuchi business sites, which produce Sekisui Heim external wall panels, generate scrap during their production processes. Along with making efforts to reduce the scraps produced whenever possible, these sites are moving forward with in-house material recycling for any scraps that are ultimately generated. Specifically, the scraps generated during the production of products from the completed external walls are crushed and sorted, after which the extracted wood chips and cement are used as recycled raw materials.

Contribution to Resource Recycling through Business

Without realizing a circular economy in 2050, there can be no decarbonized society. Based on its resource recycling strategy and roadmap, SEKISUI CHEMICAL Group is shifting to the use of non-fossil fuel sourced, recyclable, and related materials with respect to its plastic materials while reviewing its product design to facilitate recycling parts in a manner that contributes to the resource recycling of existing products. In doing so, we are promoting the creation and market expansion of Products to Enhance Sustainability in a bid to accelerate our contribution through our businesses.

[Examples of Products That Contribute to Resource Recycling]

<Housing> Remodeling menus to extend the life of products and services when reusing homes
Examples) Be-Heim, a service that allows a customer to pass on a home to another customer and continue to live in it with peace of mind.

<Building & Civil Engineering> Products that use recycled plastic as a raw material
Examples) Products that enable the temporary storage of rainwater during periods of torrential rain (rainwater storage material Cross-Wave)
Pipes with foamed cores made from recycled materials (3-layer pipe)

<Mobility> Buy-back system to take back edge trim from customers for reuse as raw materials (SEKISUI KYDEX product)

[Initiatives Undertaken in Collaboration with Other Companies] Initiatives for the social implementation of BR technologies
We recognize the need to collaborate with companies and organizations that are active across each of the life cycle processes in order to realize product resource recycling.
SEKISUI CHEMICAL Group has rolled out a technology that converts combustible waste into ethanol using a microbial catalyst and gas fermentation process jointly developed with U.S.-based venture company LanzaTech, Inc. In order to validate the viability and commercial application of this chemical recycling technology, which is essential to resource recycling, SEKISUI CHEMICAL Co., Ltd, INCJ, Ltd., and SEKISUI BIO REFINERY Co., Ltd. completed construction of a demonstration plant approximately 1/10th the size of a commercial plant in Kuji City, Iwate Prefecture in April 2022. Plans are in place for the ethanol produced at the plant to be recycled as a raw material for plastics in collaboration with Sumitomo Chemical Co., Ltd. which is already underway.

Initiative Collaboration

As far as the issue of climate change is concerned, we are collaborating with various entities, including other companies and organizations in a bid to achieve our long-term goals. Through collaboration, we will be able to expand our contributions and better help find solutions, raising the potential to achieve milestones ahead of schedule. SEKISUI CHEMICAL Group participates and registers with initiatives, forums, and other organizations after confirming that such key parameters as their founding principles, direction of efforts, and goals are consistent with the Group. Our continued participation is determined on an annual basis to ensure that there are no discrepancies in the direction in which we are heading. In the event that the direction differs, steps will be taken to withdraw from the initiative, forum, or other organization.

CLOMA (Japan Clean Ocean Material Alliance)

Organizer	Ministry of Economy, Trade and Industry, Ministry of the Environment, and Ministry of Agriculture, Forestry and Fisheries
Significance/objectives	To solve the issue of marine plastic waste, which is a global environmental issue
Activities	Aiming for the more sustainable use of plastic products, and the development, introduction and popularization of innovative substitutes that will lead to a reduction of plastic waste
Our Company's role	The Company holds the chairmanship of Working Group 3 (WG3), one of five key action working groups that promote activities aimed at plastic recycling through corporate collaboration. As such, the working group has as its themes the technological establishment and social implementation of chemical recycling as well as the promotion of activities to select and clear issues in the promotion of related companies

Japan Partnership for Circular Economy (J4CE)

Organizer	Ministry of the Environment, Ministry of Economy, Trade and Industry and Keidanren (Japan Business Federation)
Significance/objectives	Aiming to further foster understanding and promote efforts by a wide range of parties responsible, including domestic companies, as the trend toward a circular economy accelerates on a worldwide basis.
Activities	Introduction of case studies through case study brochures, dissemination of information for the general public, and support for inter-company collaboration
Our Company's role	To accelerate the creation of new circulation businesses and social implementation by disseminating case studies and providing feedback on in-house technologies and measures by assessing the latest information

J-CEP (Japan Circular Economy Partnership)

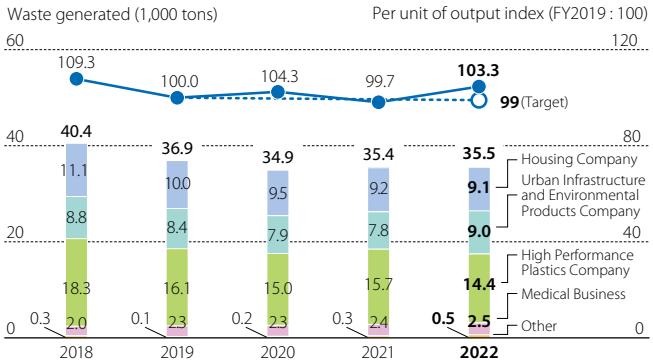
Significance/objectives	Regarding everything as a resource, creating a society around things, information and feelings by relationship design.
Activities	Engage in 1) The optimal circulation of resources in Japan, and 2) The creation of businesses that contribute to the realization of the sustainable society
Our Company's role	To contribute to the realization of a circular economy by disseminating case studies and providing technical cooperation as a member of a consortium of companies

Performance Data ☑

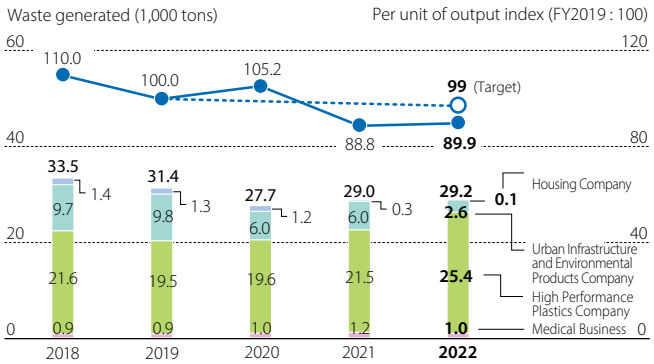
Waste Generated by Production Sites

Note 1: Some past figures have been revised due to improvements in calculation precision.
Note 2: From fiscal 2019, Medical Business results have been collated separately following its independence from the HPP Company and the presentation of Headquarters results reclassified as Other.
Note 3: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data of both companies for fiscal 2022 is collated as if the change in control had been initiated from the beginning of fiscal 2022.

Waste Generated by Production Sites, per Unit of Production (Index) / Japan



Waste Generated by Production Sites, per Unit of Production (Index) / Overseas



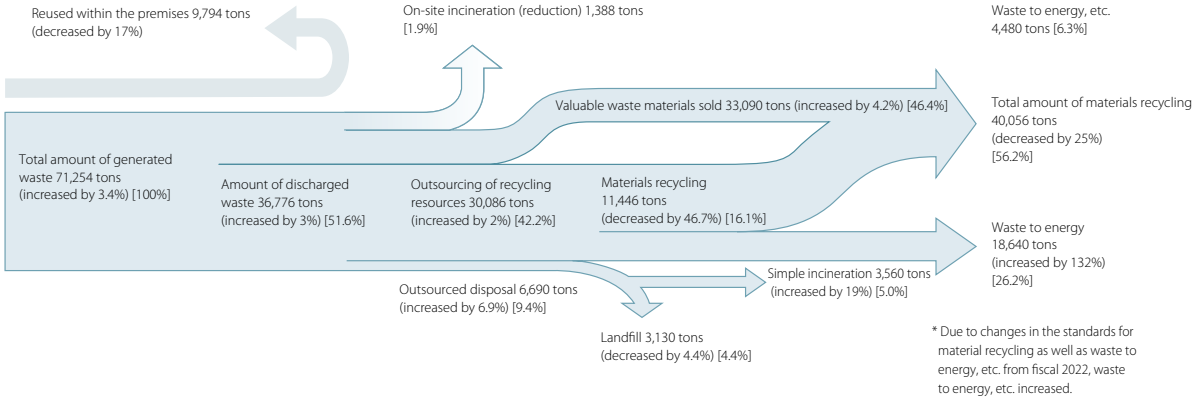
Note: Amount of waste generated: Only focusing on waste responsible by the production site is considered.
Prototypes and inventory disposal due to the responsibility of the Divisional Companies are not included.

Production Site Waste Generation and Disposal / Japan and Overseas

(tons)

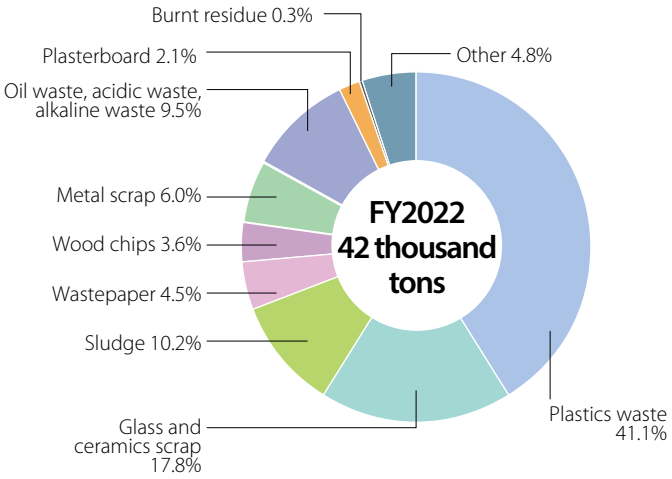
	Total Waste	Recycled Waste	Unrecycled Waste
FY2018	76,249	65,525	10,724
FY2019	70,947	61,928	9,020
FY2020	67,555	58,435	9,120
FY2021	68,939	63,243	5,696
FY2022	71,254	63,176	8,078

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

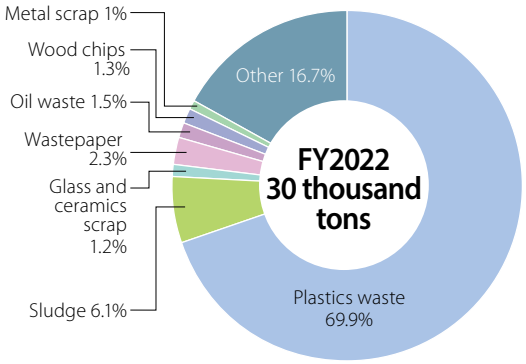


Note: Change over previous year is in ( ) and proportion of total waste generation is in [ ].

Breakdown of Waste Generated at Production Sites / Japan

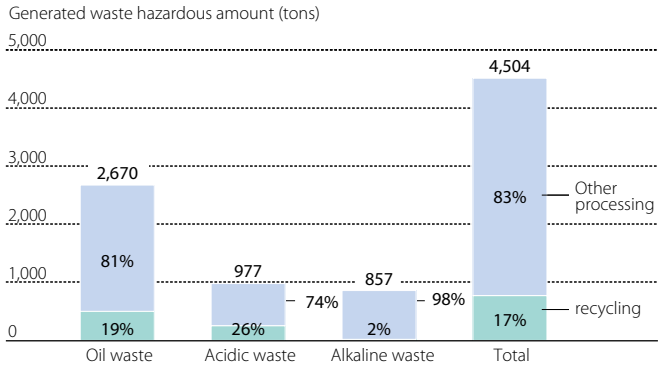


Breakdown of Waste Generated at Production Sites / Overseas



Index	Calculation Method
Generated Waste Amount	Amount of waste generated = Amount of waste collection outsourced + Amount recycled (incinerated waste to energy + recycled back to materials + recyclable waste sold) + Amount incinerated in-house; the items below are excluded: Waste generated by demolition of customers' old houses, remains of construction work at our sites, disposal of machinery, office equipment, etc., medical waste from medical treatment in in-house clinics

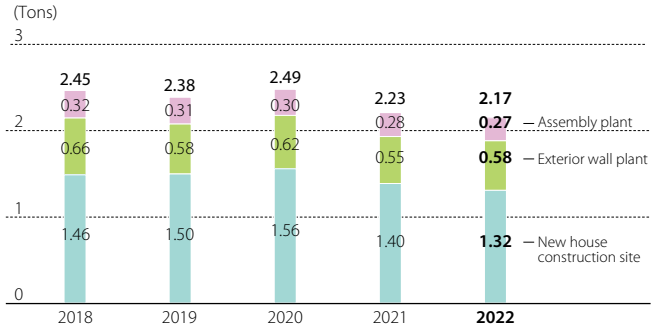
Amount of Hazardous Waste Generated / Recycling rate (Japan and Overseas)
Fiscal 2022



Index	Calculation Method
Amount of Hazardous Waste Generated and Recycling Rate	Recycling rate = Amount of recycled waste / Amount of hazardous waste generated Hazardous substance: Oil waste, acidic waste, alkaline waste Recycling: Material recycling

Waste Generated on Construction Sites of New Housing

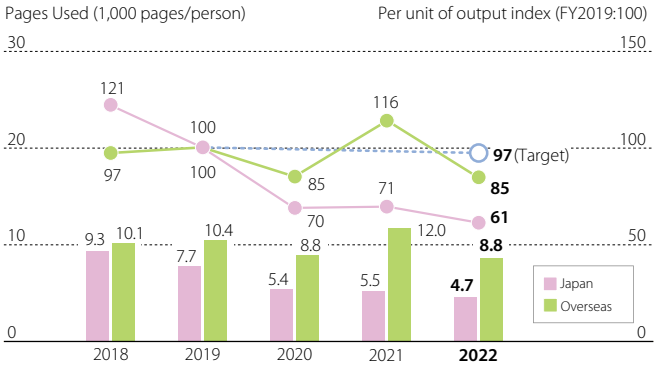
Amount of Waste Generated on Construction Sites of New Housing (per Building) / Japan



Index	Calculation Method
Amount of Waste Generated on Construction Sites of New Housing	Amount of waste generated on construction sites of new housing = Amount of waste generated during construction of outer walls (at factory) + Amount of waste generated during assembly (at factory) + Amount of waste generated at construction site of new housing Amount of waste generated per building during construction of new housing = Total amount of waste generated on construction sites of new housing / Number of new houses sold Scope: Housing business in Japan

Waste Generated in Offices

Amount of Copy Paper Used at Offices per Person (Index)



Note: Some past figures have been revised due to improvements in precision.

Indicator	Calculation Method
Amount of Copy Paper Used at Offices per Unit of Output	Amount of Copy Paper Used at Offices per Unit of Output = Amount of Copy Paper Used at Offices / Office Personnel

Disclosure of the Recycling Status of Waste Plastics in accordance with the Law Concerning the Promotion of Resource Recycling of Plastics.
(Status of Fiscal 2022 Emissions and Recycling)

	Disclosure according to the Act on Promotion of Resource Circulation for Plastics				Recycling as a Management Indicator for SEKISUI CHEMICAL Group (including waste sold as raw materials)			
	Waste emissions (ton)	Rate of recycling	Rate of thermal recycling	Rate of recycling (broad)	Waste emissions (ton)	Rate of recycling	Rate of thermal recycling	Rate of recycling (broad)
Sekisui Chemical Co., Ltd.	4,487	9.5%	83.4%	92.9%	9,995	58.4%	37.5%	95.8%
Hokkaido Sekisui Heim Industry Co., Ltd.	48	0.0%	100.0%	100.0%	48	0.0%	100.0%	100.0%
Tohoku Sekisui Heim Industry Co., Ltd.	21	0.0%	100.0%	100.0%	28	24.4%	75.6%	100.0%
Sekisui Heim Industry Co., Ltd.	358	2.5%	97.5%	100.0%	486	17.0%	83.0%	100.0%
Chushikoku Sekisui Heim Industry Co., Ltd.	80	0.0%	100.0%	100.0%	84	5.4%	94.6%	100.0%
Kyushu Sekisui Heim Industry Co., Ltd.	75	0.0%	100.0%	100.0%	75	0.0%	100.0%	100.0%
Sekisui Board Co., Ltd.	67	0.0%	100.0%	100.0%	67	0.0%	100.0%	100.0%
Higashinihon Sekisui Industry Co., Ltd.	2	0.0%	100.0%	100.0%	10	84.5%	15.5%	100.0%
Nishinihon Sekisui Industry Co., Ltd.	153	0.0%	100.0%	100.0%	157	2.2%	97.8%	100.0%
Sekisui Chemical Hokkaido Co., Ltd.	277	68.1%	31.9%	100.0%	370	76.0%	24.0%	100.0%
Chiba Sekisui Industry Co., Ltd.	128	16.7%	68.9%	85.6%	166	36.0%	52.9%	88.9%
Toto Sekisui Co., Ltd.	284	0.0%	100.0%	100.0%	758	62.5%	37.5%	100.0%
Yamanashi Sekisui Co., Ltd.	115	78.7%	21.3%	100.0%	389	93.7%	6.3%	100.0%
Nara Sekisui Co., Ltd.	247	1.0%	6.8%	7.8%	266	8.0%	6.3%	14.3%
Shikoku Sekisui Co., Ltd.	300	0.0%	95.0%	95.0%	685	56.3%	41.6%	97.8%
Kyushu Sekisui Industry Co., Ltd.	96	65.0%	35.0%	100.0%	840	96.0%	4.0%	100.0%
Sekisui Techno Molding Co., Ltd.	73	3.0%	53.3%	56.3%	469	78.8%	14.5%	93.2%
Sekisui Fuller Company, Ltd.	94	0.0%	75.9%	75.9%	136	30.8%	52.6%	83.3%
SEKISUI MEDICAL CO., LTD.	66	0.0%	98.6%	98.6%	66	0.0%	98.6%	98.6%
Sekisui Nano Coat Technology Co., Ltd.	79	0.0%	96.2%	96.2%	79	0.0%	96.2%	96.2%
Tokuyama Sekisui Industry Co., Ltd.	252	0.0%	55.6%	55.6%	427	41.0%	32.8%	73.8%
Sekisui Polymatech Co., Ltd.	230	0.0%	98.8%	98.8%	230	0.0%	98.8%	98.8%
Sekisui SoflanWiz Co., Ltd.	70	0.0%	83.4%	83.4%	70	0.0%	83.4%	83.4%
Sekisui Seikei, Ltd.	188	15.3%	84.7%	100.0%	1,201	86.7%	13.3%	100.0%
Sekisui LB Tec Co., Ltd.	100	8.9%	0.0%	8.9%	100	8.9%	0.0%	8.9%
Research Laboratory of Plastics Technology Co., Ltd.	7	0.0%	100.0%	100.0%	7	0.0%	100.0%	100.0%
Group Total	7,897	10.7%	78.5%	89.2%	17,208	57.9%	36.5%	94.4%

Note: Rate of recycling: Material recycling and Chemical recycling
Rate of recycling (broad): Material recycling, chemical recycling, and thermal recycling

Reducing Water-related Risks

Basic Concept

Minimizing water-related risks and solving local community and supply chain water issues

We formulated SEKISUI Environment Sustainability Vision 2050 in 2019 in line with the belief that sustainable operations and development of our businesses requires us to maintain a sound environment in the areas in which we conduct our corporate activities. To realize societies with abundant access to clean water in all the areas in which SEKISUI CHEMICAL Group and its supply chains operate, we have established the following two goals in line with our vision.

<Goals>

1. Minimizing water-related risks at SEKISUI CHEMICAL Group
   With the goal of maintaining sustainable operations, SEKISUI CHEMICAL Group will seek to minimize water-related risks. We will also focus on minimizing risks related to water discharged from Group operations in order to better preserve biodiversity.
2. Contributing to the solution of water-related issues in local communities
   We will contribute to solving local water issues through products to enhance sustainability and collaboration with watershed stakeholders, aiming not only to minimize water-related risks but also to return positively to natural capital.

Impact of Water-related Risks on the Supply Chain

Manufacturers of steel materials used in the housing business and manufacturers of synthetic resins used in the plastics business are suppliers of raw materials to SEKISUI CHEMICAL Group that consume large quantities of freshwater during their manufacturing processes. Although we do not directly call on such suppliers to conform to environmental standards, with our Sekisui Environment Sustainability Index we calculate as use of natural capital the environmental impact of the pollutants contained in drainage generated during the manufacturing process of primary materials and monitor it on a continual basis.
We also evaluate the degree of contribution to the environment through the reduction of impact on the water environment in the Group's business activities and the expansion of products and services that contribute to the improvement and maintenance of the water environment as return to natural capital*.
From fiscal 2020, we have continued to gain a better understanding of, for example, the water-related risks in our supply chains involving products and the impact of reducing water-related risks by products on returns to natural capital and social capital.

* For details of the Integrated Sekisui Environment Sustainability Index see p. 119.

Contribution to the Reduction of Water-related Risks Through Business Operations

SEKISUI CHEMICAL Group develops a range of businesses related to water infrastructure, such as supply, storage, and drainage of water, contributing to society, not only through 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, the Cross Wave* rainwater collection system, one of our products being marketed in Japan, India, China, Taiwan, and other ASEAN areas, reduces water-related risks. Cross Wave is used to contribute to measures against chronic water shortages, recycling rainwater for both the greening of urban areas and disaster prevention, and also contribute to minimizing the damage caused by floods.
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 uses water infrastructure piping.

* 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.

Reduction of Water-related Risks at Business Sites with High Water Intake and Discharge Volumes

SEKISUI CHEMICAL Group draws the water it needs to use in its business activities from public water systems, industrial water systems, underground reservoirs, and surrounding rivers.
With the understanding that water is a precious natural resource shared in the community, we do our best to reduce the amount of water used, such as by reusing cooling water.
We have to date established targets and enacted measures for reducing water intake and chemical oxygen demand (COD) of discharged water at each of our production and research facilities. However, based on local water-related risk conditions and the state of water consumption, we will focus on promoting reduction of water use at business locations where the impact on business is particularly large.

Targets

Water-related Risks

Aim: Preservation of water resources

Indicator 1. Water intake volume at production sites which use large quantities of water

Current Medium-term Management Plan (2020-2022) Target -10%
Fiscal 2022 Result -7.8% (compared with fiscal 2016)
Next Medium-term Management Plan (2023-2025) Target -10% (compared with fiscal 2016)
Fiscal 2030 Target —
Fiscal 2050 Target —

Indicator 2. Total COD volume of river discharge water at production sites with large COD emission volumes

Current Medium-term Management Plan (2020-2022) Target -10%
Fiscal 2022 Result -14.3% (compared with fiscal 2016)
Next Medium-term Management Plan (2023-2025) Target -10% (compared with fiscal 2016)
Fiscal 2030 Target —
Fiscal 2050 Target —

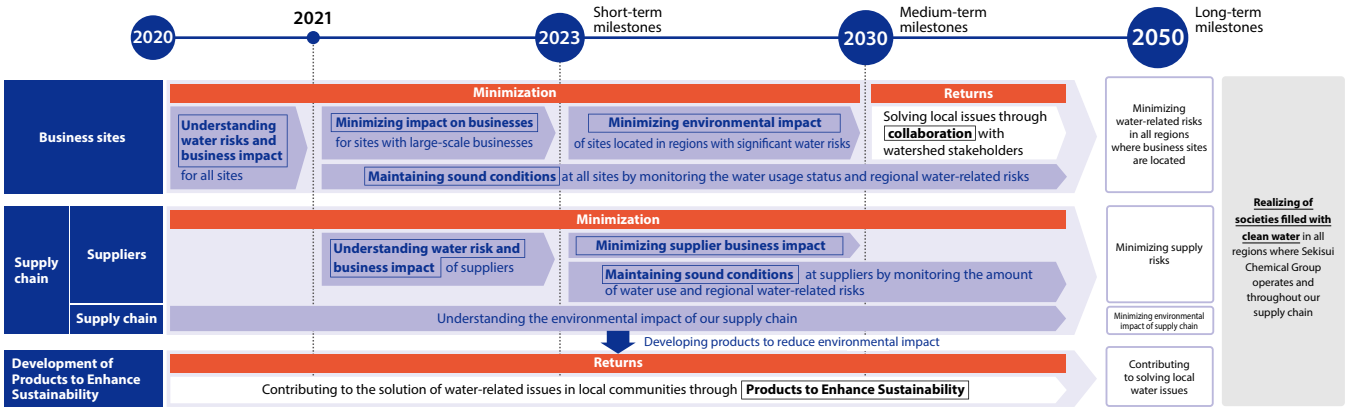
Roadmap to Realize Societies with Abundant Access to Clean Water

SEKISUI CHEMICAL Group has set the goal of realizing societies with abundant access to clean water by 2050, which is the target year of its SEKISUI Environment Sustainability Vision 2050. By backcasting from this goal, we are establishing specific measures and milestones while promoting initiatives.

- We will evaluate local water-related risks and their business impacts and select business sites and suppliers where the business impact is large, and sites where water-related risks are substantial.
- For business sites where the business impact is substantial, we will initiate steps to minimize this impact by 2023 in line with the risks of each site.
- For suppliers where the business impact is substantial, we will minimize risk by 2030, through such factors as a review of suppliers.
- For business sites where water-related risks in the region are substantial, we will minimize environmental impact by 2030.
- We will create monitoring guidelines and oversee all sites for both business and environmental impacts.

In order to accelerate returns to natural capital, including the conservation of water resources, we will work to help solve regional water issues and minimize the environmental impact across the supply chain by continuously promoting the development of products to enhance sustainability.
Moreover, as an initiative being undertaken at business sites around the world, we will work to help solve regional water issues by building a collaborative system with watershed stakeholders from 2030 to 2050.

Roadmap



Assessment of the Impact on Businesses from Water-related Risks

In fiscal 2020, the first year of the roadmap for 2050, we conducted assessments of the likely impact on business from water-related risks at all SEKISUI CHEMICAL Group production sites and research institutes.
The Group had conducted a water risk survey in 2013, however seven years have passed. Since then, some business sites have been newly established or closed, and therefore we conducted the survey again.
The purpose of this survey was to identify water-related issues in the areas in which each business site is located (assessment of external factors) and to identify those sites that exhibit major water-related risks and those that have a significant impact on the environment.
We undertook quantitative assessments of the business impact of water-related risks as well as the impact on the environment of our business activities in a bid to identify the water-related issues of the local area. In doing so, we used assessment results drawn from Aqueduct Water Risk Atlas 3.0, a tool for assessing water-related risks in each region of the world created by the World Resources Institute (WRI), an international environmental NGO, and information on water use obtained from individual business sites through questionnaires.
In undertaking assessments, we followed the criteria recommended in the Guidelines for Setting Water Targets for Companies* issued by the CEO Water Mandate.
In fiscal 2022, we identified initiatives to minimize the impact on business according to the specified water-related risks and set specific quantitative targets at the five domestic and overseas sites that were evaluated as having a large business impact. Moving forward, we will begin implementing these initiatives in fiscal 2023.

* Setting Site Water Targets Informed by Catchment Context: A Guide for Companies

System

For a diagram of the Environmental Management Promotion System see p. 126.

Major Initiatives

Reduction of Water Intake, and Chemical Oxygen Demand (COD) of Discharged Water

In fiscal 2022, water intake at production sites increased by 0.7% compared with results of the base fiscal year 2016 while decreasing by 3.5% compared with the previous year. This reflects the installation of equipment that control the volume of direct water intake from rivers at production sites in Japan that consume large volumes of water and the effects of reduction endeavors.
The COD of water discharged declined by 16% compared with results of the base fiscal year of 2016, and decreased by 15.0% over the previous year. This is due to improvements in wastewater treatment water quality at domestic production sites, which have a high drainage volume.

Examples of capex using the environmental contribution investment incentive program

Base year: Fiscal 2016

	Site	Reduction strategy	Result (Expected)
Reduction in water intake	Shiga-Minakuchi Plant	Introduction of filtration equipment allowing the reuse of recycled wastewater as a coolant. Strengthen management and promoted visualization of water use at the facility.	Reduction of 9%
	Sekisui Medical Co., Ltd. Iwate Plant	10% reduction through automation of industrial water intake adjustment	Reduction of 10%
Reduction in wastewater COD	Sekisui Nano Coat Technology Co., Ltd.	Improve treatment capacity by upgrading wastewater treatment facility	Reduction of 25%

Increase of Water Treatment Capacity at Sekisui Nano Coat Technology Co., Ltd.

At Sekisui Nano Coat Technology Co., Ltd., wastewater with high-concentration COD is discharged from the degluing and refining processes of textile products and, after passing through their in-house wastewater treatment equipment, is discharged into the sea.
In recent years, the amount of wastewater has been decreasing due to changes in business domains. Also, the COD of wastewater has become difficult to eliminate due to changes in the composition of the glue used in raw materials. Accordingly, we have made improvements to optimize the capacity of the wastewater treatment equipment.
Treatment capacity has improved by making the treatment process more compact according to the amount of decrease in wastewater and installing a process in which microorganisms suitable for the treatment of persistently decomposed COD particles are optimized.
In fiscal 2022, COD volume of water discharged decreased by 64% compared with 2016 results.

Sekisui Nano Coat Technology wastewater treatment facility

Water Recycling

SEKISUI CHEMICAL Group promotes the reuse of water in its production processes in order to reduce the amount of water it draws from water sources. At the production plants of the UIEP and HPP companies, large volumes of cooling water are recycled and reused in the manufacturing process. In fiscal 2022, at production sites in Japan and overseas, we used 106 million cubic meters of recycled water. This is equivalent to 5.1 times the total water intake.
In Hasuda City, where the Musashi Plant is located, the wastewater purified at the Musashi Plant in accordance with environmental standards is used as the main water source for Lake Kurohama*, which is designated as a nature conservation area in Saitama Prefecture.

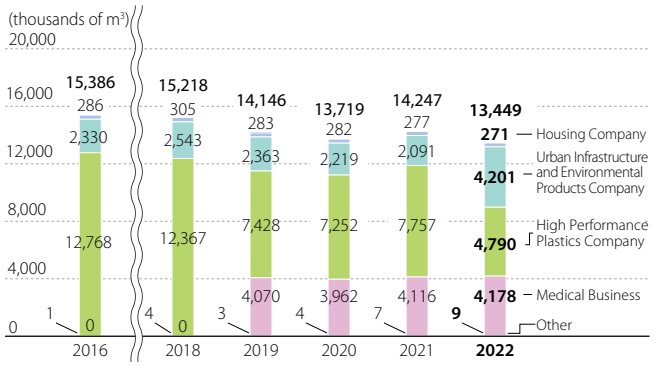
* See the following website for details regarding Kurohama Lake.
https://www.sekisuichemical-foam.com/en/aboutus/ecology/

Performance Data

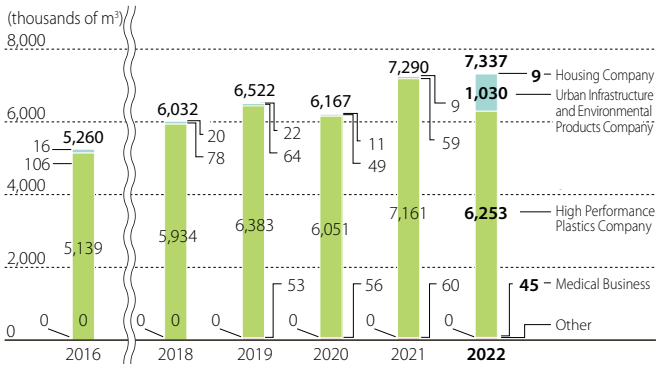
Note 1: From fiscal 2019, Medical Business results have been collated separately following its independence from the HPP Company and the presentation of Headquarters results reclassified as Other.

Note 2: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data of both companies for fiscal 2022 is collated as if the change in control had been initiated from the beginning of fiscal 2022.

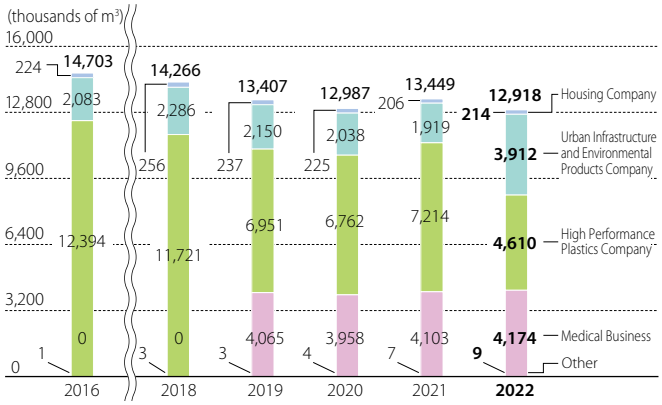
Water Intake Volume at Production Sites / Japan



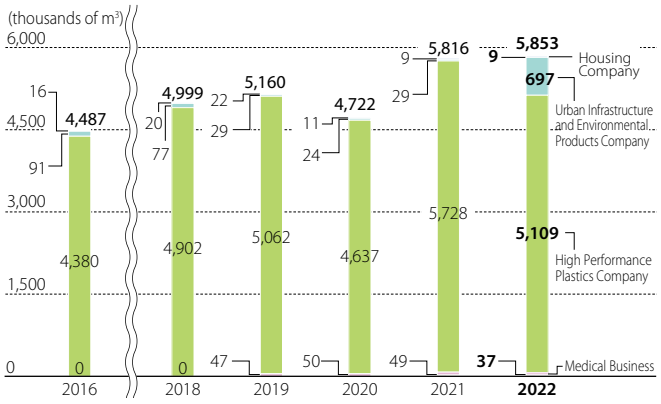
Water Intake Volume at Production Sites / Overseas



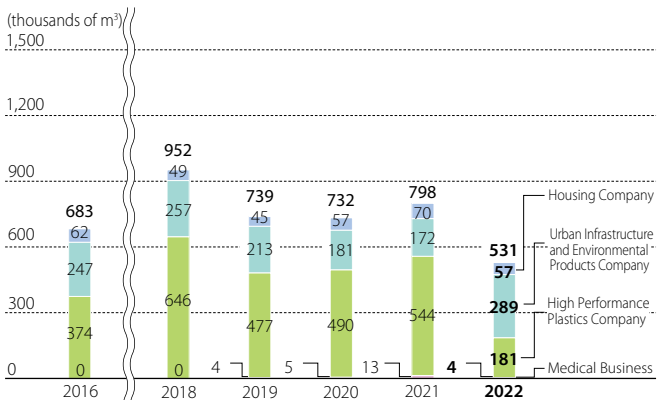
Wastewater Discharge at Production Sites / Japan



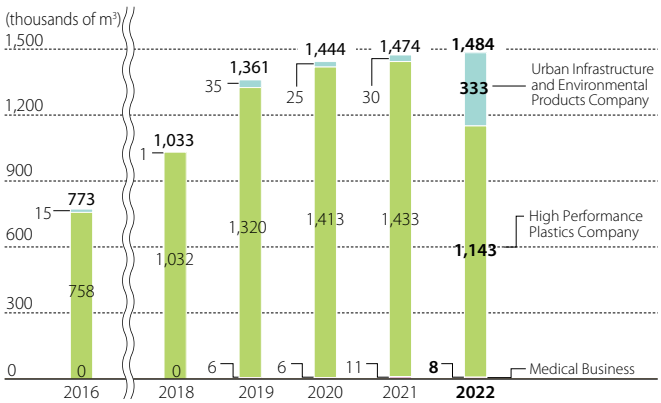
Wastewater Discharge at Production Sites / Overseas



Water Consumption at Production Sites / Japan



Water Consumption at Production Sites / Overseas



Water Intake at Production Sites by Water Source

(thousands of m^3)

Water source	Regions	All regions						Areas in regions with water stress					
		2016	2018	2019	2020	2021	2022	2016	2018	2019	2020	2021	2022
Surface water	Japan	696	197	726	129	185	18	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	1	3	0	0	0	0	1	3	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	696	197	727	131	185	18	0	0	1	3	0	0
Ground water	Japan	2,604	2,632	2,517	2,340	2,238**	2,232	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	103	144	111	121	132	125	25	35	16	22	24	29
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	4	0	0	0	5	21	0	0	0	0	0	0
	Total	2,710	2,776	2,628	2,461	2,375**	2,378	25	35	16	22	24	29
Seawater	Japan	0	0	0	0	0	0	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
Third-party water*	Japan	12,086	12,389	10,903	11,250	11,824**	11,199	0	0	0	0	0	0
	China	273	324	265	247	243	226	236	311	256	241	235	222
	Southeast Asia and Oceania	896	966	1,093	957	1,087	1,168	18	72	80	55	42	79
	Europe	1,943	1,866	1,960	1,674	2,527	2,603	1,857	1,805	1,887	1,606	2,444	2,527
	North and Central America	2,042	2,732	3,092	3,165	3,297	3,194	10	156	141	94	121	132
	Total	17,241	18,278	17,313	17,293	18,977**	18,390	2,121	2,344	2,365	1,996	2,842	2,959
Total volume of water withdrawn	Japan	15,386	15,218	14,146	13,719	14,247	13,449	0	0	0	0	0	0
	China	273	324	265	247	243	226	236	311	256	241	235	222
	Southeast Asia and Oceania	999	1,110	1,204	1,081	1,219	1,292	44	107	97	80	65	107
	Europe	1,943	1,866	1,960	1,674	2,527	2,603	1,857	1,805	1,887	1,606	2,444	2,527
	North and Central America	2,046	2,732	3,092	3,165	3,301	3,216	10	156	141	94	121	132
	Total	20,646	21,250	20,668	19,885	21,537	20,785	2,146	2,379	2,382	2,021	2,866	2,988

* Third-party water: Water withdrawn from local government water suppliers (public water systems, water systems for industrial use)

** Some past figures have been revised due to improvements in precision.

Wastewater Discharge at Production Sites by Discharge Destination

(thousands of m^3)

Discharge destination	Regions	All regions						Areas in regions with water stress					
		2016	2018	2019	2020	2021	2022	2016	2018	2019	2020	2021	2022
Surface water	Japan	11,219	11,353	10,680	10,179	10,623	10,183	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	22	20	43	18	13	22	2	0	22	4	1	8
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	11,241	11,372	10,722	10,197	10,636	10,205	2	0	22	4	1	8
Ground water	Japan	0	0	0	0	0	0	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
Seawater	Japan	2,892	2,277	2,160	2,293	2,205	2,149	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	2,892	2,277	2,160	2,293	2,205	2,149	0	0	0	0	0	0
Third-party water*	Japan	591	636	567	515	622	586	0	0	0	0	0	0
	China	272	308	255	237	233	218	235	296	246	232	226	214
	Southeast Asia and Oceania	679	830	860	790	881	883	26	103	60	54	37	59
	Europe	1,930	1,860	1,944	1,664	2,511	2,592	1,857	1,805	1,875	1,601	2,439	2,521
	North and Central America	1,585	1,981	2,060	2,012	2,177	2,138	9	79	81	62	62	73
	Total	5,057	5,615	5,685	5,219	6,424	6,417	2,127	2,283	2,262	1,949	2,764	2,867
Total Volume of Wastewater	Japan	14,703	14,266	13,407	12,987	13,449	12,918	0	0	0	0	0	0
	China	272	308	255	237	233	218	235	296	246	232	226	214
	Southeast Asia and Oceania	701	850	902	809	895	904	29	103	83	58	38	66
	Europe	1,930	1,860	1,944	1,664	2,511	2,592	1,857	1,805	1,875	1,601	2,439	2,521
	North and Central America	1,585	1,981	2,060	2,012	2,177	2,138	9	79	81	62	62	73
	Total	19,190	19,265	18,567	17,709	19,265	18,770	2,129	2,283	2,285	1,952	2,765	2,874

* Third-party water: Wastewater (sewer systems) discharged to wastewater treatment facilities of local governments, etc.

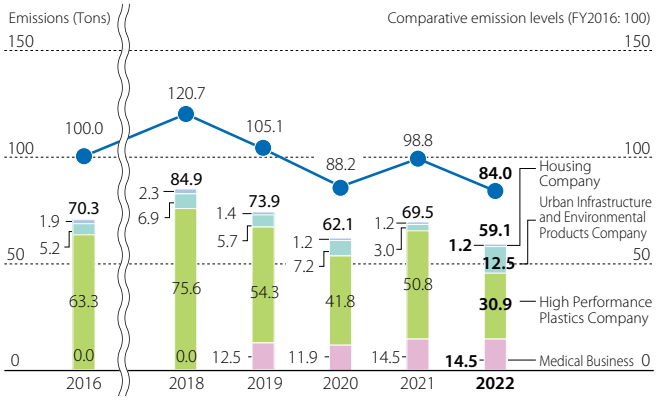
Water Consumption at Production Sites

(thousands of m^3)

Regions	All regions						Areas in regions with water stress					
	2016	2018	2019	2020	2021	2022	2016	2018	2019	2020	2021	2021
Japan	683	952	739	732	798	531	0	0	0	0	0	0
China	1	16	10	10	9	8	1	16	10	10	9	8
Southeast Asia and Oceania	298	260	302	272	324	388	15	4	15	22	27	41
Europe	13	6	17	9	16	11	0	0	13	5	6	6
North and Central America	461	751	1,032	1,153	1,125	1,078	1	77	60	33	59	59
Total	1,456	1,985	2,101	2,176	2,272	2,015	17	97	98	69	101	114

Indicator	Calculation Method
Water intake	Water intake = Total water intake = (The sum of water intake from surface water, ground water, seawater, and third-party water)
Wastewater discharge	Wastewater discharge = Total wastewater discharge = (The sum of wastewater discharged to surface water, ground water, seawater, and third-party wastewater)
Water consumption	Water consumption = Water intake - wastewater discharge
Areas in regions with water stress	Areas where Baseline Water Stress is ranked as High or Extremely High under the WRI Aqueduct™ Water Risk Atlas (Aqueduct 3.0) Evaluation System

COD Discharge / Japan



Indicator	Calculation Method
COD Discharge	Discharge = ∑[COD concentration (annual average of measured values) x Water discharge volume]

Addressing Biodiversity

Basic Concept

Reducing the Impact of Corporate Activities on Biodiversity

Corporate activities of SEKISUI CHEMICAL Group are blessed by the fruits of nature derived from biodiversity, while negatively impacting the ecosystem. Recognizing this, we consider nature as a form of capital that has value, and will therefore realize returns on the impact of use through products and initiatives.

SEKISUI CHEMICAL Group promotes the efficient use of limited resources and energy, and strives to reduce the environmental impact caused by greenhouse gases and harmful chemical substances and prevent pollution. At the same time, we endeavor to enhance functions and services that enable customers who use our products to contribute to conserving biodiversity.

As a guide for behavior based on this stance, we established a set of guidelines* on biodiversity in 2011. In cooperation with various stakeholders, the Group realizes a return to natural capital through both environmentally conscious business activities and actions to preserve the environment undertaken around the world, while at the same time striving to conserve biodiversity in an effort to achieve nature positivity.

* Biodiversity Guidelines

1. Analysis/assessment and reduction of impact
   While analyzing/assessing the impact on our business activities, we will work to reduce any negative impact on ecosystems.

2. Contribution from technologies and products
   While working diligently to develop and supply technologies and products that contribute to the conservation or recovery of biodiversity, we will learn from lean natural circulation and promote manufacturing that utilizes that wisdom.

3. Raising employees' awareness and habitat conservation
   Through the promotion of social contribution activities, such as nature conservation activities, we will raise employees' awareness and make efforts to conserve the habitat of living things.

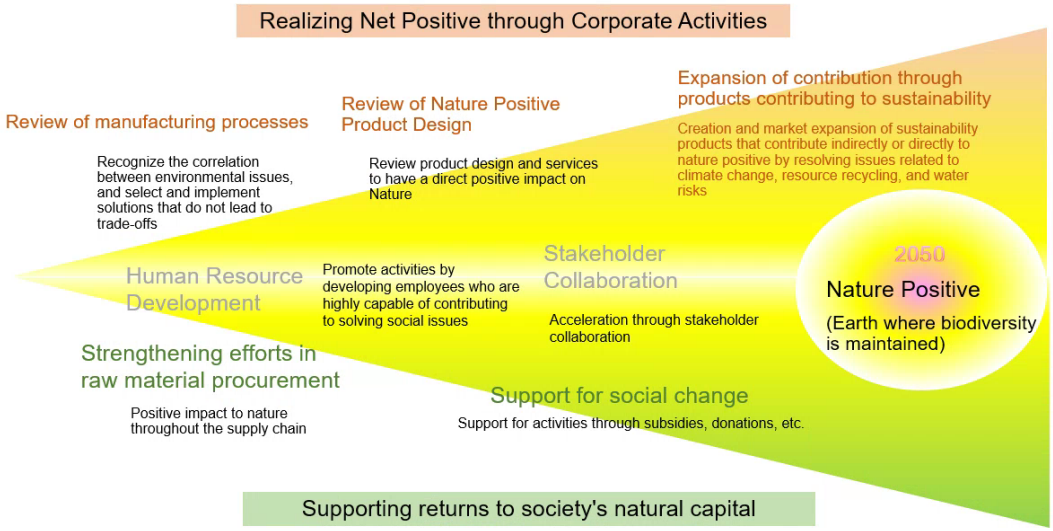
4. Dialogue with stakeholders
   We will work diligently to promote biodiversity conservation by interacting and collaborating with various stakeholders, such as local communities, NGOs, and education/research institutes.

5. Information transmittance and learning/diffusion
   To remain a company that is trusted by and meets the expectations of society, we will disclose our voluntary efforts in biodiversity conservation and their outcomes. At the same time, we will thereby contribute to the enlightenment and the dissemination of a sustainable society.

Toward the Realization of an Earth with Maintained Biodiversity

To contribute to the realization of an earth with maintained biodiversity, SEKISUI CHEMICAL Group engages in activities based on its Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050*1.
As stated in the SDGs, natural environment and social environment issues are interconnected, and in order to solve a single issue, we must remain conscious of multiple issues while working to find solutions.
Looking ahead, we intend to strengthen our partnerships with stakeholders and evolve activities conscious of the need to solve not only issues relating to the natural environment and social environments, but also contribute to realizing a return to social capital as well as natural capital*2, through which we hope to achieve a nature positive earth.
To this end, we have drawn the following grand design of initiatives to be focused on by 2050

Biodiversity Grand Design



Toward achieving nature positivity and an earth with maintained biodiversity
Initiatives for realizing a return to natural capital through corporate activities
- Revise manufacturing processes
- Revise product designs to be nature positive
- Expand our degree of contribution through products to enhance sustainability

Initiatives to help realize a return to natural capital through society
- Enhance initiatives involving raw materials procurement
- Support social transformation

Initiatives to accelerate returns to natural capital as part of corporate activities and society
- Human resources development
- Stakeholder collaboration

We will focus our energies on the above.

*1 For details of the Long-term Environmental Management Vision: SEKISUI Environment Sustainability Vision 2050 see p. 104.
*2 For details of the Integrated Index, Sekisui Environment Sustainability Index see p. 119.

Biodiversity Initiatives to Date and the Future

We envisioned and have promoted the following initiatives to address biodiversity

1. Assessment and reduction of the impact of business activities on biodiversity
   Developing assessment methods and conducting assessments, reducing impact
   Greening of business sites (promoting landscaping and biotope development)
   Promoting biodiversity-conscious purchasing

2. Development and promotion of related technologies and products
   Incorporating biodiversity assessments at the product development stage

3. Raising employees' awareness
   Conducting nature conservation activities at all business sites
   Expanding Sekisui Nature Study Course and nature conservation activities

4. Dialogue and cooperation with external stakeholders
   Supporting innovations inspired by nature, and holding public forums
   Supporting nonprofit and other organizations through Keidanren (Japan Business Federation)

5. Transmittance of information
   Participating in exhibitions
   Educating the next generation (Children's Nature Study Course, school visits)
   Providing information through Sustainability reports, site reports, and the Company's website

Starting with the next Medium-term Management Plan, we will take action by applying an awareness of biodiversity (natural capital) to initiatives intended to solve environmental issues that are already underway. In addition, we will enhance efforts to ascertain current conditions, and if any negative impacts on biodiversity are identified, we will work to mitigate negative items while searching for measures that connect to nature positive outcomes with the aim of increasing the effectiveness of initiatives. For this purpose, as well, we will include additional indicators for efforts to ascertain current conditions.

Biodiversity Initiatives in the Next Medium-term Management Plan

		Recognize impact and dependence	Reduce negative impacts	Increase the positive impact
Achieve net positive through natural capital throughout the product life cycle	Products to Enhance Sustainability	• Understanding current situation and identifying important aspects by analyzing the impact of products on natural capital (LCA method, etc.) Reduction contribution • Raising awareness raising for product registration Rate of return	Consideration of product design and services to reduce negative impact on product life cycle (confirmation at registration and holding study sessions) Management indicators for each issue	Creation and market expansion of products to enhance sustainability that contribute indirectly or directly to nature positive by resolving issues related to climate change, resource recycling, and water risks. Number of registrations Net sales
	Manufacturing Process	• Understand the impact on ecosystems of water use • Grasping the impact of land of production sites by utilizing the "Land Use Score Card" (expanding target areas) Area and number of business sites	• Considering solutions that do not involve trade-offs in order to solve each environmental issue • Reduction of water risk in river basins at production sites • Promoting the use of chemical substances with only small impact on the ecosystem and suppressing the release of chemical substances • Promotion of resource recycling for plastic products	• Expanding the positive impact of green space on the premises by utilizing the results of the Land Use Score Card Points
	Human Resource Development	Improve ability to contribute to solving social issues through educational and SDGs contribution activities Awareness to SDGs No.14 and No.15 Level of ability to contribute to solving social issues, number of human resources		
Supporting Net Positive in Social	Procurement of Raw Materials	• Understanding raw material risks through CSR/timber procurement questionnaires in procurement Risk score	Strengthen sustainable procurement (focus on certification + due diligence). Especially for timber, traceability needs to be understood and sustainable procurement is pursued.	-
	Social Transformation	-	-	• Continuing research grants (manufacturing that learns from nature) Cumulative number of grants Area, CO2 fixation, job creation value, etc. • Mangrove planting in Thailand • Corporate collaboration activities supported by 30by30

: Examples of indices to measure

Targets

Ecosystem

JBIB Land Use Score Card® Evaluation Points

Current Medium-term Management Plan (2020-2022) Targets +3 points over a 3-year period (compared with fiscal 2019)
Fiscal 2022 Results +4.9 points (compared with fiscal 2019)
Next Medium-term Management Plan (2023-2025) Target +3 points over a 3-year period (compared with fiscal 2022)
FY2030 Target Promote ecosystem consideration* at all business sites
FY2050 Target Maintain ecosystem consideration at all business sites

* Ecosystem consideration: Increased quantitative evaluation of biodiversity

System

Please refer to Environmental Management Promotion System (p. 126).

System for Addressing Biodiversity

At the twice-yearly meetings of SEKISUI CHEMICAL Group's Environmental Subcommittee, which has been established under the Sustainability Committee chaired by the president, SEKISUI CHEMICAL Group discusses and deliberates on the direction of initiatives and specific items for initiatives in regard to biodiversity and other environmental issues involving its corporate activities.
When new land is acquired, for example through large-scale land development, such as when constructing our own factories, or through M&As, we carry out environmental assessments of the impact that our business may have on the atmosphere, water areas, soil, etc. During these environmental impact assessments, we also conduct verification of any impact with regard to biodiversity.

Assessment of Impact on Biodiversity (Natural Capital)

Under its SEKISUI Environment Sustainability Vision 2050, the Group is working to realize an earth with maintained biodiversity. To that end, we are promoting activities that incorporate a net-positive approach toward ecosystems.
As previously mentioned, the Sekisui Environment Sustainability Index is used as an integrated indicator to confirm the degree of progress toward realizing the Group's environmental vision, and is calculated as the rate of return to natural and social capital, which can be considered an assessment of the degree of impact on overall biodiversity.

Furthermore, going forward we will also take steps to identify and monitor the impact of two aspects on plants (primary growth of plants) and biodiversity (rate of extinction of living species).

For some time, SEKISUI CHEMICAL Group has recognized that the use of raw materials, emissions of chemical substances, and disposal of products sold place a serious burden on biodiversity. Due to the greater understanding of the unique effects of these chemical substances in recent years as part of LCA databases used to monitor impact, the impact per unit amount of chemical substances has been increasing. In response, we intend to update the databases we use, reconfirm the benchmarks, and expand our return starting with the next Medium-term Management Plan.

Trends in Rates of Return to Biodiversity and Plant Primary Production

(Unit: %)

	2016	2017	2018	2019	2020	2021	2022 ☑
Biodiversity aspects	41.0	38.3	39.4	43.1	40.8	49.7	38.0
Plant Biomass aspects	34.2	35.0	35.1	34.9	38.2	41.0	67.8

In regard to the two aspects of plants (primary production of plants) and biodiversity (rate of extinction of living species), we will confirm the rate of return for each, and adopt these as verification indicators to enable the Group to have a positive direct impact. The above indicates that trend. Although the return rate for both aspects remains below 100%, by engaging with climate change, resource circulation, and other environmental issues going forward, we will promote corporate activities that move steadily toward nature positivity.

Among the raw materials used by the Group, we understand that paper derived from biomass and materials derived from petroleum have a major impact.
In a bid to reduce this impact, we recognize the importance of strengthening procurement that takes into account sustainability also with respect to non-fossil resources as identified in our resource recycling policy. With the aim of strengthening sustainable procurement, SEKISUI CHEMICAL Group is reviewing consideration items pertaining to supplier management and conducting activities aimed at reducing environmental impact and corporate risks in cooperation with suppliers based on guides.

Meanwhile, products that contribute significantly to biodiversity include, for example, products that contribute to the reduced use of mineral, fossil, and forest resources. These products are used in a wide range of areas and include products that contribute to resource recycling by reducing energy consumption during the use of vehicles and transportation, improving durability, and promoting a shift in raw materials. Examples of the former include KYDEX, LLC products for aircrafts and railroads. Examples of the latter include products related to the SPR method for sewage pipe rehabilitation. Products that contribute significantly to the primary growth of plants include, for example, products that reduce global warming and products that can reduce waste. Once again in the case of the former, an example is Sekisui Heim's housing equipped with solar power generation system panels. In the case of the later, examples include Kraft tape, which enables the use of a thinner paper core than previously possible.
To expand these contributions, we are developing products and technologies that contribute to decarbonization while working to reduce waste from products sold. We also acknowledge the importance of putting in place services and technologies that promote recycling. With this in mind, we are looking to achieve each of the aforementioned goals by expanding our lineup of products to enhance sustainability.

The rate of return to plant biomass increased in fiscal 2022. We believe this increase can be attributed to a variety of factors, including the reduced use of raw materials that have a negative impact, improvements in the quality of green spaces at production sites, and contributions from products that have a positive impact on the land used.
As far as biodiversity is concerned, we also recognize that increases in the impact of chemical emissions and the decrease in sales of products that contribute to biodiversity have led to a decline in the rate of return.
SEKISUI CHEMICAL Group will continue to promote manufacturing while considering the direction of trends from these rates of return in order to engage in nature positive corporate activities.

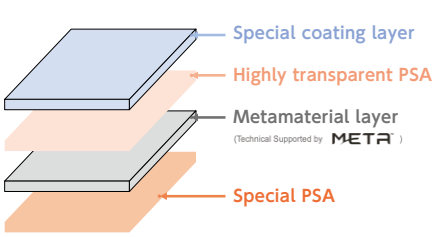
Major Initiatives

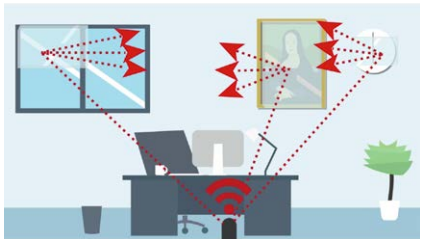
Innovation Inspired by the Nature Research Support Program and Holding Forums

As an effective approach to manufacturing that is geared toward solving social as well as environmental issues, SEKISUI CHEMICAL Group has recognized the importance and necessity of learning from nature's wisdom since 2002. Based on this understanding, we established the nature-inspired manufacturing research support program to promote the development of biomimicry technology and have organized forums where researchers can share their results.

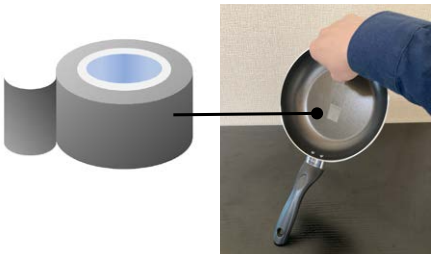
While basic science requires time for research and support, we believe that learning from nature's wisdom has the potential to create fundamental innovations that differ from conventional energy-consuming technologies.
For researchers outside the Company, this program has encouraged the development of 294 technologies (cumulative total as of the end of March 2023). Amid efforts to the promote development based on this understanding, the following types of technologies and products have emerged.

[Contribution to a next-generation telecommunications society]





Transparent flexible reflector film developed from studies of the brilliance of morpho butterfly wings



Fluoroplastic-compatible adhesive tape developed from the study of mussel secretions

[Contribution to extending healthy lifespans (and COVID-19 countermeasures)]

Viru-taker™ and Allerbuster developed from the study of plant-based resins

[Contribution to addressing climate change (heat island effect countermeasure)]

Fractal sunshade material Airyshade developed from the study of the cool shade of trees

SEKISUI CHEMICAL Group will continue to place considerable importance on learning from nature's wisdom in its manufacturing with the aim of developing nature positive products and businesses in the future.

Use of Sustainable Timber and Ensuring Traceability

To contribute to the eradication of deforestation as well as the sustainable use of timber resources, at SEKISUI CHEMICAL Group every effort is made to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements, such as FSC-certified timber. In addition, the Group conducts investigations into commercial distribution with regard to the logging area, tree species and quantity of timber materials to ensure traceability. For recycled materials, we use timber- and wood-based materials that are already used in markets, as well as unused thinnings and branches.
In 2022, we newly raised the target of eliminating deforestation by 2030 and revised our Timber Procurement Policy* for the purpose of achieving this goal. Moreover, we formulated the Sustainable Timber Procurement Guidelines to realize procurement in line with this policy. In addition to continuing to procure timber in a legal manner as a matter of course, we also began initiatives towards reducing the impact of deforestation on the human rights of indigenous peoples and the environment.

* For details of the SEKISUI CHEMICAL Group Timber Procurement Policy see p. 347.

Initiatives to Improve Green Space Quality at All Domestic Production Sites and Research Institutes

Having prepared habitats for local flora and fauna at 45 business sites (total site area 3,238,000 m^2, total green space area 850,000 m^2) in Japan, we are moving forward with efforts to improve the quality of green spaces at business sites. Our aim is to build ecosystem networks that connect local communities and business sites while invigorating local partnerships. Under the Environmental Medium-term Plan (2020-2022), we aimed to improve our score on the JBIB Land Use Score Card® by three points compared with fiscal 2019.
Under the guidance of the environmental consulting company Regional Environmental Planning, Inc., we are engaged in a range of activities at each business site. For example, we are formulating and executing green space design and management plans in harmony with the surrounding natural environment, conducting sustainable maintenance and management that utilize natural cycles, eradicating invasive species and conserving rare species, and maintaining communication with stakeholders. As a result, in fiscal 2022 we improved our average score 4.9 points compared with fiscal 2019. Under the New Environmental Medium-term Plan (2023-2025), we aimed to improve by three points compared with fiscal 2022.

Activities to Survey Non-native and Conservation Plant Species and to Eradicate Non-native Plant Species

Many non-native species have invaded and become firmly established all around us. Some of them are plants that damage ecosystems, including those that deprive native species of their habitats, and others are plants that are harmful to people.

Based on this situation, SEKISUI CHEMICAL Group has been conducting surveys of exotic plants and precious plants in and around its business sites with the cooperation of experts at 24 factories and offices since fiscal 2018. After selecting those species (plants) to be eradicated and those to be conserved, we prepared countermeasure manuals that describe appropriate removal methods and timings and are using these to conduct on-site confirmation. We are also continuing to carry out eradication-related activities, such as receiving lectures on eradication from experts on an as-needed basis.

To create and maintain better environments within our business sites, it is desirable to focus on non-native species and species conservation (precious species) while managing green spaces that show that we give consideration to biodiversity.

General view of a plant survey (research and development facility)

General view of an eradication lecture (SEKISUI Board Minakuchi)

Example of species targeted for eradication (burr cucumber)

Ecosystem Survey Conducted by Removing the Water from a Biotope Pond for the First Time in 17 Years

Kyushu Sekisui Industry established a biotope in 2000 to conserve biodiversity and ecosystems, as well as has been regularly conducting biodiversity surveys since 2015, as well as pond bottom sediment/water quality management and ecological surveys of rare native species living there since 2017. The pond was recently drained in order to improve the bottom sediment/water quality and to conduct ecological surveys. New employees also participated on that day as part of their environmental education, and we also asked NHK (Japan Broadcasting Corporation) Saga Station for an interview to publicize our activities, which were featured on the evening news.

As for rare species, we confirmed a stable population of Parrot feather fish but were unable to catch any Rhodeus ocellatus, Hemigrammocypris rasborella, or Biwia zezera fish species, suggesting that their populations are very small and thus creating a stable habitat requires better conditions. The pond's embankment has been damaged by an invasive species of carp and therefore requires periodic reconstruction work to prevent damage. Other maintenance issues include sunken ditches from age-related deterioration, and we will maintain the biotope, recognizing it as an important place for coexisting with nature. In addition, once a year we invite nearby elementary schools to the biotope to take part in nature observation events as a way to contribute to local communities.

Looking ahead, we aim to integrate the biotope with digital transformation (DX) using digital devices to observe it online.

Wetland biotope conservation

NHK interview

The ray-finned fish, abbottina rivularis, an endangered species

Certification Equivalency from the Site Coexisting with Nature Certification Demonstration Project

Sekisui Medical's Iwate Plant participated in the Site Coexisting with Nature Certification Demonstration Project administered by the Ministry of the Environment of Japan, and received a screening result "equivalent to certification as a trial result". As an outcome of biodiversity monitoring surveys conducted in fiscal 2022, 951 species of flora and fauna were found to be growing and inhabiting the area. Among these, the survey discovered 22 rare species, including Japanese serow (Special Protected Species) and Japanese Dormouse (Glirulus japonicas). By creating an environment that contributes to biodiversity through efforts to continuously plant deciduous broadleaf trees and to provide spawning grounds for Tohoku Salamanders and forest tree frogs, for example, we perform sustainable maintenance and management that leverages natural cycles. These efforts have been highly acclaimed by experts leading to the equivalent of accreditation.

Spawning ground and pre-hatchling Tohoku salamanders

Common buzzard chick

Asiatic black bear and her cub

Received the Minister of Land, Infrastructure, Transport and Tourism Award at the 30th Global Environment Prize for developing sustainable communities

The Sekisui Heim Group is working to create sustainable town schemes by maintaining and improving the asset value of the towns in its residential housing business.
ASAKA Lead Town (Asaka City, Saitama Prefecture) is the first phase of the sustainable town development project that brings together the Group's environmental contribution technologies to address not only environmental issues and strengthens resilience to natural disasters, but also social issues associated with the declining birthrate, aging population, and regional depopulation through 1) underground infrastructure, 2) energy-saving, above-ground housing, and 3) town operation and management. We aim to maintain and improve the town concept (safe, comfortable, convenient, sustainable towns) through platforms that update towns by incorporating residents' voices. In fiscal 2021, SEKISUI CHEMICAL received the Minister of Land, Infrastructure, Transport and Tourism Prize at the 30th "Global Environment Awards" in recognition of its efforts and achievements in developing sustainable communities that offer total support that extends to its own design, development, and management initiatives, with the award ceremony being held in April 2022.
Going forward, we plan to continue to expand our environmental and social contributions nationwide by developing problem-solving town development projects throughout Japan.

<Characteristics of the ASAKA Lead Town Sustainable Town Development Project>

1. Underground: Building resilient infrastructure to cope with natural disasters

Combining the Group's resilience technologies, we have built a disaster-resistant infrastructure (electricity, water, gas, land). We have realized a disaster-resistant, sustainable town with safe and reliable lifelines by installing rainwater storage and drainage facilities to reduce flood damage during heavy rains, underground power lines to prevent damage from toppling utility poles during earthquakes, and highly earthquake-resistant and durable water and gas pipes.

2. Above ground: Energy self-sufficient*1 and efficient eco-friendly homes

All detached houses are equipped with a photovoltaic (PV) power generation system and storage batteries. Energy self-sufficient*1 living helps reduce CO_2 emissions. Condominiums feature PV systems and storage batteries installed in common areas to effectively use renewable energy, as well as supply surplus power mainly from PV systems through the trading power service SMARTHEIM DENKI*2. In addition, this project contributes to the environment and provides peace of mind during power outages and water shortages mainly by securing drinking water*3*4 when water supply is cut and by using products that help contribute to daily water conservation.

3. Operation management: Create towns where various people and nature coexist in harmony

This project maintains spaces where various people, nature, and animals can coexist in harmony by ensuring a green environment that coexists with local ecosystems, establishing nursery schools and elderly care facilities, and providing places for intergenerational exchanges. We maintain and improve the town concept (safe, comfortable, convenient, sustainable towns) by the Group engaging in town-wide integrated management and by establishing a town-updating platforms that uses digital technology to engage in dialogue with residents.

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

*2 SMARTHEIM DENKI is a power trading service operated by Sekisui Chemical Co., Ltd. (retail electricity utility registration number A0308) that supplies electricity. This service includes electricity generated other than PV, including hydroelectric, thermal, and nuclear power. This service makes no guarantee about supplying renewable energy or providing environmental value.

*3 In the "drinking water storage system", water intake is only possible from pre-planned water fixtures. If water has not been used for more than four days, the quality of the stored water may have deteriorated and thus the first 70 liters must be boiled if it is to be used as drinking water.

*4 Stored water, in the "Tametoku" system, that has been cut off for more than three days may have deteriorated in quality and therefore should be boiled before using as drinking water.

Resilient underground infrastructure to cope with natural disasters

Eco-friendly, energy-efficient homes

Mangrove Reforestation Activities and Carbon Stock Volume Survey in Thailand

SEKISUI CHEMICAL Group conducts mangrove reforestation activities for the purpose of restoring and maintaining mangrove ecosystems in Thailand, and for contributing to the region. In fiscal 2022 we planted nearly 30,000 trees on 10 ha of tideland in the province of Nakhon Si Thammarat along with local fishermen. These activities also helped educate local children. As part of the most recent planting activity, we conducted species surveys of the large-scale mangrove planting conducted five years ago. As a result, we confirmed a steady increase in biomass, and were able to estimate the activity's contribution to the gradual conversion of carbon to rich tropical peatland.

Tree planting in 2m x 2m intervals

Five-year old mangrove trees

Biomass survey

Cooperation with External Organizations

Business Associations Aiming for and Taking Action in Biodiversity Conservation

30by30 Alliance

Organizer ..... Ministry of the Environment
Significance/objectives ..... Achievement in Japan of internationally agreed 30by30 targets
Activities ..... Summarize and promote deployment of efforts necessary, such as OECM certification, to stop and recover biodiversity loss (become Nature Positive) by 2030
Our Company's role ..... Expressing support and aiming to accelerate efforts through in-house and corporate collaboration

JBIB (Japan Business Initiative for Biodiversity)

Significance/objectives ..... Contribute to the conservation of biodiversity in Japan and overseas
Activities ..... Promoting diverse activities, such as conducting research regarding biodiversity together with various companies.
Our Company's role ..... Exchanging opinions with companies that promote biodiversity conservation and sharing case studies while accelerating in-house efforts and raising awareness of social efforts

Activities to Conserve Green Spaces

We work together with an environmental consulting firm on environmental conservation activities and development of local environment, such as research on ecosystems at production sites and laboratories, conservation of biodiversity, and eradication of invasive species.

Social Contribution Activities

To develop personnel who are able to contribute to the environment, we engage in natural environment conservation activities in various regions around the world, through cooperating with local governments, academic institutions, schools, NPOs and NGOs.

Performance Data ☑

Results from the JBIB Land Use Score Card®

	FY2022
JBIB Land Use Score Card®	Increased by 4.9 points (compared with fiscal 2019)

Index	Calculation Method
Points of JBIB Land Use Score Card®	JBIB Land Use Score Card® is a tool promoted by JBIB, which evaluates the level of effort to preserve biodiversity with respect to the land owned by the Company. It is a calculation sheet to evaluate every business site regarding the size and quality of its greenspace, management system, etc. on a scale from 0 to 100. We implement assessments of every business site for the fiscal year using the JBIB Land Use Score Card® and calculate the increase from the number of points it had in fiscal 2019. The index is the average increase of the points across all business sites.

Other Initiatives to Reduce Environmental Impact

Environmental Accounting

SEKISUI CHEMICAL Group Refers to Public Guidelines and Adds Its Own Concepts

From an ESG management perspective, and in order to fulfill our reporting responsibilities as a company and promote efficient environmental activities, we are working to reduce our environmental impact while employing environmental accounting in a bid to identify the effects of costs incurred and investments undertaken to contribute to the environment. Under the current Medium-term Management Plan, which began in fiscal 2020, and from a Group-wide management strategy perspective, environment-related investments and expenses are positioned as a capital cost. We will use environmental accounting to raise awareness that the restraint of capital costs and efforts to improve productivity will help boost ROIC.

Performance Data ☑

Summation period	April 1, 2022 to March 31, 2023
Scope of summation	Production sites, research facilities, housing sales company sites, and Corporate Headquarters departments in Japan.
Calculation Method	Based on the Ministry of the Environment's Environmental Accounting Guidelines 2005 Edition
Approach toward summation	・Depreciation and amortization are excluded from environmental conservation costs because they overlap with investment costs. ・Investment amounts are based on budget approvals during the summation period. ・Expenditures and investments that contain other than environmental conservation activities are distributed pro-rata in 10% increments. ・Disclosure categories have been revised, environmental conservation costs are subcategorized, and the economic effects of environmental conservation measures are limited to effects on an actual basis, excluding deemed effects from fiscal 2020. ・The environmental conservation effects of physical quantity are shown in environmental performance data disclosed in Major Initiatives.

Environmental Conservation Costs

(Millions of yen)

Items			FY2020		FY2021		FY2022	
Category	Description of main activities		Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	(1) Pollution prevention costs	a. Air	369	62	319	98	355	16
		b. Water	130	77	85	68	110	198
		c. Soil	0	7	0	4	0	7
		d. Noise	12	1	1	0	2	0
		e. Vibration	0	0	0	0	0	0
		f. Odor	255	0	242	4	235	0
		g. Ground	106	3	105	0	102	0
		h. Others	304	8	307	29	315	5
		Subtotal	**1,176**	**157**	**1,058**	**202**	**1,118**	**226**
	(2) Countermeasures against global warming	a. Global warming (including energy saving)	686	588	114	833	132	510
		b. Ozone layer	100	18	6	33	6	4
		c. Others	0	4	0	55	0	14
		Subtotal	**786**	**611**	**120**	**921**	**138**	**528**
	(3) Resource recycling costs	a. Effective utilization of resources	63	17	6	31	10	12
		b. Water conservation, utilization of rainwater, etc.	4	4	7	28	8	6
		c. Waste volume lightening, reduction, recycling, etc.	176	93	177	76	180	362
		d. Waste processing, disposal, etc.	6,293	4	6,477	106	4,878	1
		e. Others	18	1	1	6	19	14
		Subtotal	**6,553**	**119**	**6,668**	**246**	**5,095**	**394**
2) Upstream/downstream costs	Cost increases due to recycling of products such as those manufactured and sold, greener purchasing, etc.		**113**	**0**	**109**	**28**	**161**	**0**
3) Administrative costs	Environmental education, EMS certification, running costs for green action organization, information disclosure, etc.		**2,385**	**12**	**2,206**	**1**	**1,624**	**2**
4) Research & development costs	Research and development on environmental conservation		**3,740**	**313**	**15,009**	**813**	**16,128**	**760**
5) Social activities costs	Social contributions, etc.		**112**	**98**	**78**	**0**	**128**	**0**
6) Environmental damage costs	Nature restoration, etc.		**30**	**2**	**57**	**5**	**63**	**8**
Total			14,896	1,311	25,306	2,216	24,455	1,918

Substantive Economic Effects of Environmental Conservation Measures

(Millions of yen)

Description of effects		FY2020	FY2021	FY2022	Remarks
Revenue	(1) Profit on sales of valuable waste resources	176	139	116	Profit on sales of valuable waste resources from promotion of waste segregation and recycling
	(2) Revenues from sale of electricity	402	334	348	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Cost savings through energy-saving activities	1,311	256	420	Including savings through utilization of co-generation
	(4) Cost savings through waste-reduction activities, etc.	502	463	522	Reductions through optimization, reuse, and zero emissions activities
Total		2,392	1,191	1,407	

Chemical Substance Management

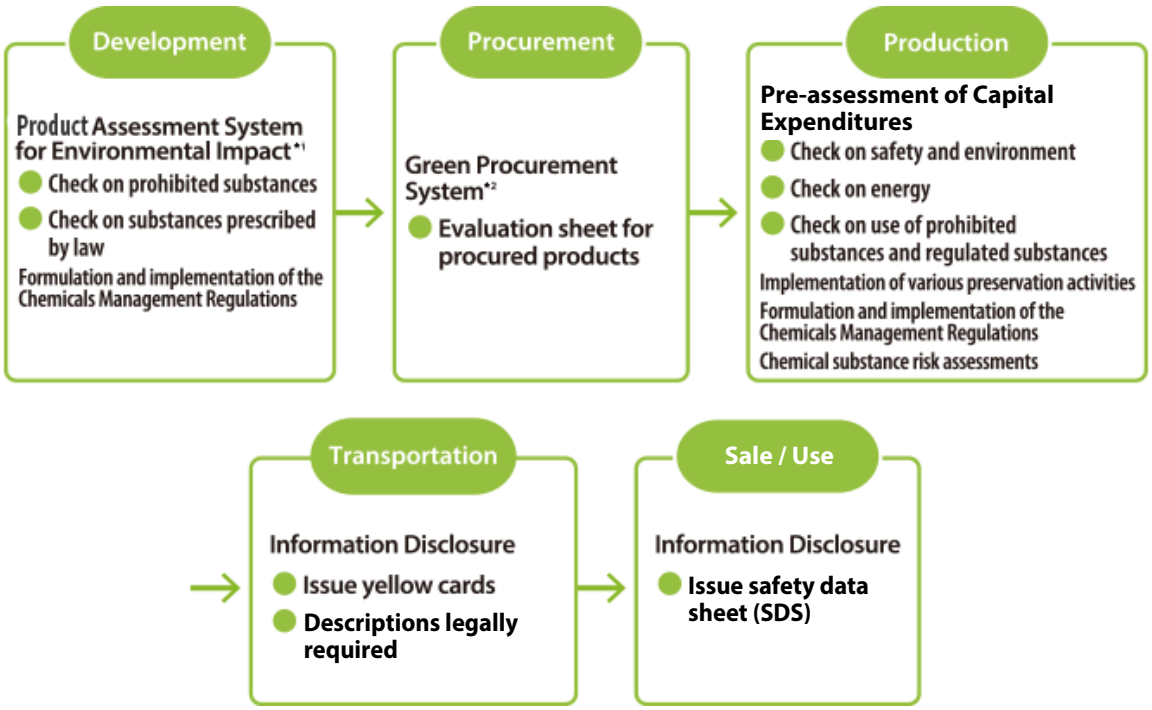
Basic Concept

Minimizing Environmental Impact through Proper Control and Reduction of Chemical Substance Emissions

While chemical substances make people's lives more convenient, they also could have harmful effects on the environment or on human beings. Therefore, we believe that taking into consideration product safety, occupational safety and health, and environmental impact through the proper management of chemical substances is an important responsibility.
Since fiscal 1999, SEKISUI CHEMICAL Group has set and worked toward its own targets for reducing emissions and the transfer of chemical substances in addition to implementing efforts such as the Product Assessment System for Environmental Impact*1 and the Green Procurement System*2. Periodically, we also review chemical substances, in accordance with the establishment and amendment of relevant laws and regulations.

In fiscal 2023, we will continue to engage in thoroughgoing chemical substance management activities conscious of the need to minimize their impact.

*1 Product Assessment System for Environmental Impact: A system for assessing the environmental impact of products at all stages from raw material procurement through manufacture, use, disposal, and transportation.
*2 Green Procurement System: A system which prioritizes lower levels of environmental impact when procuring raw materials, parts, etc.



Targets

Reduce the impact of chemical substances

Aim: Reduce chemical emission and transport volumes

Indicator VOC atmospheric emissions (Japan)

Current Medium-term Management Plan (2020-2022) Target -3% Fiscal 2022 Result -17.1% (compared with fiscal 2019)

System

For details of the Environmental Management Promotion System see p. 126.

Major Initiatives

Controlling VOC Emissions

SEKISUI CHEMICAL Group maintains the medium-term target of reducing VOC emissions by 3% or more compared with the level reported in fiscal 2019. In fiscal 2022, VOC emissions in Japan decreased by 17.1% compared with fiscal 2019.

Preventing Air and Water Pollution

SEKISUI CHEMICAL Group complies with laws and ordinances for equipment related to exhaust gases and water drainage.

Soil Contamination Countermeasures

SEKISUI CHEMICAL Group conducted a voluntary assessment of soil contamination at all of its production sites. The Group has implemented cleanup measures and efforts aimed at preventing further contamination at all locations where contamination was found while completing its report to the government. In addition, the Group continuously monitors groundwater, confirming that pollution is not spreading.
Moreover, the Group takes legally mandated decontamination measures when selling land on which production facilities have been closed. In fiscal 2022, conditions did not require any new measures to be taken.

Disposal and Storage of Devices Containing PCBs and Management of Equipment That Uses Fluorocarbons

Transformers and capacitors containing PCBs are being removed sequentially as PCB treatment facilities are ready to accept taking our equipment. Control of equipment containing PCBs in storage is strictly enforced, including locking of storage facilities and periodic inspections.
Steps are being taken to enhance awareness toward mandatory requirements regarding equipment that use fluorocarbons in accordance with Japan's Act on Rational Use and Proper Management of Fluorocarbons (Freon Emission Control Act) and to ensure thoroughgoing management including periodic inspection.

Performance Data

Note 1: From fiscal 2019, Medical Business results have been collated separately following its independence from the HPP Company and the presentation of Headquarters results reclassified as Other.

Note 2: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data of both companies for fiscal 2022 is collated as if the change in control had been initiated from the beginning of fiscal 2022.

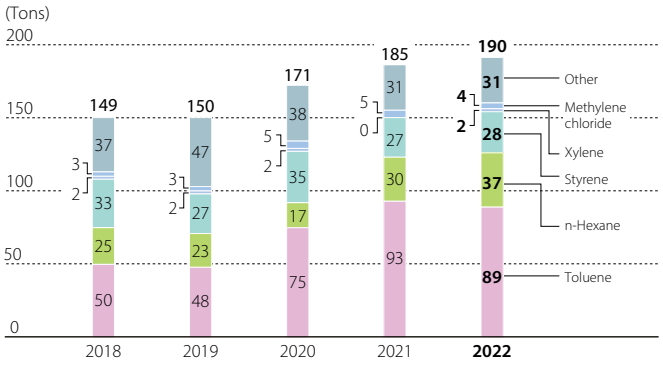
Aggregated results based on the PRTR Law (substances handled at business sites subject to assessment with a handling volume of 1 ton or more are aggregated).

(Tons)

Substance	Govt. ordinance notification no.	Emission volume	Emission volume				Transfer volume			Detoxification
			Atmospheric	Public water areas	In-house soil	In-house landfill	Sewage system	Transfer in waste disposal	Transfer in waste recycling	
Ethyl acrylate	[3]	30	-	-	-	-	-	-	3.0	27
n-Butyl acrylate	[7]	195	1.6	-	-	-	-	1.2	0.0020	193
Acrylonitrile	[9]	526	3.2	-	-	-	-	-	0.0060	523
Acetaldehyde	[12]	203	0.18	-	-	-	-	-	-	203
Acetonitrile	[13]	62	4.9	-	-	-	-	-	57	-
2,2'-Azobisisobutyronitrile	[16]	6.1	-	-	-	-	-	-	-	6.1
Antimony and its compounds	[31]	9.1	-	-	-	-	-	-	0.91	-
Isobutyraldehyde	[35]	50	1.4	-	-	-	-	-	-	49
2-Ethylhexanoic acid	[51]	5,799	-	-	-	-	-	-	5.9	5,786
Ethel Benzene	[53]	1.5	1.5	-	-	-	-	-	-	-
Ethylenediamine	[59]	1.6	0.15	-	-	-	-	-	-	1.4
ε-Caprolactam	[76]	42	-	0.014	-	-	-	-	-	42
Xylene	[80]	1.5	1.5	-	-	-	-	-	0.016	-
Chromium and trivalent chromium compound	[87]	4.3	-	-	-	-	-	0.028	0.0066	-
Vinyl chloride	[Special 94]	116,160	3.8	0.10	-	-	-	-	-	116,156
Chloroform	[127]	5.3	0.28	-	-	-	-	-	3.1	0.53
Cobalt and cobalt compounds	[132]	3.5	-	0.12	-	-	-	-	-	3.4
Vinyl acetate	[134]	52	5.4	-	-	-	-	3.7	-	43
"Inorganic cyanide compounds (not including complex salts and cyanate)"	[144]	15	-	-	-	-	-	-	-	15
Cyclohexylamine	[154]	6.4	0.36	-	-	-	-	-	-	6.1
Methylene chloride	[186]	320	4.2	-	-	-	-	-	-	316
Divinylbenzene	[202]	1.7	-	-	-	-	-	-	-	1.7
2,6-di-t-butyl-4-cresol	[207]	49	-	-	-	-	-	-	-	49
N,N-dimethylformamide	[232]	1.7	-	-	-	-	-	-	1.7	-
Organic tin compounds	[239]	128	-	0.0000	-	-	-	0.067	0.51	2.8
Styrene	[240]	1,286	28	-	-	-	-	-	0.012	516
n-dodecyl alcohol	[273]	16	-	-	-	-	-	-	-	16
Tolylene Diisocyanate	[298]	6.5	-	-	-	-	-	-	-	-
Toluene	[300]	711	34	-	-	-	-	55	228	274
Lead compounds	[Special 305]	487	-	0.0002	-	-	0.0000	0.38	16	6.1
Nickel compound	[Special 309]	1.0	-	-	-	-	-	0.32	-	-
Bis-(2-ethylhexyl) phthalate	[355]	8.4	-	-	-	-	-	-	2.2	4.0
n-Hexane	[392]	240	7.9	-	-	-	-	29	203	-
Boron and its compounds	[405]	24	-	-	-	-	-	-	-	-
"Poly (oxyethylene) = alkyl = ether (C = 12-15 and other blends)"	[407]	3.6	-	-	-	-	-	-	-	-
Manganese and its compounds	[412]	4.9	-	-	-	-	-	-	4.9	-
Methacrylate	[415]	289	1.6	-	-	-	-	-	0.0070	288
Methyl methacrylate	[420]	173	0.90	-	-	-	-	-	-	172
Methylnaphthalene	[438]	1.3	0.006	-	-	-	-	-	-	1.2
Methylenebis (4,1-phenylene) = diisocyanate	[448]	1,534	-	-	-	-	-	-	0.010	1,531
		128,458	101	0.24	-	-	0.0000	89	527	126,229

Index	Calculation Method
Amount of Chemical Substances Handled	Amount of substances subject to regulation by the PRTR Law handled [Scope: Production sites and research facilities in Japan]
Amount of Emissions / Transfer of Chemical Substances	Amount of emissions / transfer of chemical substances subject to regulation by the PRTR Law: Amount of emissions = Amount of emissions into the air + Amount of emissions into public waters + Amount of emissions into the soil on-site + Amount disposed of by landfill on-site Transfer amount = Amount transferred to sewers + Amount transferred as waste material [Scope: Production sites and research facilities in Japan]
Amount of Chemical Substances Subject to Detoxication	Amount of chemical substances subject to regulation by the PRTR Law subject to detoxication: Amount detoxified = Amount consumed in reaction + Amount consumed through combustion, etc. [Scope: Production sites and research facilities in Japan]

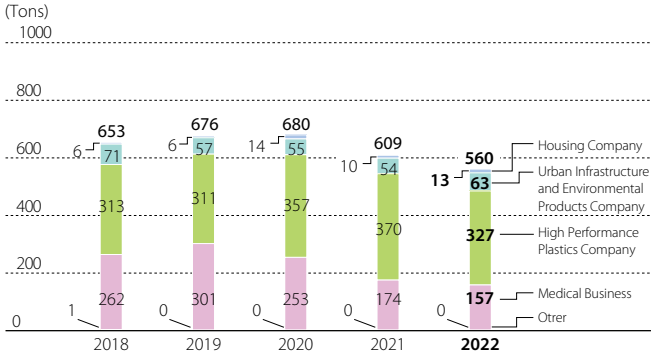
Amount of Chemical Substance Emission and Transfer (PRTR Law) / Japan



Note: Past figures have been retroactively revised due to changes in aggregate scope.

Index	Calculation Method
Amount of Emissions / Transfer of Chemical Substances	Amount of emissions / transfer of chemical substances subject to regulation by the PRTR Law: Amount of emissions = Amount of emissions into the air + Amount of emissions into public waters + Amount of emissions into the soil on-site + Amount disposed by landfill on-site Transfer volume = Amount transferred to sewers + Amount transferred as waste material Scope: Covers production sites and research facilities in Japan

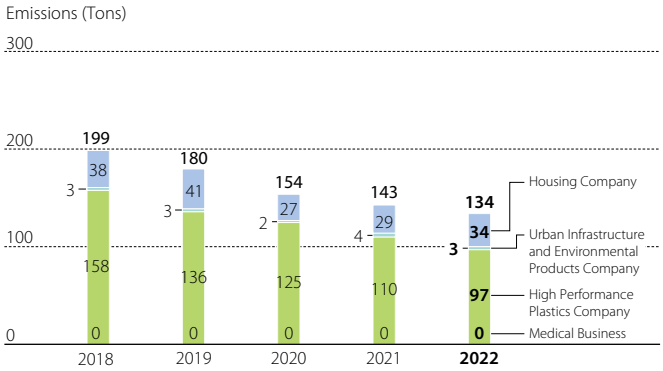
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere / Japan



Note: Past figures have been retroactively revised due to changes in aggregate scope.

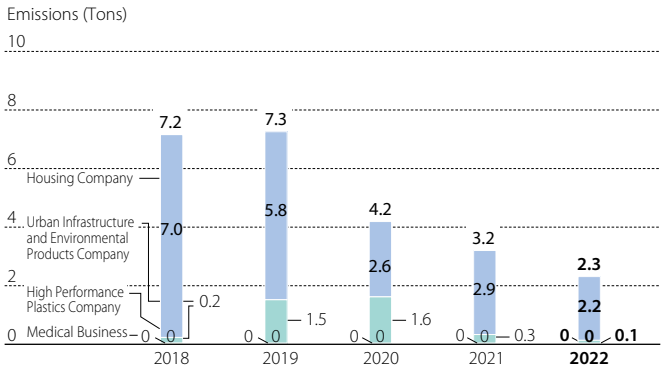
Index	Calculation Method
VOC Emissions	Amount of emissions into the atmosphere of volatile organic compounds (VOC) among the substances subject to regulation by the PRTR Law and Japan Chemical Industry Association

NOx Emissions / Japan



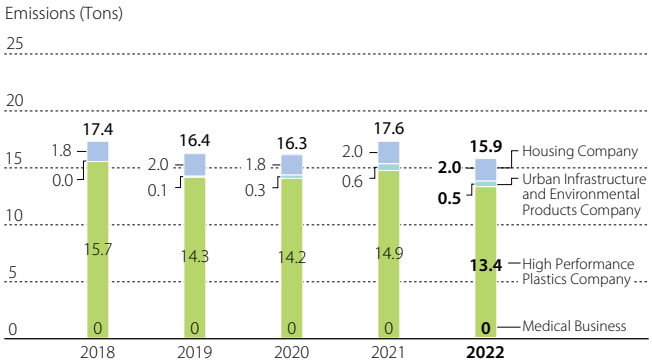
Index	Calculation Method
NOx Emissions	NOx emissions =∑(Amount of exhaust gas airflow per year x NOx concentration x 46 / 22.4)

SOx Emissions / Japan



Index	Calculation Method
SOx Emissions	SOx emissions =∑(amount of SOx per year x 64 / 22.4)

Soot and Dust Emissions / Japan



Index	Calculation Method
Soot and Dust Emissions	Soot and Dust emissions =∑ (amount of exhaust gas airflow per year x soot concentration)

Environmental Impact Assessment

Basic Concept

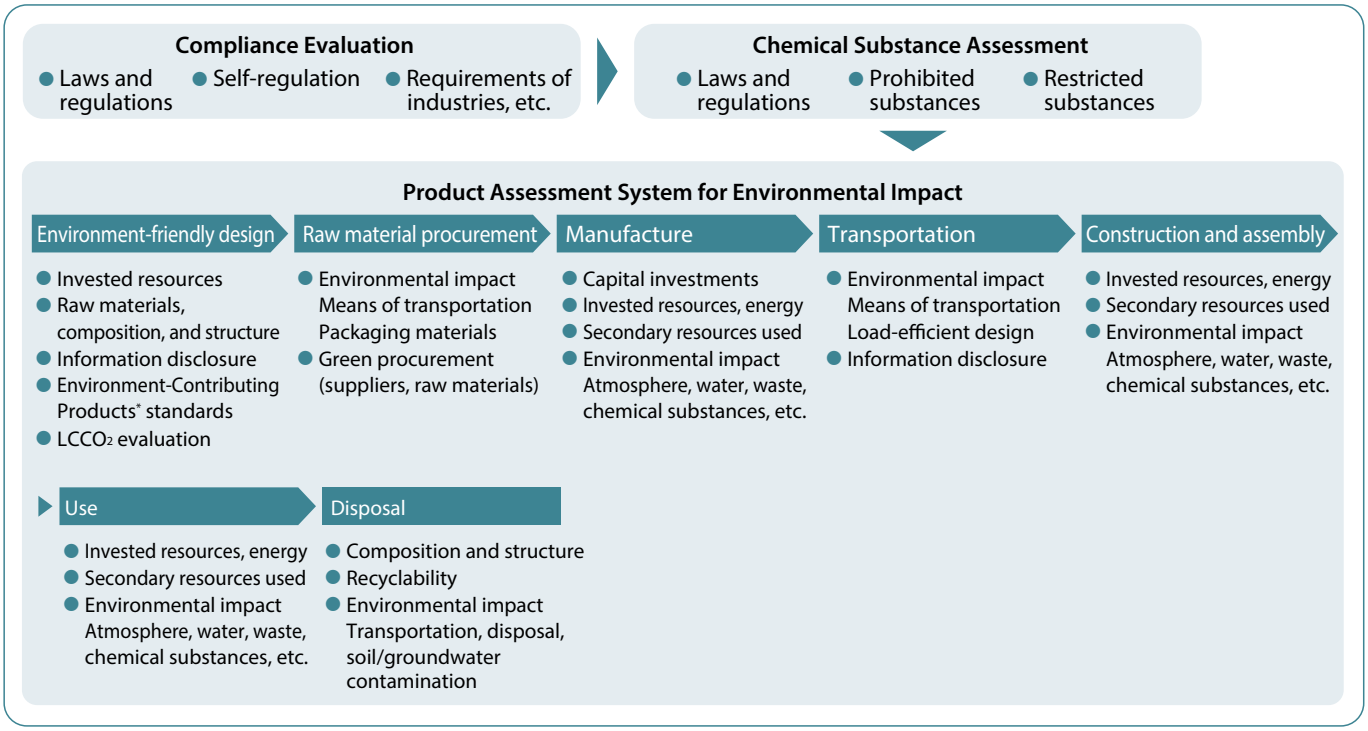
Conducting environmental impact assessments

SEKISUI CHEMICAL Group conducts design reviews at the time of product process development and modification. At that time, the Group conducts environmental impact assessments at all stages of the product lifecycle.

Assessment of the environmental impact of products

Scope: All stages of the product lifecycle

Targets: Products and processes



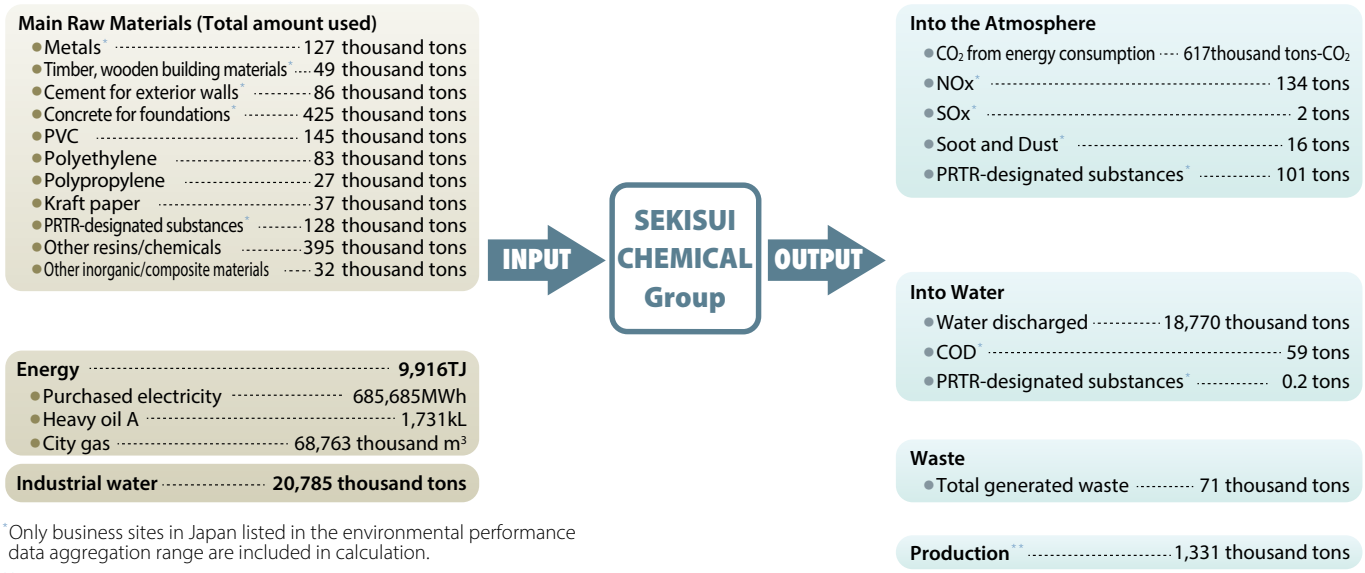
* Environment-Contributing Products have evolved into products to enhance sustainability from fiscal 2020.
For details, see products to enhance sustainability on p. 24.

Material Balance

Performance Data ☑

SEKISUI CHEMICAL Group releases information on the resources and energy used in its business activities (input) and on the substances that have an environmental impact generated by those activities (output).

Material balance (Japan and overseas total)
Fiscal 2022 Results



*Only business sites in Japan listed in the environmental performance data aggregation range are included in calculation.

**Not covered by third-party assurance.

Materiality

Human Capital

TOPICS

- Basic Concept ····· p210
- Targets ····· p211
- System ····· p211
- Major Initiatives ····· p212

  Transforming into an Energized and Engaged Company ····· p213

  Refining the Foundation ····· p221

Human Capital

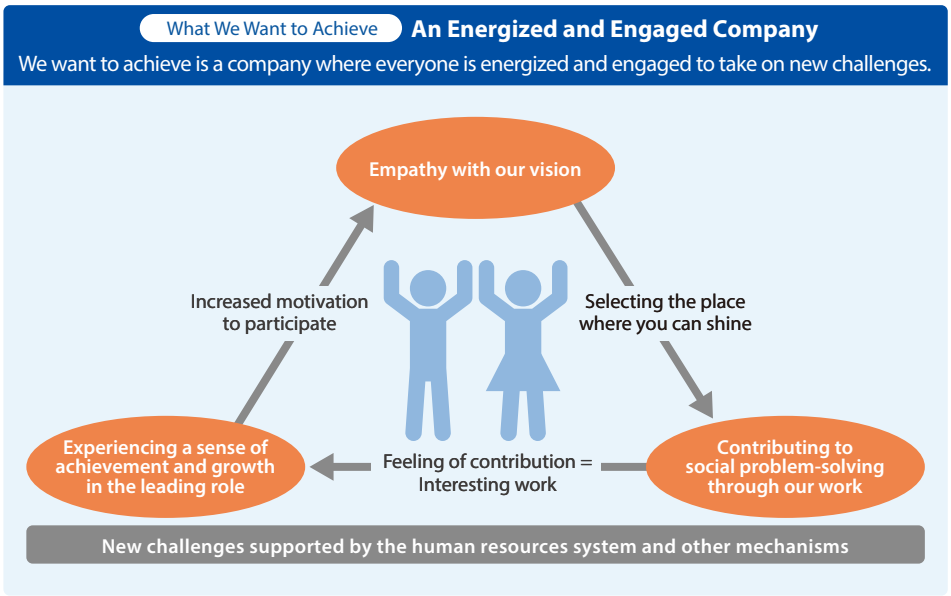
SEKISUI CHEMICAL Group positions human resources as the driving force behind its ability to generate innovation and realize its Long-term Vision. Accordingly, we are working to put in place energized and engaged workplaces that enable diverse human resources to take on challenges and play an active role.

Basic Concept

In an effort to realize Vision 2030, SEKISUI CHEMICAL Group aims to carry out innovation and creation and expand its contribution to solving social issues, in short to serve as a company in which all employees desire to take on challenges. Under the current Medium-term Management Plan, we have worked diligently to build a new foundation that includes undertaking a shift in our approach to human resources management (role-based Human Resources System, promoting challenges) and revising the Group's philosophy system into a policy for long-term human resources strategies in March 2023 in response to new issues (human capital, retention, and securing of human resources) and changes in the environment,

Note: For details of the revised Human Resources Philosophy and Basic Policy on Human Resources, see p. 341

Under the next Medium-term Management Plan, we will work to establish a new structure that will enable the right people to be in the right places by acquiring and systematically selecting and training personnel who are essential to the realization of our Long-term Vision, and by building a workforce that can respond to rapid business growth and change. In addition, we plan to invest heavily in human capital (¥12 billion over the three years of the next Medium-term Management Plan) in areas that include expanding employee careers and improving working conditions.



Targets

KPI: Employee Challenge Action Rate
Fiscal 2022: Result of 11% vs. the target of 17%
Note: For details of the Employee Challenge Action Rate, see p. 213

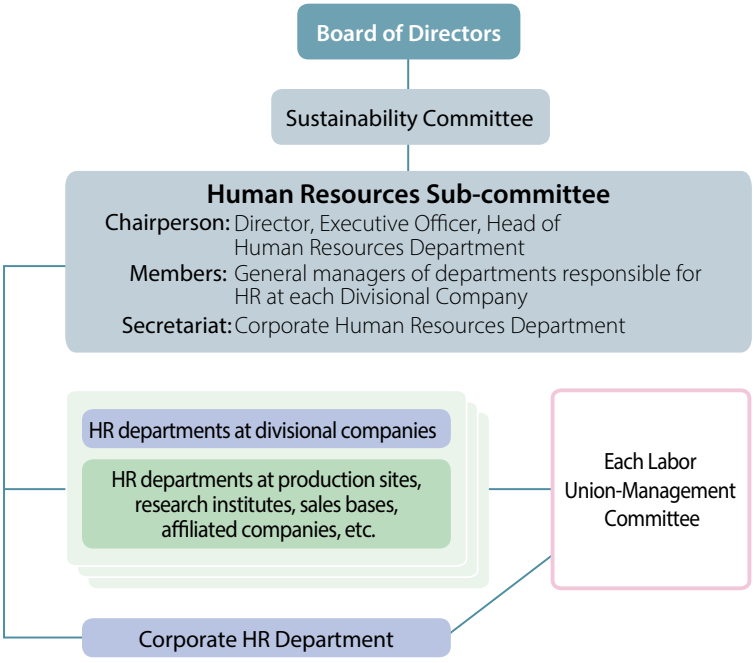
System

In order to actualize our human resources strategies, in fiscal 2022 SEKISUI CHEMICAL Group established the Diversity Promotion Committee. This committee serves to oversee and provide advice on the execution of matters involving efforts to ensure diversity among management-related human resources. The participation of Outside Directors with expertise in this area has enabled us to fully promote diversity initiatives. Moreover, clearly defining the division of roles between the supervisory and executive sides has helped to enhance governance.
Under the Sustainability Committee, we established the Human Resources Subcommittee as an executive body chaired by the executive officer and head of the Human Resources Department and comprised of the heads of the human resources departments at each divisional company.

Diversity Promotion Committee

Chairperson: Haruko Nozaki, Outside Director
Members: Outside Directors (five), Chairman of the Board and Director, President and Representative Director, Representative Director Senior Managing Executive Officer, Director and Executive Officer and Head of the Human Resources Department
Secretariat: Human Resources Department

Human Resource / Promotional Structure



Major Initiatives

Transforming into an Energized and Engaged Company	Vision Management	Promoting Challenges (KPI: Employee Challenge Action Rate)	P.213
		Implementing the Long-term Vision	P.214
	People Management	Deepening Engagement	P.215
		Employee Career Development	P.216
	HR (Human Resources) Management	Shift to Role-Based Human Resources Management	P.218
		Training Human Resources	P.219
Refining the Foundation	Allowing Diverse Human Resources to Excel (Diversity)	Approach to Diversity	P.221
		Gender (women's empowerment, LGBT)	P.221
		Seniors	P.228
		Global	P.229
		People with Disabilities	P.230
		Balanced Support (childcare, nursing care)	P.231
	Work Style Reforms		P.235
	Health and Productivity Management		P.237

Transforming into an Energized and Engaged Company

Vision Management

Major Initiatives

Promoting Challenges (KPI: Employee Challenge Action Rate)

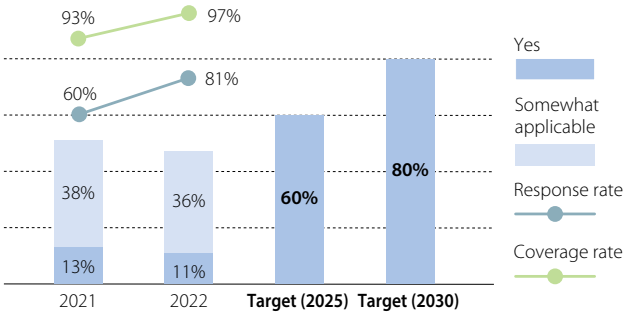
It is important for each and every employee to break free from convention while continuously taking on challenges in order to realize the Long-term Vision. With this in mind, we have set the employee challenge action rate as a human capital KPI. We regularly survey employees to determine whether they are actually taking challenging actions and whether the organization is conducive to this, and we use this information to make improvements at the workplace level.

Redefine indicators

In fiscal 2021 and fiscal 2022, the percentage of respondents who answered “yes” from a 4-answer selection consisting of "yes,", "somewhat applicable,” “somewhat not applicable,” and “no” to the question "I am taking concrete actions to engage in challenging behavior to realize Vision 2030” was used as an indicator. In order to more broadly recognize and develop the degree to which a culture of challenge is fostered, this indicator was redefined to include the percentage of respondents who answered "yes" or "somewhat applicable” from fiscal 2023.
The results of the survey and the analysis of comments on the degree of challenging behavior survey are as presented on the next page. Analysis results indicate that many employees are confused about what exactly they need to do to take challenging actions. We will continue to work on communicating our vision and incorporating it into work duties.

Performance Data

Results of Employee Challenge Action Rate Survey ☑



・KPI: Percentage of respondents who answered "Yes" to the question "I am taking concrete actions to engage in challenging behavior to realize Vision 2030" in fiscal 2021 and fiscal 2022.
Percentage of respondents who answered "Yes" or "Somewhat applicable" from fiscal 2023.
・Survey scope: All employees (including full-time, non-full-time, and dispatch employees) of 160 of the 165 Group companies surveyed.
・Coverage rate: Percentage of companies surveyed among Group companies
・Response rate: Employees who responded to the survey as a percentage of all employees of the companies where the survey was conducted.

Employee Challenge Action Rate Survey comment analysis

Top 7 factors that hinder concrete actions toward the realization of Vision 2030 and that discourage employees from engaging in challenging behavior.
Lack of sufficient information on what to do
Barriers between organizations
The Company is not working to develop human resources to adapt to change
Employees hold little or no hope of a future career at the Company
The performance evaluation system is not designed to encourage challenging behavior
Daily work is not enjoyable
The vision espoused by management does not engender excitement

Implementing the Long-term Vision

We are continuing activities to disseminate our Long-term Vision based on dialogue among senior management, line managers, and employees. In fiscal 2022, kick-off meetings were held on developing the next Medium-term Management Plan. Management spoke with key individuals involved in the development of the Medium-term Management Plan about their aspirations for the long term, and used this as a starting point for the development of the Medium-term Management Plan and the promotion of challenges throughout the line.
In addition, workshops for supervisors were held to encourage each employee to incorporate the challenge actions into their work commitments. At the workshop, participants deepened their understanding of the importance of challenges and management methods that lead to challenges for members.

Participation results

・Meeting to kickoff the deployment of the next Medium-term Management Plan held on October 3, 2022 with 230 participants
・Workshops for supervisors held 50 times, with 1,555 participants

People Management

Major Initiatives

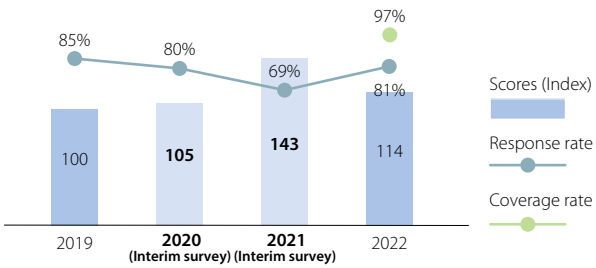
Deepening Engagement

We conduct regular employee surveys to measure "passion for work" and "attachment to the Company" as part of engagement with SEKISUI CHEMICAL and is the foundation for taking on challenges. In fiscal 2022, we conducted the engagement survey concurrently with the Employee Challenge Action Rate survey. Survey results are analyzed at SEKISUI CHEMICAL, Group companies, and each department, and then improvement measures are formulated and implemented.
As a cross-organizational initiative, the human resources departments of domestic Group companies have come together to conduct Engagement Drive Project activities. The project includes meetings to share advanced case studies of other companies and good practices internally, as well as seminars on organizational development methods.

Performance Data

Engagement scores are as follows. The Engagement Score is calculated as an index of the percentage of employees with an average score of 4.5 or higher for six engagement-related behavior questions (six-point scale) that measure passion for work and attachment to the Company with fiscal 2019 results set at 100.
Group-wide trends in fiscal 2022 show an increase in response rates against a decrease in scores. Taking into consideration the analysis to identify areas of effectiveness in improving the engagement score, results indicate that recruiting and utilizing human resources is an issue.

Engagement score ☑



- Scores are calculated with fiscal 2019 as 100.
- Survey scope: All employees (including full-time, non-full-time, and dispatch employees) of 160 of the 165 Group companies surveyed.
- Coverage rate: Percentage of companies surveyed relative to the number of Group companies in Japan and overseas
- Response rate: Percentage of employees who responded to the survey relative to the total number of employees of the companies where the survey was conducted.
- Interim surveys were conducted by the organization of choice in fiscal 2020 and fiscal 2021 (reference data).

Employee Career Development

We began operating the new Career Interview System aimed at promoting autonomous career development and The Right Person in the Right Place for all employees at SEKISUI CHEMICAL. The goal is to use the system to centrally manage past experience, commitment and role fulfillment, and career and work orientation, and to utilize the information in an organized manner.
In addition, we provide training for supervisors and basic training on how to make career plans in order to conduct career interviews more effectively. We also conduct career training when changing roles by shifting career training from the conventional framework based on the axes of age and years of service to one based on the axes of role and occupation.
We continue to implement systems and training programs that support diverse career paths and work styles for employees, as well as an open recruitment system for the right person in the right place within the Group, and common training programs to improve Group-wide human resources capabilities.

Performance Data

Career Interview implementation rate (SEKISUI CHEMICAL)

Fiscal 2022 75.4%
Note: Number of career interview records entered into the system / number of employees covered (employees including managers, senior partners)

Career Training Results (SEKISUI CHEMICAL)

Training Program Name	FY2021	FY2022
Career autonomy supervisor training (persons)	393	252
Career plan basic training (persons)	—	77
Career planning training for newly appointed managers (persons)	—	203
Career planning training for those being promoted to Advanced Level (non-managerial) (persons)	—	89
Career planning training for new employees (persons)	—	78

In addition, women's career seminars (see p. 222) and career seminars for employees who have chosen to extend their retirement age (see p. 228).

Career Path Support Results (SEKISUI CHEMICAL)

		FY2018	FY2019	FY2020	FY2021	FY2022
No. of employees who have changed career courses	Men	9	10	14	2	6
	Women	2	1	2	4	3
No. of employees who have converted to permanent, full time employment	Men	3	2	1	4	3
	Women	7	11	14	10	11

Results of Intra-Group Job Postings

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of postings	44	45	31	55	56
Number of employees recruited	140	62	54	80	101
Number of applicants	115	135	155	236	159
Number of employees transferred	26	28	28	70	45

Results of Training for Major Intra-Group Job Postings

Name of Training Program	FY2018	FY2019	FY2020	FY2021	FY2022
Innovation School (persons)	86	69	Not implemented	102	102

Training Results Common throughout the Group

	FY2018	FY2019	FY2020	FY2021	FY2022
No. of New employees receiving induction training	251	243	101*	150	152
No. of newly appointed managers receiving training	210	252	220	199	213

* Since this training was urgently converted to an online format due to the COVID-19 pandemic, trainees from Group companies are not included.

Human Resources Management

Major Initiatives

Shift to a role-based management system for human resources

After undertaking a major renewal of the human resources management system from fiscal 2020, operations commenced in fiscal 2022 as planned.

Qualification system: Introduced a key position grading system for management, abolished appointment probation periods, and started a successor training system.
Retirement extension: Extended from 60 to 65 (implemented by SEKISUI CHEMICAL and specific Group companies from October 2021, implementation completed at all Group companies by fiscal 2025).
Evaluation/career: Introduced a system to evaluate challenges, revamped career interviews.
Bonus payment system: Expanded the indicator ratio that measures the progress and achievement of Group-wide KPIs related to sustainability (approx. 6% → approx. 12%; SEKISUI CHEMICAL management, from fiscal 2023)
System: Started visualizing and utilizing employee qualitative information through a new human resource system.

In fiscal 2022, we included challenging behavior as an evaluation item and strengthened evaluator training to ensure that the system is operated properly.

Performance Data

Evaluator Training Results (SEKISUI CHEMICAL)

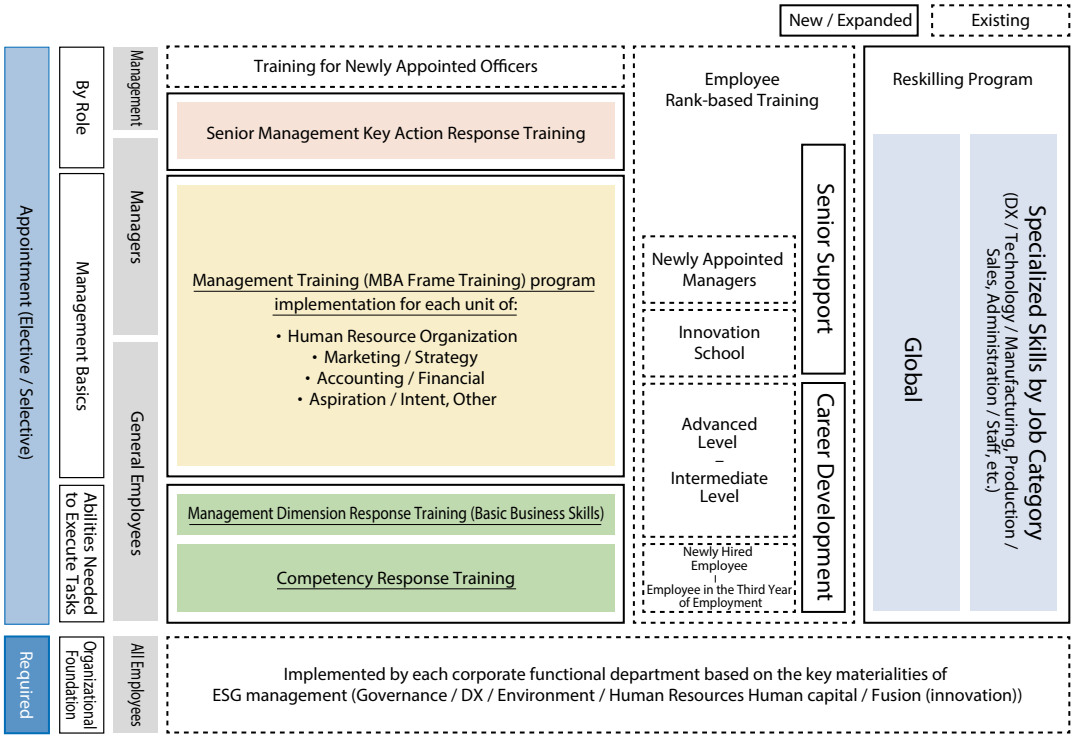
Training Program Name	FY2021	FY2022
Evaluator Training A (understanding the evaluation system) (persons)	941	75
Evaluator Training B (basics of evaluation + understanding the evaluation system) (persons)	493	—
Training to strengthen evaluation skills (1) (basics of evaluation + goal setting) (persons)	—	146
Training to strengthen evaluation skills (2) (daily management + interview training) (persons)	—	148

Training Human Resources

SEKISUI CHEMICAL Group put in place a training map based on its Basic Policy on Human Resources Policy (see p. 341), and Diversity Management Policy (see p. 342). To become an energized and engaged company where all employees thrive on challenges, SEKISUI CHEMICAL Group is developing human resources who can address the speed of business growth and change. At the same time, we are promoting efforts to successfully place the right person in the right position.

Training Human Resources Map

Shifted from a rank-based capability development approach by year and qualification to a role-based capability development approach that is consistent with placing the right person in the right place.



Performance Data

Hours of Training and Development per FTE (SEKISUI CHEMICAL)

	FY2018	FY2019	FY2020	FY2021	FY2022
Average hours of training and development per FTE	9.4	9.4	6.3	7.1	6.1

Note: Educational programs held at SEKISUI CHEMICAL's Human Resources Department at Corporate Headquarters

see p. 217 for Group-wide employee rank-based training results.
see p. 228 for more information on senior support training.
see p. 216 for more information on career development.

Refining the Foundation

Allowing Diverse Human Resources to Excel (Diversity)

Basic Concept of Diversity

Based on SEKISUI CHEMICAL Group's Diversity Management Policy (see p. 342), diversity is not only defined in terms of gender, age, race, and other outward differences, but also in terms of careers, values, personality, and other factors. Likewise, we understand, recognize, and utilize the differences between each and every employee as strengths. In fiscal 2022, we established the Diversity Promotion Committee (see p. 211). Moving forward, we will reinforce efforts that allow diverse human resources to excel. In principle, SEKISUI CHEMICAL Group treats non-full-time employees, such as contract employees appropriately. We are working to enhance welfare benefits for non-full-time employees, including health checkups, compensation for disabilities and illnesses that arise at work, and childcare leave. Meanwhile, only indefinite-term employees are eligible to join the Group's insurance, retirement plan, and shareholding programs.

Allowing Diverse Human Resources to Excel (Gender)

Promoting the empowerment of women

With regard to promoting the empowerment of women, we are advancing initiatives divided into four stages: enhancement of the employment of women, retention and active participation, promotion to managerial positions, and follow-up training for promotion to post-managerial positions (executive directors). By, for example, increasing the hiring of women who will play key roles for business career courses and implementing training programs—including hands-on training cycles and career building—for female employees in their first through fourth years of employment, we are working to foster greater awareness while enabling women to take on the challenges of leadership and learning by themselves from an early stage.

Designed for assistant managers prior to their appointment to managerial positions, the Company is conducting a practical Career Development Program (CDP) for women that produces outcomes on growth issue themes that make the best use of the strength of each and every individual. Also conducting sessions geared toward bosses, through this training we are working to support their promotion to managerial positions and to improve their ability to show leadership to female subordinates. After they have been promoted to managerial positions, we aim to raise awareness of higher-ranking positions at exchange meetings for women in management positions and to systematically develop them by, for example, having them provide their experiences to line managers.

In fiscal 2022, new Women's Career Seminars were offered with the aim of fostering career awareness among female employees and identifying candidates for promotion.

In addition, the appointments of three female Outside Directors and a female Outside Director as chair of the Diversity Promotion Committee (see p. 211) have created momentum to accelerate the promotion of women's activities.

Targets (SEKISUI CHEMICAL)
Ratio of Women to Total Hires: FY2022 30% (Results 31.4%: new graduate hires as of April 2023), FY2025 35%
Number of Women in Management Positions (Ratio): FY2025 80 (5.0%), FY2030 120 (8.0%)
Ratio of Women Directors: FY2030 30%

External Evaluation

As of October 4, 2021, SEKISUI CHEMICAL has acquired second-stage Eruboshi certification as a company working to encourage the advancement of women.

Publication of action plans and actual results based on Japan's Act on the Promotion of Women's Participation and Advancement in the Workplace.
https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=352

Performance Data

Training Results for Women

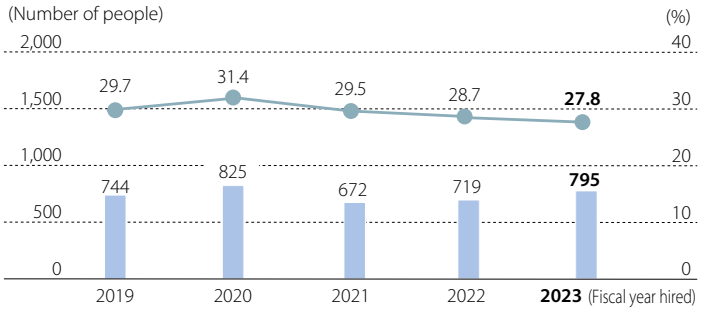
		FY2018	FY2019	FY2020	FY2021	FY2022
Career Development Program for Women (selected participants)	Women (persons)	35	39	52	58	49
	Superiors (persons)	31	24	46	55	46
Women's career seminar (open participation)	Young employees (persons)	–	–	–	–	55
	While raising children (persons)	–	–	–	–	73
	All women employees (persons)	–	–	–	–	67

Exchange meetings and communications

Meeting with the president/top management and women in management positions: October 20, 2022, 57 participants
1. Lecture and question and answer session by a female outside director: "Are you able to work with energy? Support message for everyone in management positions"
2. Round table discussion with top management (president and officers): "On future career planning, raising the next generation, roll models, etc."

Roundtable with female managers published in the Group magazine
Gender does not matter! Plan your own career.

Number of New-graduate Hires / Ratio of Women among New-Graduate Hires (SEKISUI CHEMICAL Group in Japan) ☑



Note :Includes certain affiliates accounted for by the equity method and non-consolidated subsidiaries.

Number of Female Directors, Female Ratio (SEKISUI CHEMICAL) ☑

	Directors		Audit and Supervisory Board Members		Total	Executive Officers
	Inside Directors	Outside Directors	Corporate Audit and Supervisory Board Members	Outside Audit and Supervisory Board Members		
Women	0	3	0	1	4	2
Men	7	2	2	2	13	22
Ratio of women (%)	0.0	60.0	0.0	33.3	23.5	8.3

Number of Female Directors and Managers (SEKISUI CHEMICAL Group) ☑

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of Female Directors (SEKISUI CHEMICAL Group)*	2	2	2	2	3
Number of Women in Management Positions (SEKISUI CHEMICAL Group in Japan)	156	185	187	195	208

* Excluding SEKISUI CHEMICAL

Composition of SEKISUI CHEMICAL Personnel

		FY2018	FY2019	FY2020	FY2021	FY2022
Employees*1	Men (persons)	3,331	3,327	3,308	3,250	3,226
	Women (persons)	587	629	652	652	661
	Ratio of womens (%)	15.0	15.9	16.5	16.7	17.0
Permanent, full-time employees*2	Men (persons)	3,072	3,073	3,060	3,023	3,032
	Women (persons)	532	570	601	607	627
	Ratio of womens (%)	14.8	15.6	16.4	16.7	17.1
Average years of continuous employment*2	Men (persons)	17.3	17.2	17.2	17.6	17.9
	Women (persons)	13.2	12.6	12.4	12.9	13.1
Managerial positions (managers)	Men (persons)	685	678	672	700	790
	Women (persons)	30	41	44	45	47
	Ratio of womens (%)	4.2	5.7	6.1	6.0	5.6
Managerial positions (department managers and general managers)	Men (persons)	637	642	649	635	558
	Women (persons)	14	15	16	15	17
	Ratio of womens (%)	2.2	2.3	2.4	2.3	3.0
All managerial positions	Men (persons)	1,322	1,320	1,321	1,335	1,348
	Women (persons)	44	56	60	60	64
	Ratio of womens (%)	3.2	4.1	4.3	4.3	4.5
Employees newly appointed to managerial positions	Men (persons)	63	68	58	54	70
	Women (persons)	3	14	6	3	6
	Ratio of womens (%)	4.5	17.1	9.4	5.3	7.9
Deputy (Assistant) Manager / Supervisor level*3	Men (persons)	806	810	796	795	827
	Women (persons)	71	84	96	113	127
	Ratio of womens (%)	8.1	9.4	10.8	12.4	13.3

*1 Workers with direct employment relationships with the Group (including permanent, full-time employees and non-full-time employees as well as workers on loan from the Group to other companies but excluding workers on loan from other companies to the Group)

*2 Employees with no determined period of employment (including workers on loan from the Group to other companies but excluding workers on loan from other companies to the Group).

*3 Employees who are Advanced Level in the Business Career Course

Age Composition of Permanent, Full-time Employees* and Ratio of Women in Fiscal 2022 (SEKISUI CHEMICAL) ☑

	Under 30 years old	30 to 39 years old	40 to 49 years old	50 to 59 years old	60 years old and above
Men (persons)	386	614	739	1,142	151
Women (persons)	147	170	133	164	13
Ratio of women (%)	27.6	21.7	15.3	12.6	7.9

* Employees with no determined period of employment (including workers on loan from the Group to other companies but excluding workers on loan from other companies to the Group)

Gender Wage Disparity for Fiscal 2022 (SEKISUI CHEMICAL) ☑

Permanent, full-time employees	Non-permanent, non-full-time employees	Overall
67.6%	101.2%	68.6%

Indicator	Calculation method
Gender Wage Disparity	Average annual wage for women / Average annual wage for men × 100

Note 1: Including workers on loan from the Group to other companies.
Note 2: There is no wage disparity in the human resources system; based on the labor composition (age and qualifications) ratio

Retention Rate (SEKISUI CHEMICAL) ☑

		FY2018	FY2019	FY2020	FY2021	FY2022
Employee turnover (Number of people who left employment)	Men	42	63	48	74	85
	Women	13	10	26	20	25
	Total	55	73	74	94	110
Retention rate (%)	Men	98.6	98.0	98.4	97.6	97.2
	Women	97.6	98.3	95.7	96.8	96.1
	Total	98.5	98.0	98.0	97.5	97.0

Indicator	Calculation method
Retention rate	(1- (Number of employees who left employment / Number of employees as of April of the fiscal year)) ×100

Hires (SEKISUI CHEMICAL) ☑

		FY2018	FY2019	FY2020	FY2021	FY2022
New-graduate hires*1	Men (persons)	114	96	83	63	64
	Women (persons)	39	35	43	18	25
	Ratio of women (%)	25.5	26.7	34.1	22.2	28.1
Mid-career hires*2	Men (persons)	44	29	21	19	51
	Women (persons)	9	4	2	3	9
	Ratio of women (%)	17.0	12.1	8.7	13.6	15.0
	Recruitment ratio of mid-career appointments (%)	25.7	20.1	15.4	21.4	40.3

*1 New graduates hired: Employees who joined the Company for the first time after graduation (undergraduate degree, graduate school, etc.) with no working experience
*2 Mid-career hires (experienced personnel hires) ratio: Ratio of mid-career hires to all hires

Retention Rate at Three Years After Employment (SEKISUI CHEMICAL) ☑

	Entered the Company in FY2016	Entered the Company in FY2017	Entered the Company in FY2018	Entered the Company in FY2019	Entered the Company in FY2020
Retention rate three years after employment (%)	98.2	90.6	88.6	93.1	89.6

Indicator	Calculation method
Retention rate three years after employment (%)	Percentage of new graduates hired in April of each fiscal year retained after three years of employment

Results of Training for New, Mid-career Hires (SEKISUI CHEMICAL)

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of Program Attendees	60	43	42	35	58

In line with the increase in mid-career hires (experienced personnel hires), SEKISUI CHEMICAL Group is conducting training for newly hired mid-career hires to learn about the Company's history, culture, policies, etc.

Labor union members

The SEKISUI CHEMICAL Labor Union serves as the Company's labor union. Adopting a union shop system, 100% of eligible employees are members (2,349 in fiscal 2022).

Composition of consolidated Group Personnel in Japan

		FY2018	FY2019	FY2020	FY2021
Number of employees	Men (persons)	16,362	16,360	16,062	15,857
	Women (persons)	5,048	5,149	5,100	5,069
	Ratio of womens (%)	23.6	23.9	24.1	24.2
Number of new graduates hired	Men (persons)	572	427	483	405
	Women (persons)	251	176	209	150
	Ratio of womens (%)	30.5	29.2	30.2	27.0
Number of managerial positions (managers)	Men (persons)	2,926	2,924	2,847	2,865
	Women (persons)	130	158	160	168
	Ratio of womens (%)	4.3	5.1	5.3	5.5
Number of managerial positions (department managers and general managers)	Men (persons)	1,588	1,595	1,570	1,533
	Women (persons)	26	24	28	27
	Ratio of womens (%)	1.4	1.5	1.8	1.7
Number of total managerial positions	Men (persons)	4,514	4,519	4,417	4,398
	Women (persons)	156	182	188	195
	Ratio of womens (%)	3.3	3.9	4.1	4.2
Number of management personnel (Global leader)	Men (persons)	204	206	193	183
	Women (persons)	5	4	3	3
	Ratio of womens (%)	2.4	1.9	1.5	1.6
Number of employees newly appointed to managerial positions	Men (persons)	211	241	205	191
	Women (persons)	20	38	12	22
	Ratio of womens (%)	8.7	13.6	5.5	10.3

Note 1: The above table is based on the results of the survey conducted in July 2022.
Note 2: Data for fiscal 2022 currently being compiled in July 2023

Allowing Diverse Human Resources to Excel (Seniors)

As opportunities to help employees recognize what it looks like to continue to actively work and take on challenges regardless of age, we conduct training programs for employees who have chosen to extend their retirement age.

Performance Data

Training Results for individuals who have extended mandatory retirement age (SEKISUI CHEMICAL)

	FY2021	FY2022
Employees in management positions who took the career plan training after selecting to extend their mandatory retirement age (persons)	51	35
General employees who took the career plan training after selecting to extend their mandatory retirement age (persons)	27	34
Employees of Group companies who took the career plan training after selecting to extend their mandatory retirement age (persons)	–	50
[Required] Employees at age 57 who took the required career plan training before selecting to extend their mandatory retirement age (persons)	–	94
[Elective] Employees between the ages 50 and 56 who took the elective career plan training before selecting to extend their mandatory retirement age (persons)	–	60

Number of Senior Employees Re-employed and Rate of Senior Employee Continued Employment (SEKISUI CHEMICAL) ☑

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of Senior Employees Re-employed	49	46	77	0	0
Rate of Senior Employee Continued Employment (SEKISUI CHEMICAL) (%)	76.6	85.2	83.7	97.5	87.2

Note1: Abolished the rehiring system from the second half of fiscal 2021 due to the extension of the mandatory retirement age. All applicants extended their retirement age in fiscal 2022 (75 applicants).
Note2: Some past figures have been revised.

Indicator	Calculation method
Rate of Senior Employee Continued Employment (SEKISUI CHEMICAL) (%)	((Number of employees who have extended their mandatory retirement ages + Number of senior employees re-employed) / Number who have reached the age of 60) ×100

Allowing Diverse Human Resources to Excel (Global)

SEKISUI CHEMICAL Group holds Vision Caravans led by the presidents of its local subsidiaries around the world, and conducts ongoing dialogue to promote an understanding of the Long-term Vision and to encourage employees to undertake challenges. Moreover, we deploy human resources training programs that are firmly rooted in each area, thereby enabling employees to make the most of their unique characteristics and talents at their place of work.
Domestically, we are focused on hiring, training, and providing retention assistance to foreign nationality employees.

Performance Data

Breakdown of the Number of Employees (SEKISUI CHEMICAL Group) ☑

Number of employees	26,838
Breakdown by region	
Japan	20,015
North America/Latin America	1,989
Europe	1,051
Asia/Pacific	3,783

Number of Japanese Employees Stationed Overseas (SEKISUI CHEMICAL Group) ☑

Breakdown by region	
North America/Latin America	44
Europe	32
Asia/Pacific	83

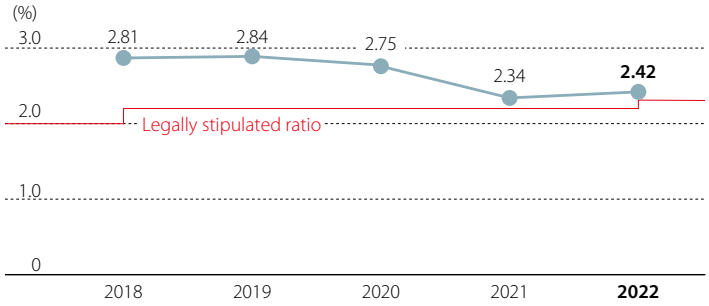
Note: Number of expatriates as of March 31,2023 (Including engineers dispatched overseas and trainees)

Allowing Diverse Human Resources to Excel (People with Disabilities)

SEKISUI CHEMICAL Group promotes the hiring of people with disabilities, while at the same time working to provide them with career support and to create an environment where people with disabilities can easily work. We incorporate support from experts for hiring people with disabilities to meet the needs of each Group company, extending from establishing worker responsibilities to putting in place working environments.

Performance Data

Employment Ratio of People with Disabilities (SEKISUI CHEMICAL)



Note: Including Special Provision Subsidiary (as of March 2022)

Indicator	Calculation method
Employment ratio of people with disabilities	(Number of permanent workers who have physical, intellectual, or mental disabilities / Number of permanent workers) ×100

Support for Balancing Childcare and Work

At SEKISUI CHEMICAL, the first five working days of childcare leave are treated as paid leave. In addition, there are systems that exceed the legal requirements, such as the taking of childcare leave until the child reaches three years of age and using the shortened working hours system until the child enters junior high school.
Following revisions to the Child Care and Family Care Leave Act, in fiscal 2022 we introduced the IkuBoss e-learning program (3,237 participants) for managers as part of our efforts to improve the environment for promoting the use of childcare leave among male employees. Similarly, we revised leave systems in accordance with childcare leave at the time of birth and division of childcare leave thereafter. Moreover, in order to support a balance between fertility treatments and work, we approached every employee, and held seminars on fertility and infertility treatment to promote an understanding of the issue among superiors and colleagues (143 participants). In addition, the system for using accumulated annual leave for reasons of infertility treatment has been revised so that it can also be used on an hourly basis.

■ Target values (SEKISUI CHEMICAL)
Ratio of male employees taking childcare leave: 2023 50%, 2025 75%

Publication of action plans and actual results based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children.
https://ryouritsu.mhlw.go.jp/hiroba/search_dtl.php?cn=42410#actionplan

Support for Balancing Nursing Care and Work

SEKISUI CHEMICAL has in place a system that exceeds the legal requirements, such as setting the nursing care leave period to one year (first time). We disseminate content that is helpful for nursing care and offer nursing care preparatory seminars (video training programs) on the Balanced Support website on the intranet that can be viewed at any time.

Performance Data

Use of childcare-related systems (SEKISUI CHEMICAL) ☑

		FY2018	FY2019	FY2020	FY2021	FY2022
Employees with newly born babies (persons)	Women	21	20	27	31	21
	Men	111	101	104	129	94
	Total	132	121	131	160	115
Employees with newly born babies who took childcare leave (persons)	Women	14	19	23	25	19
	Men	25	39	36	61	64
	Total	39	58	59	86	83
Ratio of those who took childcare leave (excludes those who are taking maternity leave) (%)*1	Women	100	100	95.8	100	100
	Men	22.5	39.0	34.6	47.3	68.1
Employees on childcare leave in the applicable fiscal year (persons)*2	Women	32	45	51	55	61
	Men	28	44	49	67	89
	Total	60	89	100	122	150
Average number of childcare leave acquisition days (days)*3	Women	167.4	259.2	270.3	293.8	358.0
	Men	14.2	24.7	43.3	38.8	29.1
Employees who returned to work after childcare leave (persons)	Women	15	22	21	22	32
	Men	26	39	46	59	81
	Total	41	61	67	81	113
Ratio of those who returned to work after childcare leave (%)	Women	100	100	95.5	91.7	100
	Men	100	100	100	100	100
Retention rate after one year of those who returned to work after having taken childcare leave (%)	Women	100	100	100	88.2	94.6
	Men	94.7	96.2	97.4	98.0	96.4

*1 Ratio of those who took childcare leave: Excludes those who are taking maternity leave

*2 Employees on childcare leave in the subject fiscal year: Employees who took childcare leave in the subject fiscal year, regardless of the fiscal year of the child's birth (childcare leave until the end of the month after the child reaches 3 years of age)

*3 Average number of childcare leave acquisition days: The average number of days of childcare leave taken by employees who completed the period during which they were eligible to take childcare leave in the subject fiscal year in fiscal 2022.

Usage Results for the Balanced Support System (SEKISUI CHEMICAL) ☑

(Number of people)

Policy	Main content		FY2018	FY2019	FY2020	FY2021	FY2022
Shortened working hours for childcare	Can be taken up to the child enters junior high school. (The statutory end date is until the child reaches three years of age.)	Women	41	55	67	64	70
		Men	2	2	1	0	0
		Total	43	57	68	64	70
Use of flexible working hours	Times of starting and finishing work may be moved earlier or later by up to 60 minutes until the child reaches junior high school age.	Women	9	10	6	4	0
		Men	4	7	4	3	1
		Total	13	17	10	7	1
Family leave	Three days of special care leave per year granted until the child or grandchild starts high school.	Women	62	62	51	54	68
		Men	146	193	126	156	152
		Total	208	255	177	210	220
Nursing care leave	Up to a total of 93 days for each individual eligible for care. (Up to a maximum of one year for the first individual eligible for care.)	Women	0	1	0	1	1
		Men	4	4	1	2	1
		Total	4	5	1	3	2
Shortened working hours for nursing care	Two days per week or 4.5 hours per day for a maximum of three years for each individual eligible for care.	Women	0	0	0	0	2
		Men	2	4	1	1	1
		Total	2	4	1	1	3

Note 1: Accumulated annual leave can be accumulated up to 40 days per year from the expired annual paid leave, and can be taken in units of days or hours depending on the purpose.

Note 2: See page 236 for the status of taking annual paid leave.

Usage Results for the Balanced Support System (SEKISUI CHEMICAL) ☑

(Number of people)

Policy	Main content		FY2018	FY2019	FY2020	FY2021	FY2022
Accumulated annual leave (for raising children)	Acquired on an hourly basis for children up to the age of 18	Women	44	57	39	37	52
		Men	23	28	21	13	32
		Total	67	85	60	50	84
Accumulated annual leave (for personal injury or illness)	Acquired on a daily basis (10 or more consecutive business days) or hourly basis	Women	5	2	9	13	46
		Men	25	17	25	35	58
		Total	30	19	34	48	104
Accumulated annual leave (for nursing care)	Acquired for care giving on a daily or hourly basis for spouses, parents, children, etc.	Women	13	16	10	12	20
		Men	14	9	6	2	10
		Total	27	25	16	14	30
Accumulated annual leave (for nursing care)	Acquired for health nursing on a daily or hourly basis for spouses, parents, children, etc.	Women	19	28	14	24	38
		Men	21	21	14	11	37
		Total	40	49	28	35	75
Accumulated annual leave (for fertility treatment)	Acquired on a daily or hourly basis	Women	1	2	1	1	4
		Men	0	0	0	0	0
		Total	1	2	1	1	4
Accumulated annual leave (for volunteering)	Acquired on a daily or hourly basis	Women	1	3	1	0	0
		Men	4	5	1	0	1
		Total	5	8	2	0	1

Note 1: Accumulated annual leave can be accumulated up to 40 days per year from the expired annual paid leave, and can be taken in units of days or hours depending on the purpose.

Note 2: See page 236 for the status of taking annual paid leave.

Work Style Reforms

In addition to efforts aimed at reducing working hours, SEKISUI CHEMICAL is endeavoring to improve work productivity.

To pursue a highly productive work style that maximizes results in a limited amount of time, it is important for employees to work in a self-directed manner and for managers to engage in self-directed support-type management. To further instill this approach, SEKISUI CHEMICAL Group is rolling out its Work Style Reforms Guidelines and Work Style Reforms e-learning to its employees. In fiscal 2022, the Group conducted training for managers to coach employees' self-support.

To promote the realization of flexible work styles, we have upgraded and expanded Group-wide working from home/flexible hours and other systems. As a result, coexistence between going to an office and working remotely has steadily taken hold.

Moving forward, we will continue to maintain close communication between the Company and labor union, engage in constructive dialogue on issues common to labor and management, and promote revisions to systems related to flexible work styles through the Labor Union - Management Committee.

Performance Data

Training Results (SEKISUI CHEMICAL Group)

Training Program Name	FY2022
Training for managers to coach employees' self-support (persons)	202

Hours worked and paid vacation days taken (SEKISUI CHEMICAL) ☑

	FY2018	FY2019	FY2020	FY2021	FY2022
Monthly average number of overtime hours for per employee	19.5	18.0	15.6	18.2	19.0
Annual average number of total man-hours worked for per employee	1,943	1,914	1,903	1,925	1,932
Percentage of paid vacation days taken per person	64.0	71.4	58.2	64.9	66.6
Average number of paid vacation days taken for per employee	12.1	13.6	11.2	12.5	12.8

Note 1: Excluding managers and workers on loan from other companies.
Note 2: Overtime hours calculated based on a 7.5-hour work day monthly average per person
Note 3: Percentage of paid vacation days taken per person (%)
= Total number of paid vacation days taken ÷ Available paid vacation days × 100
Note 4: Total hours worked = 1,800 hours + Average monthly overtime hours x 12 months - Average number of paid vacation days taken x 7.5 hours

Health and Productivity Management

Basic Concept

SEKISUI CHEMICAL Group strives to improve its employees' physical and mental health based on the idea that employees are valuable resources entrusted to the Group by society.
In March 2019, SEKISUI CHEMICAL Group formulated a philosophy regarding its goals for health and productivity management*1 in a Declaration of Health, and established the Basic Policy for Health and Productivity Management. Under the Declaration of Health, 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.
In addition, we are using the Health and Productivity Management Strategy Map*2 to resolve health and productivity management issues while addressing expectations and evaluation of measures.

Declaration of Health for SEKISUI CHEMICAL Group

SEKISUI CHEMICAL Group has been engaged in health management initiatives for our employees based on our belief that **"employees are precious assets bestowed on us by society."** SEKISUI CHEMICAL endeavors to take these initiatives to the next level by treating **the promotion of the health of our employees as a management strategy** that is aimed at achieving the physical, mental, and social **well-being of all employees.**

SEKISUI CHEMICAL Group's **Basic Policy for Health and Productivity Management**

Strive to achieve the well-being of all employees,
and create workplaces where a diverse personnel can play an active role with vitality.

- Practice a comprehensive health promotion program that encompasses everything from health management (defense) to improving (offense) the fulfillment and rewards of working.
- Focus on improving productivity by advancing the awareness and behavior of each and every employee.
- Encourage employees to make a proactive and ongoing effort to strive for well-being now and in the future.
- Strive to contribute to society by realizing the happiness of employees and their families, and our customers through the well-being of our employees.

*1 Health and Productivity Management is a registered trademark of the NPO Kenkokeiei.
*2 Health and Productivity Management Strategy Map
https://www.sekisui.co.jp/csr/pdf/csr_strategy_map.pdf

Management Issues (Targets) to be Solved through Health and Productivity Management

- Contribute to greater productivity through healthy minds and bodies
- Address the declining birthrate and aging society
- Contribute to a higher engagement score
- Create and foster a well-being culture

Initiative 1. Health Checkups and Measures to Prevent Lifestyle Diseases

SEKISUI CHEMICAL Group collaborates with the Sekisui Health Insurance Society to facilitate health and carries out uniform health checkups for all Group companies. From October 2018, we have introduced a common Group-wide health management system. In addition, from 2015, we developed the Sekisui Health Network (SHN), a system that can respond to business sites of less than 50 employees, and are working to promote better health among such small work sites as well.
Percentage of employees receiving health checkups (fiscal 2021): 98.9%, Percentage receiving a secondary medical examination (fiscal 2021): 67.7%

Initiative 2. Mental Health

SEKISUI CHEMICAL Group is conducting the following activities as measures to support mental health.

1.Stress Level Tests

SEKISUI CHEMICAL Group undertakes obligatory efforts at population analysis and work environment improvements as an element of its Group-wide stress level tests for employees, including those working at business sites with fewer than 50 employees. Population analysis has been mandatory since fiscal 2019. As such, population analyses have been conducted on a 100% Group-wide basis. In addition, detailed population analyses have been conducted at 91.6% of the Group's workplaces. Moreover, the rate of workplace environment improvement based on stress tests stands at 55.0%, with focused support provided at two sites in two companies.

2. Web-based Stress Management Training

We are conducting stress management training for newly appointed managers, mid-career hires (experienced personnel hires), and Japanese employees working overseas who experience considerable change in their environments. This training is proving effective as stress self-control indicators appeared to rise compared to before the training was implemented.

3. Enhanced Consultation Centers Where Employees Can Comfortably Seek Advice

We have established consultation centers that are available to any employee of SEKISUI CHEMICAL Group, regardless of employment format, thus strengthening the safety net function.

Initiative 3. Systems and Workplaces Where People Can Work with Peace of Mind

There are a variety of existing factors at workplaces that may hinder health, including chemical substances, working posture, and noise. To counter these factors, we are undertaking activities across the Group through the utilization of an occupational health and safety management system. In addition, we are also striving to enhance a range of internal systems so that not only healthy employees, but also employees with illnesses can work with peace of mind in a caring environment.

Initiative 4. Group-wide Initiatives

In order to promote health and productivity management in unison as a group, we are promoting the application of the Group's Health and Productivity Management Organization Recognition Program, in the large enterprise category. Group companies that are engaging in activities aimed at increasing the level of health through pre-assessment are covered under the application. We took steps to initiate information exchange meetings among applicable companies from fiscal 2019. Having established specific health and productivity management targets for each company and putting in place a mechanism to share details regarding the level of achievement, we are promoting activities on an integrated Group-wide basis. In addition, we have appointed people responsible for, and others in charge of health and productivity management at approximately 300 business sites. In this manner, we have established systems that ensure the definitive promotion of health and productivity management.

Initiative 5. Increase Motivation and Productivity

With the intent to establish productivity indicators, we have identified a total of 29 KPIs, including seven main indicators, and are developing health measures for each.

External Evaluation

Certified as a 2023 Health and Productivity Management Organization in the Large Enterprise Category (White 500)

SEKISUI CHEMICAL was recognized for its Company-wide efforts to solve issues relating to the health and productivity of its employees and was certified as a 2022 Health and Productivity Management Organization in the large enterprise category (White 500) for the seventh year in a row along with 32 affiliated companies in Japan.

2023
健康経営優良法人
Health and productivity
ホワイト500

Companies receiving certification
SEKISUI CHEMICAL Co., Ltd.

Companies certified together with SEKISUI CHEMICAL:		
SEKISUI MEDICAL CO., LTD.	Sekisui Famis Kinki Co., Ltd.	Nishinihon Sekisui Industry Co., Ltd.
Hokkaido Sekisui Heim Industry Co., Ltd.	Sekisui Heim Chushikoku Co., Ltd.	Sekisui Home Techno Co., Ltd.
Sekisui Heim Tohoku Co., Ltd.	Sekisui Famis Chushikoku Co., Ltd.	Sekisui Seikei, Ltd.
SEKISUI FAMIS TOHOKU Co., Ltd.	Chushikoku SEKISUI HEIM Real Estate Co., Ltd.	Nara Sekisui Industry Co., Ltd.
Tohoku SEKISUI HEIM Real Estate Co., Ltd.	Chushikoku Sekisui Heim Industry Co., Ltd.	Shikoku Sekisui Co., Ltd.
Sekisui Heim Industry Co., Ltd.	Sekisui Heim Kyushu Co., Ltd.	Kyushu Sekisui Industry Co., Ltd.
Tokyo Sekisui Heim Co. Ltd.	Sekisui famis kyusyu Co., Ltd.	Kyushu Sekisui Shoji Infratec Co., Ltd.
Tokyo Sekisui Famis Co., Ltd.	Kyusyu SEKISUI HEIM Real Estate Co., Ltd.	SEKISUI MUSASHI KAKO CO., LTD.
Sekisui Heim Chubu Co., Ltd.	Kyushu Sekisui Heim Industry Co., Ltd.	Sekisui Material Solutions Co., Ltd.
SEKISUI FAMIS CHUBU Co., Ltd	Chiba Sekisui Industry Co., Ltd.	Sekisui Fuller Company, Ltd.
Sekisui Heim Kinki Co., Ltd.	Yamanashi Sekisui Co., Ltd.	

Note: From the list of corporations certified as 2023 Health and Productivity Management Organizations in the Large Enterprises (White 500) category.

Performance Data

Ratio of employees on prolonged absence due to mental health issues ☑

	2019	2020	2021	2022
Ratio of employees on prolonged absence due to mental health issues (%)	0.77	0.98	1.02	1.13

Note: Number of employees who were absent from work for more than one consecutive month due to mental health issues / number of employees covered by health management at SEKISUI CHEMICAL Group domestic business sites

Stress-check Assessment Rate ☑

	FY2018	FY2019	FY2020	FY2021	FY2022
Assessment rate (%)	87.1	92.5	93.9	95.2	95.5

Note: Companies subject to stress check: Companies that are members of the Sekisui Health Insurance Society (excluding some affiliated companies)

Primary KPIs (seven indicators) (see the aforementioned ratio of employees on prolonged absence due to mental health issues)

	FY2020	FY2021	FY2022
Implementation of four or more of the seven health habits (%)	59.0	54.0	63.9
Implementation ratio of workplace environment improvements (%)	64.3	65.5	55.0
Presenteeism (%)	65.5	64.7	57.6
Absenteeism (days)	1.27	1.31	2.29
Employees in an ideal health condition (%)	–	–	33.1
Work engagement (points)	–	–	3.05

Note 1: Presenteeism: The University of Tokyo version one-question-type survey in fiscal 2019 and WHO-HPQ survey from fiscal 2020 and beyond.
Note 2: Absenteeism: Actual calculation from fiscal 2022.
Note 3: Employees in an ideal health condition: Percentage of respondents who answered that their usual subjective mental and physical health was “very good” or “good” based on the survey with questions referenced from the OECD (BLI: Better Life Index).
Note 4: Work engagement: The nine-item average, of the nine-item version of the Utrecht Work Engagement Scale, the most widely used work engagement measurement.

Fusion (Innovation)

TOPICS

- Basic Concept ····· p243
- Targets ····· p243
- System ····· p244
- Major Initiatives ····· p246
- Performance Data ····· p246

Fusion (Innovation)

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 support the basis of LIFE and continue to create peace of mind for the future in a bid to realize a sustainable society.

Basic Concept

SEKISUI CHEMICAL Group has identified Innovation for the Earth as the vision statement of its Long-term Vision and therefore is placing considerable emphasis on innovation as an important driver in its efforts to realize this vision. Amid the mountain of extremely difficult and pressing social issues including climate change, innovation as a conduit to create new means for solving a variety of issues is becoming increasingly important.
Based on our Long-term Vision, Vision 2030, we also identified enhancement areas to achieve further growth in existing businesses and innovation areas to create new business platforms in each business domain under our current Medium-term Management Plan. In line with this endeavor, we took steps to review our technology platform. In addition, we launched a Group-wide innovation roundtable initiative as a forum through which to regularly consider business opportunities and the combination of technologies across business domains. In this manner, we are working to strengthen our innovation capabilities as a comprehensive Group-wide strength. In the next Medium-term Management Plan, we will further strengthen and accelerate Group-wide innovation. At the same time, we will enhance our ability to solve social issues by focusing on external collaboration and open innovation to quickly create new value.

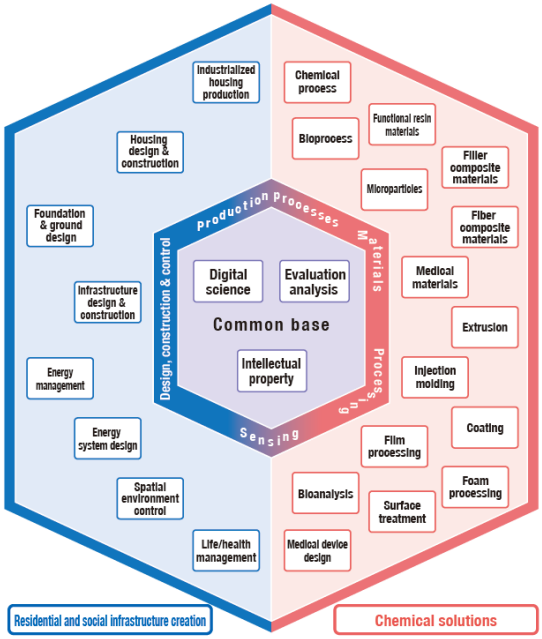
Targets

SEKISUI CHEMICAL Group identified the number of new products and projects as an enhancement area innovation KPI under the current Medium-term Management Plan. In fiscal 2022, we encountered difficulties in the development of products in certain business domains. Accordingly, results declined slightly compared with the previous fiscal year. In addition to once again strengthening efforts to create new products and projects, we will accelerate the pace of innovation in a bid to realize our Long-term Vision by setting an innovation KPI for innovation areas under the next Medium-term Management Plan.

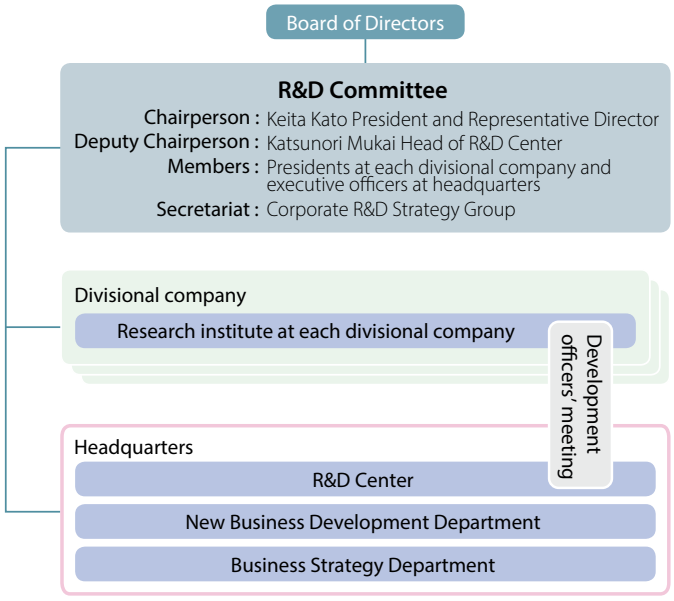
System

System to promote innovation

SEKISUI CHEMICAL Group recognizes that the source of innovation lies in its core technologies. Against this backdrop, we define the technologies that are particularly competitive and those that should be strengthened as the Group's Technological Platforms (TPFs). While working continuously to strengthen TPFs, reviews are undertaken with the introduction of each medium-term management plan. Based on the aforementioned, 26 TPFs have been identified for the next Medium-term Management Plan. In addition, we have a system in place for appointing leaders to drive the technical enhancement of each TPF as Specialty positions (S-positions). S positions consist of four grades from S1 to S4. In fiscal 2022, 38 employees were appointed as S positions Group-wide. S positions are responsible for driving the continuous technical enhancement of each TPF and training the next technology leaders.



The status of innovation initiatives is regularly monitored by the R&D Committee. Discussions with top management are underway to further strengthen innovation.



Roles of the R&D Committee

- Determine Group-wide R&D basic policies regarding next-generation business creation
- Determine Group-wide R&D themes and action plans regarding next-generation business creation

Major Initiatives

Internal and External Technology Fusion

SEKISUI CHEMICAL Group recognizes that collaboration among internal departments and external parties is important in promoting innovation. The Group is actively engaged in internal and external technological collaboration, which we refer to as fusion.

As far as internal fusion is concerned, SEKISUI CHEMICAL R&D Center collaborates with all related internal departments to promote fusion with each divisional company from the three core technology, planning, and development fusion perspectives.

Turning to the fusion of core technologies, SEKISUI CHEMICAL Group has held several Group-wide seminars on information science, a fundamental technology integrated into the R&D Center. In addition, we have worked to raise the level of data science by supporting divisional company development themes that employ materials informatics.

From a planning fusion perspective, successful steps have been taken to create new development themes through collaboration between the planning department of divisional companies and planning staff at the R&D Center. Here, we are beginning to see enhanced fusion effects emerge.

Regarding development, we are promoting fusion through a mechanism in which the Corporate Headquarters supports development themes that cross divisional company boundaries.

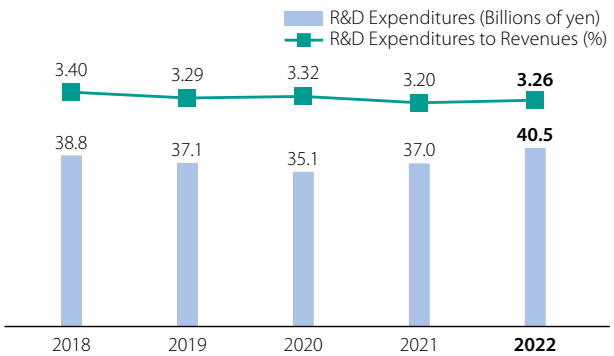
We are also actively engaged in open innovation, which is the fusion of technology with external parties. In recent years, we have been working with startup companies that possess distinctive technologies. By establishing a dedicated department and participating in programs that connect us to many startup companies, we aim to further strengthen and accelerate open innovation.

In actively pursuing this fusion along important development theme lines with external parties, the Group's perovskite solar cell currently under development was selected as a national development project in collaboration with the University of Tokyo and Ritsumeikan University. Plans are in place to further accelerate development toward practical application.

We have also entered into a partnership with ArcelorMittal, S.A., one of the world's largest steel companies, to pursue a carbon recycling technology project. We plan to use our innovative technologies to reduce CO_2 emissions during steelmaking.

Performance Data

R&D Expenditures / R&D Expenditures to Revenues



Initiatives to Help Solve Social Issues

TOPICS

- **Intellectual Property** ····· **p248**
- **Improving CS & Quality** ····· **p251**
- **Developing and Expanding Products to Enhance Sustainability** ····· **p262**

  Enhancing the Ability to Contribute to Solving Social Issues through Education ····· p262

  Social and SDG Contribution Activities ····· p273

Initiatives to Help Solve Social Issues

SEKISUI CHEMICAL Group is promoting measures to strengthen key (Materiality) ESG management issues, which is key to realizing the Long-term Vision, Vision 2030.

Intellectual Property

Basic Concept

The Company regards intellectual property (IP) that has resulted from its R&D activities to be an important management resource underpinning SEKISUI CHEMICAL Group's growth and profitability as well as efforts toward the maximization of corporate value. For that reason, SEKISUI CHEMICAL Group endeavors to secure strategic IP that supports its business activities, as well as to maintain and manage any acquired IP.
Meanwhile, we conduct periodic investigations to avoid infringing upon the IP rights of others, and take appropriate measures to avoid and prevent others from infringing upon the IP rights of SEKISUI CHEMICAL Group.
We have adopted the Patent Asset Index™ (PAI), which benchmarks the strengths of patent evaluation and innovation, as an index, and are bolstering our focus on improving the quality of patents, under the next Medium-term Management Plan.

Targets

At each divisional company, the Intellectual Property, Business, and R&D divisions are in constant cooperation, striving to achieve prominence over our competitors based on the distinctive characteristics of their respective areas. In this way, we promote IP activities which link to the expansion and growth of our business.
At our Corporate Headquarters, we carry out unified planning and promotion of IP strategy for all Group companies, aiming to optimize their IP resources.

System

SEKISUI CHEMICAL Group has set up independent intellectual property divisions at its Corporate Headquarters and at each divisional company. This takes into account the Group's divisional company structure and enables the Group to promptly engage in activities that are attuned to the business environment of each divisional company.
In addition, the activities of each Intellectual Property Division are regularly monitored by the R&D Committee, which holds discussions with top management.

Major Initiatives

Strategic Activities for Securing Intellectual Property

SEKISUI CHEMICAL Group places considerable emphasis on strategic IP activities in order to maximize its prominence in technology and contribute to business growth. These activities are not limited to patent information alone. We are also promoting strategic IP activities such as appropriate strategic development and management of our IP portfolio based on analysis of the competitive environment, including a wide range of business-related non-patent information such as IP data, the market, and competitors.

Employee Education on Intellectual Property

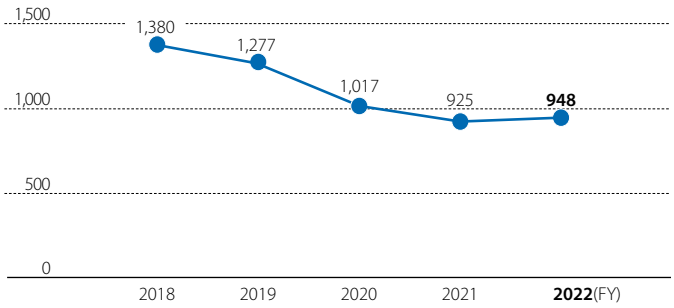
To ensure that each individual developer can maintain and manage the Company's intellectual property and avoid or prevent infringement of intellectual property by others, SEKISUI CHEMICAL Group has prepared several educational programs tailored to the level of each developer, from the acquisition of basic knowledge to strategy building, while conducting Group-wide educational activities relating to IP.

Reasonable Evaluations with Regard to Inventions

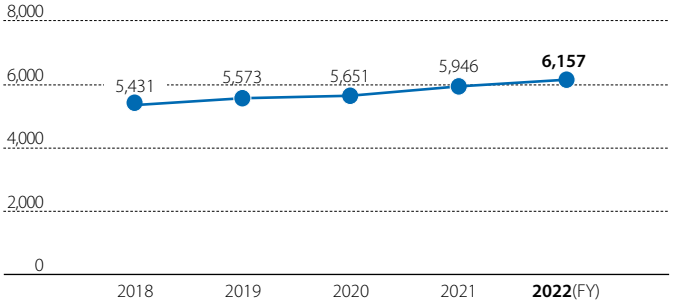
In addition to paying monetary incentives for inventions made by employees, the Invention Grand Prize has been established as one part of our efforts to ensure researchers and engineers receive the evaluations and recognition they deserve. The Invention Grand Prize pays out monetary incentives to inventors employed by the Company as compensation for their achievements that have made a particularly large contribution to profits. In fiscal 2021, a third-class certification was granted for a patent related to profiles for the SPR-SE method.

Performance Data

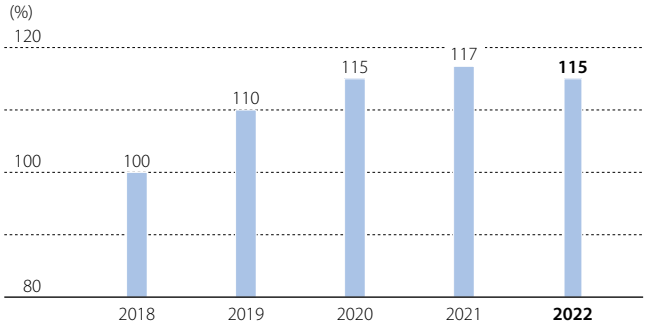
Number of patent application filings



Number of patents held



Patent Asset Index™ growth rate



Note 1: Patent Asset Index™ growth rate calculated using LexisNexis' PatentSight® patent analysis tool over the past five years.

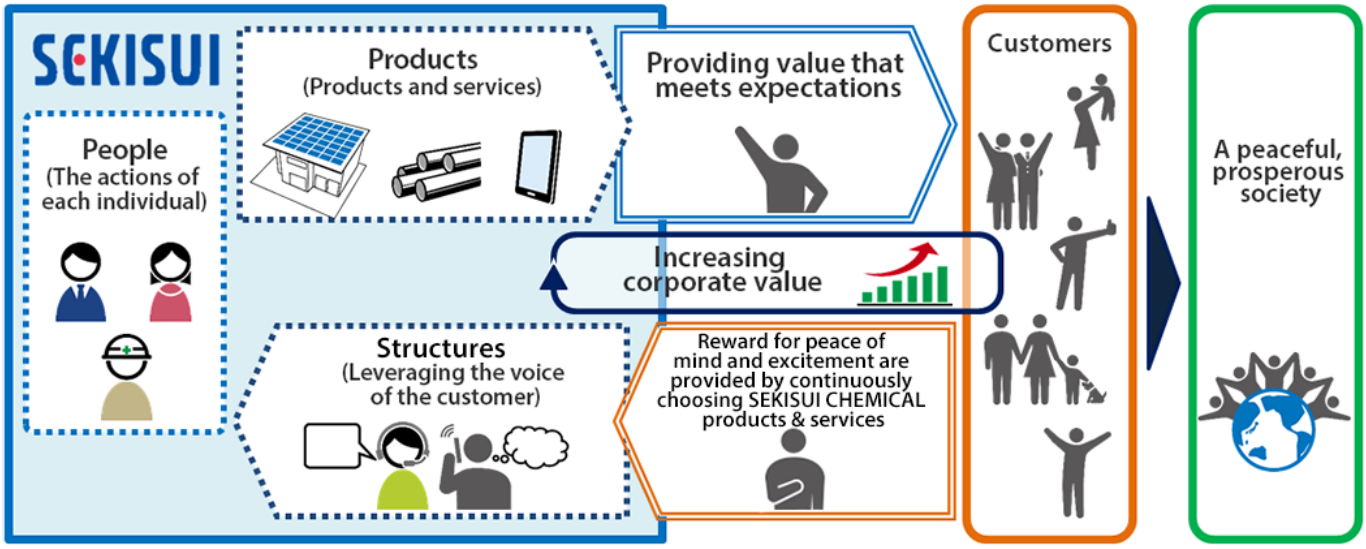
Note 2: The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based on the country of application for each patent with valid legal status, and adds them together to show the asset value of the patent.

Improving CS & Quality

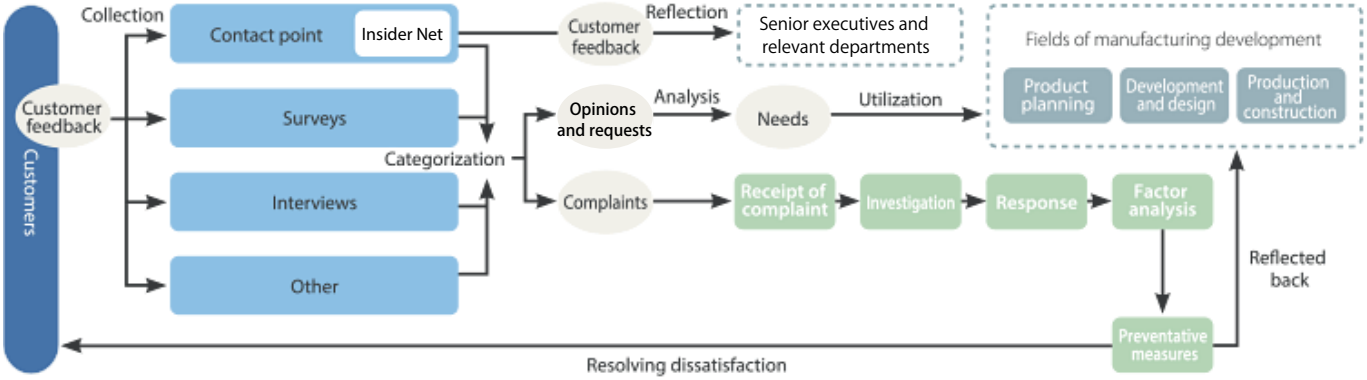
Basic Concept

Since 1999, SEKISUI CHEMICAL Group has placed the utmost emphasis on satisfying its customers and has accordingly practiced customer satisfaction (CS) management.
Recognizing that both customer satisfaction and quality are inseparable, we have engaged in CS & Quality management since 2004 in a bid to consistently deliver sufficient value to our customers, ensuring they will continually select our Group's products and services.
Rallying to the catchphrase that customer feedback is the root of our monozukuri (manufacturing) activities, we are actively honing the quality of our people (employees), the quality of our structures, and the quality of our products and services. In this manner, the Group is working in unison to consistently deliver the quality that is always approved by customers.
Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group has worked diligently to advance the three initiatives outlined in its roadmap. In specific terms, these three initiatives are to minimize quality-related compliance risks, to maintain and strengthen the ability to address CS & Quality issues, and to reform the CS & Quality platform. Moving forward, we have identified the need to minimize monozukuri-related risks and strengthen the monozukuri base in the next Medium-term Management Plan. Accordingly, we will work to enhance the robustness of data by leveraging DX, convert information on CS & Quality into knowledge, develop overseas CS & Quality human resources, and establish a global quality management system (QMS).

SEKISUI CHEMICAL Group's CS & Quality Management Circulation Diagram



Flowchart Outlining the Reflection of Customers' Voices Back into Management



For details, see SEKISUI CHEMICAL Group CS & Quality Management Policy. (p. 338)

Targets

Roadmap for CS & Quality Management Initiatives in the current Medium-term Management Plan

			FY2020	FY2021	FY2022
Minimization of quality-related compliance risks	Prevention of fraud and falsification of quality data*1		Understanding current status / defining requirements	System construction and operation	
	Prevention of malfunctions starting from the design and development stages*1		Training and education for developers and reviewers		
			Construction and trials of Design Review (DR) process for new businesses		Implementation and improvement of DR process for new businesses
Maintaining and strengthening CS quality responsiveness	Constructing a global training framework for CS & Quality personnel	Promoting and maintaining awareness of CS & Quality	Implementing and providing feedback for employee CS & Quality assessments	Follow-up of organizational activities (support problem-solving skills through conversation)	
		Reforming the qualities of Kaizen activities*1	Establishing Group KAIZEN Activity guidelines	Expanding Group KAIZEN Activity guidelines to all companies	Promoting awareness of guidelines (sharing implementation case-studies)
		Self-drive KAIZEN activities*1	Developing an education program for leadership	Verifying the trial run for the leadership education program	Expanding the leadership education program
		Monitoring KAIZEN activities*1	Combining monitoring items and guideline contents	Monitoring using the new combination indicators	
	Constructing a CS & Quality education system	Strengthening the collection and utilization of customer feedback	Searching / Conduct internal questionnaires and interviews	Training related to collection and utilization and enhancement of cross-organizational information sharing	
		Promoting CS activities based on the guidebook	Basic CS training (telephone communication, creating a CS culture) (as needed)		
Reform of CS & Quality foundations	Constructing and effectively utilizing a new QMS system	Enhancing production fundamentals*1	Expanding the introduction of SPMC*2 and raising the level for utilization	Reconstructing, spreading, and solidifying understanding of effective utilization methods for SPMC*2	
	Promoting digitization of CS quality information	Constructing a quality incompatibility knowledge system*1	Understanding current situations and conducting surveys	Trial runs and expanding sites that implement system	

*1 For details, see Governance (Internal Control) Quality on p. 57.

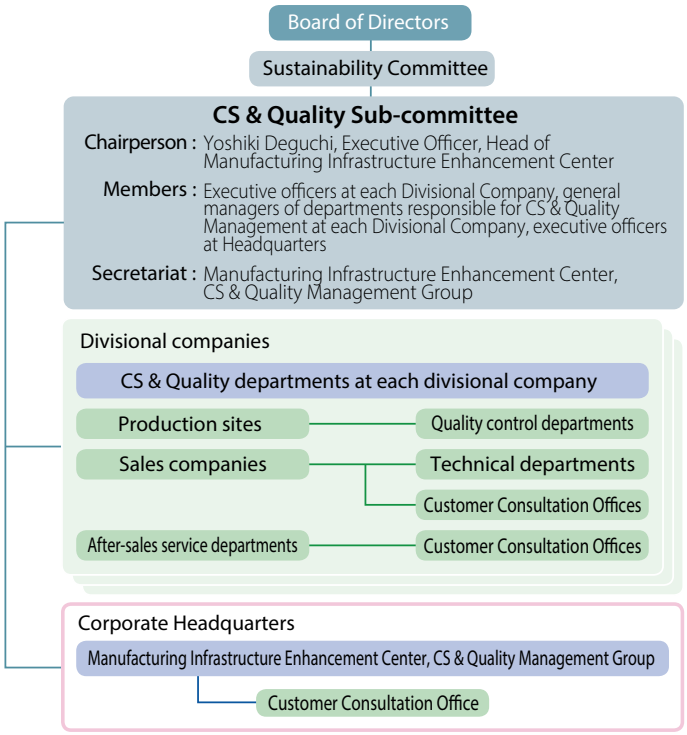
*2 SPMC is the acronym for Sekisui Process Management Chart.

System

Establishing the CS & Quality Subcommittee that Reports to the Sustainability Committee

We maintain a CS & Quality Subcommittee, which reports to the Company's Sustainability Committee. Both the Sustainability Committee and CS & Quality Subcommittee meet twice a year to deliberate on matters relating to CS & Quality. In fiscal 2022, CS & Quality Subcommittee meetings were held twice, in October and March.

CS & Quality Management Promotion System



Major Initiatives

Enhancing Collection and Use of Customers' Voices

Practical Training for Using Questionnaires and Surveys

In order to enhance our efforts to collect and apply customers' voices, since fiscal 2021 we have conducted training that enables those in charge of each business to acquire and apply methods of designing and analyzing questionnaires.

In fiscal 2022, we expanded the scope of training beyond those in charge of quality assurance in fiscal 2021 to include those in sales, development, and various other occupations in an effort to improve questionnaire design and analysis skills.

Promoting CS Activities Based on Manuals

Improving Telephone Communication Skills of SEKISUI CHEMICAL Customer Consultation Office

We strive to improve the customer service skills of each staff member of SEKISUI CHEMICAL Group Customer Consultation Office so that we can capitalize on the voices of customers as part of management. In fiscal 2022, we continued to work on improvements to business operations based on areas requiring revision that were pointed out to us within the results of the telephone communication skills test.

Implementing Telephone Communication Training for Employees in Each Group Division

As part of efforts to improve customer satisfaction, the Customer Consultation Office has been offering telephone communication training, where the office's staff members become instructors and train other departments.
In fiscal 2022, we provided online training, for example, to the three divisional companies. This online training combined prior study through video materials with role-playing based on practical conditions in a remote format. In addition, we continued to implement business e-mail e-learning training programs.

Other Ongoing Activities

CS & Quality Seminars

Intended to improve awareness of CS & Quality, CS & Quality Seminars consist of in-house lectures held by invited outside experts on a wide variety of themes, including customer satisfaction related cases, as well as organization building and human resources development for delivering customer satisfaction.
A total of 62 seminars have been held up to the end of fiscal 2021 since 2001.
In fiscal 2022, we held seminars on themes such as organizational transformation and leadership with a focus on those changes in organizations and individuals brought about by the COVID-19 pandemic.

"The Reasons We Can Transform Organizations: Changing Teams Starting from a Five Meter Radius"
Business Breakthrough University, Professor
Toru Saito
(August 26, 2022)

"Leadership Needs Improving Now"
HOSEI University, Business School of Innovation Management, Professor
Keio Marunouchi City Campus, Visiting Consultant
Asako Takada
(February 20, 2023)

STAR 55 Bulletin

Since welcoming our 55th anniversary in 2002, SEKISUI CHEMICAL Group has implemented STAR 55 activities as a program to promote CS throughout the Company. In order to ensure these activities maintain their momentum, in 2006 we began publishing the STAR 55 Bulletin, a newsletter compilation of excellent case studies for CS & Quality from SEKISUI CHEMICAL Group. We published the 47th issue at the end of fiscal 2021.
The STAR 55 Bulletin was issued twice in fiscal 2022, once in September and again in March, and covered CS & Quality activities from worksites around Japan.

●STAR 55 Bulletin No. 48 (September 2022)

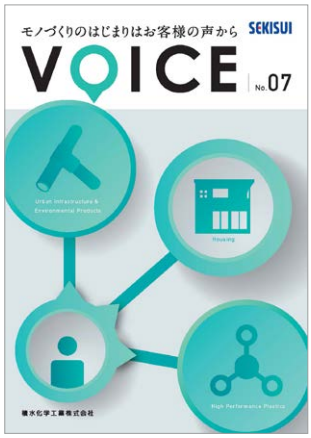
●STAR 55 Bulletin No. 49 (March 2023)

Note: Origin of the name: STAR 55 Bulletin
S = Sekisui
T = Trust
A = Action
R = Revolution
STAR = Leader, 55 = 55th anniversary

The name STAR 55 expresses the promise that all employees in SEKISUI CHEMICAL Group (S) will earn the trust (T) of customers through their actions (A) and the Group as a whole will trigger a revolution (R) in its corporate culture and character, while fostering the desire for each employee to take a leading role (be a STAR) in their work.

VOICE

SEKISUI CHEMICAL Group's Customer Consultation Office receives around 7,000 to 10,000 inquiries and comments each year. We directly answer these inquiries and analyze the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers.
VOICE is our yearly bulletin launched in fiscal 2015. This publication, which is published once a year, collects the comments received by the Customer Consultation Office with the intent of developing a corporate culture of CS & Quality among all employees and of promoting an understanding of the Group's businesses beyond individual areas of responsibility.
In fiscal 2022, we published case study interviews showcasing products and services developed by each divisional company, based on their customer feedback. In order to ensure as many employees as possible can view these interviews, we published them on the intranet in consideration of those engaged in remote work.



Housing Company Customer Surveys

SEKISUI CHEMICAL Group's Housing Company conducts CS surveys of customers who have built Sekisui Heim homes. The feedback from customers is broadly shared throughout the Company and used in product development and in improvements in the quality of the Group's services. Details of customer dissatisfaction are assessed in detail, and steps are taken to ensure a resolution to promote satisfaction. In fiscal 2022, customers who responded that they were very satisfied reached 83%.

Follow-up Activities for the Self-declaration for Consumer-oriented Management

The Company supports the Consumer Affairs Agency's initiative of bringing about Consumer-oriented Management. Reflecting this support, we made a self-declaration for consumer-oriented management*, expressing our philosophy and plans for initiatives, in January 2017.

* An undertaking through which companies declare their commitment to engaging in consumer-oriented management, take action based on their declarations, and follow-up by disclosing the outcomes of initiatives.

See the Consumer Affairs Agency's website for details of Consumer-oriented Management.
https://www.caa.go.jp/en/policy/consumer_research/pdf/consumer-oriented.pdf

Activities Based on the Self-declaration for Consumer-oriented Management

Mindful that customer opinions are a valuable resource for management, our CS & Quality Management is based on the principle that customer feedback is the root of our monozukuri (manufacturing) activities and focused on aggressively pursuing innovations in the Quality of Our Employees, the Quality of Our Structures, and the Quality of Our Products. We aim to contribute to the realization of a worry-free and prosperous society by continuing to provide new value to our customers and society.
The following are five activities undertaken in fiscal 2022 based on our Self-declaration for Consumer-Oriented Management.

1. Ensuring Basic Qualities

We have constructed a quality assurance system extending from the product development stage to all processes including design, manufacturing, and sales, and has put in place a quality assurance system while promoting design and development management as well as day-to-day management activities.
Group companies in Japan and overseas are developing and promoting Group KAIZEN Activities, in which employees in each workplace form small groups to address various topics such as improvements in quality and productivity.

2. Creating Attractive Qualities

We hold the CS & Quality Seminar twice a year to introduce in-house experts and case studies as a means of providing hints to creating attractive qualities. Moreover, we also feel that STAR 55 Bulletin and VOICE, which cover case studies from within SEKISUI CHEMICAL Group, also contribute to creating attractive qualities.

3. Upgrading Technological Capabilities

We are holding a variety of seminars where the objective is to learn about effective and efficient preventative measures in order to avoid the occurrence of quality issues when developing new products.
We are also effectively utilizing our quality management systems (QMS) with a process approach mindset. For internal audits in particular, we are promoting activities aimed at increasing the use of the SPMC (Sekisui Process Management Chart), an in-house assessment tool.

4. Enhancing Communications

We publish and distribute STAR 55 Bulletin, which covers excellent CS & Quality case studies from each business within SEKISUI CHEMICAL Group, and the VOICE booklet, which summarizes customer inquiries gathered by the Customer Consultation Office, to all Group employees.

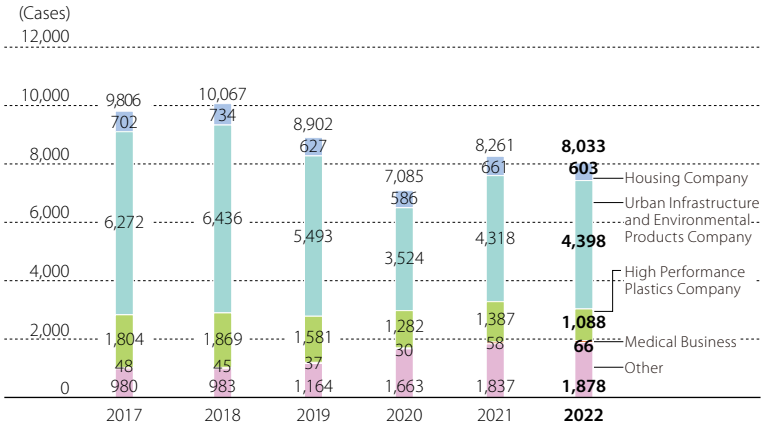
5. Providing Thorough Employee Education

We conduct CS & Quality training each year for new recruits as well as employees newly appointed to managerial positions. Training for new recruits considers the Group's approach toward CS & Quality management as well as daily operating behavior that is conducive to customer satisfaction. Training for employees newly appointed to managerial positions considers how to achieve CS & Quality as a department as they move into positions of responsibility.

Performance Data

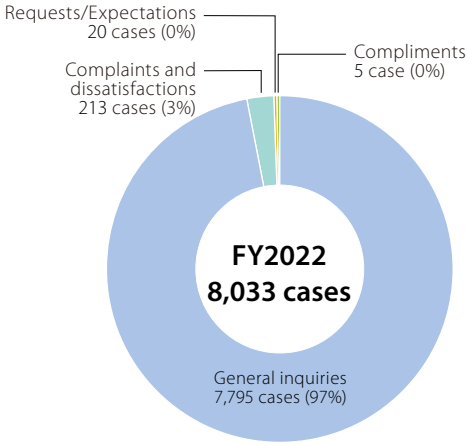
Data Related to Improvements in the Ability of the Customer Consultation Office to Address Customer Feedback

Incoming Contacts Received by the Customer Consultation Office in Fiscal 2022



Indicator	Calculation Method
Breakdown of incoming contacts (SEKISUI CHEMICAL)	Number of inquiries by telephone, e-mail, letters, and other means

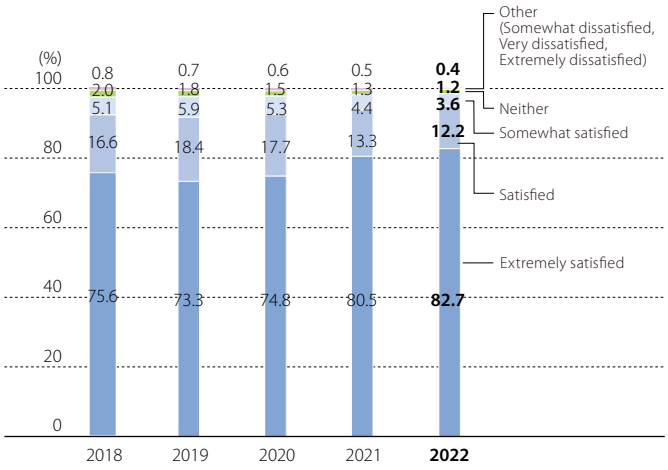
Incoming Contacts Received by the Customer Consultation Office



Indicator	Calculation Method
Breakdown of incoming contacts	Incoming contacts are recorded on Insider Net and categorized as follows: ・General inquiries: Questions about SEKISUI CHEMICAL Group product specifications, how to use products, construction methods, stores selling the products, and services such as repairs ・Complaints and dissatisfaction: Incidents in which customers expressed their dissatisfaction or lodged complaints concerning SEKISUI CHEMICAL Group products or services ・Compliments: Calls during which praise was received for satisfaction with SEKISUI CHEMICAL Group's products or services ・Requests/Expectations: What customers require of SEKISUI CHEMICAL Group products and services (product improvements and new products, etc.), and inquiries relating to business activities, or comments on what is expected of SEKISUI CHEMICAL Group Note: Insider Net: A SEKISUI CHEMICAL Group intranet site on which details of incoming contacts to the Customer Consultation Office are released in real-time.

Data Relating to Customer Surveys

CS Questionnaire 7-Step Evaluation (Housing Company)



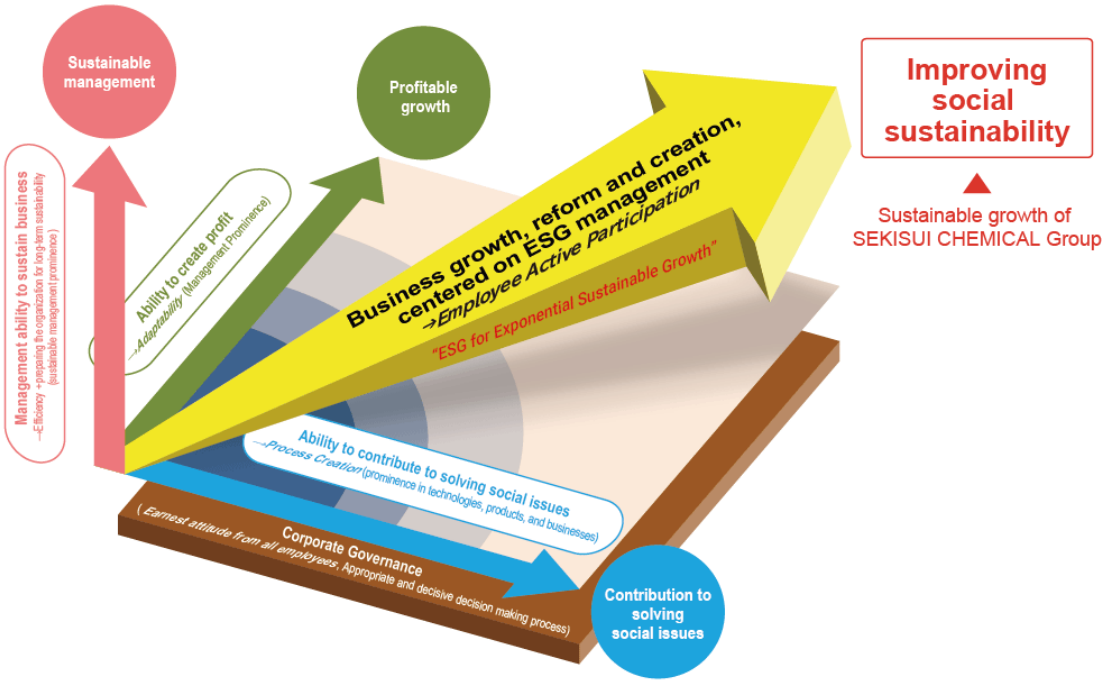
Developing and Expanding Products to Enhance Sustainability

Enhancing the Ability to Contribute to Solving Social Issues through Education

Basic Concept

Promoting Education to Enhance the Ability to Solve Social Issues

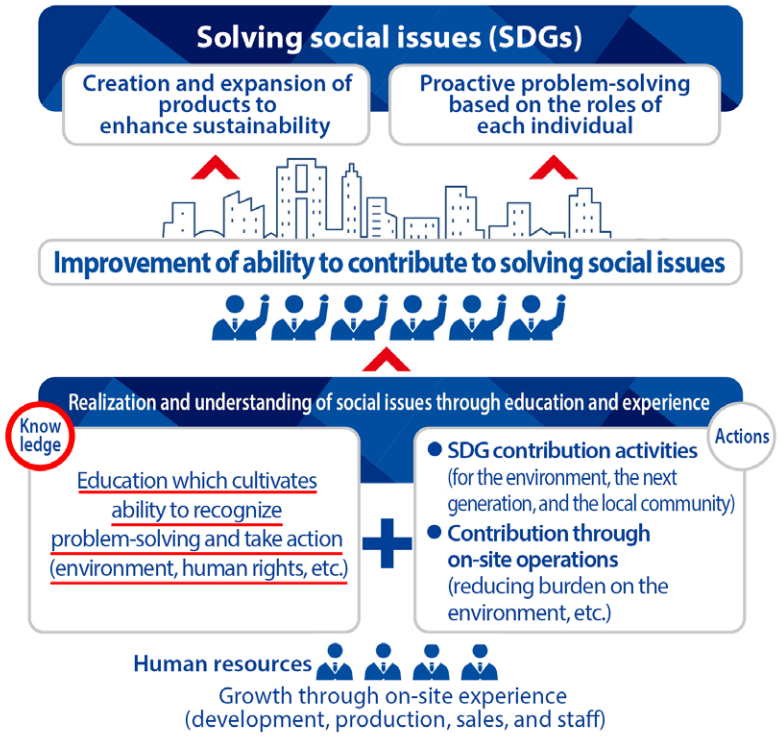
In its efforts to help realize a sustainable society, SEKISUI CHEMICAL Group places considerable importance on contributions to solving social issues and corporate growth as well as management's ability to sustain business, create profit, and contribute to solving social issues.
With a focus on fostering the ability of our employees to contribute to solving social issues, we provide education that enables them to think in ways that connect to management's ability to sustain business and create profit in a bid to develop products to enhance sustainability and expand related markets.



Management approach toward realizing a sustainable society,

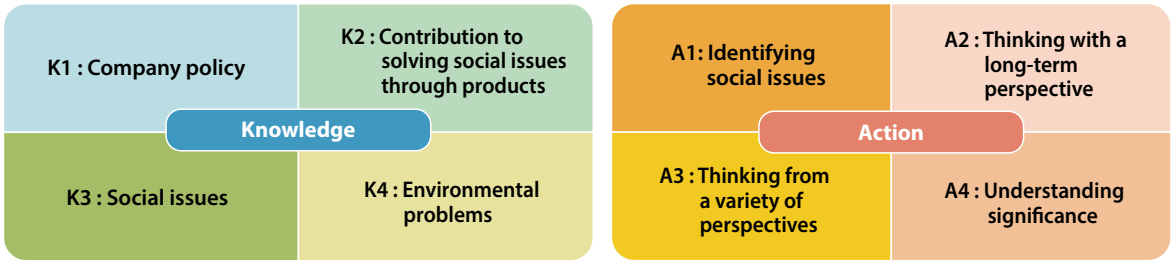
Concept of Promoting Education over the Long Term

In addition to spurring the growth of our employees through experience in their current positions, we provide education that fosters an awareness of problem-solving and the ability to take action.
On top of knowledge-based education, by having our employees spearhead activities premised on solving social issues (=SDGs), we are working to transform the consciousness of our employees while encouraging a change in behavior through activities (=SDGs contribution activities) that improve the ability to contribute to solving social issues.



Schematic view of education to increase the Group's ability to contribute to solving social issuescontribute to solving social issues

To increase its ability to contribute to solving social issues, the Group believes it is important to improve its levels of knowledge and action, which are organized into four knowledge and four action for a total of eight categories. We are promoting education and activities that reinforce weak points while expanding areas of strength, and confirming how these knowledge and action capabilities are improving through education, activities, and other programs.



K…Knowledge　　A…Action

Knowledge and action items required of personnel who contribute to solving social issues

Approach Toward Education for Enhancing the Ability to Contribute to Solving Social Issues in the Environmental Medium-term Plan

Program to assist the transformation to practical application

The current Medium-term Management Plan was positioned as the input stage for awareness, understanding, action, and producing outcomes for each social issue. After confirming the effects of this input stage, steps were taken to transition from the education to the development stage. This entails becoming aware, participating in planning, knowing, understanding, considering, and taking action on social and environmental issues, while creating products and services that bring about a resolution. Through this process, we have fostered human resources that can produce results and help solve social and environmental issues through their business and activities.
From the next Medium-term Management Plan, we will continue to provide education to instill knowledge and information on social issues as a base, while further enhancing education on the developmental stage to create products and services that are capable of providing solutions.

Targets

Current Medium-term Management Plan (2020-2022): Identify and improve the benchmark for the ability of human resources to contribute to the solving of social issue by 10 points

System

Education promotion system for improving the ability to contribute to solving social issues in the current Medium-term Management Plan

SEKISUI CHEMICAL Group promotes education to enhance the ability of employees to contribute to solving social issues while conducting the following PDCA cycle.

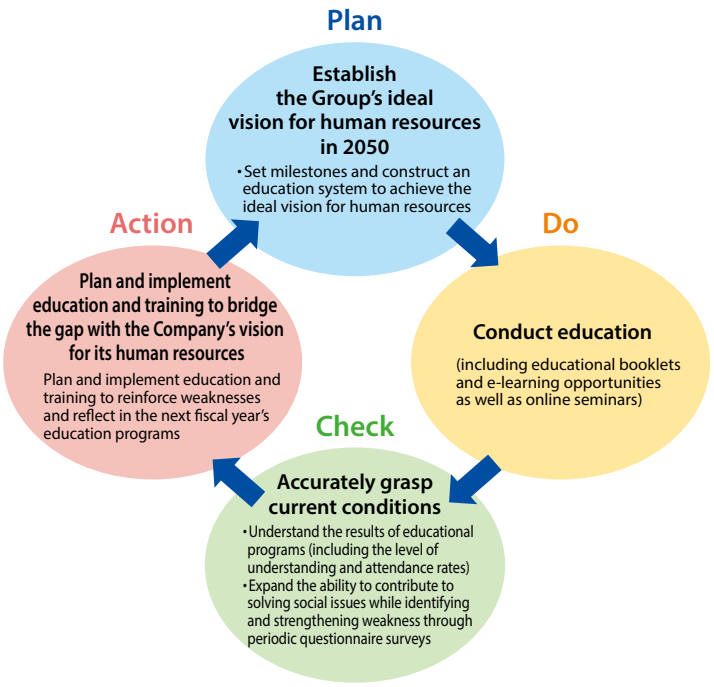
Plan: Illustrate the Group's vision for human resources based on the Long-term Environmental Management Vision for 2050, set milestones to achieve this vision, and construct the required education system to bolster knowledge and the ability to take action.

Do: Regularly plan and implement educational programs (including educational booklets, e-learning opportunities, online seminars led by external lecturers) based on the education system.

Check: Create a human resource awareness indicator to serve as a rough gauge of individual progress, so as to ascertain the status of the knowledge and actions that employees will require to solve social issues, and to encourage individuals to engage in self-study. We began applying this indicator starting in fiscal 2021.
Using this indicator, we periodically conduct the Ability to Contribute to Solving Social Issues Review to measure the ability of employees to contribute to solving social issues. This indicator allows us to identify strengths and weaknesses in knowledge and actions related to social and environmental issues, and to ascertain growth in the ability to contribute to solving social issues.

Action: Based on the results of the Ability to Contribute to Solving Social Issues Review, we identify the gap between expectations and reality, as well as plan and implement educational programs to reinforce areas of weakness. Moreover, we will reflect the results of this review when constructing the education system under the next Medium-term Management Plan.

We will continue to enhance the ability to contribute to solving social issues through education in an ongoing manner while conducting a PDCA cycle that utilizes the human resource awareness indicator.



Education Promotion System for Enhancing the Ability to Contribute to Solving Social Issues.

Major Initiatives

Application of the Ability to Contribute to Solving Social Issues Indicator for Human Resources

We created a human resources awareness indicator to serve as a rough gauge of individual progress, so as to ascertain the status of the knowledge and actions that employees will require to solve social issues, and to encourage individuals to engage in self-study. We began applying this indicator from fiscal 2021.
In fiscal 2021, the Group identified a benchmark and set the goal of improving this benchmark by 10 points in fiscal 2022. We also conducted a semi-annual review survey to measure the ability that employees in Japan need to contribute to solving social issues to support the basis of LIFE and continuously create peace of mind for the future in a bid to realize a sustainable society.
Although this review relied upon self-assessments, by periodically questioning our employees' own awareness of the extent to which they are familiar with knowledge and whether they take action that helps solve issues, we were successful in measuring the degree to which self-awareness regarding contributions to solving social issues has increased. As self-awareness increases, we are confident that employees will act with an awareness of their contribution to solving social issues as part of their work.
Drawing on this indicator in fiscal 2022, we were again able to identify the strengths and weaknesses in knowledge and actions taken with regard to social and environmental issues. As a result, we implemented effective human resources development by promoting educational programs that reinforce weaknesses and develop strengths.

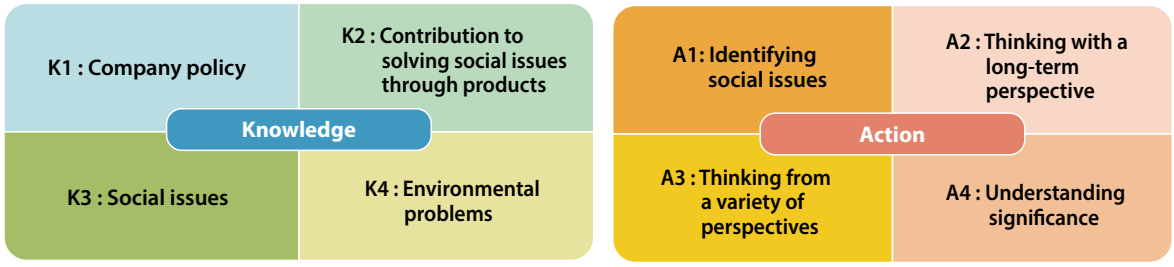
<Results of the fiscal 2022 Ability to Contribute to Solving Social Issues Review>
Group-wide average came in at 39 points ☑ , below the 51-point target.
On an individual responsibility and duty basis, management and individuals in managerial positions in general achieved their targets. General employees, on the other hand fell short.
While knowledge points improved, action points did not, indicating that there are issues with changes in behavior.
Drawing on these survey results, we will plan and implement education and training that promote changes in behavior through programs based on job classifications in accordance with responsibilities and duties under the next Medium-term Management Plan.

Criteria for Calculating Points for the Ability to Contribute to Solving Social Issues Review

Definition	Calculated from the responses of all SEKISUI CHEMICAL Group employees in Japan who responded to the survey. Responsibilities were tabulated after classifying into management (directors and executive officers), individuals in managerial positions (managers and above), and general employees, based on personnel information.
Calculation Method	Knowledge, action: Points allocated to each question selection by weighting The total score for each respondent is calculated and averaged.
Scope of calculation	All SEKISUI CHEMICAL Group employees in Japan who responded to the survey

Enhancing the Ability to Contribute to Solving Social Issues through Education Programs (content implemented in 2022)

	Program Name	Target		Education Category							
				Knowledge				Actions			
		Japan	Overseas	K1	K2	K3	K4	A1	A2	A3	A4
1	e-learning to teach about enhancing the resilience of social infrastructure	○	○	●	●	●		●	●		●
2	New employee trainings (Environment)	○		●	●		●		●		●
3	Distribution of environment-related current events [1]	○			●		●	●	●		
4	e-learning to teach about the SDGs from company examples 1	○		●	●	●	●	●			
5	Online seminars led by external lecturers Latest trends in environmental issues 1	○					●	●	●	●	
6	Online seminars led by external lecturers Latest trends in environmental issues 2	○					●	●	●	●	
7	Distribution of environment-related current events [2]	○			●		●	●	●		
8	Social responsibility awareness e-learning	○		●					●	●	●
9	Newly appointed manager trainings (Environment)	○			●		●		●		●
10	e-learning to teach about the SDGs from company examples 2	○		●	●	●	●	●			



K…Knowledge

A…Action

・Implementing education to reinforce weaknesses

In 2022, we conducted programs to reinforce low-scoring areas (weaknesses) identified in the Ability to Contribute to Solving Social Issues Review undertaken for employees in Japan.

(1) Distribution of current environment-related topics

News about climate change and resource recycling is frequently reported in newspapers and on the Internet. SEKISUI CHEMICAL Group distributed details of current environment-related topics to inform employees about what measures are effective in solving these environment-related issues.

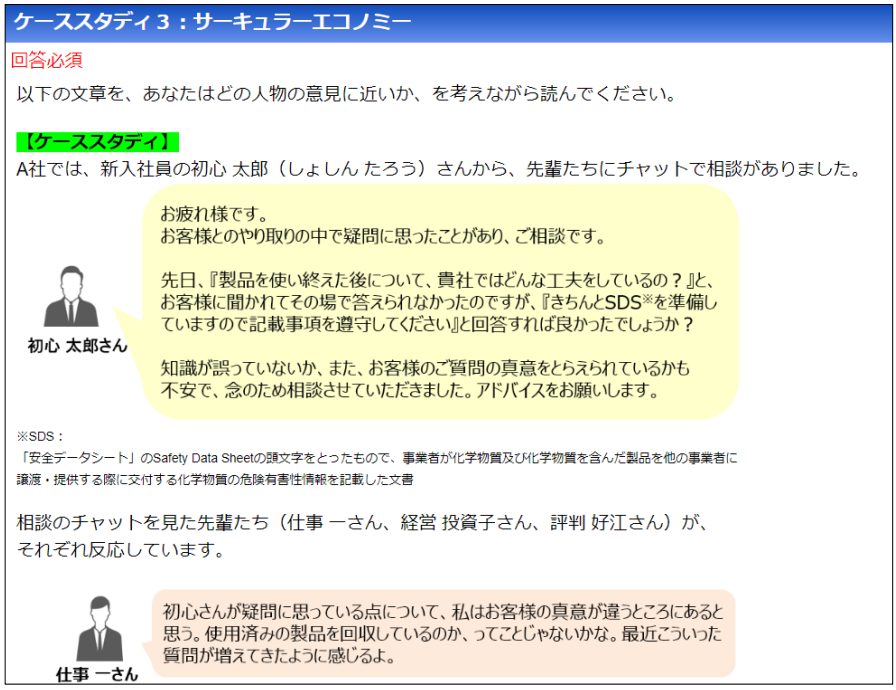
We introduced various initiatives undertaken by domestic and overseas companies to help employees learn about current environmental issues and think about solutions.

Distribution	Topic	Details
First	Industrial recycling of valuable resources	Learning about Circular Economies
Second	Focus on renewable resources	Resources to replace finite resources that are in danger of depletion

Current environment-related topics

(2) Social responsibility awareness e-learning

In the Ability to Contribute to Solving Social Issues Review conducted in the first half of 2022, the score for awareness toward external evaluations and the social responsibilities to be fulfilled as a leading company tended to be low. To reinforce this weakness, we conducted an e-learning program using a role-playing and case study format to inform employees of how to look at external evaluations and better understand the Company's social responsibility.

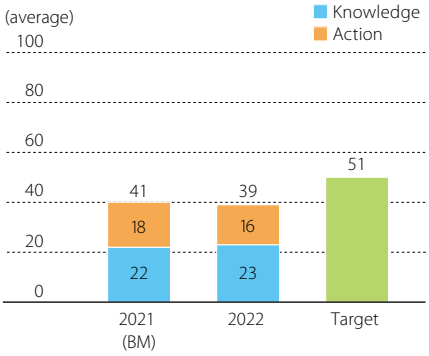


Social responsibility awareness e-learning

Performance Data

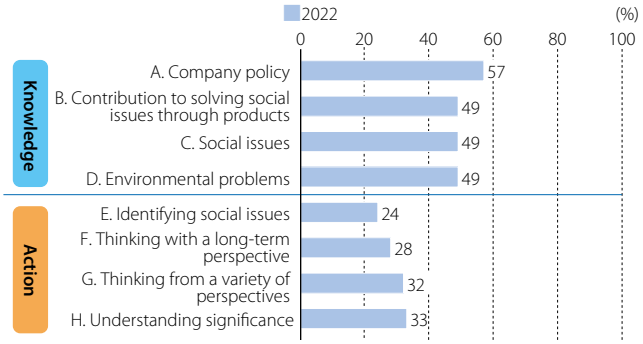
Fiscal 2022 Ability to Contribute to Solving Social Issues Review Average ☑

Group-wide average (knowledge, action) ☑



Note: For details of the calculation of points see p. 268.

Level of achievement by category

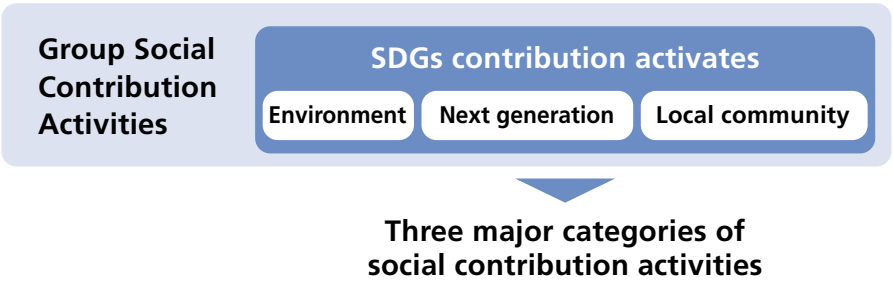


Social and SDG Contribution Activities

Basic Concept

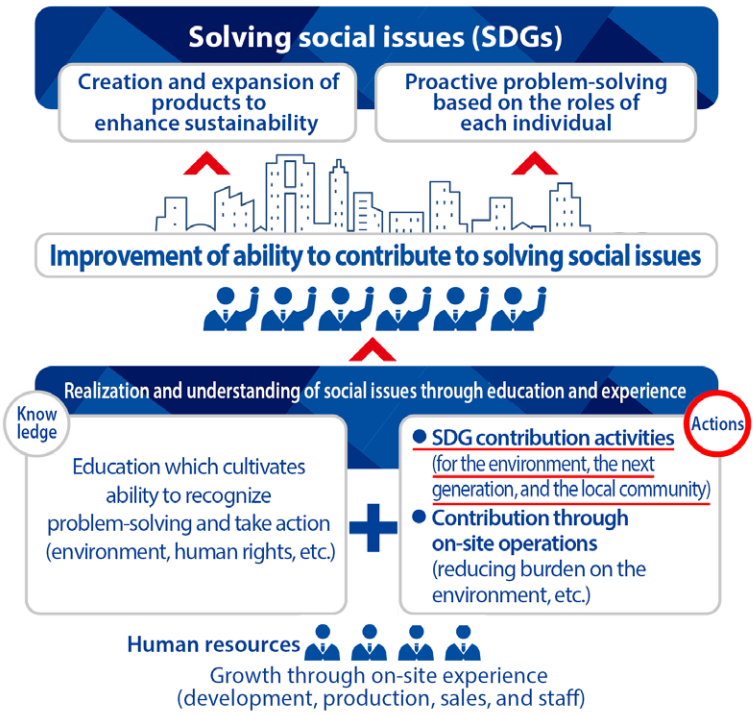
Promotion of social contribution activities from an SDG perspective

SEKISUI CHEMICAL Group contributes to solving social issues not only through its business activities but also through a variety of social contribution activities which we promote through interactions with society leveraging the strengths and resources of the Group. SEKISUI CHEMICAL Group defines and promotes activities to contribute to the SDGs as the subset of the Group's social contribution activities that lead to the formation of a sustainable society as targeted by the SDGs, positioning the environment, the next generation and local communities as the three main fields of activities.



Actions that expand the ability to contribute to solving social issues

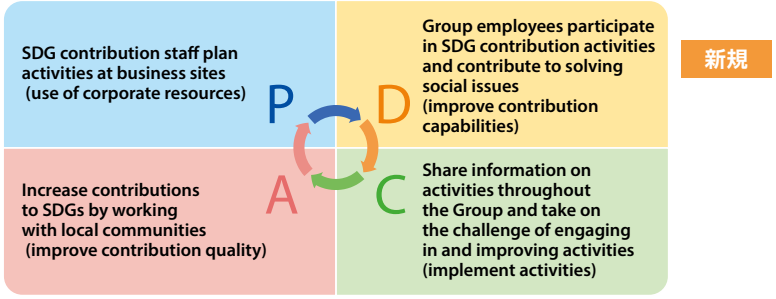
SEKISUI CHEMICAL Group believes that awareness of the SDGs is essential for contributing to solving social issues. By conducting social contribution activities from the viewpoint of the SDGs, the Group as a whole is looking to improve its ability to contribute to solving social issues. We will use the SDGs as a guidepost on what we can do to solve social issues as a member of society, and link this to our actions starting with those nearest to us.



System

Undertaking activities to contribute to the SDGs Group-wide

Coordinating with the people in charge in each domestic and overseas Group company and ESG management promotion departments as part of its promotion system, the Group spreads awareness of the SDGs while undertaking autonomous activities to contribute to the SDGs by individual workplaces and employees.
The Group fosters a corporate climate that contributes to the SDGs while following the Plan-Do-Check-Action (PDCA) cycle of activities and develops personnel who will promote these initiatives.



Revitalizing Activities through the SDG Challenge

SEKISUI CHEMICAL Group is steadily working to increase understanding of the SDGs and interest in social issues by actively raising awareness that mainly involves disseminating information on each Group company's SDG contribution activities and sharing SDG-related information with those in charge.
In fiscal 2022, we prepared reference materials (activity guide) and held workshops to refine our efforts.
In addition, we are working to revitalize activities by supporting "SDG Challenge", which are efforts to improve activities implemented at our business sites and encouraging people to take on the challenge of new activity programs.

Fiscal 2022 Activities (Results)

As part of our SDG contribution activities, we implemented 122 initiatives at Group workplaces in Japan, of which 41 were new SDG Challenge activities. In analyzing these initiatives, the Group's contribution activities were distinguished by their affinity with the SDGs, including SDG17 (Partnerships for the Goals), SDG12 (Responsible Consumption and Production), SDG4 (Quality Education), SDG11 (Sustainable Cities and Communities), and SDG15 (Life on Land) .
Looking ahead, we will continue to contribute to solving social issues through social contribution activities based on the SDGs.

Environment

Major Initiatives

SEKISUI CHEMICAL Group is promoting efforts to preserve the natural environment of local communities through various measures, including the conservation of forests and satoyama (semi-natural ecosystems), control of invasive species, beautification of the environment, and environmental education, while contributing to achievement of the SDGs..

Contributing to the Conservation of the Natural Environment that Forms the Foundation of Society

SEKISUI CHEMICAL Group is working to conserve the natural environment in order to realize an earth with maintained biodiversity as stipulated in the SEKISUI Environment Sustainability Vision 2050. Working in collaboration with NPOs and other organizations, we are developing social contribution activities related to the local environment such as nature conservation activities in each region while at the same time presenting in-house awards for outstanding activities. We believe that it is effective to develop environmental human resources and solve social issues by having employees take the initiative in carrying out activities.
Group offices carried out various measures including clean-up activities in surrounding areas, forest conservation, and environmental education in fiscal 2022.

Major social and SDG contribution activities undertaken or participated in during fiscal 2022 (Domestic/Environmental fields)

Working with local communities to conduct activities that protect the natural environment and biodiversity

SDGs	Details of Activities	Purpose	Continuity	Coordination / Cooperation
	Sekisui no Mori maintenance activities (TOKUYAMA SEKISUI CO., LTD.)	Conserve forest environments and enhance the functioning of forests	2000～	NPO Yamaguchi Satoyama Network
	Tohoku Coastal Forest Restoration Activities Tane Project (Sekisui Heim Tohoku Co., Ltd.)	Restore coastal forests using locally grown seedlings	2015～	Disaster Area Uncultivated Land Relief and Regional Seedling Production Network
	Former Matsuo mine site tree-planting activities (Sekisui Medical Co., Ltd., Iwate Plant)	Plant trees to restore waste land into forests	2007～	Study Club on REGIONAL ENVIRONMENT Planning in TOUHOKU
	Higashiyama forest conservation activities (Kyoto R & D Laboratories)	Conduct clean-up activities and plant endangered plant species to preserve the environment of Higashiyama	2018～	Council for Kyoto Traditional Forest Culture in the city of Kyoto

SDGs	Details of Activities	Purpose	Continuity	Coordination / Cooperation
	Yurikago Rice Paddy Project (Shiga-Ritto Plant, Nishinihon Sekisui Industry Co., Ltd., etc.)	Restore the paddy field environment to enable fish native to Lake Biwa to spawn	2014～	Agricultural and Rural Development Promotion Division, Department of Agriculture and Fisheries, Shiga Prefecture; Kurimidezaike-cho, Higashiomi, Shiga
	Lanceleaf tickseed extermination activities (Sekisui Heim Industry Co., Ltd. Kanto Office)	Remove lanceleaf tickseed, an invasive alien species, to conserve local ecosystems	2020～	Kasama City Environmental Conservation Division, Council for Considering the Environment of Kasama
	Nakaumi and Lake Shinji Clean-up Activities (SEKISUI SEIKEI, LTD., Izumo Plant)	Conduct clean-up activities to conserve the environment around Nakaumi and Lake Shinji	2006～	Izumo City, Shimane Prefecture, others
	Picking up trash throughout Chiba Prefecture (SEKISUI SEIKEI, LTD., Chiba Plant)	Contribute to the conversion of garbage to resources and beautify the local environment through clean-up activities	2021～	NPO Marugomi JAPAN
	Kasama Children's Nature Academy(Extracurricular classes) (Sekisui Heim Industry Co., Ltd., Kanto Office)	Raise environmental awareness among children through biological surveys and water quality tests of local rivers	2006～	Kasama Municipal Minami Gakuen Compulsory Education School
	Biotope nature observation event (Kyushu Sekisui Industry Co., Ltd.)	Conduct nature walks through the onsite biotope to provide children the experience of interacting with the natural environment	2019～	Kanzaki Municipal Chiyoda Tobu Elementary School
	Moist Forest flora and fauna observation event (Extracurricular classes) (Chiba Sekisui Industry Co., Ltd.)	Provide children with the opportunity to learn about changes in nature by observing flora and fauna at Moist Forest, a local grove of miscellaneous trees	2015～	Ichihara Municipal Urutsu Elementary School
	Toyohashi Children's Nature Academy /Tidal flat conservation and flora and fauna observations (Sekisui Heim Industry Co., Ltd., Chubu Office)	Raise interest in environmental issues together with local residents and children through the observation of flora and fauna and clean-up activities at neighboring tidal flats	2003～	Toyohashi Museum of Natural History

Supporting Children's Forest Creation Team Activities

【Site】Sekisui Heim Chubu Group Nagoya City, Aichi Prefecture
【Collaborating partner】Nagoya Higashiyama Forest Creation Association
【Purpose】・Conserve the satoyama (semi-natural ecosystems) of the city
・Support children's satoyama experiences
【Continuity】Participation since 2017
【Effect】Fiscal 2022: Held 3 times with 106 children participating
【Related SDGs】

Coordinating with the NPO Nagoya Higashiyama Forest Creation Association, which engages in activities to preserve the precious satoyama environment that remains in the Higashiyama district of Nagoya City, we support the activities of the Children's Forest Creation Team, in which local children participate.

Eradication of Invasive Aquatic Grasses in the Shinmachi River

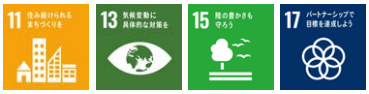
【Site】Shikoku Sekisui Co., Ltd./ Saijo City, Ehime Prefecture
【Collaborating partner】Saijo Nature School
【Purpose】Conserve native aquatic plants
【Continuity】Activity since 2015, activities will continue in collaboration with NPOs in the future
【Effect】Fiscal 2022: Conducted twice, removed1,458 kg of foreign aquatic plants during year
【Related SDGs】

In collaboration with Saijo Nature School, a local NPO, Shikoku Sekisui Co., Ltd. employees work regularly to eliminate foreign aquatic plants such as water speedwell (Veronica anagallis-aquatica), watercress (Nasturtium officinale), and Western waterweed. In this manner, efforts are being made to preserve indigenous species such as curly-leaf pondweed (Potamogeton crispus).

Overseas Group Environmental Conservation Activities

SEKISUI EUROPE B.V.
SEKISUI ALVEO B.V.
SEKISUI POLYMATECH EUROPE B.V.
SEKISUI S-LEC B.V.
(Netherlands)
The four companies jointly held a Nature Working Day to contribute to the local natural environment by cleaning up ponds and green areas and creating bio-hotels (habitats for living creatures).

【Related SDGs】



Next Generation

Major Initiatives

SEKISUI CHEMICAL Group will provide quality education as outlined in SDG Goal 4 through programs that leverage its manufacturing, products, and other characteristics, and promote lifelong educational opportunities.
Aiming for a society in which children who will form the next generation can develop and healthily grow into adulthood, we are implementing career educational programs for elementary, middle, and high school as well as tertiary students that leverage the characteristics of our business activities.

Helping to Build Local Communities in Which Children Can Develop and Healthily Grow into Adulthood

Aiming for a society in which children who will form the next generation can develop and healthily grow into adulthood, we are implementing career educational programs for elementary, middle, and high school as well as tertiary students that leverage the characteristics of our business activities. This initiative is being conducted for children to acquire the knowledge, skills, and approaches that will lead to them living independent lives as members of society. SEKISUI CHEMICAL Group is advancing a wide range of activities such as field trip lessons that include science classes given by Company employees as well as online classes to learn about the SDGs through the Company's products and manufacturing.

List of Next-generation Education Initiatives

	Activity	Aim	Target	Cooperation	Division of roles	Continuity	Result 1 (Single-year fiscal 2022) (Number of people, etc.)	Result 2 (Total number of people, etc., including results from fiscal 2022)	Developability
1	New TOKUYAMA SEKISUI Children's Chemistry Classroom (TOKUYAMA SEKISUI CO., LTD.)	Convey the allure of chemistry to future generations of children	Preschool to elementary school students	Local social welfare council	Organizer	2022～	83	83	Implementation on a continuous basis Establishment of targets and staging methods
2	New Summer Vacation Carpentry Classroom (Kyushu Sekisui Heim Industry Co., Ltd.)	Raise environmental awareness among future generations of children and pass on cultural skills through the practice of craftsman techniques	Elementary school students	Local governments	Coorganizer	2022～	15	15	Implementation on a continuous basis
3	Support for exhibiting at "Work Festival in Yamatokoriyama" (Nara Sekisui Co, Ltd.)	Enable children to experience work in order to acquire new knowledge and make discoveries while learning about the various occupations and companies that exist today	Elementary school students	Local industrial park and governments	Coorganizer	2019～	272	375	Implementation on a continuous basis
4	New Onsite classes at elementary schools (Sekisui Chemical Hokkaido Co., Ltd.)	Enable children to experience plant work in order to acquire new knowledge and make discoveries while learning about the various occupations and companies that exist today	Elementary school students	Local elementary school	Organizer	2022～	42	42	Expansion of target schools for implementation
5	SDGs education utilizing Edu Town SDGs electronic teaching materials	Next-generation children will learn about SDGs through manufacturing and develop the ability to think and act for themselves in solving social issues.	Elementary school upper grade years to junior high school students	Producer of teaching materials	・Platform construction ・Provision of teaching materials ・Alliance participation	2018～	17,238 page views (SEKISUI CHEMICAL-related pages only)	58,386 page views (SEKISUI CHEMICAL-related pages only)	・Collaboration with multiple companies through corporate alliances. We will continue to increase the number of companies ・Part of Web content made into a booklet and continues to be distributed free of charge to elementary and junior high schools nationwide. ・Planning to further expand web content

	Activity	Aim	Target	Cooperation	Division of roles	Continuity	Result 1 (Single-year fiscal 2022) (Number of people, etc.)	Result 2 (Total number of people, etc., including results from fiscal 2022)	Developability
6	New Work experience (Ibaraki Sekisui Heim)	Build an understanding of the importance of work among future generations of youths, and provide the knowledge and skills required for employment	Junior high school students	Local junior high schools	Organizer	2022～	12	12	Implementation on a continuous basis
7	Online lessons to learn about SDGs	Under the theme of the SDGs, for which there is an increasing need in schools, we will utilize our unique expertise to bring about improvements in the next generation of young people's knowledge and ability to take action needed to solve problems toward the creation of a sustainable society.	Junior high school students	Education support company	Organizer (Teaching material provision and lecturers)	2021～	121	351	・Online lessons can be conducted even during the COVID-19 pandemic ・Establishment of an operating system ・Fiscal 2022 Awards for Companies Promoting Experience Activities for Youths, Judging Committee Honorable Mention
8	Chemistry Classroom Project (High Performance Plastics Company Minase Site)	Raise the next generation of children's interest in and passion for chemistry.	Junior high school students	Local junior high schools and junior high schools from which requests were received	Organizer	2008～	1,687	33,722	・Collaboration with teachers ・Minase researcher support
9	Science classes (Shikoku Sekisui Co., Ltd.)	Raise the next generation of children's interest in and passion for science.	Junior high school students	Local junior high schools	Organizer	2009～	73	875 (2010～)	Implementation on a continuous basis
10	New Acceptance of internships (Sekisui Chemical Hokkaido Co., Ltd.)	Deepen the understanding of work, companies, industries, and society through employment experience	High school students	Local High schools	Organizer	2022～	7	7	Implementation on a continuous basis

	Activity	Aim	Target	Cooperation	Division of roles	Continuity	Result 1 (Single-year fiscal 2022) (Number of people, etc.)	Result 2 (Total number of people, etc., including results from fiscal 2022)	Developability
11	SB Student Ambassador Block Meeting	Under the theme of the SDGs, we will utilize our unique knowledge to bring about improvements in the next generation of young people's knowledge and ability to take action needed to solve problems toward the creation of a sustainable society.	High school students	Initiatives Other companies	Teaching material provision and lecturers	2020～	111 (Participants at Company lectures)	269 (Participants at Company lectures)	Expand implementation area to rural areas (Company participates in east and west Japan meetings only)
12	Contribution to English teaching materials	Develop students' English proficiency by introducing corporate manufacturing through the products around them in English. This will lead to student job hunting and career education.	University students	Publishing companies	Contribution to teaching materials	2020～	Not disclosed	Not disclosed	・Use these teaching materials in university English classes ・Expansion of schools that use teaching materials

Kyushu Sekisui Heim Industry Co., Ltd. Initiatives

Summer Holiday Children's Carpentry Workshop

Kyushu Sekisui Heim Industry Co., Ltd. held the Summer Holiday Children's Carpentry Workshop in cooperation with the Tosu City Community Development Promotion Center in order to raise environmental awareness among the next generation of children through craftmanship. This activity involves factory employees and local children working together to make a bench for an outdoor bus stop to replace the one that deteriorated due to the elements.

Firstly, local elementary students made a bench from wood scraps produced from the factory after they received an explanation about the 17 SDG goals and how they relate to their daily lives using educational materials. The children and the staff cut the wood together, and the children drew pictures and wrote letters on the assembled bench.

The completed bench was then installed at the community bus stop of a resident center used by men and women of all ages.

Through this activity, the children learned that making a bench from wood scraps (craftmanship using waste wood) is linked to SDG Goals 12 "sustainable production and consumption" and 13 "combat climate change."

This was our first attempt to hold an SDG class for local children in cooperation with local public institution Tosu City Community Development Promotion Center, and it was a good experience for us as factory employees to contribute to the community and our own environmental activities. We hope to use this experience to improve our activities in the future.

Assembling the bench using wood scraps

Varnishing a bench made from wood scraps

Commemorative photo of people sitting on the completed bench

【Related SDGs】

Next-generation Training Activities at Overseas Group Companies

SEKISUI KYDEX, LLC. (USA)

"Manufacturing Day 2022" was held and over 70 local students were invited to learn about such as manufacturing processes, safety measures, design, and recycling-oriented design while touring the facility.

【Related SDGs】

Local Communities

Major Initiatives

SEKISUI CHEMICAL Group places considerable emphasis on partnerships as set forth in SDG Goal 17, and promotes activities in cooperation with regional local governments, NPOs, and other organizations.

Contributing to the Creation of a Sustainable Society as a Corporate Citizen

As a member of the local communities in which it operates, SEKISUI CHEMICAL Group proactively deploys social contribution activities and thereby hopes to contribute to the creation of a sustainable society. The Group works to create safe and secure cities in collaboration with local communities, holds extracurricular classes at local elementary schools, supports programs that assist developing countries, and engages in various other activities in order to deepen the understanding of and help solve issues faced by local communities.

Major social and SDG contribution activities undertaken or participated in during fiscal 2022 (Domestic /Local Community fields)

Take actions aimed at realizing a sustainable society by working with local communities.

SDGs	Details of Activities	Purpose	Continuity	Coordination / Cooperation
	Food Bank Support (Sekisui Techno Molding Co., Ltd., Mie Plant)	Reduce food loss and assist poor families	2022～	Food Bank Tabunka Mie
	Stockpile donations (UIEP Company Tohoku Branch)	Reduce food loss and assist poor families	2022～	NPO SECOND HARVEST JAPAN
	Old clothing donations furugidevaccine (Sekisui LB Tec Co., Ltd.)	Provide assistance for clothing reuse and medicine for children in developing countries	2021～	JAPAN REUSE SYSTEM, NPO Japan Committee, Vaccines for the World's Children
	Medical assistance through donation-type vending machines (Sekisui Medical Co., Ltd., Tsukuba Plant)	Assist in the improvement of medical and sanitary environments for children around the world	2022～	NPO ADRA Japan
	BOOK MAGIC secondhand book donations (Sekisui Medical Co., Ltd.)	Provide assistance for book reuse and the education of children in developing countries	2021～	JEN (NPO)
	Support for the Shiga Prefecture Elementary School Trash Elimination Research Contest (Shiga-Ritto Plant, Shiga-Minakuchi Plant,Taga Plant)	Support education among future generations of children in order to build a sustainable, circular society	2022～	Shiga Prefecture Elementary School Trash Elimination Research Contest Executive Committee

SDGs	Details of Activities	Purpose	Continuity	Coordination / Cooperation
	Traffic safety awareness-raising and social welfare facility support (Sekisui Heim Industry Co., Ltd., Kinki Office)	Prevent traffic accidents and support activities to ensure independence for disabled persons	2022～	Wataboshi Group, Tanpopo-no-ye Foundation、Nara Police Station
	"Charity By the Book (Charibon)" secondhand book donations (Tokyo Sekisui Heim Group)	Provide support for book reuse, and assistance for crime victims and their families	2022～	National Network for Victim Support, Victim Support Center of Tokyo
	Awareness-raising activities at disaster prevention events (East Japan Sekisui Shoji Co., Ltd.)	Conduct disaster prevention measures and awareness-raising activities regarding local community collaboration for the purpose of building disaster-resistant communities	2022～	Kawasaki City (Crisis Management Center), etc.
	Awareness-raising activities to improve bicycle riding manners and to prevent fraud victimization (Gunma Plant, Gunma Sekisui Heim Co., Ltd., Sekisui Board Co., Ltd., Gunma Office, Toto Sekisui Co., Ltd., SEKISUI SEIKEI, LTD., Kanto Plant/held jointly)	Raise awareness of reducing bicycle-related traffic accidents and of preventing fraud victimization	2022～	Gunma Prefecture Maebashi Police Station, Ota Police Station, etc.
	Donations of used stamps, etc. (NTT DATA SEKISUI SYSTEMS CORPORATION)	Provide support for insurance and medical cooperation activities in Asia and Africa	2022～	Japan Overseas Christian Medical Cooperative Service
	Local production for local consumption activities (Taga Plant, SEKISUI TAGA CHEMICAL INDUSTRY CO., LTD.)	Assist in the revitalization of local agricultural industries and raise environmental awareness among employees	2021～	AIM SERVICES CO., LTD.

Sekisui Heim Solar Power Smiling Kids Project

【Site】GUNMA SEKISUIHEIM Co., Ltd. /Maebashi City, Gunma Prefecture
【Collaborating partner】Maebashi City, Maebashi Municipal Daycare Center No.3
【Purpose】Support child rearing in Maebashi City using the profits from solar power sales
【Continuity】Activity since 2013
【Effect】Fiscal 2022: Donated items included tricycles to 16 public daycare centers in Maebashi City

【Related SDGs】

In 2013, we launched a public-private joint project to support child-care in the city by donating profits from the sale of solar power. We will help create abundant communities by raising awareness of environmental issues among local residents and supporting educational activities for local preschool children.

Food drive activities

【Site】SEKISUI SEIKEI, Co., Ltd. Hyogo-Takino Plant /Kato City, Hyogo Prefecture
【Collaborating partner】Kato City Social Welfare Council
【Purpose】Support families in need and reduce food loss
【Continuity】First held in fiscal 2022 (new activity)
【Effect】Fiscal 2022: Donated rice and retort pack food items

【Related SDGs】

In an effort to support families in need, business sites called on employees to collect food items that were then donated to local welfare councils. These initiatives within local communities also helped to reduce food loss. Moving forward, the Group will continue to pursue this initiative.

「TABLE FOR TWO」

As a social contribution activity that allows easy participation by individual employees, SEKISUI CHEMICAL Group has continued to cooperate with the TABLE FOR TWO (TFT) initiative, a program in which \20 of each meal served in employee cafeterias donated to support the provision of lunches to children in developing countries.

Fiscal 2022 Results

Program	Number of implementing business sites	Total number of school lunches provided to developing countries
TABLE FOR TWO (Employee cafeterias)	11 business sites	32,916
TABLE FOR TWO Vending Machines	2 business sites	(Equivalent of) 4,431

【Collaborating partner】Specified nonprofit corporation, TABLE FOR TWO International
【Purpose】Feed hungry children in developing countries and help prevent lifestyle diseases in developed countries
【Continuity】Activity since 2008

【Related SDGs】

Junior high school student work-study program (extracurricular class)

【Site】East Japan Sekisui Industry Co., Ltd. /Isesaki City, Gunma Prefecture
【Collaborating partner】Isesaki City, Sakai Minami municipal junior high school
【Purpose】Career development for junior high school students (fostering perspectives on professions and employment)
【Effect】Fiscal 2022: Four 2nd year junior high school students participated in a three-day work-study program

【Related SDGs】

We cooperate in providing opportunities for junior high school students to participate in extracurricular classes to enable them to develop their own career perspectives by gaining work experience (manufacturing, safety education, etc.) at local companies. We will continue to actively participate in fostering people who can support regional development.

Tokuyama Sekisui Library: Donations of books for junior high school students

【Site】Tokuyama Sekisui Industry Co., Ltd./ Shunan City, Yamaguchi Prefecture
【Collaborating partner】Shunan City Shinnanyo Library
【Purpose】Support children's reading activities by donating books on SDGs, the environment, and other relevant information on such topics.
【Continuity】Activity since 2004, the 40th anniversary of the Company's founding (19th round of donations)
【Effect】Fiscal 2022: Donated 103 books (total 2,873 books)

【Related SDGs】

Librarians select books deemed to be useful for children and other members of the local community. We look forward to continuing our contribution in the hope that the donated books will help children develop and become active members of their communities in the future.

Overseas Group Local Community Support Activities

Sekisui Specialty Chemicals Thailand Co., Ltd.
(Thailand)
In order to make use of aluminum cans collected from Sekisui Specialty Chemicals Thailand sorting operations for the manufacture of prosthetic legs, employees donated cans that they cleaned and flattened to the Prosthetic Leg Foundation.

【Related SDGs】

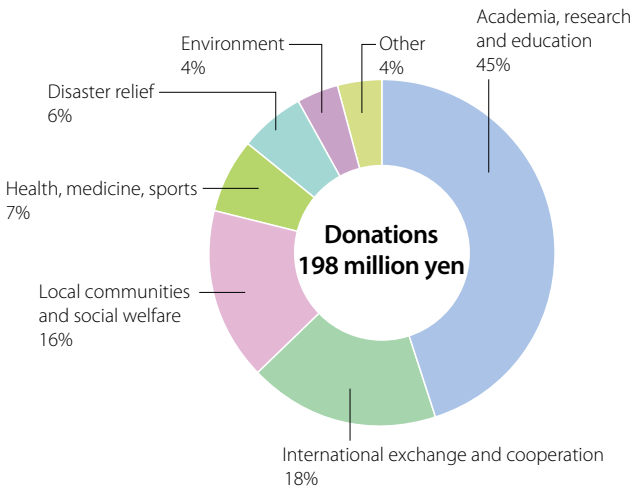
Performance Data

Details of donation activities in fiscal 2022 (SEKISUI CHEMICAL Group)

(Unit: Thousands of yen)

Type of Donation	Total Amount
Donations	198,356
Employee volunteers	47,007
Donations of goods	3,982
Administrative costs	361

Breakdown of Cash Donations in fiscal 2022 ☑



Foundation Underpinning ESG Management

TOPICS

Foundation Underpinning ESG Management ··· p294

- Corporate Governance ····· p294
- Stakeholder Engagement ····· p309
- Respect for Human Rights ····· p317
- Responsible Procurement ····· p326

Foundation Underpinning ESG Management

SEKISUI CHEMICAL Group is committed to strengthening the foundation of ESG management while working to realize both a sustainable society and the sustainable growth of the Group itself.

Corporate Governance

Basic Concept

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

SEKISUI Corporate Governance Principles

The Company has established and disclosed the SEKISUI Corporate Governance Principles for the purpose of further evolving its corporate governance initiatives and communicating its corporate governance approach and initiatives to stakeholders.
In addition to the above Principles, the status of the Company's initiatives and its approach with respect to the Corporate Governance Code, consisting of the General Principles, Principles, and Supplementary Principles, are summarized and disclosed in the Initiatives to Each of the Principles of the Corporate Governance Code.
Details of SEKISUI CHEMICAL Group's Corporate Governance Report, SEKISUI Corporate Governance Principles, and Initiatives to each of the Principles of the Corporate Governance Code are available at the following address.

Corporate Governance
https://www.sekisuichemical.com/about/outline/governance/

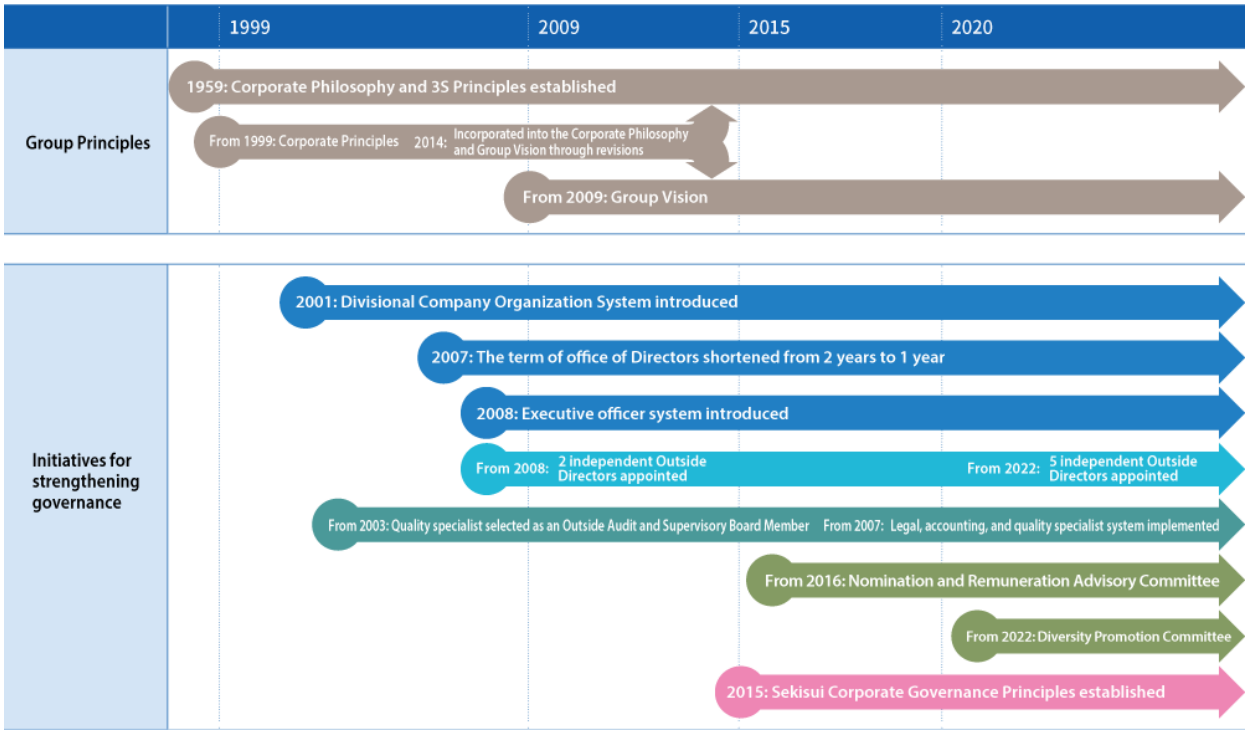
System

Organizational Structure

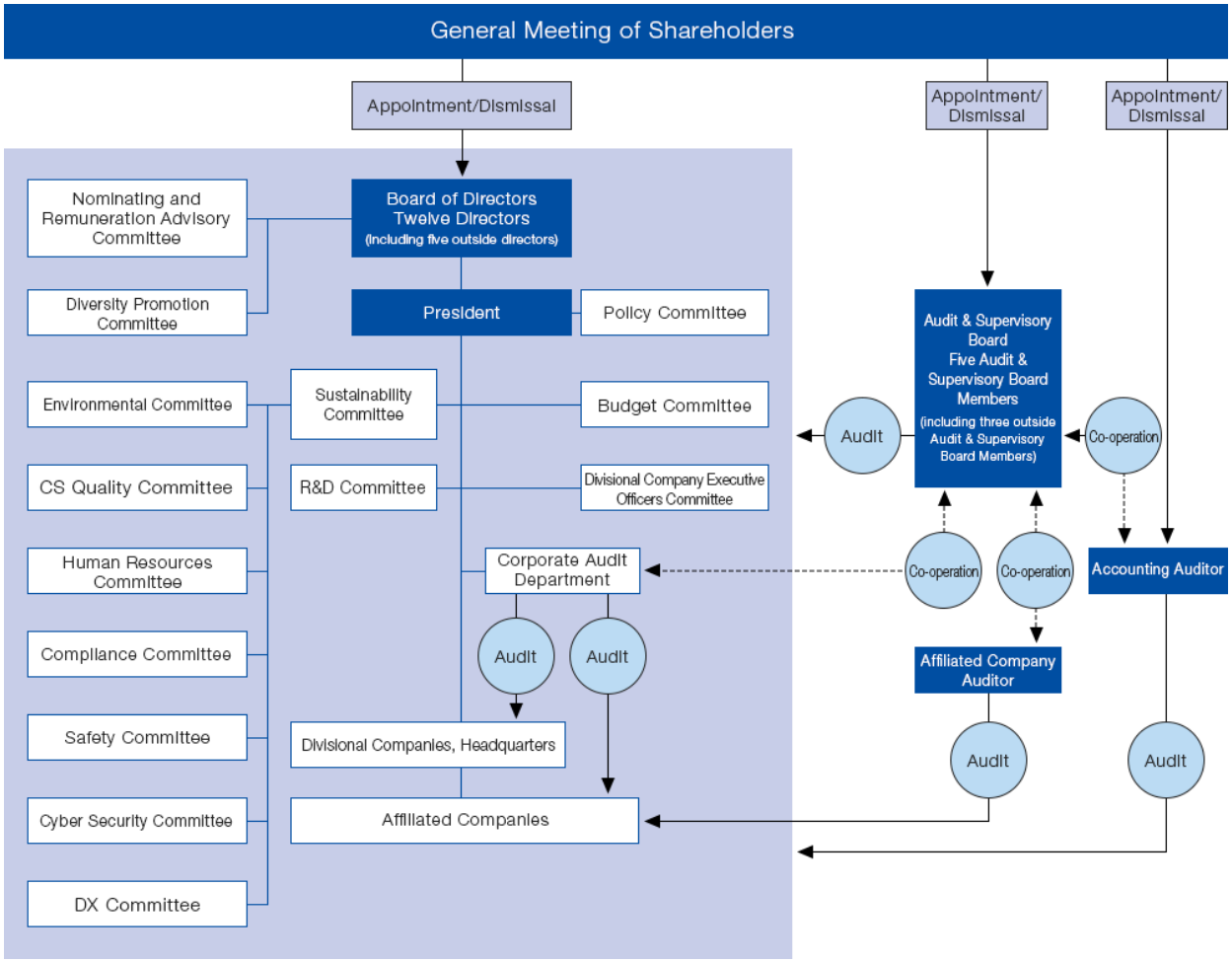
As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System in order to clearly distinguish the supervisory function of directors from the business execution function of executive officers.

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

Initiatives Taken to Enhance Corporate Governance



Corporate Governance System Chart (As of March 31, 2023)



Board of Directors

Roles and Responsibilities of the Board of Directors

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

Composition of the Board of Directors

The number of Directors shall not exceed 15, with several Directors appointed from outside the Company.
The Board of Directors 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 meetings of the Board of Directors. With regard to the Audit and Supervisory Board, one or more members will have knowledge and expertise in corporate finance and accounting, and one or more will have knowledge and expertise in legal systems.
The Company ensures diversity among Board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with its 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, and Audit and Supervisory Board members with strong expertise, the presidents of the divisional companies effectively perform the roles and responsibilities of the Board of Directors and maintain a balance with respect to diversity, optimal size, and capabilities.
Meanwhile, three female Outside Directors were appointed to the Company's Board of Directors at the Annual General Meeting of Shareholders held in June 2022.
Based on the aforementioned, SEKISUI CHEMICAL Group believes that the diversity of its Board members is ensured in terms of both skills and gender.

Attendance of Directors and Audit and Supervisory Board Members

Name	Position in the Company	Number of Years as of the Closing of the Annual General Meeting of Shareholders Held in June 2023	Attendance of Board of Directors Meetings of the Company (Fiscal 2022)	Attendance of Audit and Supervisory Board Meetings of the Company (Fiscal 2022)	Attendance of Nomination and Remuneration Advisory Committee Meetings of the Company (Fiscal 2022)	Attendance of Diversity Promotion Committee Meetings of the Company (Fiscal 2022)
Teiji Koge	Chairman of the Board and Director	18 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Keita Kato	President and Representative Director Chief Executive Officer	9 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	3 years	100% (17 out of 17)	—	—	100% (3 out of 3)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	8 years	100% (17 out of 17)	—	—	—
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	—
Ikusuke Shimizu	Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	—
Kazuya Murakami	Director Executive Officer	2 years	100% (13 out of 13)	—	—	100% (3 out of 3)
Yutaka Kase	Independent Outside Director	7 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Hiroshi Oeda	Independent Outside Director	5 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Haruko Nozaki	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Miharu Koezuka	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Machiko Miyai	Independent Outside Director	1 year	85% (11 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Hiroyuki Taketomo	Full time Audit and Supervisory Board Member	2 year	100% (17 out of 17)	100% (17 out of 17)	—	—
Toshitaka Fukunaga	Full time Audit and Supervisory Board Member	3 year	100% (17 out of 17)	100% (17 out of 17)	—	—
Kazuyuki Suzuki	Independent Outside Director	8 year	88% (15 out of 17)	94% (16 out of 17)	—	—
Ryoko Shimizu	Independent Outside Director	4 year	94% (16 out of 17))	100% (17 out of 17)	—	—
Yoshikazu Minomo	Independent Outside Director	1 year	100% (13 out of 13)	100% (12 out of 12)	—	—

Note: The list above does not reflect the full range of expertise possessed by each candidate.

About the Age-group Composition of Officers

		Under 30	30～39	40～49	50～59	60 or older
Number of Directors by Age	Male	0	0	0	2	7
	Female	0	0	0	0	3

Note: As of March 31, 2023

Outside Directors

The Group appoints to the Board Outside Directors with verified independence from the Company 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 the Company. 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.

Yutaka Kase, Outside Director

Mr. Kase serves as Advisor at Sojitz Corporation. Mr. Kase has provided advice with respect to the business management of the Company 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 thus appointed him as a Director.

Hiroshi Oeda, Outside Director

Mr. Oeda serves as Corporate Special Advisor at Nisshin Seifun Group Inc. As Mr. Oeda has been a management executive of the largest milling company in Japan, the Company expects him to provide advice with respect to the business management of the Company and supervise business execution appropriately by leveraging his abundant experience and skill regarding global corporate management, business strategies, and M&A activities fostered through his positions. Therefore, the Company has judged that he would be able to contribute to enhancing the corporate value of SEKISUI CHEMICAL Group and thus appointed him as a Director.

Haruko Nozaki, Outside Director

Ms. Haruko Nozaki has experience in personnel affairs and education at HORIBA, Ltd. and deep insight on promotion of diversity, development of the next generation, etc., and currently serves as Executive Vice-President of Kyoto University and External Director of West Japan Railway Company. The Company expects she will provide pertinent advice at meetings of the Board of Directors regarding medium- to long-term issues based on her insight on human resources, and judging that she will contribute in this way to improving the corporate value of the Group appointed her as a director.

Miharu Koezuka, Outside Director

Ms. Miharu Koezuka held positions of Representative Director and General Manager of Planning Headquarters and General Manager of Sales Headquarters of Takashimaya Company, Limited, and was involved in management of the said company for many years as a member of the management team. Ms. Koezuka currently serves as Outside Director of Japan Post Holdings Co., Ltd., Nankai Electric Railway Co., Ltd. and Nippon Paint Holdings Co., Ltd. The Company expects that Ms. Koezuka will utilize her experience in diverse industries in Board of Directors meetings to provide multifaceted and pertinent advice, and judging that she will contribute in this way to improving the corporate value of the Group appointed her as a director.

Machiko Miyai, Outside Director

Ms. Machiko Miyai served as an executive at Panasonic Corporation and then as Director and the head of the marketing department at MORINAGA & CO., LTD. As such, Ms. Miyai has broad job experience mainly in consumer-conscious duties in industries that are different from that of the Group. The Company expects that Ms. Miyai will utilize her abundant experience and wide-ranging knowledge in Board of Directors meetings to provide pertinent advice, and judging that she will contribute in this way to improving the corporate value of the Group appointed her as a director.

Assessment Relating to the Board's Effectiveness

Each year, the Company conducts a survey for Directors and Audit and Supervisory Board members to assess the effectiveness of the Board of Directors.

Based on the results of the survey, the Company confirmed that the Board of Directors set appropriate agendas, ensured sufficient time for discussion, and allowed Directors and Audit and Supervisory Board members, including Outside Directors, to actively offer their opinions and suggestions at meetings. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and is functioning properly.

In fiscal 2022, the Board of Directors engaged in thoroughgoing discussions of important management issues. Items of deliberation included the next Medium-term Management Plan, growth strategies (including R&D, large new businesses, and large-scale capital investments) and fundamental strategies (Sustainability Committee reports, digital transformation, safety, compliance, CS & Quality, and the environment).

The selection of candidates for the positions of Director and Audit and Supervisory Board member, individual evaluation, and such matters as compensation paid are deliberated by the Nomination and Remuneration Advisory Committee. The results of these deliberations are reported to the Board of Directors where decision are made. In fiscal 2022, the Nomination and Remuneration Advisory Committee met five times, deliberating on a wide range of matters including the composition and effectiveness of the Board of Directors as well as efforts to strengthen governance.

Support for and Collaboration with Directors and Audit and Supervisory Board Members

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's 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, business briefings several times a year, and inspections of business sites. To further enhance the effectiveness of management supervision by Outside Directors, the Company 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 and Supervisory Board members and accounting auditors. From a succession planning perspective, the Company 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 and Supervisory Board members and Executive Officers to meet when the new management system is inaugurated following the Annual General Meeting of Shareholders.

Opportunities to deepen understanding of the Company's business

To deepen understanding of the Company and the characteristics of the Group's wide-ranging businesses, Outside Directors and Outside Audit and Supervisory Board members undertake business site visits every year. Business briefings are also conducted for Outside Directors and Outside Audit and Supervisory Board members.
In fiscal 2022, visits were made to the MINASE INNOVATION CENTER of the HPP Company.

Grasp External Trends on Economic, Environmental, and Social Topics

At the quarterly Executive Officers Liaison meetings, the sharing of earnings announcements is combined with invited speakers from outside the Company, so that executive officers obtain the latest information on economic, environment, and social trends that are directly linked to management issues as well as knowledge from other companies and industries.

【Fiscal 2022 Executive Officers Liaison Meeting Lecture Topics】

(1) Ryohei Yanagi
Chief Financial Officer
Eisai Co., Ltd.
Visiting Professor
Graduate School of Accountancy
Waseda University
Topic: The appeal of ESG and corporate value based on the Yanagi Model
—Making invisible value visible—

(2) Haruko Nozaki
Outside Director
Topic: Are you working in an interesting and amusing manner?
—Toward an organization and culture that fosters challenge—

(3) Miharu Koezuka
Outside Director
Topic: Working is living

(4) Yoshikazu Minimo
Outside Audit and Supervisory Board Member
Topic: Learning from fraud case studies
Issues and Measures for Compliance Management

Nomination and Remuneration Advisory Committee

The Company has established an optional advisory committee concerning nomination and remuneration to further enhance the fairness and transparency of management.
The Nomination and Remuneration Advisory Committee deliberates on 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 deliberates on the appointment of former representative directors and presidents to the positions of advisors or executive advisors as well as other relevant factors as their treatment, and submits recommendations and advice to the Board of Directors.
The Nomination and Remuneration Advisory Committee comprises seven members, the majority of whom are independent Outside Directors. The Chairperson is elected from the independent Outside Directors.

Remuneration and Other Compensation for Officers

(1) Policy regarding determination of remuneration and other compensation

(1) Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

- The policy should contribute to continuous growth and medium- to long-term improvement of corporate value for the Group
- Officers of the Company 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 officers of the Company to achieve management plan goals
- The policy should provide a framework and baseline which enables the Company to acquire and keep on staff with a diverse variety of management talent in order to increase the competitiveness of the Group

(2) Remuneration mindset

Remuneration and other compensation for executive directors of the Company 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.

<Basic Remuneration>

- Regular monthly remuneration*
- Remuneration within the framework of officer remuneration is a fixed payment determined by the roles and responsibilities of each Director.

* 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.

<Bonuses>

In the event certain ROE and dividend payment amount criteria are met, the amount of bonuses paid are determined within the scope of payment rates (0% to 100%) linked to the level of target achievement for such financial indicators as operating income as well as ESG indicators.

<Share-based compensation>

Aimed at further raising motivation to help improve medium- and long-term business performance and SEKISUI CHEMICAL Group's corporate value.

Points awarded annually according to position, and shares equivalent to the accumulated points during the term of office are issued upon retirement.

(2) Determination Process for Officer Remuneration and Other Compensation

In order to achieve the goals of the officer remuneration system, the Company 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. Based on the above processes, the Board of Directors determines certain details including remuneration for each individual Director for the subject fiscal year in line with the policy regarding the determination of remuneration levels.

<Overview of the Nomination and Remuneration Advisory Committee and the Policy Regarding the Determination of Remuneration Levels>

- 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 determination of the policy regarding the determination of Director remuneration levels, 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 the Company and providing 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.
- The specific remuneration amount, payment date, payment method, and other matters are left to the discretion of the President and Representative Director. The reason for delegating this authority to the President and Representative Director is because this individual is best suited to evaluate each Director's responsibilities while overseeing the Company's overall performance. The Board of Directors receives reports from the Nomination and Remuneration Advisory Committee, as described above, to ensure that such authority is properly exercised.

Officer Remuneration in Fiscal 2022

(Amount: Millions of yen)

	Basic remuneration		Bonus		Share-based compensation		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	12	383	7	209	7	83	12	675
Of which Outside Directors	5	61	—	—	—	—	5	61
Audit and Supervisory Board members	6	76	—	—	—	—	6	76
Of which outside Audit and Supervisory Board members	4	36	—	—	—	—	4	36

Note1: The aforementioned includes one Audit & Supervisory Board member who retired at the conclusion of the 100th General Meeting of Shareholders held on June 22, 2022.

Note2: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to 68 million yen for Directors who concurrently serve as employees.

Notice of Convocation of the Annual General Meeting of Shareholders
https://www.sekisuichemical.com/ir/stock/shareholder_info/

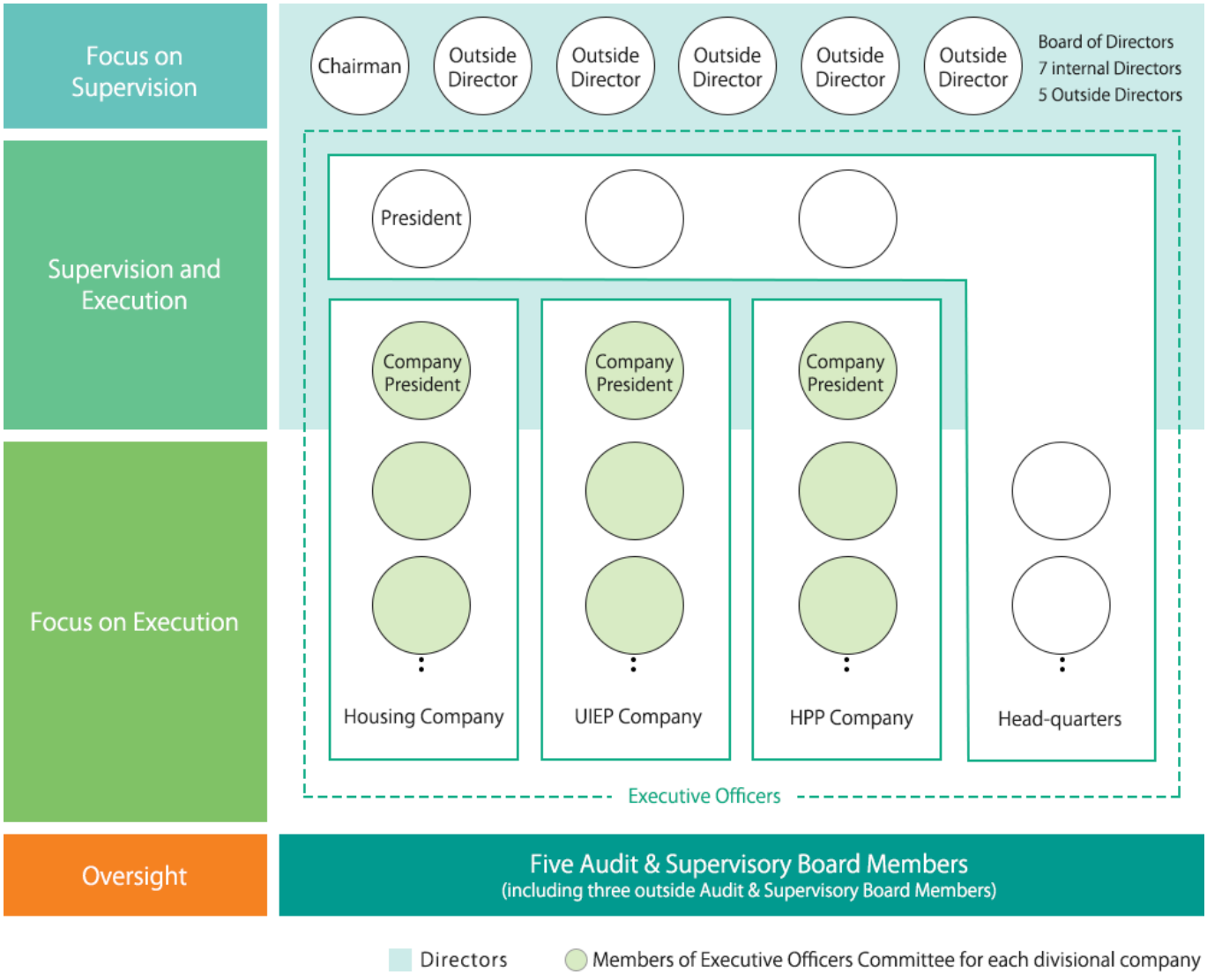
Director Company Stock Ownership Guidelines

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 mid- and long-term business performance and improve the Group's corporate value, the Company has 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, the Company 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.

Management System



Auditing System

Approach to Appointment of Audit and Supervisory Board Members

SEKISUI CHEMICAL Group maintains an Audit and Supervisory Board structure consisting of two full-time Corporate Audit and Supervisory Board members and three part-time Outside Audit and Supervisory Board members for a total of five Audit and Supervisory Board members. As far as the composition of the Audit and Supervisory Board is concerned, one or more members will have knowledge and expertise in corporate finance and accounting, one or more will have knowledge and expertise in legal systems, and one or more will have knowledge and expertise in manufacturing and CS & Quality, which are extremely important for manufacturers.

Officers with experience as Head of Legal Department and plant managers have been appointed as full-time Corporate Audit and Supervisory Board members in fiscal 2023.

A certified public accountant with experience working for an auditing firm, a lawyer with extensive experience in corporate law, and a university professor specializing in quality control have been appointed as Outside Audit and Supervisory Board members.

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.

Internal Control System Overview

In order to ensure the internal control system for the Company and Group companies is properly maintained and operated, our Corporate Audit Department carried out operation and accounting audits of the Company and Group companies based on a yearly auditing plan, investigating whether execution of operations is being performed appropriately and efficiently. The results of internal audits are regularly reported at management meetings, and such matters as the status of improvement of issues pointed out by internal audits is reported to the Board of Directors by the director in charge or the Corporate Audit and Supervisory Board member, as necessary.

Compliance

See Governance (Internal Control) Legal and Ethical Issues on p. 71.

Major Initiatives

Execution of Duties by Directors

In order to ensure that Directors carry out their duties efficiently, the Board of Directors met 17 times in fiscal 2022. In addition, discussions of important matters related to our management policies and strategies were carried out at meetings of the Policy Committee, which is made up of inside Director members charged with the responsibility of carrying out the executive function. Policy decisions were made by the Board of Directions following these discussions.

Execution of Duties by Audit and Supervisory Board Members

Audit and Supervisory Board members attended not only the Board of Directors meetings but also other important meetings, carrying out confirmation of the maintenance and operating conditions of the internal control system through operations such as investigation of related departments, including at Group companies, and confirmation of approval documents for major projects. In addition to personally visiting various sites for audits, they also receive reports from the Internal Auditing Department and each headquarters department that has jurisdiction over internal control. The Audit and Supervisory Board met 17 times in fiscal 2022 for the purpose of sharing the information from these reports. Audit and Supervisory Board members regularly exchanged opinions with accounting auditors, cooperating closely to improve the effectiveness of auditing efforts. Liaison meetings were held with related corporate auditors to improve coordination with auditors and enhance the quality of auditing. In addition, regular meetings were held with the Representative Director, and Audit and Supervisory Board members also exchanged opinions with Outside Directors.

Risk Management

See Governance (Internal Control) Risk Management on p.86.

Group Company Business Management

Through rules such as our domestic and overseas affiliate company handling regulations and decision-making authority standard requirements, we have constructed a framework for receiving decision-making and reports from Group companies to the Company. In addition, our Corporate Audit Department implements internal auditing and results of audits by Audit and Supervisory Board members of our Group companies are collected at Audit and Supervisory Board meetings.

Stakeholder Engagement

Basic Concept

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 solving social issues together with them, leads to great opportunities for SEKISUI CHEMICAL Group.
In addition, we will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.
In fiscal 2022, the ESG Management Department, which falls under the purview of the Representative Director, Senior Managing Executive Officer (Head of the ESG Management Department), took on the role of promoting constructive dialogue with all stakeholders. The various assessments and opinions of all stakeholders are reported to the Sustainability Committee, which is chaired by the Company president and made up of directors, and the Company strives to adequately reflect these views in its activities.
Moreover, SEKISUI CHEMICAL Group has formulated the Corporate Information Disclosure Regulations that encompass such items as the specific content of disclosure and disclosure systems based on its Principle of Corporate Information Disclosure in order to ensure the timely, appropriate and active disclosure of information. At the same time, the Company discloses information in accordance with its IR (disclosure) Policy.
There were no major concerns voiced by stakeholders through any of the engagements in fiscal 2022.

Responsibility of SEKISUI CHEMICAL Group to Each Stakeholder and Communication Methods

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Customers	We take the voices of our customers seriously, offer prominent products and services and strive to build a long-term relationship of trust with our customers.	● Departments in Charge of ESG ● Departments in Charge of Quality Control ● Sales Department	・Customer Consultation Office(handles inquiries) ・CS surveys (customer satisfaction surveys) ・Sales activities ・Website, social media ・exhibition spaces, expos / events	・Day-to-day ・As necessary (carried out whenever needed at each divisional company, business site, or sales office) ・Day-to-day ・Day-to-day ・As necessary(implemented through questionnaires and conversations at venues)
Shareholders	To meet the expectations of all our valued shareholders, we strive for highly efficient use of capital, fair ethical disclosure of information, adequate returns from profit, and increasing corporate value through sustainable growth.	● Departments in Charge of General Affairs ● Departments in Charge of IR ● Departments in Charge of Public Relations ● Departments in Charge of ESG	・General Meeting of Shareholders ・Management briefings ・Integrated reports ・Responding to surveys from institutions that evaluate ESG	・Once per year ・4 times per year ・Issued once per year ・As necessary (handled in order of inquiry)
Employees	We foster among our employees a spirit of taking on new challenges and are actively creating workplaces where every employee can stand out and diverse human resources can both excel and feel that their work is worthwhile.	● Departments in Charge of Human Resources ● Departments in Charge of Safety ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG ● Departments in Charge of Public Relations	・Individual boss and subordinate interviews ・Counseling ・Labor-management meetings ・Central Occupational Safety Committee ・Internal whistle-blowing system ・Employee satisfaction surveys ・Various employee questionnaires ・Dialogues with management ・Intranet and internal newsletter	・Regularly ・As needed(counseling available upon request through an inhouse occupational counselor or external clinical psychologist) ・Regularly ・Once per year ・As needed (handling for consultations and reports) ・Once every three years ・As needed(questionnaires implemented for internal publications, various types of training sessions, etc.) ・Regularly ・As needed(information updated when necessary), 4 times per year
Business partners	When procuring materials, we follow the fundamentals of being open, fair, compliant with the law and social norms, engaged in relationships of mutual trust, environmentally conscious, anti-corruption, and considerate of human rights. We aim to achieve coexistence and shared prosperity by building more robust partnerships with our business partners and engaging in fair trade. We are also engaged in promoting CSR based on cooperation with our business partners.	● Departments in Charge of Purchasing ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG	・Purchasing activities ・Explanatory meetings with suppliers ・CSR procurement questionnaires ・Points of contact for consultations from, and whistleblowing by, business partners ・Website	・Day-to-day ・Regularly ・Once per business partner every three year ・As needed (handling for consultations and reports) ・As needed (information updated when necessary)

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Local communities	We emphasize a perspective that encompasses contributions to the development of communities through our business, coexistence with communities, and environmental conservation. We think about how to make measures that are tailored to the needs of each community and practice business in ways that engender trust.	● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Public Relations	・Volunteering by employees ・Dialogues with NPOs and NGOs ・Support for learning(dispatching of instructors, factory tours, etc.) ・News releases	・Regularly ・As needed(implemented as necessary before and after activities) ・Regularly ・As needed (latest information posted as necessary)
Global environment	We are engaged in expanding and creating the market for Sustainability contributing Products, reducing our environmental impacts, and conserving the natural environment— all with the aim of realizing "earth with maintained biodiversity."	● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Sales ● Departments in Charge of Purchasing	・Volunteering by employees ・Dialogues with NPOs and NGOs ・Sales operations ・Purchasing activities	・Regularly ・As needed(implemented as necessary before and after activities) ・Day-to-day ・Day-to-day

Major Initiatives

Meeting with the President/Top Management in 2022, an Opportunity for Direct Dialogue between Top Management and Employees

In fiscal 2021, we worked to promote awareness of our Long-term Vision, Vision 2030, and ESG management, the key to realizing this Long-term Vision. To this end, the president and senior managing executive officer held Vision Caravan 2021 and a Live Panel Discussion: Power of SEKISUI, where the president and senior managing executive officer spoke with all Group employees in Japan and overseas.

In the past, management identified opportunities to engage in direct dialogue with employees. In similar fashion to fiscal 2020, however, these opportunities were postponed in fiscal 2021 due to the impact of COVID-19. Instead, 10 online Vision Caravan meetings were held in Japan and two online panel discussion meetings overseas (North America, Europe, East Asia, ASEAN, India, and Australia).

During these events for employees, the president and senior managing executive officer directly outlined their personal thoughts on how to realize Vision 2030 while also explaining the Group's ESG management. In response, employees took the opportunity to directly ask questions of management, and discussed among themselves and deepened their understanding toward how they should approach each business activity in order to realize Vision 2030. Taking into consideration a variety of factors, employees also looked into how they can link individual operations to the Group's ESG management.

In response to questions and presentations that arise from deliberations among employees, the president and senior managing executive officer provide comments and feedback, while promoting lively interactive dialogue.

The President and Senior Managing Executive Officer,
Head of the Business Strategy Department interacting online with employees

Direct Dialogue with Investors to Promote Mutual Understanding

SEKISUI CHEMICAL Group believes it is extremely important to engage in constructive dialogue with shareholders and investors in order to achieve sustainable growth and enhance corporate value over the medium to long term.
We therefore have put in place Active Engagement Between Investors and Management as one of our key issues, while the President and Senior Managing Executive Officer, Head of the Business Strategy Department are taking the lead in proactively holding quarterly financial results briefings and direct dialogues with shareholders and institutional investors to leverage our management strategy to enhance corporate value. During fiscal 2022, we held 74 engagements.
We are strengthening information dissemination on our website with an awareness of fair disclosure while striving to reflect as much as possible the opinions and questions received through dialogue with shareholders and investors in the Integrated Report and other IR materials. In fiscal 2022, we held the Strategic Area Map & Life Science Business Briefing for institutional investors and analysts to deepen their understanding of SEKISUI CHEMICAL Group's strategic areas of focus and the Life Science business. In addition, we made this briefing available on our website.
In recent years, interest in ESG investment has been growing globally, and ratings agencies are proactively undertaking surveys. SEKISUI CHEMICAL Group compiles and publishes its Sustainability Report based on rating agency questionnaires and third-party reviews, as well as referencing various report-drafting guidelines including GRI standards and considering the importance of the report to society and SEKISUI CHEMICAL Group.

Number of Times Active Engagement Conducted Between Investors and Management ☑

	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results
Number of engagements*	87	67	54	82	74

* The number of engagements represents the number of times the Company president and executives in charge of specific areas had dialogues with investors.

Promoting Understanding and Acceptance of ESG Management Concepts Among Employees

We are promoting a variety of initiatives to deepen the understanding and penetration of various issues including SEKISUI CHEMICAL Group's approach to ESG management.

In order to deepen awareness and understanding toward the Long-term Vision, Vision 2030, and ESG management among employees, SEKISUI CHEMICAL Group in fiscal 2022 renewed our website dedicated to this vision and prepared and deployed on a global basis materials that summarize the Long-term Vision (booklets and videos that explain the vision statement, ESG management, challenge, and other management keywords, and that summarize the relationship between these).

In addition, we created an ESG Management Conceptual Diagram and are promoting awareness and education of the overall picture of ESG management and how it is connected to individual operations and initiatives on our intranet.

Furthermore, SEKISUI CHEMICAL Group implements ESG management training for new employees, newly appointed managers, and others based on their position.

We also carried out training sessions in fiscal 2022 covering methods for incorporating and conveying department visions and policies for managers at all Group companies in Japan to ensure that the Long-term Vision was thoroughly understood and incorporated into each business and their operations. Going forward, we will integrate the content of these sessions into existing training programs in an effort to further entrench the Long-term Vision.

We also held President Workshop Meetings for the presidents of each local subsidiary outside of Japan. During these meetings, participants learned about methodologies for encouraging employees to take on the challenges required to realize the Long-term Vision, as well as about the most effective communication methods to use with local employees in each country.

Communication tools with employees

SEKISUI CHEMICAL Group has published an in-house magazine (including a series of special features on ESG management) and the SEKISUI CHEMICAL Group ESG Management Reader's Guide (introduction to ESG management), a tool to promote understanding of ESG management among all employees, in order to secure increased acceptance of the Group's ESG management.

These communication tools and ESG-related materials are freely available for employees to download from the intranet, and are also distributed to all employees, regardless of whether they are regular or non-regular staff, on an as needed basis, for example when employees join the Company or when implementing ESG-related educational programs.

In the US and Europe, regional headquarters distribute ESG-related information to employees of each Group company.

In Europe, information is posted on the intranet once a month, while we conduct ESG training based on position in the US. In addition, we regularly hold Lunch & Learn, an online event to showcase various initiatives of each company and exchange opinions.

SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction)/ Japanese edition

SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction)/ English edition

Distributing Value to Stakeholders

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

(Unit: Millions of yen)

Stakeholders	Method of Calculating Amounts	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders	Dividends	20,615	22,401	22,193	23,177	25,100
Business partners	Cost of Sales, Selling Costs / General Administrative Costs (Excluding Personnel Costs)	840,514	829,809	778,554	858,944	926,822
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	206,511	211,675	210,705	210,122	224,034
Local communities	Donations	165	158	218	198	198
Global environment	Environmental conservation costs	21,882	17,850	16,207	27,522	26,373
Government and administrative bodies	Corporate taxes, local taxes, business taxes	22,261	22,619	19,902	31,099	28,727
Creditors	Interest paid as part of costs apart from sales	480	695	861	774	871

Respect for Human Rights

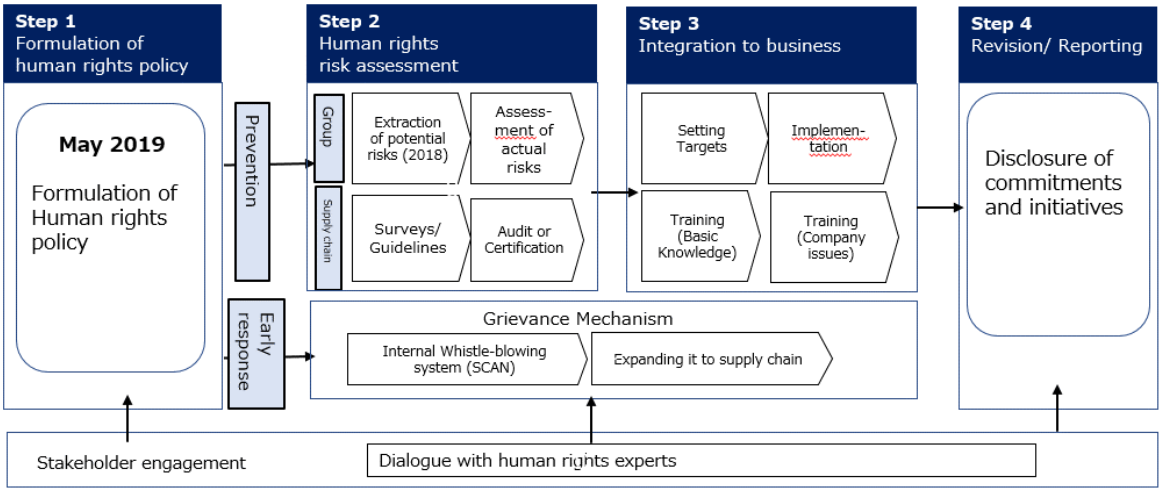
Basic Concept

At SEKISUI CHEMICAL Group, we consider human rights advocacy of all people affected by our business activities as our duty. Nowadays, the enaction of rules and laws related to human rights continues to progress 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.

Under this concept, SEKISUI CHEMICAL Group has organized human rights initiatives involving the Group based on the UN's Guiding Principles on Business and Human Rights in the following manner. Grounded in the SEKISUI CHEMICAL Group Human Rights Policy formulated in May 2019, we will work to build a cycle to evaluate human rights impacts, integrate human rights into business, make reports, and establish a grievance mechanism in an effort to identify, address, and remediate any human rights risks that may arise from the Group's business activities.

Under the current Medium-term Management Plan, the Human Rights Subcommittee was established by officers responsible for related departments of headquarters. With these departments taking the lead, steps have been taken to disseminate details of the Human Rights Policy, conduct due diligence within the Group and on its business partners, and put in place a grievance mechanism. In the next Medium-term Management Plan, we will steadily advance these business and human rights endeavors while strengthening our ability to execute initiatives at divisional companies and regional headquarters.

Overview of SEKISUI CHEMICAL Group's Human Rights Initiatives

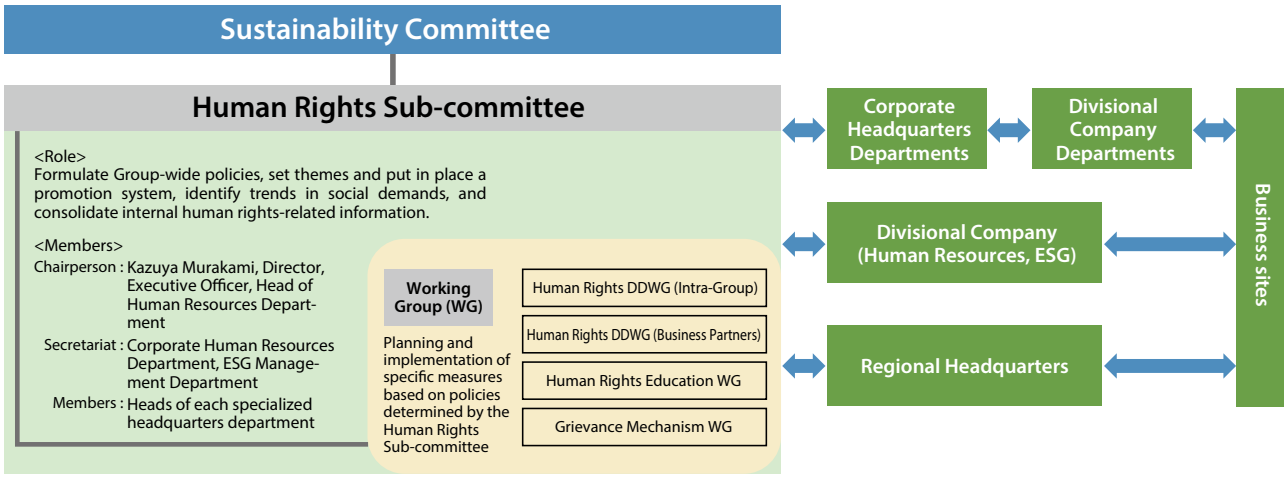


Targets

Current Medium-term Management Plan Targets	Results
Implement human rights due diligence within SEKISUI CHEMICAL Group on a continuous basis	<Fiscal 2020> ・Conducted human rights interviews at Higashi Nihon Sekisui Industry Co., Ltd. of the UIEP Company <Fiscal 2021> ・Conducted comprehensive global-scale human rights risk assessments (surveys) <Fiscal 2022> ・Drafted remediation plans at locations (6 locations) where issues were identified through the above risk assessments; measures taken at five locations; the remaining one location setting deadlines for implementing remediation plans in fiscal 2023 ・Conducted human rights interviews at Sekisui Industrial Piping Co., Ltd. (Taiwan) of the UIEP Company. ・Conducted human rights interviews at SEKISUI HEIM KINKI CO., LTD. of the Housing Company
Disseminate guidelines among business partners and identify potential risks through surveys	<Fiscal 2021> ・Formulated procurement guidelines (Supplier Code of Conduct) and obtained signatures for guideline compliance from approximately 61% of our key suppliers in Japan and overseas ・Received responses from 67% of companies surveyed (capital of at least ¥100 million, sales of at least ¥30 million) <Fiscal 2022> ・Conducted interviews at 13 companies identified as high-risk supplier candidates as a result of the surveys ・Promoted risk reduction activities in cooperation with one overseas company from among the above
As part of human rights education, conduct the Business and Human Rights e-Learning course	・Conducted e-learning in eight languages for Group companies in Japan and overseas <Fiscal 2020> ・The response rate of Group companies in Japan: 64% <Fiscal 2022> ・The response rate of overseas Group companies: 75%
Complete the global framework for the S.C.A.N. Intra-company Whistleblowing System as a step to build a grievance mechanism	・Completed SEKISUI CHEMICAL Group overseas deployment of whistleblowing contact points, except for Australia (Australia is scheduled for fiscal 2023)

System

To strengthen our response to a wide-ranging array of human rights issues in a cross-organizational manner, we established the Human Rights Subcommittee under the Sustainability Committee in fiscal 2022. Chaired by the Director and head of the Human Resources Department, this subcommittee is comprised of the heads of each specialized headquarters department, and assumes the role of formulating Group-wide policies regarding human rights. At the same time, four working groups linked to the Human Rights Subcommittee plan and execute concrete measures.
Likewise, we promote our human rights initiatives throughout the Group by sharing the policies and measures established by the Human Rights Subcommittee and each working group among each of the relevant departments of the Company's headquarters and divisional companies, and by applying these down to the business site level. In fiscal 2022, the Human Rights Subcommittee met 12 times.



Major Initiatives

Human Rights Due Diligence (SEKISUI CHEMICAL Group)

Overview of initiatives to Build a Human Rights Due Diligence*[1] Framework

SEKISUI CHEMICAL Group launched initiatives aimed at building a human rights due diligence framework in November 2018. The major initiatives implemented up to fiscal 2022 are as follows.

- **From fiscal 2018 to fiscal 2019:**
  Employed a specialized agency (Verisk Maplecroft*[2]) to analyze potential human rights risks in major businesses and conducted internal hearings based on the results of analysis.

- **Fiscal 2020:**
  Implemented human rights interviews at domestic production sites.

- **Fiscal 2021:**
  Conducted a survey-format human rights risk assessment on a global basis for management in all areas where the Group is located and for general as well as indirect employees at selected business locations.

- Human rights risk assessment implementation method:
  - Survey format (two types: one for management and one for general employees)

- Targets:
  - Management in all areas where the Group is located (North and Central America, Europe, Asia, Australia). (Production sites: 44)
  - General employees in Thailand, China, and India and foreign nationality employees in Japan who were identified as high risk as a result of the latent human rights risk analyses and dialogue with experts conducted in 2018 (Both general employees and foreign nationality employees include indirect employees). (Production sites: 21)

- Objective:
  - Select priority human rights topics by conducting an exhaustive survey and gathering the opinions of both management and general employees

- Results:
  - Although no human rights issues requiring a critical or immediate response within the scope of the survey were revealed, priority human rights issues that were identified as requiring further review included working conditions for foreign nationality employees, fair wages, respect for religious practices, and inequalities in hiring and promotion.

- **Fiscal 2022:**
  Remediated issues identified through the above risk assessments, and implemented human rights interviews at two locations in Japan and overseas.

*1 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.
*2 A risk analysis and research corporation with a global perspective and knowledge of human rights, economic, and environmental risks.

Identified and remediated human rights risk based on global human rights risk assessments

In fiscal 2022, we confirmed the status of each situation on an individual basis for Group companies in Japan and overseas (total of six locations) at which issues were identified through the above human rights risk assessments. After formulating remediation plans to address the issues identified, steps were taken at five locations. (Remediation plan example: Draft employment agreements in workers' native languages in order to promote an understanding of employment agreements among foreign nationality workers employed at Group companies in Japan). In regard to the remaining location, we laid out a remediation plan execution deadline of fiscal 2023, and will therefore continue to confirm its status.

Human rights interviews with foreign nationality employees implemented at overseas production sites

We received comments during individual dialogue with overseas experts regarding the importance of conducting surveys as to whether overseas Group company migrant workers had suffered human rights violations. Similarly, as part of the human rights risk assessments conducted in fiscal 2021, we confirmed that many duties were being performed by Vietnamese migrant workers at a Group company located in Taiwan. In response, in fiscal 2022 we interviewed the Vietnamese employees for the purpose of investigating the actual labor environments of migrant workers within the Group.

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

・Implementation method
1) Conducted a survey of Vietnamese workers based on the Dhaka Principles, an international standard regarding the dignified immigration of foreign workers, as a preliminary review.
2) Based on the preliminary survey, Caux Round Table Japan* divided workers into groups of three or four, and interviewed each for around one hour.
3) Confirmed the living environment by observing the shared housing in which the Vietnamese workers live

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

・Results
Although this interview investigation did not reveal any notable negative impacts on the human rights of the Vietnamese migrant workers, it did identify preparing multilingual pay statements and internal factory signage, reducing the burden of living expenses, securing access to employee whistleblowing systems, and others as issues requiring priority action. In response to these issues, Sekisui Industrial Piping Co., Ltd. (Taiwan) formulated a remediation plan and will address these issues in stages.

* A non-profit organization with a network of various CSR initiative organizations both inside and outside of Japan and extensive experience with support programs for initiatives to reduce human rights risks within corporate supply chains.

Human rights interviews with foreign nationality employees implemented at domestic construction sites

In light of frequent comments from Japan and overseas regarding the high level of human rights risk in Japan related to the general labor environment for foreign nationality employees, we conducted interviews at domestic production sites in fiscal 2020. Following-up on this effort, in fiscal 2022 we conducted foreign national employment management assessments*, including employee interviews, at construction companies of the Housing Company.

・Targets
1) Two foreign nationality employees working at SEKISUI HEIM KINKI CO., LTD. of the Housing Company
2) Personnel and labor management supervisors for the aforementioned foreign nationality employees

・Implementation method

1) Conducted a preliminary survey consisting of 342 questions in 40 categories regarding human rights, and held interviews with personnel and labor management supervisors based on the survey results
2) Conducted interviews with two foreign nationality employees
3) Took remediation action in regard to the assessment results and matters indicated by third parties (Remediation action example: Always verify whether supervisory organizations and registered support organizations are certified bodies when hiring technical intern trainees and specified skilled workers).
4) Received an A-rating as a result of the assessment, were recognized as a business in good-standing for appropriately employing foreign nationality employees, and acquired a Certificate in Appropriate Employment Company of Foreign National Employees.

・Results

Having received high marks in labor, job satisfaction, and other categories, our approach to employment and work hours as part of foreign national employment was judged to be appropriate. On the other hand, under the category of human resources management, despite having a foreign national human resources career development system in place to some degree, including systematic new employee training, systematic safety training, and Japanese language education, we received comments indicating issues regarding training with an outlook for medium- to long-term work and specifying career paths. In the future, we plan to deploy assessments covering foreign nationality worker management for both Group companies and construction companies along the supply chain.

* This assessment is designed to confirm whether foreign national human resources are appropriately employed. Involved in foreign national human resources recruitment, foreign national employment support, and Japanese language education support, One Terrace Co., Ltd. serves as the certification organization.

Human Rights Due Diligence (Our Suppliers)

Caring About Human Rights Issues Across the Entire Supply Chain

Until now, we have conducted CSR procurement surveys of our direct suppliers. To ensure that the Group's policies are understood throughout the entire supply chain, including secondary and tertiary suppliers, we formulated the SEKISUI CHEMICAL Group Sustainable Procurement Guidelines (Supplier Code of Conduct) in fiscal 2021. In addition to Japanese, we also prepared English and Chinese translations. Taking into account opinions of outside experts, the Supplier Code of Conduct is also intended to align with the United Nations Global Compact 10 Principles, the Guiding Principles on Business and Human Rights, and the SEKISUI CHEMICAL Group Human Rights Policy.

In addition to asking all our suppliers to extend this Code of Conduct to their secondary and tertiary suppliers, we have requested that suppliers sign on to acknowledge compliance with the guidelines. In this regard, we have obtained the agreement of approximately 61% of our key suppliers in Japan and overseas to work with us to achieve the Code of Conduct.

Details of human rights due diligence implementation in the supply chain

In order to enhance sustainable procurement, in fiscal 2021 we broadly revised the survey to include content that allows us to evaluate and confirm the compliance status and achievement status of the above Supplier Code of Conduct. Moreover, we began implementing the survey across the globe at the same time from fiscal 2021 in order to more rapidly address common global initiatives. As a result, we received responses from 67% of our suppliers that were subject to the survey.

In fiscal 2022, we conducted direct interviews with 13 companies with poor self-assessments on the above survey for the purpose of confirming whether there were any potential risks, and to confirm their situation. As a result, we determined that risk was low at 12 companies. We are implementing activities involving consultants in order to reduce the risk at the remaining company with its cooperation.

We also conducted investigations in regard to minerals that present the risk of human rights violations (child labor, etc.) at mining sites and wood that presents the risk of threatening the rights of indigenous people and the rights of workers as a result of deforestation. This move was taken as part of an effort to achieve sustainable procurement that respects human rights through revisions to the survey details and guideline formulation. The details are described in Responsible Procurement.

Human rights education

Human Rights Training for Group Employees

SEKISUI CHEMICAL Group conducts training and educational programs focusing on the theme of human rights for its employees. In this manner, the Group is endeavoring to engage in management that takes into consideration concerns regarding human rights. Training, especially at such milestones as when an employee enters the Company or is promoted, is designed to raise awareness of human rights issues including forced labor, child labor, and harassment, thereby promoting the importance of respecting human rights and our human rights policy.

Moreover, as part of our human rights education for employees in Japan and overseas, we began our Business and Human Rights e-Learning course in Japanese and English, which is available on the Company intranet, from fiscal 2020. In fiscal 2022, we prepared versions of the course in German, Spanish, Dutch, Chinese, Thai, and Indonesian, and expanded this initiative to employees in all areas (North America, Europe, and Asia) in which the Group operates. Through these training and education means, we are advancing awareness toward the importance of and need to respect human rights as well as our human rights policy.

Moreover, the compliance manual provided to all Group employees contains information on topics including respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information. In this manner, we are promoting an understanding of a broad spectrum of information on human rights and compliance among employees.

Implemented SEKISUI CHEMICAL Group Human Rights Week

In order to provide awareness-raising opportunities that enable employees to act with respect for human rights, since fiscal 2022 we have organized SEKISUI CHEMICAL Group Human Rights Week (slated for the week of December 4 to December 10 in conjunction with December 10 as the date the Universal Declaration of Human Rights was adopted) as a new initiative.

As part of the first such event, the president released a message indicating the Group's stance on respecting human rights. At the same time, we displayed our Human Rights Poster to encourage each individual employee to question whether they have violated the human rights of any individuals involved in their everyday work, including colleagues, business partners, and customers. We translated the message from the president into 11 languages, and prepared the human rights poster in Japanese and English before distributing it to all areas in which SEKISUI CHEMICAL Group operates.

Grievance mechanisms

In order to take appropriate action intended to remediate any negative impacts on human rights that arise from our business activities, SEKISUI CHEMICAL Group has put various mechanisms into place to pick up on the feedback of stakeholders. These mechanisms include an internal whistleblowing system, reporting contact points for business partners, the Customer Consultation Office, and contact points for inquiries regarding sustainability.

SEKISUI CHEMICAL Group established the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system for Group employees in 2002, since which time we have operated systems that can be used by all Group employees. Globally, we are proceeding with expanding the establishment of reporting points of contact to major overseas areas, and have completed their deployment to all areas except Australia. We aim to establish the reporting contact point for Australia in fiscal 2023.

Moreover, since fiscal 2015 we have established and operated reporting and consultation points of contact for our business partners that can be used by their executive officers and employees in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies.

In order to establish systems that allow for access by a broader range of stakeholders, including foreign nationality employees and overseas business partners, going forward we will update the intra-company whistleblowing system to function in multiple languages, and will make efforts to further awareness of these systems and to establish reporting points of contact for overseas business partners.

Stakeholder Engagement

Dialogue with outside experts implemented by the Human Rights Subcommittee

As members of the Human Rights Subcommittee, the Director, Executive Officer, and Head of the Human Resources Department along with the heads of each specialized headquarters department met with outside experts (Caux Round Table Japan) to exchange opinions regarding social demands involving Business and Human Rights and the Group's related initiatives.

Through their exchange of opinions with the experts, the members learned about the latest trends in social demands on companies in regard to human rights, and received opinions on SEKSUI CHEMICAL Group human rights initiatives and advice on how to best develop our related activities moving forward.

Introduced human rights initiatives at a seminar for promoting the implementation of human rights due diligence at Japanese companies, organized by the Ministry of Foreign Affairs

SEKISUI CHEMICAL Group participated in a seminar organized by the Ministry of Foreign Affairs of Japan to promote the implementation of human rights due diligence at Japanese companies through the execution of action plans regarding Business and Human Rights. During the seminar, we introduced the activities based on the Guiding Principles on Business and Human Rights that we have implemented thus far as a case study for human rights initiatives taken by a Japanese company. As we expressed at the seminar, through cooperation with employees, business partners, customers, local communities, and various other stakeholders, the Group is engaged in an ongoing effort to prevent and correct any negative impacts regarding human rights that the Group has affected.

Information disclosure

Actions in regard to the UK Modern Slavery Act

SEKISUI CHEMICAL Group discloses a statement, adopted by its Board of Directors, regarding its efforts to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains, in accordance with section 54 (1) of the UK Modern Slavery Act, which came into force in the UK in 2015.

SEKISUI CHEMICAL Group will also take appropriate measures to comply with human rights laws and regulations in countries and regions other than the UK that are relevant to its operations.

UK Modern Slavery Statement (Download PDF)
https://www.sekisuichemical.com/sustainability_report/pdf/update/English_Modern_Slavery_Statement_for_FY2021.pdf

Responsible Procurement

Basic Concept

Based on the Vision 2030 Long-term Vision's Vision Statement of 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, we believe we must continue to stand accountable, be transparent, respect stakeholder interests, change, and evolve as part of procurement activities. In addition to the existing concept of Q (quality), C (cost), and D (delivery), we therefore revised and made additions to the Basic Procurement Policy, guidelines, and surveys during the current Medium-term Management Plan for the purpose of promoting responsible procurement that better considers society and the environment.
Under the next Medium-term Management Plan, we will work on listing all suppliers in our supplier due diligence, which considers the negative impacts that a company causes, contributes to, or is directly linked to, on people, the environment, and society. At the same time, we will consider the manner in which we can improve the efficacy of our due diligence. In addition, we will conduct a review in a timely and appropriate manner, taking into consideration trends in overseas statutory and regulatory requirements as well as directives, based on the understanding that the demands on companies from society will increase.

Revising the Basic Procurement Policy

Amid our efforts to promote CSR management, SEKISUI CHEMICAL Group formulated the existing SEKISUI CHEMICAL Group Basic Procurement Policy in October 2006 as our CSR procurement policy, which we also posted and disclosed on the Group website. In response to social issues and demands that emerged later on, we expanded the content in 2014 to cover conflict minerals, in 2018 to cover timber procurement, and in 2019 to consider the environment.
The existing SEKISUI CHEMICAL Group Basic Procurement Policy, however, fails to fully address further social issues and demands that have arisen in recent years, including human rights, sustainability, and anti-corruption issues that have emerged with the diversification in social demands on the supply chain.
For this reason, during the current fiscal year we investigated and formulated revisions to the Basic Procurement Policy, and posted these on the Group website on April 1, 2023*, to ensure broad recognition.

* For the Basic Procurement Policy, see p. 346.

Sustainable Procurement Guidelines (Supplier Code of Conduct)

Sustainable Procurement Guidelines (Supplier Code of Conduct) summarize the procurement objectives that SEKISUI CHEMICAL Group and its business partners aim to achieve. Sustainable Procurement Guidelines are in line with the UN Global Compact 10 Principles, UN Guiding Principles on Business and Human Rights, and SEKISUI CHEMICAL Human Rights Policy, as well as serves as the criteria that must be observed by all business partners involved with the Group and the production of its products.
We ask our business partners to understand and comply with the purpose and content of these guidelines as well as cooperate with us in our efforts to realize a sustainable society.

Targets

Crucial Action Items in the Current Medium-term Management Plan	Details	Targets	Results
Expand the management scope of priority risks	FY 2021		
	・Conduct CSR surveys of all domestic and overseas suppliers at once	Response rate 80%	Response rate 67%
	FY 2022		
	・Expand survey items related to conflict minerals, and survey overseas affiliates	Implementation rate 100%	Implementation rate 100%
Establish management regulations	FY 2021		
	・Procurement Guidelines (Supplier Code of Conduct)	Formulate	○
	・"Sustainable procurement" Survey Manual	(Revised edition)	○
	・"Sustainable timber procurement" Survey Manual	(Revised edition)	○
	・"Responsible Mineral Procurement" Survey Manual	(Revised edition)	○
	FY 2022		
	・Basic procurement policy	(Revised edition)	○
	・"Sustainable Timber Procurement Guidelines"	Formulate	○
Deploy use of self-audits and utilize external assessments	FY 2022		
	・Conduct interviews of 13 high risk supplier candidates identified from the results of the CSR survey	Implementation rate 100%	Implementation rate 100%
	・Conduct an audit together with an external organization regarding one overseas company from the above	Implement	○

System

As for SEKISUI CHEMICAL Group procurement, the Purchasing Group of Corporate Headquarters plays a central role in conducting transactions in accordance with Sustainable Procurement Guidelines and basic policies in cooperation with the purchasing departments of business sites and Group companies, as well as the Overseas Management Group.
In order to achieve more appropriate procurement throughout the supply chain, we encourage our secondary and tertiary suppliers to achieve and maintain socially responsible operations through our primary suppliers.
Cooperation with business partners is indispensable for promoting our initiatives, so we are working to foster their understanding regarding sustainable procurement and surveys. We have also made our Basic policy on Sustainable Procurement and Guidelines available on our website in English and Chinese for our overseas business partners.

Building Supply Chains based on Sustainable Procurement Surveys

SEKISUI CHEMICAL Group conduct sustainable procurement surveys to assess whether our business partners are operating in a socially responsible manner. These surveys are aimed at building responsible supply chains to achieve and maintain sustainable procurement. Based on the survey results, we work with our business partners to resolve any outstanding issues.
In fiscal 2021, we significantly revised the sustainable procurement survey, changing survey content from the original ISO-based format to the latest version of the CSR/Procurement Self-assessment Questionnaire formulated by the secretariat of Global Compact Network Japan (GCNJ). These revisions enable us to conduct more comprehensive surveys that include items related to human rights. In addition, the timing of the surveys had previously not been standardized, but we have made changes to ensure that surveys are conducted simultaneously worldwide. We plan to expand the scope of the survey as appropriate.

	Previous Surveys	Surveys from Fiscal 2021 Onward
Questionnaire	SEKISUI CHEMICAL Group's original questionnaire that referred to ISOs, etc.	Questionnaire using the latest version of the GCNJ CSR Procurement Self-Assessment Questionnaire
Survey scope	Purchasers with annual transactions of 30 million yen or more, cumulative top 80% of purchasers by Group company	Major purchasers possessing a defined amount of capital, with annual transactions of 30 million yen or more
Schedule	Sequential implementation (generally three years to complete surveys of all eligible companies)	Simultaneous surveys conducted every three years

Sustainable Procurement Survey Process

Survey Scope: 1 Suppliers mainly of raw materials and materials (including packaging materials) that constitute or accompany products
2 Utility-related business partners
3 Production equipment-, construction work-related business partners
4 Trading companies and actual manufacturers if the business partner is a trading company
5 Not applicable if the business partner is a SEKISUI CHEMICAL Group company

Frequency: every time for new business partners and once every three years for existing ones

Survey method: surveys are conducted using the latest version of the CSR/Procurement Self-assessment Questionnaire

Survey structure: The Purchasing Group of Corporate Headquarters manages the entire survey, while business site and group company purchasing departments are responsible for requesting that business partners fill out questionnaires and collecting their responses. The Overseas Management Group and Group company purchasing departments are tasked with conducting surveys of business partners abroad.

Major Initiatives

Fiscal 2022 Sustainable Procurement Survey

In regard to 13 suppliers who provided low self-assessments under the Sustainable Procurement Survey conducted in fiscal 2021, in fiscal 2022 we held direct interviews for the purpose of verifying the presence of any potential risks and confirmed their situation.
Based on the results, in regard to one overseas manufacturer that agreed to engage in improvements involving sustainable procurement in cooperation with the Group, we conducted interviews of local workers together with consultants to advance efforts toward improvement.

Requests to Sign the Supplier Code of Conduct

We ask our suppliers to sign the Supplier Code of Conduct when conducting sustainable procurement surveys. The Supplier Code of Conduct is formulated to ensure that our suppliers maintain high standards of safe working conditions, fair and respectful treatment of employees, and ethical practices. We have included in the Supplier Code of Conduct a section that requires business partner supply chains (secondary and tertiary suppliers) to achieve and maintain socially responsible operations. In so doing, SEKISUI CHEMICAL Group will work to expand sustainable procurement.

Declaration of Partnership Building

In March 2022, SEKISUI CHEMICAL Group signed the Declaration of Partnership Building, declaring that the Group will focus on coexisting in mutual prosperity throughout the supply chain, forging new partnerships (inter-company collaboration, IT implementation support, expert personnel matching, green procurement, etc.), and adhering to promotion standards.

Declaration of Partnership Building
https://www.biz-partnership.jp/declaration/8555-05-08-tokyo.pdf(pdf:152KB)

Fiscal 2022 Responsible Mineral Procurement Survey

In fiscal 2022 we conducted surveys based on the newly revised Responsible Mineral Procurement Survey Manual. In advance of these surveys, we held in-house training sessions to deepen the understanding of the surveys in regard to the background behind conflict minerals (minerals used by armed insurgents as a source of funds) to be surveyed and social changes (child labor and other human rights violations).
Upon surveying 35 domestic locations and 16 overseas locations that handle the surveyed minerals, of those raw materials containing the surveyed minerals, in Japan the results identified 90% at smelters, while 5% were undisclosed and 5% were unknown. Overseas, the results identified 78% at smelters, while 2% were undisclosed and 19% were unknown. In fiscal 2023, we will investigate actions in line with the risk levels of undisclosed and unknown raw materials.

Changes to the Responsible Mineral Procurement Survey

	Previous Surveys	Surveys from Fiscal 2021 Onward
Target risks	Whether they fund armed insurgents	・Whether they fund armed insurgents ・Overall human rights violations including child labor
Target regions	The Democratic Republic of Congo and neighboring countries Total: 10 countries	・CAHRAs (EU Conflict Mineral Regulation): 28 countries ・The Democratic Republic of Congo and neighboring countries: 10 countries Total 34 countries (due to duplication)
Target minerals	3TG (tantalum , tungsten, tin and gold)	3TG+ cobalt, mica
Target raw materials	Product raw materials for which customers have requested investigations	Raw materials containing target minerals
Report content	・No. of companies and products about which customers have made inquiries ・No. of products containing 3TG among the above ・Status of smelter identification for the above products containing 3TG	・No. of companies and products about which customers have made inquiries ・List of raw materials, names of target minerals, refineries, countries of origin, etc. ・High risk level, response

Sustainable Timber Procurement

In the course of our business activities, the Group procures wood itself or wood-based raw materials and recognizes that this may have negative impacts with regard to human rights and the environment.
In addition, at COP26 in November 2021, leaders from over 100 countries, including Japan, signed a document committing to end deforestation by 2030.
In response to this, we significantly updated our existing due diligence procedures in fiscal 2022.
Specifically, we have set a new target of 2030: Zero Deforestation and revised our Timber procurement policy* to achieve this goal.

* For the timber procurement policy, see p. 347.

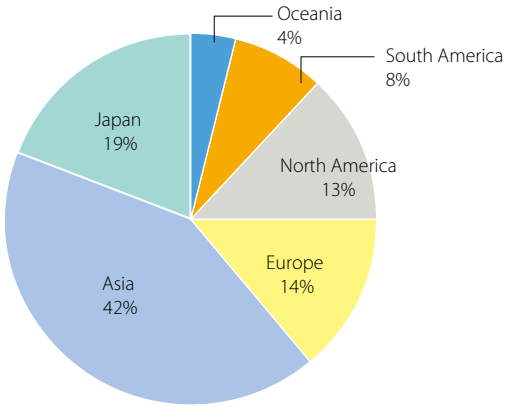
	Previous Policy	Policy for 2022 and Beyond
Environment	–	Promote the procurement of timber from forests that are properly managed for sustainable use.
	–	Promote the procurement of timber that does not lead to natural forests being converted to other uses.
	–	Procure timber from forests other than those with high conservation value, such as biodiversity conservation.
	–	Procure timber from non-threatened tree species.
	We will use timber- and wood-based materials that are already used in markets, as well as unused thinnings and branches.	Procure wood materials that contribute to resource circulation, such as recycled materials and unused thinned wood.
	–	Proactively employ suppliers that are implementing activities that lead to an increase in forests.
Society	–	Promote procurement in a manner that does not have a negative impact on local communities and respects local cultures, traditions, and economies in the sales channels, including logging and processing of timber products.
	–	Promote procurement that respects the rights of indigenous peoples.
	–	Promote procurement that respects the rights of all workers.
Governance	We make every effort to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements.	Comply with all laws and regulations relating to forest procurement.
	We implement small quantity investigations on the logging area, tree species, and quantity of timber materials, in order to ensure traceability.	Ensure traceability of timber and timber products, and promote clear place of origin and problem-free procurement of timber and timber products.

And in order to realize procurement in line with the timber procurement policy, we have established new Sustainable Timber Procurement Guidelines, and have launched initiatives to reduce the negative impact of deforestation on the human rights and environment of indigenous peoples, performing legal timber procurement to date as a matter of course.

The details of these initiatives include conducting questionnaire surveys of 57 suppliers in regard to tree species and logging areas, holding interviews with suppliers among these 57 who handle raw materials that are endangered species and that are from countries with high-risk logging areas, and clarifying traceability. As a result of these surveys, we identified four suppliers along the supply chain that are at risk, although we do not purchase directly from them. We will continue to engage in efforts to reduce identified risks.

The procurement breakdown by region is shown as follows.

Timber Procurement Ratio by Area (Fiscal 2022)



Reference Materials, Appendices

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SEKISUI CHEMICAL Group's various Policies

SEKISUI CHEMICAL Group Human Rights Policy

SEKISUI CHEMICAL Group recognizes that it is our responsibility to protect human rights of all individuals affected by our business activities.
In order to advance efforts to promote respect for human rights, we hereby announce the adoption of SEKISUI CHEMICAL Group Human Rights Policy (Policy), based on the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council in June 2011.
SEKISUI CHEMICAL Group contributes to society through its business activities under its Corporate Philosophy, the 3S Principles (Service, Speed, and Superiority), in order to meet the expectations of its stakeholders. As part of our Group Vision, residential and social infrastructure creation and chemical solutions are designated as the business domains that should be pursued, through which we are working to improve the lives of the people of the world and the Earth's environment.
For the SEKISUI CHEMICAL Group to truly contribute to the achievement of a sustainable world, we understand that the human rights of all individuals within our sphere of influence must be respected.

1. Basic principles on human rights

The Policy is our promise to respect human rights, in order to fulfill our responsibilities to all stakeholders, based on our Corporate Philosophy and Group Vision. To that end we support and respect the United Nations International Bill of Human Rights (specifically the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights), which sets out the basic human rights of every individual. Furthermore, in addition to the Declaration on Fundamental Principles and Rights at Work from the International Labour Organization (ILO), which sets out people's fundamental rights at work, we also support and respect international human rights standards for workers adopted in conventions on such matters as wages and working hours, and the United Nations Declaration on the Rights of Indigenous Peoples. Lastly, as a company that has signed up to the United Nations Global Compact (GC), we support and respect the GC Ten Principles.

2. Scope

The Policy is applicable to all employees and executive officers of SEKISUI CHEMICAL Group. Our Group also expects all of our business partners to comply with the Policy in connection with our products and services.

3. Responsibility to respect human rights

SEKISUI CHEMICAL Group is aware that it is not possible to completely eliminate every possibility of an adverse impact from its business activities. That said, we aim to fulfill our responsibility of promoting respect for human rights by building a responsible supply chain that avoids infringing the human rights of the people affected by our business activities, and, if our business activities do have an adverse impact on someone's human rights, appropriate action will be taken in an effort to rectify that situation.

4. Human rights due diligence

SEKISUI CHEMICAL Group will establish a system of human rights due diligence to identify, prevent and mitigate any adverse impacts on human rights that our Group causes in society.

5. Dialogue and consultation

In its implementation of the Policy, SEKISUI CHEMICAL Group will engage in earnest dialogue and consultation with our stakeholders, and will apply expert human rights knowledge from independent third parties.

6. Education and training

SEKISUI CHEMICAL Group will provide education and training as is appropriate to ensure that the Policy becomes an incorporated part of all of our business activities and is implemented effectively.

7. Remediation

If it emerges that SEKISUI CHEMICAL Group's business activities have had adverse impact on someone's human rights, or if our involvement in the same through for example one of our business relationships emerges or is suspected, we will work to remedy the same through dialog and the appropriate processes in line with international standards.

8. Responsible executive officer(s)

SEKISUI CHEMICAL Group will entrust an executive officer or officers with the responsibilities for execution of the Policy, who will supervise its progress and status.

9. Information disclosure

SEKISUI CHEMICAL Group will disclose the progress and the results of our efforts to promote respect for human rights, on its website and through other media.

10. Applicable laws and regulations

SEKISUI CHEMICAL Group will comply with the laws and regulations of each of the countries and regions in which our business activities are conducted. Where there is a conflict between a country's laws or regulations and internationally recognized human rights standards, our Group will pursue ways to respect international human rights principles to the maximum extent possible.

The Policy has received the approval of our board of directors and the signature of our President and Representative Director.

Date of Enactment: May 15, 2019
Date of Revision: March 1, 2020

SEKISUI CHEMICAL CO., LTD.
President and Representative Director

SEKISUI CHEMICAL Group Environmental Management Policy

Mission

We, SEKISUI CHEMICAL Group, aim to be a Global Environmental Top Runner that contributes to the realization of a sustainable society by enabling the continuous growth and co-existence of ecology and the economy.

Basic Policy

Each company in SEKISUI CHEMICAL Group advances approaches that contribute to the prevention of global warming, the preservation of biological diversity and the construction of a recycling-based society in all countries and regions where they have operations, in order to leave this beautiful earth for our children in the future.

1. We contribute to the environment through our products and services, with consideration given to the environment in all stages of the product life cycle from research to procurement, production, sales, use, and disposal as waste.
2. We carry out environmentally conscious business activities in all our workplaces and offices, and promote our approach to the environment through cooperation with our customers and business partners.
3. We make efforts to reduce the environmental impact of greenhouse gas emissions and hazardous chemicals, etc., and to prevent pollution by promoting the effective use of limited resources and energy.
4. We observe the related laws, regulations, international rules, etc.
5. We make efforts to improve environmental consciousness through education, and advance continual improvements by setting our own objectives and targets.
6. We enhance confidence through close communications with society.
7. We aggressively work on social contribution activities such as nature conservation activities in each region.

Please refer to Biodiversity Guidelines on p. 180.

SEKISUI CHEMICAL Group CS & Quality Management Policy

Mission

We, SEKISUI CHEMICAL Group, consider CS & Quality as our central concept of management and will consistently innovate to maintain the quality of products throughout all our activities, continuously provide values (goods and services) that meet customer expectations, strive for selection by our customers on an ongoing basis, and develop and grow with the customer over the long time.

Basic Policy

We, SEKISUI CHEMICAL Group, consider Customer's Feedback as precious resources for management and strive to innovate about Quality of Products, Quality of People and Quality of Systems based on the motto: We consider customer's feedback as the beginning of our manufacturing. Furthermore, we contribute to the realization of a safe and affluent society by continuously providing our customers and their communities with new value.

1. Ensuring basic qualities

To ensure the reliability and safety of our manufactured products, which form the basis of Product Quality, we effectively leverage customer's feedback and dedicate ourselves with a strong belief in forestalling any potential trouble and preventing any future recurrence throughout our entire value chain.

2. Creating attractive qualities

We aim to share the excitement of our customers by thoroughly pursuing what the customer values and constantly creating attractive products and services that should realize such customer values.

3. Upgrading technological capabilities

For the sake of ensuring Basic Qualities and for creating Attractive Qualities, we are upgrading our technological capabilities in all fields in order to achieve superb manufacturing development.

4. Enhancing communication

We value communication with our customers and the community and make sincere efforts when dealing with them as well as complying with the relevant laws and regulations in each country and region. We place special emphasis on resolving customer complaints or claims at an early stage by responding promptly and empathetically.

5. Providing thorough employee education

To gain and maintain the full trust and impression of our customers, we provide employees with continuous CS & Quality education as well as motivating our employees to achieve self-realization through customer satisfaction.

SEKISUI CHEMICAL Group Compliance Policy

1.SEKISUI CHEMICAL Group Compliance

We believe in integrity, and will raise compliance awareness and conduct ourselves in a compliance-oriented manner to ensure that SEKISUI CHEMICAL Group can be trusted by society at large.

2.Relationship with Society

1) Accounting Processing
We will carry out the proper accounting process based on facts and prepare financial statements properly.
2) Government Laws and Regulations
When undertaking sales activities, we will obtain any necessary permits and licenses, and will ensure that we always undertake renewal procedures and other such procedures in order to comply with administrative laws and regulations.
3) Security Export Control
We will not export any arms, weapons, and related technologies that may harm international peace and security.
4) Political Donations
We will not give illegal political donations.
5) Rejection of Association with Antisocial Forces
We will take a firm stance toward antisocial forces, and will not associate with such forces in any way.
6) Prohibition on Insider Dealings
If we become aware of insider information of SEKISUI CHEMICAL Group or any of its business partners in the course of our work, we will not divulge it to any third party or trade in their shares until such information is made public.
7) Disclosure of Corporate Information
On the basis of our Principle of Corporate Information Disclosure we will disclose corporate information in a fair, timely, and appropriate fashion.
8) Conservation of the Global Environment
We are fully aware of the importance of environmental protection, and will endeavor to reduce our environmental impacts in all stages of our business activities ranging from product research and development to the procurement of raw materials, production, sales, and transportation and to contribute to environmental protection through Sekisui products.
9) Respect for Human Rights and Prohibition of Discrimination
On the basis of the SEKISUI CHEMICAL Group Human Rights Policy, we will respect the human rights of each and every person who is affected by our group's business activities, and will strive to ensure we do not violate human rights.

3. Relationship with Customers, Business Partners, and Competitors

1) Product Safety
For the manufacture, development, sale, transport, maintenance, and repair of products, we will always pay attention to safety, fully understand laws and safety standards related to the safety of products, and observe them, to supply better products to customers.
2) Ensuring Sound Quality
We will not engage in misconduct regarding quality that leads to quality scandals, such as concealing product safety defects, misrepresenting performance, failing to comply with product-specific laws and regulations or official certification requirements, fraudulent labeling, and falsifying or fabricating quality data.

3) Marketing and Sales Activities in Good Faith
We will conduct marketing and sales activities with consideration given to the interests of customers and in compliance with applicable laws and regulations, including the Consumer Contract Act, the Act on Specified Commercial Transactions, and the Act against Unjustifiable Premiums and Misleading Representations.

4) Compliance with Antitrust and Competition Laws
We will not, under any circumstances, engage in conduct that constitutes a violation of antitrust and competition laws such as cartels, bid-rigging, constraints on resale price, or transactions with constraint conditions, and always strive to engage in fair and free business competition.

5) Fair Trading with Business Partners, Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors
We will respect the rights of our business partners, deal with them honestly and in good faith, and treat them fairly and equitably.

6) Corruption Prevention
We will never engage in conduct that is considered or could be construed as bribery. We will also take care so as not to be complicit in money laundering.

7) Conflicts of Interest
If there is a conflict of interest between the company's interests and the interests of an individual in our dealings, we will consider the matter from the perspective of whether our actions are beneficial for the company, and ensure that we do not cause any damage to the company.

4. Relationship with Employees

1) Power Harassment
We will not abuse our power or engage in any acts equivalent to an abuse of power toward others.

2) Sexual Harassment
We will not engage in sexual harassment or any acts that are equivalent to sexual harassment.

3) Compliance with Labor Relations Laws
We will comply with the labor relations laws to commit ourselves to maintaining a healthy and safe work environment.

5. Relationship with the Company's Property

1) Proper Management and Protection of the Company's Property
We will ensure adequate management of the company's property, whether tangible or intangible, and prevent assets from being damaged or stolen, or trade secrets from being divulged.

2) Proper Use of Intellectual Property
We will use intellectual property, which is the company's valuable assets, in an appropriate manner and ensure the protection of the intellectual property rights.

3) Proper Management and Protection of Personal Information
We will specify the purpose of use of personal information to the extent possible, clearly state this prior to obtaining such information in a fair manner, and use it only within the scope of the stated purpose. We will also handle personal information appropriately in accordance with the relevant laws.

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SEKISUI CHEMICAL Group Human Resources Policy

Mission

Based on our belief that employees are precious assets bestowed on us by society, we, SEKISUI CHEMICAL Group, are committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their specialties and support growth through challenges.
With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure working environments in response to conditions in each country and region.

Basic Policy on Human Resources

Goal: Everyone's challenge is linked to efforts aimed at solving social issues

(1) Promote Diversity
SEKISUI CHEMICAL Group will foster an organizational culture in which all employees are able to work dynamically and make the most of their unique characteristics and talents.

(2) Encourage Challenge
Support personnel who take the initiative and continue to take on challenges.

(3) Nurture Prominent Human Resources
Support human resources who have their own unique skills to learn and grow on their own.

(4) Promote Teamwork
We create workplace cultures that facilitate open communication on an equal footing, and in which members cooperate and respect each other

(5) Create safe and secure working environments
We create working environments that ensure employees are both physically and mentally healthy, and that allow them to work safely

Note: Developed (1), (2), and (3) as the Human Resource Development Policy.

Harassment Prevention Guidelines

We never commit sexual harassment or other actions that stain personal character.

1. We do not commit sexual harassment or any conduct that might be misunderstood as sexual harassment.
2. We do not misuse the power of a superior position nor use any language or conduct that could sexually annoy any person. In addition, we prevent other employees from using such offensive language or conduct.

Diversity Management Policy

Diversity is essential to maintain our strong corporate presence for 100 years and beyond. We understand and recognize that every employee's orientation to work and life, and their personal strengths are different and thus we use this to our advantage. Through employee dialogue, we will strengthen our organizational culture by providing employment, opportunities for development and an enhanced working environment to support growth.

Note: Developed the same policy as the Internal Environment Improvement Policy.

Statement of Work Style Reforms

We determine work methods that promote growth over time to enable each and every individual employee to manifest their personal characteristics, and pursue highly productive work methods that maximize success.
In order to improve productivity, the Company actively invests in management resources, and unifies managers and workers to coalesce their wisdom Companywide. We nurture work worth doing by improving the quality of the job, and promote workers' diverse activities by returning the success of reforms to them.

Declaration of Health

SEKISUI CHEMICAL Group has been engaged in health management initiatives for our employees based on our belief that employees are precious assets bestowed on us by society. SEKISUI CHEMICAL endeavors to take these initiatives to the next level by treating the promotion of the health of our employees as a management strategy that is aimed at achieving the physical, mental, and social well-being of all employees.

Basic Policy for Health and Productivity Management

Strive to achieve the well-being of all employees, and create workplaces where diverse personnel can play an active role with vitality.

- Practice a comprehensive health promotion program that encompasses everything from health management (protecting health) to improving (actively enhancing health) the fulfillment and rewards of working.
- Focus on improving productivity by advancing the awareness and behavior of each and every employee.
- Encourage employees to make a proactive and ongoing effort to strive for well-being now and in the future.
- Strive to contribute to society by realizing the happiness of employees and their families, and our customers through the well-being of our employees.

SEKISUI CHEMICAL Group Safety Policy

Mission

We, SEKISUI CHEMICAL Group, recognize that the safety of our employees and those who work together with us, is essential to achieving sustainable growth. We aim to be a Safe and Secure enterprise that establishes safe and secure working environments and has the full trust of not only by all those who work together with us, but also our customers, our communities.

Basic Policy

Based on the concept of human dignity that everyone is invaluable, we prioritize safety over anything else as a basic rule in all of our business activities from development, production, construction to servicing. We are committed to promoting comprehensive safety activities with the aim of achieving zero occupational injuries, equipment-related accidents, commuting-related accidents or extended sick leave.

1. We strive to develop a safe and comfortable workplace where everyone is taken care of both mentally and physically, which should lead to good health for our employees and those who work together with us, whom we highly value.
2. We thoroughly disseminate the legal requirements concerning health and safety/disaster prevention to our employees to ensure compliance.
3. We carry out risk assessment and promote risk reduction measures in a systematic way to eliminate hazardous factors that compromise health and safety/disaster prevention.
4. We strive to raise awareness regarding health and safety/disaster prevention through employee education/training and promote continuous improvements by setting voluntary objectives/goals.
5. We proactively disclose any necessary information as well as gain a higher level of trust by having close communication with public administrations and local communities.

SEKISUI CHEMICAL Group Cyber Security Policy

Mission

We, SEKISUI CHEMICAL Group, recognize that cyber assets —information received from a wide range of parties, 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.

Basic Policy

1.Compliance with laws and regulations

We comply with laws, regulations, contractual requirements, and other social norms related to cyber security.

2.Maintenance of the cyber security management system

We have established a cyber security management system across the entire SEKISUI CHEMICAL Group, positioning cyber security as essential to management policies and investments, and always strive for continuous improvement under the responsibility of management.

3.Implementation of cyber security measures

We identify cyber security risks, and undertake measures to prevent cyber security incidents.

4.Ensuring business continuity

We formulate business continuity plans (BCPs) and recovery plans in preparation for the occurrence of cyber security incidents, and strive to quickly recover and prevent reoccurrence should any incident occur.

5.Education of employees

We continually perform education and awareness activities with regard to the appropriate use, management, and maintenance of cyber assets, so as to develop the cyber security literacy of our employees.

SEKISUI CHEMICAL Group Social Contribution Activities Policy

As a good corporate citizen, we, SEKISUI CHEMICAL Group, engage in activities that focus on the Environment, the Next Generation, and Local Communities, and contribute not only to business activities but also to society.
All employees working for SEKISUI CHEMICAL Group are proactively involved in the society and act so that they can serve as prominent human resources in society as well. In addition, their activities are supported by each company of the Group in order to generate synergistic effects.

SEKISUI CHEMICAL Group Basic Procurement Policy

SEKISUI CHEMICAL Group supports the basis of LIFE and continues to create peace of mind for the future in line with its vision statement Innovation for the Earth, which aims to realize a sustainable society. In order to realize a sustainable society through innovation and creativity with a focus on ESG management, SEKISUI CHEMICAL Group will build its supply chain and conduct procurement activities based on the following purchasing policy.

- **Open**
  For purchasing transactions, we open our doors to a wide range of national and international companies in order to receive better proposals.

- **Fairness and impartiality**
  Business partners are selected on the basis of their sound management, quality, price, delivery time, and service, and in a fair and impartial manner, also taking into consideration the realization of a sustainable society.

- **Compliance with laws, regulations, and social norms**
  When conducting purchasing transactions, the company complies with national and international laws and regulations. We equally comply not only with laws and regulations, but also with social norms as a discipline that must be observed in social life.

- **Mutual trust**
  We recognize that all our business partners are partners in the conduct of our business, and we build relationships of trust by exchanging the necessary information and deepening mutual understanding. We also aim to build genuine partnerships to achieve a sustainable society.

- **Environmental friendliness**
  In conducting purchasing transactions, we collaborate with our business partners to help solve environmental challenges such as climate change and resource depletion. In addition, we give due consideration to chemical substance management.

- **Prevention of corruption**
  In conducting purchasing transactions, we work across the entire supply chain to ensure that there is no corruption whatsoever.

- **Human rights**
  In conducting purchasing transactions, we respect human rights in cooperation with our business partners. Particular attention will be paid to the prohibition of child and forced labor, recognition of freedom of association and the right to collective bargaining, and prohibition of discrimination.

[Requests to business partners on sustainable procurement]

In order to promote more socially and environmentally friendly procurement activities, SEKISUI CHEMICAL Group has formulated the "Sustainable Procurement Guidelines (Supplier Code of Conduct)" for the Company and all business partners involved in the production of our products, which sets out standards to be observed based on its basic procurement policy. We ask our business partners to cooperate with us in aiming to understand and comply with the aims and content of this Code of Conduct, so that together we can work toward the realization of a sustainable society. The Code of Conduct applies to the entire SEKISUI CHEMICAL Group.

Sustainable Procurement Guidelines

[About sustainable timber procurement]

In the course of our business activities, the company procures wood itself or wood-based raw materials and recognizes that this may have negative impacts with regard to human rights and the environment.
In addition, at COP26 in November 2021, leaders from over 100 countries, including Japan, signed a document committing to end deforestation by 2030.
In response to this, we have set a new target of "2030: Zero Deforestation" and revised our "Timber procurement policy" to achieve this goal. And in order to realize procurement in line with this policy, we have established new "Sustainable Timber Procurement Guidelines", and are working to further reduce the negative impact of deforestation on the human rights and environment of indigenous peoples, performing legal timber procurement to date as a matter of course.

[Timber procurement policy]

(1) Environmental considerations for timber procurement
- Promote the procurement of timber from forests that are properly managed for sustainable use.
- Promote the procurement of timber that does not lead to natural forests being converted to other uses.
- Procure timber from forests other than those with high conservation value, such as biodiversity conservation.
- Procure timber from non-threatened tree species.
- Procure wood materials that contribute to resource circulation, such as recycled materials and unused thinned wood.
- Proactively employ suppliers that are implementing activities that lead to an increase in forests.

(2) Social considerations for timber procurement
- Promote procurement in a manner that does not have a negative impact on local communities and respects local cultures, traditions, and economies in the sales channels, including logging and processing of timber products.
- Promote procurement that respects the rights of indigenous peoples.
- Promote procurement that respects the rights of all workers.

(3) Governance initiatives
- Comply with all laws and regulations relating to forest procurement.
- Ensure traceability of timber and timber products, and promote clear place of origin and problem-free procurement of timber and timber products.

[About responsible mineral procurement]

At SEKISUI CHEMICAL Group we strive to avoid human rights violations, the use of conflict minerals that fund armed groups, and other such risks related to minerals and mining. We comply with regulations such as the Dodd-Frank Act (USA) and EU Conflict Minerals Regulation, and take pains to eliminate any minerals connected to OECD Annex II risks in Conflict Affected and High-Risk Areas (CAHRAs), including the Democratic Republic of the Congo and surrounding countries.
In order to promote sustainable and responsible mineral procurement, if any minerals are discovered that are determined to be applicable to the above items, we will work with business partners to take appropriate measures.

Overview of SEKISUI CHEMICAL Group

Residential: Housing Company

Main businesses	Main products and services
Housing, Stock, Town and Community Development, Residential Services, and Overseas Businesses	Manufacture, construction, and sale of steel frames and wood unit housing; as well as the sale of building lots, renovation, real estate brokerage, leasing management, interior goods, exterior sales and construction, homes for the elderly with services, power trading, and town and community development, etc.

Advanced Lifeline: Urban Infrastructure & Environmental Products Company

Main businesses	Main products and services
Pipe system field, Buildings and infrastructure composite materials field, infrastructure renovation field	Manufacture, sale, and installation of a wide range of products such as PVC pipes and fittings, polyethylene pipes and fittings, plastic valves, reinforced plastic composite pipes, chlorinated vinyl chloride resin compounds, rainwater storage materials, construction materials (rain gutters, materials for building interiors), nursing instruments, bathtub units, synthetic wood, soundproof vibration-suppressing materials, non-flammable polyurethane, fire protection materials, pipe renewal materials and methods, and panel tanks

Innovative Mobility: High Performance Plastics Company

Main businesses	Main products and services
The Electronics, Mobility, and Industrial	Manufacture and sale of products such as micro-particles for liquid crystal displays, photosensitive materials, semiconductor materials, optical films, industrial tapes, interlayer films for laminated glass, foamed polyolefins, resins for vehicle use, rubber molded products, heat release materials (grease and sheets), carbon fiber reinforced plastic (CFRP) composite mold materials, decorative sheets, polyvinyl alcohol resin, blow-molded containers, construction materials, adhesives, packaging tapes, plastic containers, tatami mats, and hygiene materials

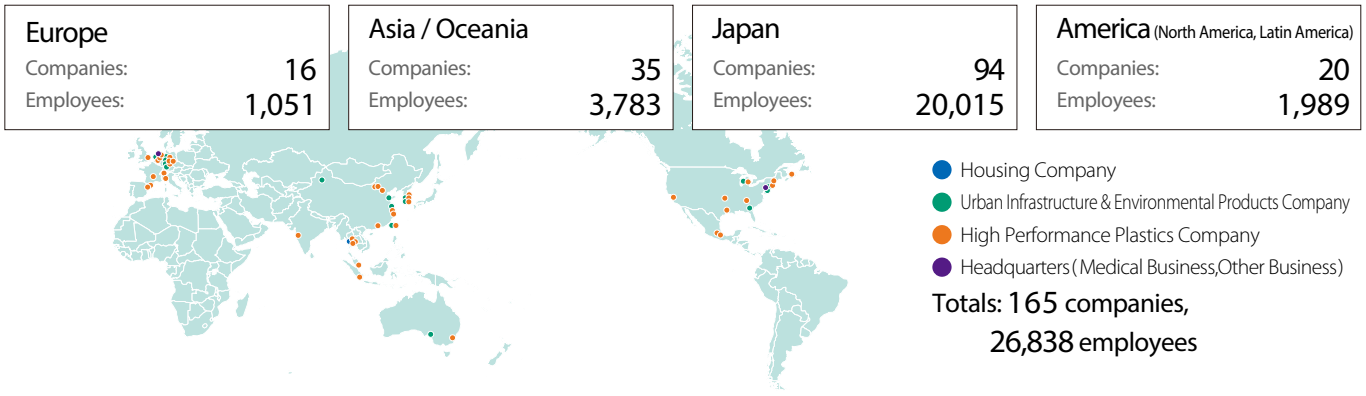
Life Science: Medical Business

Main businesses	Main products and services
Diagnostics, Pharmaceuticals & Fine Chemicals	Manufacture and sale of products such as clinica reagents, automatic analyzers, blood collection tubes, active pharmaceutical ingredients (APIs) and pharmaceutical intermediates, drug development solutions, and enzymes

Other businesses

Main products and services
Manufacture, sale, and servicing off film-type lithium-ion batteries and other products outside of the above four main businesses divisions (Housing Company, UIEP Company, HPP Company, and Medical Business)

SEKISUI CHEMICAL Group Worldwide



Note: Figures current as of the end of March 31, 2023 (on a consolidated basis)

See the Fact Book for details of management indicators.

Fact Book
https://www.sekisuichemical.com/ir/financial/factbook/

Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates

Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates

SEKISUI CHEMICAL Group respects international norms and standards including the Universal Declaration of Human Rights, ISO 26000, the OECD's Guidelines for Multinational Enterprises, the ILO's International Labor Standards, and the United Nations' Universal Declaration of Human Rights as well as Guiding Principles on Business and Human Rights (Ruggie Framework). In March 2009, SEKISUI CHEMICAL signed the United Nations Global Compact*.
In addition, SEKISUI CHEMICAL Group is a supporter of the Japan Climate Initiative (JCI) Declaration. As such, the Group is joining the front line of the global push for decarbonization from Japan.

WE SUPPORT
UN GLOBAL COMPACT

* United Nations Global Compact: A voluntary program in which top management of firms around the world pledge to comply with 10 principles on subjects such as human rights, labor standards, the environment, and anti-corruption efforts within the scopes of influence of their firms and participate in building a global framework for realizing sustainable growth.

Declaration of Support for the Task Force on Climate-related Financial Disclosures (TCFD) and Information Disclosure

SEKISUI CHEMICAL Group declared its support for the TCFD*1 in January 2019. The Group began disclosing information*2 based on TCFD recommendations from July 2019. By promoting information disclosure based on TCFD recommendations, the Group will build a sustainable management foundation including relationships of trust with its stakeholders.

*1 TCFD: Task Force on Climate-related Financial Disclosures, a task force established in 2015 by the Financial Stability Board (FSB), an international organization that seeks to stabilize the financial system. It recommends that companies disclose information on their analysis of the impact of climate change on their finances.

*2 Disclosed on the Company's website under TCFD Report 2022. See the following for more information.
https://www.sekisuichemical.com/sustainability_report/pdf/TCFD_Report2022_E.pdf

Major Organizations in Which SEKISUI CHEMICAL Group Participates

As of March 31, 2023

Organization, Committee, Conference, etc.	Main Positions Undertaken by SEKISUI CHEMICAL Group Personnel Including Directors
Committee on Urban Policy and Housing Development, Japan Business Federation	Chair
Planning Subcommittee, Committee on Responsible Business Conduct & SDGs Promotion, Japan Business Federation	Subcommittee Chairman
Keidanren Committee on Nature Conservation	Vice Chairman
Japan Chemical Industry Association	Director
The Japan Plastics Industry Federation	Director
Kansai Chemical Industry Association	Managing Director
Japan PVC Pipe and Fittings Association	Chair, Representative Director
FRPM Pipes Association of Japan	Chair
Japan Sewage Works Association	Advisory Council Director
Federation of Japan Water Industries, Inc.	Director
Japan Federation of Housing Organizations	Director
Japan Prefabricated Construction Suppliers and Manufacturers Association	Managing Director
The Machinami Foundation	Director
The Provision of Quality Housing Stock Association (SumStock)	Vice Chairman
Japan-China Association for Building and Housing Industry	Director
Japan Adhesive Tape Manufacturers Association	Director
Environmentally Symbiotic Housing Promotion Council	
New Energy Foundation	
Elderly Service Providers Association	
SDGs: Smart Wellness Housing R&D Consortium	
Senior Housing Association	
Japan Housing Association	
Geo-Heat Promotion Association of Japan	
Japan Sewage Pipe Renewal Method Association	
Nature Environment Coexistence Technology Association	
RE100	
Japan Clean Ocean Material Alliance (CLOMA)	

External Evaluation

Major External Evaluations Conducted During Fiscal 2022 (as of March 31, 2023)

ESG Index

- Earned selection to the World Index category of the DJSI
- Earned selection to the FTSE4Good Index series
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the FTSE Blossom Japan Sector Relative Index
- Earned selection to the Morningstar Japan ex-REIT Gender Diversity Tilt Index
- Earned selection to the MSCI ESG Leaders Indexes
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the MSCI Japan Empowering Women (WIN) Select Index
- Earned selection to the S&P / JPX Carbon Efficient Index

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

FTSE4Good

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

FTSE Blossom Japan

https://www.ftserussell.com/products/indices/blossom-japan

FTSE Blossom Japan Sector Relative Index

https://www.ftserussell.com/products/indices/blossom-japan

MORNINGSTAR GenDi J
Japan ex-REIT Gender Diversity Tilt Index

2023 MSCI ESG Leaders Indexes Constituent

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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.

2023 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数

2023 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

S&P/JPX カーボン エフィシェント 指数

ESG-Related Ranking, Awards

CSR in General

- Earned the top 10% S&P Global sustainability rating
- Earned selection as one of the 2023 Global 100 Most Sustainable Corporations in the World index, ranking 84th
- Ranked 62nd in the 2023 Toyo Keizai CSR Ranking

http://www.corporateknights.com/reports/global-100/

Environment

- Reacquired certification from the SBT (Science-Based Targets) Initiative for the 1.5°C GHG reduction target (March 2023)
- Received the Silver Award in the Environmentally Sustainable Corporations section of the third ESG Finance Awards Japan

Human capital

- Certified as a 2023 Health and Productivity Management Organization in the large enterprise category (White 500)

GRI Content Index

GRI 1: Foundation	
Statement of use	SEKISUI CHEMICAL Group has reported in accordance with the GRI Standards for the period from April 1, 2022 to March 31, 2023.
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	Going forward, the Group will comply with the standards published by relevant sector as they become available.

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
GRI 2: General Disuclosures 2021			
2-1	Organizational Details	a. report its legal name; b. report its nature of ownership and legal form; c. report the location of its headquarters; d. report its countries of operation	■ Overview of SEKISUI CHEMICAL Group ・Overview ・Global Network
2-2	Entities included in the organization's sustainability reporting	a. list all its entities included in its sustainability reporting; b. if the organization has audited consolidated financial statements or financial information filed on public record, specify the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting; c. if the organization consists of multiple entities, explain the approach used for consolidating the information, including: i. whether the approach involves adjustments to information for minority interests; ii. how the approach takes into account mergers, acquisitions, and disposal of entities or parts of entities; iii. whether and how the approach differs across the disclosures in this Standard and across material topics.	■ Scope of the Sustainability Report ■ Materiality > Environment ・Scope of Tabulation for Environmental Performance Data ・Securities Reports
2-3	Reporting period, frequency, and contact information	a. specify the reporting period for, and the frequency of, its sustainability reporting; b. specify the reporting period for its financial reporting and, if it does not align with the period for its sustainability reporting, explain the reason for this; c. report the publication date of the report or reported information; d. specify the contact point for questions about the report or reported information.	■ Scope of the Sustainability Report ・Back cover
2-4	Restatements of information	a. report restatements of information made from previous reporting periods and explain: i. the reasons for the restatements; ii. the effect of the restatements.	Partial revisions were made to past performance data coinciding with changes in aggregation scope and definition
2-5	External assurance	a. describe its policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved; b. if the organization's sustainability reporting has been externally assured: i. provide a link or reference to the external assurance report(s) or assurance statement(s); ii. describe what has been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; iii. describe the relationship between the organization and the assurance provider.	■ Editorial Policy ■ Scope of the Sustainability Report ■ Independent Practitioner's Assurance Report

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-6	Activities, value chain, and other business relationships	a. Report the sector in which the organization is active b. Describe the organization's value chain, including the following: i. The organization's activities, products, services, and markets served ii. The organization's supply chain iii. the entities downstream from the organization and their activities; c. Report other relevant business relationships d. Describe significant changes in 2-6-a, 2-6-b, and 2-6-c from the previous reporting period	■ SEKISUI CHEMICAL Group Profile ・Overview ・List of Products/Search ・Business Overview ・Securities Reports ・FACT BOOK
2-7	Employees	a. report the total number of employees, and a breakdown of this total by gender and by region; b. report the total number of: i. permanent employees, and a breakdown by gender and by region; ii. temporary employees, and a breakdown by gender and by region; iii. non-guaranteed hours employees, and a breakdown by gender and by region; iv. full-time employees, and a breakdown by gender and by region; v. part-time employees, and a breakdown by gender and by region; c. describe the methodologies and assumptions used to compile the data, including whether the numbers are reported: i. in head count, full-time equivalent (FTE), or using another methodology; ii. at the end of the reporting period, as an average across the reporting period, or using another methodology; d. report contextual information necessary to understand the data reported under 2-7-a and 2-7-b; e. describe significant fluctuations in the number of employees during the reporting period and between reporting periods.	■ Overview of SEKISUI CHEMICAL Group ・SEKISUI CHEMICAL Group Worldwide ■ Materiality > Human Capital > Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) ・Allowing Diverse Human Resources to Excel (Gender) > Performance Data > SEKISUI CHEMICAL > All consolidated subsidiaries in Japan ・Allowing Diverse Human Resources to Excel (Global) > Performance Data
2-8	Workers who are not employees	a. report the total number of workers who are not employees and whose work is controlled by the organization and describe: i. the most common types of worker and their contractual relationship with the organization; ii. the type of work they perform; b. describe the methodologies and assumptions used to compile the data, including whether the number of workers who are not employees is reported: i. in head count, full-time equivalent (FTE), or using another methodology; ii. at the end of the reporting period, as an average across the reporting period, or using another methodology; c. describe significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods.	■ Materiality > Human Capital > Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) ・Allowing Diverse Human Resources to Excel (Gender) > Performance Data > SEKISUI CHEMICAL

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-9	Governance structure and composition	a. describe its governance structure, including committees of the highest governance body; b. list the committees of the highest governance body that are responsible for decisionmaking on and overseeing the management of the organization's impacts on the economy, environment, and people; c. describe the composition of the highest governance body and its committees by: i. executive and non-executive members; ii. independence; iii. tenure of members on the governance body; iv. number of other significant positions and commitments held by each member, and the nature of the commitments; v. gender; vi. under-represented social groups; vii. competencies relevant to the impacts of the organization; viii. stakeholder representation.	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management ■ Foundation Underpinning ESG Management ・Corporate Governance > System ・Corporate Governance Report
2-10	Nomination and selection of the highest governance body	a. Describe the nomination and selection process for the highest governance body and its committees b. describe the criteria used for nominating and selecting highest governance body members, including whether and how the following are taken into consideration: i. views of stakeholders (including shareholders); ii. diversity; iii. independence; iv. competencies relevant to the impacts of the organization.	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management ■ Foundation Underpinning ESG Management ・Corporate Governance > System > Nomination and Remuneration Advisory Committee ・Corporate Governance Report
2-11	Chair of the highest governance body	a. report whether the chair of the highest governance body is also a senior executive in the organization; b. if the chair is also a senior executive, explain their function within the organization's management, the reasons for this arrangement, and how conflicts of interest are prevented and mitigated.	■ Foundation Underpinning ESG Management ・Corporate Governance > System > Board of Directors ・Corporate Governance Report
2-12	Role of the highest governance body in overseeing the management of impacts	a. Describe the roles of the highest governance body and senior executives in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development b. Describe the role of the highest governance body in overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people, including the following items: i. Whether and how the highest governance body engages with stakeholders to support these processes ii. How the highest governance body considers the outcomes of these processes c. Describe the role of the highest governance body in reviewing the effectiveness of the organization's processes described in 2-12-b, and report the frequency of this review	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management ■ Foundation Underpinning ESG Management ・Corporate Governance > System ・Corporate Governance Report
2-13	Delegation of responsibility for managing impacts	a. Describe how the highest governance body delegates responsibility for managing the organization's impacts on the economy, environment, and people, including the following items: i. whether it has appointed any senior executives with responsibility for the management of impacts; ii. whether it has delegated responsibility for the management of impacts to other employees; b. describe the process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people.	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management ■ Foundation Underpinning ESG Management ・Corporate Governance > System ・Corporate Governance Report

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-14	Role of the highest governance body in sustainability reporting	a. Report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, and if so, describe the process for reviewing and approving the information b. If the highest governance body is NOT responsible for reviewing and approving the reported information, including the organization's material topics, explain the reason for this	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management
2-15	Conflicts of interest	a. describe the processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated; b. Report whether conflicts of interest are disclosed to stakeholders, including, at a minimum, conflicts of interest relating to the following: i. Cross-board membership ii. Cross-shareholding with suppliers and other stakeholders iii. Existence of controlling shareholders iv. Related parties, their relationships, transactions, and outstanding balances	■ Materiality: Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues ・Formulating the Compliance Policy ・Status Regarding the Prevention of Transactions That Represent a Conflict of Interest
2-16	Communication of critical concerns	a. Describe whether and how critical concerns are communicated to the highest governance body b. report the total number and the nature of critical concerns that were communicated to the highest governance body during the reporting period.	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management ■ Foundation Underpinning ESG Management ・Stakeholder Engagement
2-17	Collective knowledge of the highest governance body	a. report measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.	■ Foundation Underpinning ESG Management ・Corporate Governance > System > Grasp External Trends on Economic, Environmental, and Social Topics
2-18	Evaluation of the performance of the highest governance body	a. Describe the processes for evaluating the performance of the highest governance body in overseeing the management of the organization's impacts on the economy, environment, and people b. Report whether the evaluations are independent or not, and the frequency of the evaluations c. Descrivbe actions taken in response to the evaluations, including changes to the composition of the highest governance body and organizational practices	■ Foundation Underpinning ESG Management ・Corporate Governance > System > Assessment Relating to the Board's Effectiveness ・Corporate Governance Report
2-19	Remuneration policies	a. Describe the remuneration policies for members of the highest governance body and senior executives, including the following items: i. Fixed pay and variable pay ii. Sign-on bonuses or recruitment incentive payments iii. termination payments iv. Clawbacks v. Retirement benefits b. Describe how the remuneration policies for members of the highest governance body and senior executives relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environment, and people	■ Foundation Underpinning ESG Management ・Corporate Governance > System > Remuneration and Other Compensation for Officers ・Corporate Governance Report

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-20	Process to determine remuneration	a. Describe the process for designing its remuneration policies and for determining remuneration, including: i. Whether independent highest governance body members or an independent remuneration committee oversees the process for determining remuneration ii. How the views of stakeholders (including shareholders) regarding remuneration are sought and taken into consideration iii. Whether remuneration consultants are involved in determining remuneration and, if so, whether they are independent of the organization, its highest governance body, and senior executives b. Report the results of votes of stakeholders (including shareholders) on remuneration policies and proposals (if applicable)	■ Foundation Underpinning ESG Management ・Corporate Governance > System > Nomination and Remuneration Advisory Committee, Remuneration and Other Compensation for Officers ・Corporate Governance Report ・Securities Reports ・Notice of Convocation
2-21	Annual total compensation ratio	a. Report the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) b. Report the ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) c. Report contextual information necessary to understand the data and how the data has been complied	Not calculated because compensation for employees of consolidated companies has not been aggregated. We are considering aggregation and disclosure of details in the future.
2-22	Statement on sustainable development strategies	a. Report a statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategies for contributing to sustainable development	■ Top Message Top Message
2-23	Policy commitments	a. Describe the organization's policy commitments for responsible business conduct, including: i. the authoritative intergovernmental instruments that the commitments reference; ii. Whether the commitments stipulate conducting due diligence iii. Whether the commitments stipulate applying the precautionary principle iv. Whether the commitments stipulate respecting human rights b. describe its specific policy commitment to respect human rights, including: i. The internationally recognized human rights that the commitment covers ii. The categories of stakeholders, including at-risk or vulnerable groups, that the organization gives particular attention to in the commitment c. provide links to the policy commitments if publicly available, or, if the policy commitments are not publicly available, explain the reason for this; d. Report the level at which each of the policy commitments was approved within the organization, including whether this is the most senior level e. Report the extent to which the policy commitments apply to the organization's activities and to its business relationships f. Describe how the policy commitments are communicated to workers, business partners, and other relevant parties	■ Long-term Vision and ESG Management ・Realizing Vision 2030 ・Basic Concept on ESG Management ■ Materiality: Governance (Internal Control) ・Reducing Serious Incidents ・Risk Management ■ Materiality: Environment ・Basic Concept ・Targets ■ Foundation Underpinning ESG Management ・Respect for Human Rights ■ SEKISUI CHEMICAL Group's various policies

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-24	Embedding policy commitments	a. describe how it embeds each of its policy commitments for responsible business conduct throughout its activities and business relationships, including: i. how it allocates responsibility to implement the commitments across different levels within the organization; ii. how it integrates the commitments into organizational strategies, operational policies, and operational procedures; iii. how it implements its commitments with and through its business relationships; iv. training that the organization provides on implementing the commitments.	■ Long-term Vision and ESG Management ・Supervisory Promotion System of ESG Management ・Key ESG Management Issues (Materiality) and KPIs ■ Products to Enhance Sustainability ■ Materiality: Governance (Internal Control) ・Reducing Serious Incidents ・Risk Management ■ Materiality: DX > System ■ Materiality: Environment > System ■ Materiality: Human Capital > System ■ Materiality: Fusion > System ■ Materiality > Initiatives to Help Solve Social Issues > Developing and Expanding Products to Enhance Sustainability ・Enhancing the Ability to Contribute to Solving Social Issues through Education ■ Foundation Underpinning ESG Management > Respect for Human Rights ・Human rights education ・Stakeholder engagement ■ Foundation Underpinning ESG Management > Responsible Procurement
2-25	Processes to remediate negative impacts	a. describe its commitments to provide for or cooperate in the remediation of negative impacts that the organization identifies it has caused or contributed to; b. describe its approach to identify and address grievances, including the grievance mechanisms that the organization has established or participates in; c. describe other processes by which the organization provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to; d. Describe how the stakeholders who are the intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms e. Describe how the organization tracks the effectiveness of the grievance mechanisms and other remediation processes. and report examples of their effectiveness, including stakeholder feedback	■ Materiality: Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues ・Promotion and Operation of the S.C.A.N. Intra-company Whistle-blowing System ■ Materiality: Governance (Internal Control) > Reducing Serious Incidents > Quality Issues > Other Initiatives ・Compliance with Laws and Internal Rules for Product Safety ■ Foundation Underpinning ESG Management > Respect for Human Rights ・Human rights due diligence (SEKISUI CHEMICAL Group) ・Grievance mechanisms
2-26	Mechanisms for seeking advice and raising concerns	a. Describe the mechanisms for individuals to: i. Seek advice on implementing the organization's policies and practices for responsible business conduct ii. Raise concerns about the organization's business conduct	■ Materiality: Governance (Internal Control)>Reducing Serious Incidents > Legal and Ethical Issues ・Promotion and Operation of the S.C.A.N. Intra-company Whistle-blowing System ・Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-27	Compliance with laws and regulations	a. Report the total number of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by: i. Instances for which fines were incurred; ii. Instances for which non-monetary sanctions were incurred b. Report the total number and the monetary value of fines for instances of noncompliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by: i. Fines and penalties for instances of non-compliance with laws and regulations that occurred in the current reporting period ii. Fines and penalties for instances of non-compliance with laws and regulations that occurred in previous reporting periods c. Describe any significant instances of non-compliance d. Describe how the organization confirmed that the incident was considered a significant instances of non-compliance	■ Materiality: Environment > System > Environmental Management System ・Setting Self-management Targets That Are Stricter than Environmental Laws and Regulations In fiscal 2022, there were no reports of violations of environmental laws or regulations including transgressions relating to the disposal of waste, wastewater discharge, and contamination. ■ Materiality: Governance (Internal Control) > Quality Issues > Other Initiatives ・Compliance with Laws and Internal Rules for Product Safety As of the end of fiscal 2022, there were two incidents where the Group violated product safety laws and regulations. Each case was reported to Japan's Ministry of Land, Infrastructure, Transport and Tourism in April 2023. ・Product quality disclosure and labeling: Compliance with Laws and Internal Rules Relating to Product Information Disclosure In fiscal 2022, there were no cases where we violated laws or internal rules related to the disclosure of product quality and safety.
2-28	Membership associations	a. report industry associations, other membership associations, and national or international advocacy organizations in which it participates in a significant role.	■ Materiality: Environment > Major Initiatives ・Climate Change > Activities in related initiatives ・Realizing Resource Recycling > Initiative Collaboration ・Addressing Biodiversity > Cooperation with external organizations ■ Reference Materials, Appendices ・Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates
2-29	Approach to stakeholder engagement	a. Describe the organization's approach to engaging with stakeholders, including: i. The categories of stakeholders it engages with, and how they are identified ii. The purpose of the stakeholder engagement iii. How the organization seeks to ensure meaningful engagement with stakeholders	■ Foundation Underpinning ESG Management ・Stakeholder Engagement
2-30	Collective bargaining agreements	a. Report the percentage of total employees covered by collective bargaining agreements b. For employees NOT covered by collective bargaining agreements, report whether the organization determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organizations	■ Materiality: Human Capital ・Work Style Reforms we will continue to maintain close communication between the Company and labor union, engage in constructive dialogue on issues common to labor and management, and promote revisions to systems related to flexible work styles through the Labor-Management Committee.
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	a. describe the process it has followed to determine its material topics, including: i. how it has identified actual and potential, negative and positive impacts on the economy environment, and people, including impacts on their human rights, across its activities and business relationships; ii. how it has prioritized the impacts for reporting based on their significance; b. specify the stakeholders and experts whose views have informed the process of determining its material topics.	■ Long-term Vision and ESG Management ・Identifying Key Issues (Materiality)
3-2	List of material topics	a. List its material topics; b. Report changes to the list of material topics compared to the previous reporting period.	■ Long-term Vision and ESG Management ・Identifying Key Issues (Materiality) ・Key ESG Management Issues (Materiality) and KPIs

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
Material topics			
Governance (Internal Control)			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships c. Describe the organization's policies or commitments regarding the material topic d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation iii. Actions to manage actual and potential positive impacts e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions ii. Goals, targets, and indicators used to evaluate progress iii. The effectiveness of the actions, including progress toward the goals and targets iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e)	■ Supervisory Promotion System of ESG Management ・Key ESG Management Issues (Materiality) and KPIs ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents ・Safety ・Quality ・Accounting ・Legal and Ethical ・Information Management ■ Materiality > Governance (Internal Control) > Risk Management ■ Foundation Underpinning ESG Management ・Corporate Governance ・Stakeholder Engagement ・Respect for Human Rights ・Responsible Procurement
205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・Status Regarding the Prevention of Bribery and Corruption
205-2	Communication and training about anti-corruption policies and procedures	a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・Compliance Training ・Status Regarding the Prevention of Bribery and Corruption ・Initiatives to Strengthen Accounting Compliance ・List of Results Relating to Compliance Training
205-3	Confirmed incidents of corruption and actions taken	a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・ Targets the number of major compliance issues was zero.

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. b. Main outcomes of completed legal actions, including any decisions or judgments.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・Legal Compliance with Antitrust Laws as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling the number of major compliance issues was zero.
207: Tax 2019			
207-1	Approach to tax	a. A description of the approach to tax, including: i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available; ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review; iii. the approach to regulatory compliance; iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・Tax Compliance Initiatives
207-2	Tax governance, control, and risk management	a. A description of the tax governance and control framework, including: i. the governance body or executive-level position within the organization accountable for compliance with the tax strategy; ii. how the approach to tax is embedded within the organization; iii. the approach to tax risks, including how risks are identified, managed, and monitored; iv. how compliance with the tax governance and control framework is evaluated. b. A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax. c. A description of the assurance process for disclosures on tax and, if applicable, a reference to the assurance report, statement, or opinion.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・Tax Compliance Initiatives
207-3	Stakeholder engagement and management of concerns related to tax	a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including: i. the approach to engagement with tax authorities; ii. the approach to public policy advocacy on tax; iii. the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.	■ Materiality > Governance (Internal Control) > Legal and Ethical Issues ・Tax Compliance Initiatives

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
207-4	Country-by-country reporting	a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. b. For each tax jurisdiction reported in Disclosure 207-4-a: i. Names of the resident entities; ii. Primary activities of the organization; iii. Number of employees, and the basis of calculation of this number; iv. Revenues from third-party sales; v. Revenues from intra-group transactions with other tax jurisdictions; vi. Profit/loss before tax; vii. Tangible assets other than cash and cash equivalents; viii. Corporate income tax paid on a cash basis; ix. Corporate income tax accrued on profit/loss; x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax. c. The time period covered by the information reported in Disclosure 207-4.	■ Foundation Underpinning ESG Management > Stakeholder Engagement ・Distributing value to stakeholders
403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	a. A statement of whether an occupational health and safety management system has been implemented, including whether: i. the system has been implemented because of legal requirements and, if so, a list of the requirements; ii. the system has been implemented based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines. b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Systems ・Occupational Safety Committee Meeting Held
403-2	Hazard identification, risk assessment, and incident investigation	a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including: i. how the organization ensures the quality of these processes, including the competency of persons who carry them out; ii. how the results of these processes are used to evaluate and continually improve the occupational health and safety management system. b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals. c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals. d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Implementation of Safety Audits ・Implementation of Occupational Safety Assessments ・New Equipment Design Safety Standards ・Increasing Risk Discovery Opportunities and Deploying Best Practices through Mutual On-site Inspections ・Measures to Prevent Fires and Explosions ・Overseas Business Site Safety Audits

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
403-3	Occupational health services	a. A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Declaration of Commitments to Safe Business Practices announced by the Leadership of Each Division ・New Equipment Design Safety Standards ・Increasing Risk Discovery Opportunities and Deploying Best Practices through Mutual On-site Inspections ・Measures to Prevent Fires and Explosions ・Safety Awards
403-4	Worker participation, consultation, and communication on occupational health and safety	a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers. b. Where formal joint management–worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Occupational Safety Committee Meeting Held
403-5	Worker training on occupational health and safety	a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Development of Human Resources to Take the Initiative in Safety Activities ・Enhancement of Emergency Response Skills ・Deepening Understanding of the Basic Safety Principles ・Safety Management Along Supply Chains ・Emergency-preparedness Drills
403-6	Promotion of worker health	a. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided. b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Implementation of medical examinations ■ Materiality > Human Capital > Refining the Foundation ・Health and Productivity Management
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	a. A description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Occupational Safety Committee Meeting Held ・Deepening Understanding of the Basic Safety Principles ・Overseas Business Site Safety Audits ・Safety Management Along Supply Chains

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
403-8	Workers covered by an occupational health and safety management system	a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines: i. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system; ii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited; iii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party. b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. c. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Systems ・Occupational Safety Committee Meeting Held
403-9	Work-related injuries	a. For all employees: i. The number and rate of fatalities as a result of work-related injury ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. c. The work-related hazards that pose a risk of high-consequence injury, including: i. how these hazards have been determined; ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls. e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked. f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Performance Data

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
403-10	Work-related ill health	a. For all employees: i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. c. The work-related hazards that pose a risk of ill health, including: i. how these hazards have been determined; ii. which of these hazards have caused or contributed to cases of ill health during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety ・Performance Data ■ Materiality > Human Capital > Refining the Foundation > Health and Productivity Management ・Performance Data
406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	a. Total number of incidents of discrimination during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.	Not applicable for the fiscal year under review
407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	■ Foundation Underpinning ESG Management > Respect for Human Rights ・Human Rights Due Diligence (SEKISUI CHEMICAL Group) ・Human Rights Due Diligence (Our Suppliers)
408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	a. Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work. b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	■ Foundation Underpinning ESG Management > Respect for Human Rights ・Human Rights Due Diligence (SEKISUI CHEMICAL Group) ・Human Rights Due Diligence (Our Suppliers)

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	■ Foundation Underpinning ESG Management > Respect for Human Rights ・Human Rights Due Diligence (SEKISUI CHEMICAL Group) ・Human Rights Due Diligence (Our Suppliers)
414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	a. Percentage of new suppliers that were screened using social criteria.	■ Foundation Underpinning ESG Management > Responsible Procurement ・Revising the Basic Procurement Policy ・Sustainable Procurement Guidelines (Supplier Code of Conduct)
414-2	Negative social impacts in the supply chain and actions taken	a. Number of suppliers assessed for social impacts. b. Number of suppliers identified as having significant actual and potential negative social impacts. c. Significant actual and potential negative social impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	■ Foundation Underpinning ESG Management > Responsible Procurement ・Building Supply Chains based on Sustainable Procurement Surveys ・Sustainable Procurement Survey Process ・Fiscal 2022 Sustainable Procurement Survey ・Requests to Sign the Supplier Code of Conduct ・Declaration of Partnership Building
416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Quality ・ Initiatives to Prevent Quality Data Irregularities and Falsification Since it is currently difficult to calculate percentages in this area, we plan to consider disclosure of this information from the next fiscal year.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Quality ・Initiatives to Prevent Quality Data Irregularities and Falsification ・Compliance with Laws and Internal Rules for Product Safety ・Product Quality Disclosure and Labeling: Compliance with Laws and Internal Rules Relating to Product Information Disclosure

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling: i. The sourcing of components of the product or service; ii. Content, particularly with regard to substances that might produce an environmental or social impact; iii. Safe use of the product or service; iv. Disposal of the product and environmental or social impacts; v. Other (explain in detail). b. Percentage of significant product and service categories for which organization procedures are defined and compliance with said procedures is assessed.	Currently, it is difficult to ascertain each information about all products and calculate the compliance evaluation of the procedure as a percentage. so we do not disclose it. We plan to consider disclosure of this information from the next fiscal year.
417-2	Incidents of non-compliance concerning product and service information and labeling	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents ・Quality > Products Quality Disclosure and Labeling :Compliance with Laws and Internal Rules Relating to Product Information Disclosure In fiscal 2022, there were no cases where we violated laws or internal rules related to the disclosure of product quality and safety. ・Legal and Ethical Issues > Legal Compliance with Antitrust Laws as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling
417-3	Incidents of non-compliance concerning marketing communications	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issue ・Legal Compliance with Antitrust Laws as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling
418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. b. Total number of identified leaks, thefts, or losses of customer data. c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.	Not applicable for the fiscal year under review

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
DX			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships c. Describe the organization's policies or commitments regarding the material topic d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation iii. Actions to manage actual and potential positive impacts e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions ii. Goals, targets, and indicators used to evaluate progress iii. The effectiveness of the actions, including progress toward the goals and targets iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e)	■ Supervisory Promotion System of ESG Management ・Key ESG Management Issues (Materiality) and KPIs ■ Materiality > DX ■ Foundation Underpinning ESG Management ・Stakeholder Engagement
Environment			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships c. Describe the organization's policies or commitments regarding the material topic d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation iii. Actions to manage actual and potential positive impacts e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions ii. Goals, targets, and indicators used to evaluate progress iii. The effectiveness of the actions, including progress toward the goals and targets iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e)	■ Supervisory Promotion System of ESG Management ・Key ESG Management Issues (Materiality) and KPIs ■ Materiality > Environment ■ Foundation Underpinning ESG Management ・Stakeholder Engagement

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
201: Economic Performance 2016			
201-2	Financial implications and other risks and opportunities due to climate change	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity.	■ Materiality > Environment > Major Initiatives > Climate Change ・Risks and Opportunities Posed by Climate Change to Our Businesses ・Information Disclosure based upon on the TCFD Statement of Support
301: Materials 2016			
301-1	Materials used by weight or volume	a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used.	■ Materiality > Environment > Other Initiatives to Reduce Environmental Impact ・Material Balance Data for renewable resources and nonrenewable resources are not disclosed because scope of tabulation is vast and complex.
301-2	Recycled input materials used	a. Percentage of recycled input materials used to manufacture the organization's primary products and services.	■ Materiality > Environment > Major Initiatives > Realizing Resource Recycling ・Addressing Plastic Waste Issues ・Waste Plastic Initiatives ・Promoting Construction Material Recycling ・Converting External Wall Panel Scrap into Raw Materials for Products ・Performance Data We do not disclose the ratio because the scope of tabulation is vast and complex.
301-3	Reclaimed products and their packaging materials	a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected.	■ Materiality > Environment > Major Initiatives > Realizing Resource Recycling ・Addressing Plastic Waste Issues ・Waste Plastic Initiatives ・Promoting Construction Material Recycling ・Converting External Wall Panel Scrap into Raw Materials for Products ・Performance Data We do not disclose the ratio because the scope of tabulation is vast and complex.

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
302: Energy 2016			
302-1	Energy consumption within the organization	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used.	■ Materiality > Environment ・Major Initiatives > Climate Change > Promoting the Use of Renewable Energy ・Major Initiatives > Climate Change > Performance Data ・Other Initiatives to Reduce Environmental Impact > Material Balance
302-2	Energy consumption outside of the organization	a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used.	■ Materiality > Environment > Major Initiatives > Climate Change ・Performance Data
302-3	Energy intensity	a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both.	■ Materiality > Environment > Major Initiatives > Climate Change ・Performance Data
302-4	Reduction of energy consumption	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. d. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment > Major Initiatives > Climate Change ・Addressing Climate Change ・ZEB Ready Certified Research Facility, MINASE INNOVATION CENTER ・Contributing to Carbon Reduction and Decarbonization through Our Businesses ・Performance Data
302-5	Reductions in energy requirements of products and services	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. c. Standards, methodologies, assumptions, and/or calculation tools used.	■ Products to Enhance Sustainability - Contribution to Solving Social Issues through Products and Services - ■ Materiality > Environment > Major Initiatives > Climate Change ・Reducing Greenhouse Gases at Supply Chain Stage

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	a. A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts caused or contributed to, or directly linked to the organization's activities, products or services by a business relationship (e.g., impacts caused by runoff). b. A description of the approach used to identify water-related impacts, including the scope of assessments, their timeframe, and any tools or methodologies used. c. A description of how water-related impacts are addressed, including how the organization works with stakeholders to steward water as a shared resource, and how it engages with suppliers or customers with significant water-related impacts. d. An explanation of the process for setting any water-related goals and targets that are part of the organization's management approach, and how they relate to public policy and the local context of each area with water stress.	■ Materiality > Environment > Major Initiatives > Reducing Water-related Risks ・Minimizing water-related risks and solving local and supply chain water issues ・Impact of Water-related Risks on the Supply Chain ・Contribution to the Reduction of Water-related Risks Through Business Operations ・Reduction of Water-related Risks at Business Sites with High Water Intake and Discharge Volumes ・Roadmap to Realize Societies with Abundant Access to Clean Water
303-2	Management of water discharge-related impacts	a. A description of any minimum standards set for the quality of effluent discharge, and how these minimum standards were determined, including: i. how standards for facilities operating in locations with no local discharge requirements were determined; ii. any internally developed water quality standards or guidelines; iii. any sector-specific standards considered; iv. whether the profile of the receiving waterbody was considered.	■ Materiality > Environment > Major Initiatives > Reducing Water-related Risks ・Impact of Water-related Risks on the Supply Chain ・Reduction of Water-related Risks at Business Sites with High Water Intake and Discharge Volumes ・Assessment of the Impact on Businesses from Water-related Risks ・Reduction of Water Intake, and Chemical Oxygen Demand (COD) of Discharged Water ・Increase of Water Treatment Capacity at Sekisui Nano Coat Technology Co., Ltd.
303-3	Water withdrawal	a. Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water. b. Total water withdrawal from all areas with water stress in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water, and a breakdown of this total by the withdrawal sources listed in i-iv. c. A breakdown of total water withdrawal from each of the sources listed in Disclosures 303-3-a and 303-3-b in megaliters by the following categories: i. Freshwater (≤ 1,000mg/L Total Dissolved Solids); ii. Other water (> 1,000mg/L Total Dissolved Solids). d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Environment ・Major Initiatives > Reducing Water-related Risks > Performance Data ・Other Initiatives to Reduce Environmental Impact > Material Balance

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
303-4	Water discharge	a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Third-party water, and the volume of this total sent for use to other organizations, if applicable. b. A breakdown of total water discharge to all areas in megaliters by the following categories: i. Freshwater (≤ 1,000 mg/L Total Dissolved Solids); ii. Other water (>1,000 mg/L Total Dissolved Solids). c. Total water discharge to all areas with water stress in megaliters, and a breakdown of this total by the following categories: i. Freshwater (≤ 1,000 mg/L Total Dissolved Solids); ii. Other water (>1,000 mg/L Total Dissolved Solids). d. Priority substances of concern for which discharges are treated, including: i. how priority substances of concern were defined, and any international standard, authoritative list, or criteria used; ii. the approach for setting discharge limits for priority substances of concern; iii. number of incidents of non-compliance with discharge limits. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Environment ・Major Initiatives > Reducing Water-related Risks > Reduction of Water Intake, and Chemical Oxygen Demand (COD) of Discharged Water ・Major Initiatives > Reducing Water-related Risks > Increase of Water Treatment Capacity at Sekisui Nano Coat Technology Co., Ltd. ・Major Initiatives > Reducing Water-related Risks > Water Recycling ・Major Initiatives > Reducing Water-related Risks > Performance Data ・Other Initiatives to Reduce Environmental Impact > Material Balance
303-5	Water consumption	a. Total water consumption from all areas in megaliters. b. Total water consumption from all areas with water stress in megaliters. c. Change in water storage in megaliters, if water storage has been identified as having a significant water-related impact. d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modeled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.	■ Materiality > Environment > Major Initiatives > Reducing Water-related Risks ・Performance Data
304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information: i. Geographic location; ii. Subsurface and underground land that may be owned, leased, or managed by the organization; iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas; iv. Type of operation (office, manufacturing or production, or extractive); v. Size of operational site in km2 (or another unit, if appropriate); vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem); vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation).	■ Materiality > Environment > Major Initiatives > Addressing Biodiversity ・Initiatives to Improve Green Space Quality at All Domestic Production Sites and Laboratories

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
304-2	Significant impacts of activities, products, and services on biodiversity	a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following: i. Construction or use of manufacturing plants, mines, and transport infrastructure; ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources); iii. Introduction of invasive species, pests, and pathogens; iv. Reduction of species; v. Habitat conversion; vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level). b. Significant direct and indirect positive and negative impacts with reference to the following: i. Species affected; ii. Extent of areas impacted; iii. Duration of impacts; iv. Reversibility or irreversibility of the impacts.	■ Materiality > Environment > Major Initiatives ・Realizing Resource Recycling > Addressing Plastic Waste Issues ・Reducing Water-related Risks > Impact of Water-related Risks on the Supply Chain ・Addressing Biodiversity > Assessment of Impact on Biodiversity (Natural Capital) Biodiversity (Natural Capital) Impact Assessment ・Other Initiatives to Reduce Environmental Impact > Environmental Impact Assessment Some information is not disclosed because the scope is vast. This is an issue to be considered in the future.
304-3	Habitats protected or restored	a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals. b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures. c. Status of each area based on its condition at the close of the reporting period. d. Standards, methodologies, and assumptions used.	■ Materiality > Environment > Major Initiatives > Addressing Biodiversity ・Initiatives to Improve Green Space Quality at All Domestic Production Sites and Laboratories ・Activities to Survey Non-native and Conservation Plant Species and to Eradicate Non-native Plant Species ・Ecosystem Survey Conducted by Removing the Water from a Biotope Pond for the First Time in 17 Years ・Certification Equivalency from the Site Coexisting with Nature Certification Demonstration Project ・Received the Minister of Land, Infrastructure, Transport and Tourism Award at the 30th Global Environment Prize for developing sustainable communities ・Mangrove Reforestation Activities and Carbon Stock Volume Survey in Thailand ・Cooperation with External Organizations
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk: i. Critically endangered IA (CR) ii. Endangered IB (EN) iii. Vulnerable II (VU) iv. Near threatened (NT) v. Least concern	Not all areas covered are collated. We recognize that this is an issue that needs to be addressed in the future.

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	a. Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent. b. Gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. c. Biogenic CO_2 emissions in metric tons of CO_2 equivalent. d.Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment ・Major Initiatives > Climate Change > Performance Data ・Other Initiatives to Reduce Environmental Impact > Material Balance
305-2	Energy indirect (Scope 2) GHG emissions	a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent. b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent. c. If available, the gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment > Major Initiatives > Climate Change ・Performance Data
305-3	Other indirect (Scope 3) GHG emissions	a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO_2 equivalent. b. If available, the gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. c. Biogenic CO_2 emissions in metric tons of CO_2 equivalent. d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. e. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. g. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment > Major Initiatives > Climate Change ・Reducing Greenhouse Gases at the Supply Chain Stage ・Performance Data
305-4	GHG emissions intensity	a. GHG emissions intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. Gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all.	■ Materiality > Environment > Major Initiatives > Climate Change ・Performance Data

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
305-5	Reduction of GHG emissions	a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO_2 equivalent. b. Gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. c. Base year or baseline, including the rationale for choosing it. d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). e. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment > Major Initiatives > Climate Change ・Acquisition of Certification under the SBT Initiative for Greenhouse Gas Reduction Target for 1.5℃ ・Performance Data
305-6	Emissions of ozone-depleting substances (ODS)	a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent. b. Substances included in the calculation. c. Source of the emission factors used. d. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment > Major Initiatives > Chemical Substance Management ・Controlling VOC Emissions ・Disposal and Storage of Devices Containing PCBs and Management of Equipment That Uses Fluorocarbons
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	a. Significant air emissions, in kilograms or multiples, for each of the following: i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used. c. Standards, methodologies, assumptions, and/or calculation tools used.	■ Materiality > Environment ・Major Initiatives > Chemical Substance Management > Performance Data ・Other Initiatives to Reduce Environmental Impact > Material Balance
306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	a. For the organization's significant actual and potential waste-related impacts, a description of: i. the inputs, activities, and outputs that lead or could lead to these impacts; ii. whether these impacts relate to waste generated in the organization's own activities or to waste generated upstream or downstream in its value chain.	■ Materiality > Environment > Major Initiatives > Realizing Resource Recycling ・Working to realize a circular economy and establish a resource recycling system ・Promoting Efforts Based on the Resource Recycling Policy
306-2	Management of significant waste-related impacts	a. Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated. b. If the waste generated by the organization in its own activities is managed by a third party, a description of the processes used to determine whether the third party manages the waste in line with contractual or legislative obligations. c. The processes used to collect and monitor waste-related data.	■ Materiality > Environment > Major Initiatives > Realizing Resource Recycling ・Promoting Efforts Based on the Resource Recycling Policy ・Addressing Plastic Waste Issues ・Resource Circulation ・Waste Plastic Initiatives ・Promoting Construction Material Recycling ・Converting External Wall Panel Scrap into Raw Materials for Products
306-3	Waste generated	a. Total weight of waste generated in metric tons, and a breakdown of this total by composition of the waste. b. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Environment ・Major Initiatives > Realizing Resource Recycling > Performance Data ・Major Initiatives > Chemical Substance Management > Performance Data ・Other Initiatives to Reduce Environmental Impact > Material Balance

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
306-4	Waste diverted from disposal	a. Total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste. b. Total weight of hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations: i. Preparation for reuse; ii. Recycling; iii. Other recovery operations. c. Total weight of non-hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations: i. Preparation for reuse; ii. Recycling; iii. Other recovery operations. d. For each recovery operation listed in Disclosures 306-4-b and 306-4-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste diverted from disposal: i. onsite; ii. offsite. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Environment > Major Initiatives > Realizing Resource Recycling ・Performance Data
306-5	Waste directed to disposal	a. Total weight of waste directed to disposal in metric tons, and a breakdown of this total by composition of the waste. b. Total weight of hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations: i. Incineration (with energy recovery); ii. Incineration (without energy recovery); iii. Landfilling; iv. Other disposal operations. c. Total weight of non-hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations: i. Incineration (with energy recovery); ii. Incineration (without energy recovery); iii. Landfilling; iv. Other disposal operations. d. For each disposal operation listed in Disclosures 306-5-b and 306-5-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste directed to disposal: i. onsite; ii. offsite. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■ Materiality > Environment ・Major Initiatives > Realizing Resource Recycling > Performance Data
308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	a. Percentage of new suppliers that were screened using environmental criteria.	■ Foundation Underpinning ESG Management > Responsible Procurement ・Revising the Basic Procurement Policy ・Sustainable Procurement Guidelines (Supplier Code of Conduct)

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
308-2	Negative environmental impacts in the supply chain and actions taken	a. Number of suppliers assessed for environmental impacts. b. Number of suppliers identified as having significant actual and potential negative environmental impacts. c. Significant actual and potential negative environmental impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	■ Foundation Underpinning ESG Management > Responsible Procurement ・Building Supply Chains based on Sustainable Procurement Surveys ・Sustainable Procurement Survey Process ・Fiscal 2022 Sustainable Procurement Survey ・Requests to Sign the Supplier Code of Conduct ・Declaration of Partnership Building
Human Capital			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships c. Describe the organization's policies or commitments regarding the material topic d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation iii. Actions to manage actual and potential positive impacts e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions ii. Goals, targets, and indicators used to evaluate progress iii. The effectiveness of the actions, including progress toward the goals and targets iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e)	■ Supervisory Promotion System of ESG Management ・Key ESG Management Issues (Materiality) and KPIs ■ Materiality>Human Capital ■ Foundation Underpinning ESG Management ・Stakeholder Engagement
401: Employment 2016			
401-1	New employee hires and employee turnover	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	■ Materiality > Human Capital > Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) > Allowing Diverse Human Resources to Excel (Gender) ・SEKISUI CHEMICAL ・All consolidated subsidiaries in Japan
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or parttime employees, by significant locations of operation. These include, as a minimum: i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for "significant locations of operation".	■ Materiality > Human Capital > Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) ・Basic Concept of Diversity

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
401-3	Parental leave	a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	■ Materiality > Human Capital > Refining the Foundation > Support for Balancing Childcare and Work ・Performance Data
404: Training and Education 2016			
404-1	Average hours of training per year per employee	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender; ii. employee category.	■ Materiality > Human Capital > Transforming into an Energized and Engaged Company > Human Resources Management > Training Human Resources ・Performance Data
404-2	Programs for upgrading employee skills and transition assistance programs	a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	■ Materiality > Human Capital ・Transforming into an Energized and Engaged Company > People Management > Employee Career Development ・Transforming into an Energized and Engaged Company > Human Resources Management > Shift to a Role-based System for Human Resources ・Transforming into an Energized and Engaged Company > Human Resources Management > Training Human Resources ・Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) > Allowing Diverse Human Resources to Excel (Gender) ・Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) > Allowing Diverse Human Resources to Excel (Seniors) ・Refining the Foundation > Work Style Reforms
404-3	Percentage of employees receiving regular performance and career development reviews	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	■ Materiality > Human Capital > Transforming into an Energized and Engaged Company > People Management ・Employee Career Development
405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). b. Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	■ Materiality > Human Capital > Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) ・Allowing Diverse Human Resources to Excel (Gender) ・Allowing Diverse Human Resources to Excel (Seniors) ・Allowing Diverse Human Resources to Excel (Global) ・Allowing Diverse Human Resources to Excel (People with Disabilities) ■ Foundation Underpinning ESG Management > Corporate Governance ・About the Age-group Composition of Officers
405-2	Ratio of basic salary and remuneration of women to men	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. The definition used for "significant locations of operation."	■ Materiality > Human Capital > Refining the Foundation > Allowing Diverse Human Resources to Excel (Diversity) > Allowing Diverse Human Resources to Excel (Gender) ・Performance Data

Code No.	Disclosure Items	Requirements	Locations Posted/Reason for Omitting
Fusion (Innovation)			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships c. Describe the organization's policies or commitments regarding the material topic d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation iii. Actions to manage actual and potential positive impacts e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions ii. Goals, targets, and indicators used to evaluate progress iii. The effectiveness of the actions, including progress toward the goals and targets iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e)	■ Supervisory Promotion System of ESG Management ・Key ESG Management Issues (Materiality) and KPIs ■ Materiality > Fusion (Innovation) ■ Foundation Underpinning ESG Management ・Stakeholder Engagement

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