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SEKISUI CHEMICAL CO., LTD.

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<https://www.sekisuichemical.com/>

The corporate governance of SEKISUI CHEMICAL (“the Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

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

[Corporate Philosophy] “The 3S principles”

#### **Service**

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

#### **Speed**

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

#### **Superiority**

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

The Group's ESG management aims to achieve both "realization of a sustainable society" and "sustainable growth of the Group" and is working with stakeholders on the following three key steps.

- (1) Development of "three prominences" (Environment, CS & quality, Human Resources) and "governance"
- (2) Accelerate the solution of social issues through three approaches (increasing quantity, improving quality, and providing sustainably)
- (3) Creating and expanding the value of "peace of mind that continues into the future" in four business domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science)

The Company has established and disclosed the SEKISUI Corporate Governance Principles for the purpose of further evolving its corporate governance initiatives and communicating our corporate governance approach and initiatives to our stakeholders.

\* In the following translation, “Audit & Supervisory Board Member” stands for “Kansayaku” in the Corporate Governance Code.

**[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company implements all principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

In addition to the SEKISUI Corporate Governance Principles, the status of the Company's initiatives and its approach with respect to all 83 items of the Corporate Governance Code consisting of the General Principles, Principles and Supplementary Principles have been summarized and disclosed in the form of the Initiatives to Each of Principles of the Corporate Governance Code. Please refer to the following.

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

Descriptions of the items disclosed based on each Principle of the Corporate Governance Code are as follows:

[Principle 1.4]

The Company sets and discloses SEKISUI Corporate Governance Principle where basic policy for Cross-Shareholdings of the other listed companies and policy for the exercise of voting rights are shown as follows.

i. Basic policy

The Company may strategically hold shares of the other publicly-listed companies, to a limited extent, that are important business partners of the Company provided that the Company made its judgment on such holdings to be beneficial for the purpose of maximizing medium to long-term enhancement of corporate value of the Company and the business partners. Strategic rationale shall be reviewed in an appropriate and timely manner and the Company will reduce those holdings without sufficient strategic benefits or inconsistent with the Company's capital policies.

The Board conducts annual assessment of such holdings to examine specific benefits by such share-holdings and consistency with the risk-benefit evaluation of such individual holdings over the cost-of-capital and other factors. The Company shall disclose the overview of the evaluation.

<Overview of evaluation>

In accordance with the above-mentioned basic policy, The Board has conducted annual assessment of the individual holdings in terms of stockholding ratio, existence of board representation or dispatched executives, or business alliance, state of business activities, dividend received, etc. and made judgment for appropriateness of holding them at the regular Board meeting held in June, 2022. The total number of share-holdings was recorded 25 as of the end of March, 2023.

ii. Policy for the exercise of voting rights

The Company exercises voting rights at shareholder meeting of the share-holding companies in accordance with the specific standards with respect to the voting rights established by the Company to reflect perspectives of connecting the medium to long-term enhancement of the Company's corporate value with the corporate value enhancement of the above companies based on strategic position of such holding and dialogue and so forth with them, thereby shall perform its monitoring function as a shareholder.

As to exercising of voting rights, the Company applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items), business performance (equity ratio, profit/loss condition, etc.) in their current fiscal year, and their business sustainability. The Company then makes the final comprehensive decision on proposals integrating on-going engagements (dialogues) with the said companies.

[Principle 1.7]

The Company has taken the following measures to prevent any transaction between the Company and an officer of the Company or a major shareholder from harming the interest of the Company or the common interest of the shareholders. The Board of Directors Regulations stipulates a conflict of interest transaction between the Company and its Director as the matter requiring the resolution of the Board of Directors. Actual

individual transactions are monitored by the Board of Directors through the approval processes. Audit & Supervisory Board also audits such transactions in accordance with the Note of Audit & Supervisory Board Member Auditing Standards.

[Supplementary Principles 2.4.1]

The Company implements human resource management to support the continuous promotion of core human resources to director or senior management posts through the process of experience accumulation. The Company believes that one of the key feature of this strategy should be to ensure diversity of employees who are promoted to middle management positions in the expectation that they will become future executive/successor candidates.

As for active participation of women, the ratio of women to total new graduate hires has reached around 30% in the last five years, and the Company intends to maintain the ratio at or above the current level. To ensure diversity of employees in middle management positions, the Company aims to raise the ratio of women to total employees promoted to middle management positions to 30% by 2030.

To achieve this goal, targeting women employees who hope to be appointed to management positions (manager candidates) and their direct supervisors, the Company is conducting a “Career Development Program for Women.” This training program has been put in place with the aim of fostering awareness and gaining the achievements appropriate for management positions. The Company has been continually conducting this program across the entire Group.

Mid-career hires currently account for 16% of employees in management positions. In particular, when the Company undertakes new endeavors, such as starting a new business or promoting an important theme (DX, etc.), going forward, it will recruit mid-career experts in the relevant fields as appropriate. As for foreign nationals, the Company has currently appointed 8 foreign nationals to management positions in Japan on a non-consolidated basis. The Company expects that more foreign nationals will be promoted to such positions as its global business grows going forward.

For human resource development and internal environment development to ensure diversity, the Company is working on the following initiatives:

(1) Role-based personnel system

The Company introduced a role-based personnel system in FY2022. Under the role-based personnel system, the Company will clarify the image of the career path from junior/middle management positions to senior management positions by clearly indicating the roles of individual positions ranging from senior management positions to junior management positions (section manager or equivalents). The Company will define roles of individual positions based on linkage to/backcasting from the management policy and the achievement of business goals, making this system one with a view to the future.

(2) Work-style not relying on long working hours

The Company has been working to design a system to embrace diverse work-styles and to streamline operations by promoting the use of IT and automation investments. The Company has established “Work-style Reform Guide” in October 2021 to provide clear guidance on autonomous work-styles to be adopted by each employee.

(3) Follow-up training for mid-career hires

The Company ensures that mid-career hires can demonstrate their technical expertise immediately after joining the Company by providing them with training to learn the businesses, systems, etc., of the Company.

(4) Support to help employees to raise children while working

To promote the use of childcare leave by male employees, the Company gives encouragement to applicable employees and their supervisors. The ratio of male employees who have taken childcare leave is currently in the 70% range.

(5) Fusion and development of global human resources across region

To develop future global leaders to be pillars of SEKISUI CHEMICAL Group, the Company provides presidents and senior executives of foreign subsidiaries and senior management of the Company opportunities to interact with each other to learn diverse perspectives and values from each other. Examples of such opportunities include:

- Sharing and instillation of the Long-Term Vision

In FY2020, the first year of our Long-Term Vision, all presidents of foreign subsidiaries participated in an online discussion for the sharing and instillation of the Long-Term Vision and to discuss the implementation method of the vision at each company.

Through these initiatives, the Company encourages diverse human resources, such as women, mid-career hires, and foreign nationals, to actively aspire to be promoted to management positions and to play an active role as managers leveraging their unique strengths. For more details, please refer to the Company's sustainability Report.

[https://www.sekisui.co.jp/sustainability\\_report/](https://www.sekisui.co.jp/sustainability_report/)

[Principle 2.6]

The pension fund of the Company has established a system which can play an expected role in asset management by way of arranging professional staff both to the administrative board, which is an executive body, and the secretariat.

Further, the board of representative, which is a decision-making body of the pension fund, is appropriately administered to balance conflict of interest between the Company and beneficiaries, by way of selecting the same number of representatives chosen by a business owner and by and from among the pension plan participants.

[Principle 3.1]

The Company believes that timely, appropriate and active information disclosure is essential for us to ensure management transparency and fulfill our social responsibility. To steadily put this belief into practice throughout the Group, we have established the "Principle of Corporate Information Disclosure" and the "Corporate Information Disclosure Regulations" to strengthen our internal information disclosure framework. The disclosure status of each item is as follows:

- (i) The Group Principles, management strategies, and the midterm management plan are disclosed on the website of the Company, in earnings results briefing materials, and business reports.
- (ii) The basic policy on corporate governance is disclosed on the website of the Company, in corporate governance reports, business reports, etc.
- (iii) The policy for the remuneration for Directors and Audit & Supervisory Board Members is disclosed in corporate governance reports, annual securities reports, and the reference materials attached to the notice of the general meeting of shareholders.

To enhance transparency and fairness in the process, the determination of the system and the level of remuneration for the Directors is deliberated by the Nomination and Remuneration Advisory Committee, which consists of the majority of Independent Outside Board Members and is chaired by an Independent Outside Officer. The Board of Directors makes a final policy decision based on the recommendations made by the advisory committee with respect.

- (iv) The policy concerning the appointment/dismissal of the senior executive and the nomination of Director/Audit & Supervisory Board Member candidates is disclosed in the SEKISUI Corporate Governance Principles.

To enhance transparency and fairness in the process, the nomination of candidates for Director is deliberated by the Nomination and Remuneration Advisory Committee. The Board of Directors makes a final policy decision based on the recommendations made by the advisory committee with respect.

- (v) Reasons for appointment/dismissal of the senior executive and nominating candidates for Director and for Audit & Supervisory Board Member are disclosed on the notice of the general meeting of shareholders.

[Supplementary Principles 3.1.3]

In the Long-Term Vision "Vision 2030," which was adopted after deliberation by the Board of Directors, "sustainable management" was added as a new area to be strengthened by the Company in an effort to enhance its corporate value by enhancing sustainable contribution to the resolution of social issues. This is in addition

to “contribution to solving social issues” and “profitable growth,” which are the areas that the Company has been working and will continue to work to strengthen under the Long-Term Vision.

In the area of human resources, SEKISUI CHEMICAL Group aims to be an entity that gives rise to innovation and creativity, and brings employees and the Company together in the drive to tackle social issues and contribute to finding solutions to them. We share this commitment Group-wide while promoting the creation of workplaces that are full of energy and enthusiasm. For details, please refer to the relevant page on our website from the link below.

(<https://www.sekisuichemical.com/csr/human/>)

In our Medium-Term Management Plan “Drive 2.0” the Company has allocated 140 billion yen to R&D expenses, which represent the core part of our intellectual property investment. As part of these R&D expenses, some of our Divisional Companies and subsidiaries/affiliated companies have set an R&D expense target for “A-type new products” (meaning products expected to generate new demand), aiming to create a marginal profit in excess of R&D expense. Further, the Company created a “Strategic Domain Map” showing, by keywords, the areas that each Divisional Company aims to enter, and will be discussed by the Board of Directors to direct long-term investments of management resources. The “Strategic Domain Map” will be discussed and reviewed by the Board of Directors regularly once every year.

In the area of climate change, the Company declared support for the TCFD in January 2019 and started in July 2019 to disclose the impact of climate change risk and associated revenue opportunities on the Group’s business activities, earnings, etc., under the four disclosure items recommended by the TCFD (governance, strategy, risk management, and metrics and targets) (updated annually). In particular, for the purpose of disclosure on “strategy,” we developed four scenarios relating to the future of the business of the Company based on the combination of the following two axes: (1) whether the social system, such as city planning and energy, will be centralized (urban concentration, centralized management) or decentralized (regional decentralization, local production for local consumption) and (2) whether a low temperature increase (by less than 2°C) or a high temperature increase (by 4°C) will be expected based on the fifth assessment report of the

UN’s Intergovernmental Panel on Climate Change (IPCC) (published 2014) and disclose opportunities, risks and the Company’s responses for the four scenarios represented by each quadrant.

[Supplementary Principles 4.1.1]

Whereas the Board of Directors of the Company is responsible for performing high-level corporate management functions (decision-making, development of strategies, and supervision), the Executive Officers Committee established in each divisional company is responsible for business execution based on the decision of the Board of Directors. A significant part of the business execution function has been delegated to each divisional company so that the Company can make appropriate and timely respond to changes in the environment.

With regard to such delegation of authority, the Company has also established the approval standards that take into consideration of the effect on the corporate-level management. These standards clarify the scope of the matters requiring the deliberation of the Board of Directors and that of the matters for which decisions can be made by each divisional company.

\* Matters requiring the deliberation of the Board of Directors (examples)

-Business management: Management policies/plan, election of officers, significant organizational change, significant capital investment, annual budget

-General affairs/personnel affairs: Change in important regulations such as the articles of incorporation, basic personnel policies, change in the personnel system

-Accounting/finance: Financial policies, large borrowing or lending of funds, large investment, financial reporting

-R&D and technology: Introduction/licensing of important technologies, transfer of intellectual property rights to/from a third party

[Principle 4.9]

The Company has developed the “Criteria for Independence of Outside Board Members (Directors and Audit & Supervisory Board Members)” to secure the independence of Outside Directors. These criteria are disclosed

on the SEKISUI Corporate Governance Principles. The five incumbent Outside Directors have been designated as independent officers in accordance with the rules of the Tokyo Stock Exchange.

The Company appoints the Outside Directors who can expect impartial advice and constructive discussion based on their extensive administrative experience and specialized knowledge in different background from the Company. The reason for the appointment of each Outside Director is disclosed in the reference materials for the general meeting of shareholders, annual securities reports, corporate governance reports, etc.

[Supplementary Principles 4.10.1]

Although Independent Outside Directors do not currently comprise a majority of the board of the Company as there are five Independent Outside Directors among twelve Directors in total, as noted in “Principle 4-10 Use of Optional Approach,” the Company has established the Nomination and Remuneration Advisory Committee, which currently consists of seven members including five Independent Outside Directors. As such, the Company believes that the fairness and transparency of the Committee are ensured.

[Principle 4.11]

The number of Directors shall not exceed 15, and 2 or more of them shall be independent Outside Directors. The Board of Directors of the Company shall consist of Directors who have an excellent character, insight, and a high moral standard in addition to knowledge, experience, and skills. The Company is continuously seeking to ensure diversity of the Board of Directors.

The number of Audit & Supervisory Board Members shall be 3 or more, with half or more of them being Independent Outside Audit & Supervisory Board Members elected from outside of the Company. At least one of the Audit & Supervisory Board Members shall be an individual who has knowledge and expertise in corporate finance and accounting, and at least one of the Audit & Supervisory Board Members shall have knowledge and expertise in legal systems. The Outside Audit & Supervisory Board Members in particular shall be elected from individuals with high specialties such as a certified public accountant, a lawyer, a scholar (on quality control etc.).

The Company evaluates and improves the Board’s function by discussing the effectiveness of the Board and points to improve at the Nomination and Remuneration Advisory Committee, holding regular meetings to exchange views between Outside Directors and the senior executive of the Company, and between Audit & Supervisory Board (including outside Audit & Supervisory Board Members) and accounting auditor, as well as Board of Directors Meeting agenda-setting and the status of active participation of each Directors and Audit & Supervisory Board Members.

[Supplementary Principles 4.11.1]

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 the business domain and size. The presidents of the divisional companies who are the top management of each business and senior corporate officers with significant experience and strong expertise are appointed as Inside Directors. Together with the Outside Directors who have broad knowledge and experience and Audit & Supervisory Board Members with strong expertise, balance is ensured with respect to diversity, optimal size, and capabilities, and the roles and responsibilities of the Board of Directors are effectively performed. All of the five Independent Outside Directors of the Company have management experience in other companies, and the Company intends to continue to appoint persons with management experience in other companies as Independent Outside Directors.

The Board of Directors has set items for the skills matrix based on the context of the “Drive 2.0” Medium-term Management Plan. Under the “Drive 2.0” Medium-term Management Plan, the Group is working on:

- (i) strengthening existing businesses
- (ii) strategic creation
- (iii) strengthening ESG management foundations

to improve corporate value and demonstrate the feasibility of long-term vision “VISION 2030”.

Based on the above,

- (i) As skills matrix items derived from “strengthening existing businesses”, the Board of Directors has set 2 items of “Manufacturing / Safety / Quality” and “Marketing / Sales” to cover the whole set of functions from manufacturing, the core of the manufacturing business, to sales.

(ii) As skills matrix items derived from “strategic creation”, the Board of Directors has set 4 items of “Environment”, “Innovation”, “Global Business” and “DX (Digital Transformation)” to clarify the attitude aiming for creation and acquisition of new business areas.

(iii) As skills matrix items derived from “strengthening ESG management foundations”, the Board of Directors has set 3 items of “Legal Affairs and Compliance”, “Financial Affairs / Accounting” and “Human Resources / Diversity / Human Rights”. In particular, the Board of Directors has clarified our stance of further promoting the ensuring of diversity in the Board of Directors and core human resources.

The Board will review them further as appropriate in response to any changes in the business environment. The skills matrix will also be utilized in discussions on appropriate director candidates by the Nomination and Remuneration Advisory Committee in the future.

The election of Directors is conducted in consideration of the management principles and strategies, through deliberation by the Nomination and Remuneration Advisory Committee, consisting of the majority of Independent Outside Board Members and chaired by an Independent Outside Officer. The Board of Directors makes a final policy decision respecting the recommendations made by the advisory committee.

[Supplementary Principles 4.11.2]

Directors and Audit & Supervisory Board Members are required to secure time and efforts necessary to appropriately fulfill their respective roles and responsibilities. Therefore, where they also serve as officers at other listed companies, they are required to limit to four or less concurrent positions to the extent that does not interfere with the execution of their duties at the Company. The status of the concurrent positions at listed companies held by Directors and Audit & Supervisory Board Members is disclosed each year in the notice of the general meeting of shareholders, annual securities reports, and corporate governance reports.

[Supplementary Principles 4.11.3]

The Company evaluates the effectiveness of the Board of Directors each year as set out in [Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness]. The Board of Directors has been engaged in sufficient discussion time under an appropriate agenda with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit & Supervisory Board Members. The Company has evaluated that the current Board of Directors is sufficiently functioning and contributing to enhance the corporate value of the Group.

In FY2022, next medium-term management plan (FY2023-FY2025), growth strategies (i.e. R&D, large-scale new business, large-scale capital investment, etc.) and foundational strategies (i.e. sustainability, digital transformation, safety, compliance and CS & Quality, etc.) as important management issues, are discussed sufficiently at the Board of Directors Meeting. In addition, the Company conducted a questionnaire for directors and corporate auditors to evaluate the effectiveness of the Board of Directors, identified important management issues that should be discussed more firmly, and reviewed the agenda of the Board of Directors so that directors and corporate auditors will be able to discuss important issues in sufficient time. Furthermore, the company confirmed that sufficient discussion time was secured, and opinions and recommendations were actively provided by both Outside and Inside Directors and Audit & Supervisory Board Members.

The nomination of Directors and Audit & Supervisory Board Members, individual performance evaluation and level of remuneration were deliberated by the Nomination and Remuneration Advisory Committee and the final decision was made at the Board of Directors Meeting considering the recommendation.

The Nomination and Remuneration Advisory Committee was held five times and deliberated agendas including succession plan for the President and Representative Director, composition and effectiveness of the Board of Directors, and initiatives to strengthen corporate governance.

In FY2023, the Company will continue to enhance deliberation on important management issues to make appropriate decisions as the Board of Directors and to ensure fairness and transparency in the Company’s management.

[Supplementary Principles 4.14.2]

The Company provides training and information that are necessary for Directors and Audit & Supervisory Board Members to adequately fulfill their respective roles and responsibilities as appropriate in accordance with the following policy:

<Training policy>

- i. Newly appointed Directors (including independent Outside Directors) and Audit & Supervisory Board Members are provided with opportunities to develop necessary knowledge, skills, etc., and to receive an explanation about the management strategy of the Company, the financial conditions of the Company, and other important matters from the President of the Company and designated executive officers by the President within three months of the date of the assumption of office.
- ii. Directors and Audit & Supervisory Board Members are required to always collect information and study proactively on such matters as the financial conditions of the Company, legal compliance, and corporate governance in order to fulfill their roles adequately. Any cost for such study such as attending seminars given by external parties is borne by the Company through prescribed procedures.

[Principle 5.1]

The Company believes that timely, appropriate and active information disclosure and two-way communication activities are essential for us to deepen mutual understanding and build a relationship of trust with shareholders. Therefore, the Company positively responds to any requests from shareholders that are considered to support sustainable growth and the medium/long-term enhancement of the corporate value of the Company. The Company has also established the “Basic Policy for Constructive Dialogue with Shareholders,” which had been deliberated and approved by the Board of Directors, and discloses it in corporate governance reports, etc.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (shares)	Percentage (%)
Master Trust Bank of Japan, Ltd. (Trust Account)	63,924,200	14.84
Custody Bank of Japan, Ltd. (Trust Account)	24,085,400	5.59
The Dai-ichi Life Insurance Company, Limited	15,737,000	3.65
Asahi Kasei Corporation	11,149,149	2.58
Employees Stock Ownership Plan	11,115,364	2.58
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	8,216,800	1.90
Sekisui House, Ltd.	7,998,405	1.85
The Bank of New York Mellon 140042	7,603,165	1.76
National Mutual Insurance Federation of Agricultural Cooperatives	7,302,400	1.69
STATE STREET BANK WEST CLIENT – TREATY 505234	7,140,978	1.65

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

### Supplementary Explanation

The list is reported as of March 31, 2023.



The Company holds 25,967,970 treasury stocks (5.68% of the issued shares), which are excluded in the above list.  
 The treasury stocks excludes 211 thousand shares held by entrusted Employee Stock Ownership Plan and 811 thousand shares held by Board Incentive Plan as officer remuneration system, respectively.  
 The number of shares owned is rounded down to the nearest thousand.  
 The percentage is calculated after deducting the number of treasury stocks from that of total outstanding shares.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board
Number of Directors	12
Appointment of Outside Director	Appointed
Number of Outside Directors	5
Number of Independent Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Hiroshi Oeda	From another company												
Haruko Nozaki	From another company								○		○		
Miharu Koezuka	From another company								△				
Machiko Miyai	From another company												
Yoshihiko Hatanaka	From another company												

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/ Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between which and the Company Outside Directors/ Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hiroshi Oeda	○		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 the SEKISUI CHEMICAL Group and thus appointed him as Director.
Haruko Nozaki	○	Business relationships and donation relationships exist between Kyoto University, where she concurrently holds office, and the Company, but the amount of such transactions in the most recent fiscal year has been less than 1% of either ordinary income of the said university or net sales of the Company, and as the “Criteria for Independence of Outside Board Members” and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured.	Ms. Haruko Nozaki has experience in personnel affairs and education 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, the Company has nominated her as a candidate for Outside Director. Ms. Nozaki has never been involved in the management of a company, except as an external director. However, the Company judges she will appropriately fulfill her duties as an Outside Director based on the above reasons.
Miharu Koezuka	○	Business relationships exist between Takashimaya Company Limited, where she held office until 2016, and the Company, but the amount of such transactions in the most recent fiscal year has been less than 1% of net sales of the Company. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent	The Company expects that Ms. Koezuka will utilize her many years of experience in department stores and 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, the Company has

		directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be is sufficiently secured.	nominated her as a candidate for Outside Director.
Machiko Miyai	○		Ms. Miyai has broad job experience mainly in consumer-conscious duties in industries that are different from that of the Company. 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, the Company has nominated her as a candidate for Outside Director.
Yoshihiko Hatanaka	○		Mr. Yoshihiko Hatanaka has served as an executive at Astellas Pharma Inc., and in addition to his wide-ranging knowledge of global corporate management cultivated through his rich experience in Europe, the United States, and other overseas countries, he also has extensive experience in corporate integration, etc., based on his experience as a corporate planning officer. Based on these experiences and achievements, the Company expects that he will provide appropriate advice to the Group's management and contribute to the enhancement of corporate value. He satisfies the "Standards for Independence of Outside Officers" established by the Company and is independent as an Outside Officer. For this reason, the Company has determined that he can adequately fulfill the role of protecting the interests of general shareholders, and have designated him as an independent director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

(person)

	Name of Committee	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding	The Nomination	7	0	2	5	0	0	Outside Director

to Nomination Committee	and Remuneration Advisory Committee							
Committee Corresponding to Remuneration Committee	The Nomination and Remuneration Advisory Committee	7	0	2	5	0	0	Outside Director

#### Supplementary Explanation

The Company has established an optional advisory committee for nomination, remuneration, or the like for the purpose of complementing the Board functions and enhancing fairness and transparency in the process. (hereinafter translated as “the Nomination and Remuneration Advisory Committee”)

Chairman : Hiroshi Oeda

Committee members : Haruko Nozaki, Miharu Koezuka, Machiko Miyai, Yoshihiko Hatanaka, Teiji Koge and Keita Kato

In FY2022, the Nomination and Remuneration Advisory Committee was held five times and deliberated agendas including composition and effectiveness of the Board of Directors, and initiatives to strengthen corporate governance.

The Nomination and Remuneration Advisory Committee of the Company has function of both Nomination Committee and Remuneration Committee.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	The Company does not set a ceiling on the number of Audit & Supervisory Board Members
Number of Audit & Supervisory Board Members	5

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

- Audit & Supervisory Board Members confirm the audit plan with accounting auditor KPMG AZSA LLC and exchange information and opinions periodically with the accounting auditor including receiving audit reports, with the aim of improving the effectiveness and efficiency of audits through close collaboration.

-Audit & Supervisory Board regularly holds a regular meeting for exchange of opinions with the Internal Audit Department to understand the current internal issues and to determine the need for any on-site audit by Audit & Supervisory Board Members as appropriate. The results of the internal audit conducted by the Corporate Audit Department and the improvement status of audit findings are reported to the Audit & Supervisory Board Members on a timely basis. With the assistance of the dedicated support staff, Audit & Supervisory Board also collects information from internal departments and conducts any necessary interviews.

-A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to exercise without any obstacle its authorities by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, and examining the approval documents of important projects. Sufficient information sharing and exchange of opinions take place among the members of Audit & Supervisory Board (including Outside Audit & Supervisory Board Members). Audit & Supervisory Board Member also holds a regular meeting with the Representative Directors, Directors, and

executive officers to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Member, and important audit issues and to make necessary requests to enhance mutual understanding.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

#### Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshikazu Minomo	Attorney in law													
Wakyu Shinmen	CPA										△			
Kenji Tanaka	Academic													

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company Outside Directors/ Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

#### Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit &	Supplementary Explanation of the Relationship	Reasons of Appointment
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	Supervisory Board Member		
Yoshikazu Minomo	○		As a lawyer, Mr. Yoshikazu Minomo has an extensive proven record and deep insight in general corporate legal affairs such as business turnaround, company reorganization and M&A, and compliance and internal control. The Company has judged that Mr. Minomo is expected to reflect such a proven record and insight in audits of the Company, check appropriateness of management judgment particularly from the perspective of compliance, and contribute to improvement of the Company's social trust, and thus nominated Mr. Minomo as a candidate for Outside Audit & Supervisory Board Member.
Wakyu Shinmen	○	Business relationships exist between Deloitte Touche Tohmatsu LLC, where he held office until 2021, and the Company, but the amount of such transactions in the most recent fiscal year has been less than 1% of net sales of the Company. As the "Criteria for Independence of Outside Board Members" of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured.	Mr. Wakyu Shinmen has specialized knowledge and rich experience of auditing as a certified public accountant. In addition, he has experience in management as a partner of a major audit firm. So the Company judged that he is able to appropriately perform his duties as an outside auditor and appointed him as a candidate for outside auditor. He has never been involved in the management of a company, except as an outside audit & supervisory board member. However, the Company judges that he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member based on the above reasons.
Kenji Tanaka	○		Mr. Kenji Tanaka has a high level of insight and extensive experience in quality control, system reliability and integrity, and has a track record of joint research with many companies. The Company has newly nominated him as an outside corporate auditor candidate to reflect this in our audits. He has never been involved in the management of a company, except as an outside audit & supervisory board member. However, the Company judges that he will

			appropriately fulfill his duties as an Outside Audit & Supervisory Board Member based on the above reasons.
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**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/ Audit & Supervisory Board Members	8
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Matters relating to Independent Directors/ Audit & Supervisory Board Members

-All Outside Directors and Outside Audit & Supervisory Board Members, currently eight persons in total, have been designated as Independent Directors/ Audit & Supervisory Board Members pursuant to the provisions of the Tokyo Stock Exchange, based on the Company's policy to designate persons who are sufficiently independent and meet the criteria of independence for Outside Board Members prescribed by the Company as Outside Directors and Outside Audit & Supervisory Board Members of the Company. (Please refer to the Criteria for Independence of Outside Board Members (Directors and Audit & Supervisory Board Members) which are disclosed in the form of appendix to the SEKISUI Corporate Governance Principles.)

-In the latest fiscal year, Mr. Oeda attended all the seventeen meetings of Board of Directors, Mrs. Nozaki and Mrs. Koezuka attended all the thirteen meetings of Board of Directors held after they were appointed as directors, and Mrs. Miyai attended eleven of thirteen meetings of Board of Directors held after she was appointed as directors. Mainly from a viewpoint of top executives with rich experienced, they actively made required remarks on a bill under discussion.

-In the latest fiscal year, Audit & Supervisory Board Member, Mr. Minomo attended all the thirteen meetings of Board of Directors held after he was appointed as directors and all twelve meetings of Audit & Supervisory Board. From his professional standpoint as a lawyer, he made appropriate comments regarding the establishment and maintenance of compliance system of the Company.

**[Incentives]**

Incentive Policies for Directors	Performance-Based Remuneration, Share-Based Compensation Plan
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Supplementary Explanation (Policy for granting incentive)

The remuneration for Directors of the Company consists of performance-based remuneration and non-performance-based remuneration. The performance-base remuneration is discussed and appropriately managed by the Nomination and Remuneration Advisory Committee to ensure that it functions effectively as an incentive toward the improvement of the Group's corporate value and the achievement of the management plan. The remuneration for Outside Directors does not contain a performance-based remuneration component.

Furthermore, the Company has selected operating income, which is the business performance target of the Company; the business performance of the divisional companies, which reflects the business performance of the Group's unique divisional company system; ROE and ROIC, an assessment criteria for the improvement of the Group's corporate value; and dividends, which provides incentive to return these management results to shareholders, as indicators relating to the performance-based remuneration, with the reasons for the selection being to enable the performance-based remuneration will to function effectively as an incentive for the Directors of the Company to improve the Group's corporate value and achieve the management plan, as well as to ensure a high level of objectivity and transparency of the remuneration process. The amount of payment is determined to keep the balance with the above indicators by utilizing the executive remuneration data of outside research agencies and periodically making comparisons with companies similar in size and business performance to the Group.



The targets and results of the indicators for the performance-based remuneration for the current fiscal year are as follows.

Indicators		Targets	Results
Business performance of the Company (Operating income)		100.0billion yen	91.6 billion yen
Business performance of the divisional companies (Operating income)	Housing	38.0billion yen	32.8 billion yen
	Urban Infrastructure & Environmental Products	18.0 billion yen	21.1 billion yen
	High Performance Plastics	48.0billion yen	40.0 billion yen
	Medical	12.5 billion yen	12.5billion yen
ROE		9.7%	10.0%
ROIC		8.6%	7.6%
Dividends		53 yen	59 yen

Recipients of Stock Options

Supplementary Explanation

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#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Partially disclosed
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Supplementary Explanation

Total amount of remuneration, etc., per class of officers, total amount of remuneration, etc., per category thereof, and number of eligible officers

Class of officers	Category of remuneration, etc. (millions of yen)				Number of eligible officers (persons)
	Basic remuneration	Bonus	Share-based compensation	Total	
Directors (excluding Outside Directors)	322	209	83	614	7
Audit & Supervisory Board (excluding Outside Audit & Supervisory Board Members)	40	-	-	40	3
Outside Officers	61	-	-	61	5

(Notes) 1. The amount paid to Directors does not include the portion of employee's salary (including bonus) amounting to 68 million yen for Director who concurrently serves as employee.

2. The number of eligible officers includes 1 Audit & Supervisory Board Member who retired at the closing of the 100<sup>th</sup> Annual General Meeting of Shareholders held on June 22, 2022.

The names of, and the amount paid to, the officers whose remuneration, etc., amounts to 100 million yen or more are individually disclosed in the annual securities report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

##### (i) 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 sustainable 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 a diverse variety of management talent in order to increase the competitiveness of the Group

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and share-based compensation. For Outside Directors and Audit & Supervisory Board Members, remuneration is made up of basic remuneration only.

- Basic remuneration is paid in a certain amount corresponding to each Director's roles and responsibilities within a limit on officers' remuneration. For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's stock through the Officers Stock Ownership Plan.
- Bonuses is paid in accordance with the financial results for the fiscal year under review and is determined within a range of payment rate (0% to 100%) tracking target achievement rates for operating income, ROIC and divisional company financial results if certain standard for ROE or dividend is met.

Share-based compensation is medium- to long-term incentive plan and intended to further motivate officers to contribute to improving the Company's financial results and growing its corporate value in the medium- to long-term. This plan is designed so that Directors can enjoy the results of contribution to the improvement of corporate value over the medium- to long-term with the shares at the time of retirement, and is designed more closely linked to the shareholder value over the medium- to long-term. The remuneration of Directors is determined in accordance with their position and duties. The ratio of performance-linked remuneration is set so that the higher the position, the higher the ratio. The duties reflect the performance of the company in charge.

Basic remuneration and bonuses, which are monetary remuneration, will be paid regularly during the term of office, and share-based remuneration will be paid in a lump sum at the time of retirement.

##### (2) Process of determining officers' remuneration

The Company has the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors, running the system through objective and transparent procedures with the Committee deliberating on the remuneration structure-levels for Directors and the reasonableness of individual payouts.

<Outline of the Nomination and Remuneration Advisory Committee and how remuneration, etc. is determined>

- A meeting of the Nomination and Remuneration Advisory Committee is convened by the chairperson (Outside Director).
- A proposal to the meeting is put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc. is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and they must not aim for their own individual interests or those of a third party such as the Company's management.

- Due to changes in the process for determining the specific amount, payment timing, payment method, etc. of individual director remuneration, remuneration for fiscal 2022 will be paid as follows. All of them have received the approval of the Nomination and Compensation Advisory Committee.  
(The Board of Directors decided that CEO would be the most suitable person to evaluate the duties of each Director while overlooking the performance of the Company as a whole. After taking measures to ensure that authority was properly exercised, the decision of the specific amount, timing and method of payment of basic compensation and stock compensation was entrusted to "Keita Kato", President and Representative Director.)
  - Basic remuneration and stock remuneration shall be paid upon resolution entrusted to CEO Keita Kato.
  - Bonuses will be paid upon resolution by the Board of Directors held in June 2023.

For the indicators for performance-based remuneration, the Company has selected operating income, which is the business performance target of the Company; the business performance of the divisional companies, which reflects the business performance of the Group's unique divisional company system; ROE, an assessment criteria for the improvement of the Group's corporate value; ROIC; dividends, which provide incentive to return these management results to shareholders; etc., as these will enable the performance-based remuneration to function effectively as an incentive for the Directors of the Company to improve the Group's corporate value and achieve the management plan, as well as to ensure a high level of objectivity and transparency of the remuneration process. The amount of payment is determined to keep the balance with the above indicators by utilizing the executive remuneration data of outside research agencies and periodically making comparisons with companies similar in size and business performance to the Group.

**[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

- Corporate Business Strategy Department functions as Secretariat to the Board of Directors. The Company develops further the environment in which sufficient materials are provided to the Directors in advance for their deliberation through the appropriate organization-wide coordination depending on the nature of the discussion in the Board of Directors so that Directors can ask questions in advance.
- Prior to the Board of Directors Meeting, the Secretariat to the Board of Directors makes online meeting with independent Outside Directors to enhance the understanding of the discussion agenda by them, explaining about the agenda.
- Corporate Internal Audit Department and the Secretarial Office are in charge of the Secretariat to Audit & Supervisory Board to support the audit activities conducted by Audit & Supervisory Board Members and the administration of Audit & Supervisory Board. In cooperation with each other, they establish the system which enables Outside Audit & Supervisory Board Members to inspect important documents and conduct a hearing to a responsible person in charge of each division as necessary.
- Audit & Supervisory Board exchanges opinions with independent Outside Directors and provides information gained through audit activities.

**[Status of individuals retired from Representative Director and President, etc.]**

Name	Position/ Title	Description of Duties	Working Pattern/ Condition (Full time/Part time, With/Without remuneration, etc.)	Date of Retirement from President, etc.	Term
Naofumi Negishi	Special Advisor	Activities for business organizations, Social contribution activities etc.	Part time, Without remuneration, etc.	June 27, 2018	One year (renewable)

Total Number of Senior Advisor/Advisor who is a	1
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Former President and Representative Director, etc.	
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#### Other Matters

The Company has both Executive Advisor System and Special Advisor System aimed engaging in outside activities by persons with experience of office of President and Director, etc. Executive Advisor and Special Advisor engage in such activities that have certain significance to the Company from the view point of a public nature and interest in economic and industrial sectors as well as academic and sports world, and never intervene to any management matters.

Appointment of Executive Advisor and Special Advisor is resolved by the Board of Directors, after being deliberated by the Nomination and Remuneration Advisory Committee, which consists of the majority of Independent Outside Board Members, and is delegated by President and Director.

Mr. Negishi's "Date of Retirement from President, etc." is the day when he retired from Chairman of the Board and Director.

## 2. Matters on Functions of Business Execution, Auditing and Oversight, and Determination of Nomination and Remuneration (Overview of Current Corporate Governance System)

### (1) Organizational structure and business execution system

As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board.

Under the Divisional Company System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision-making function in management. Each divisional company has an Executive Officers Committee, which serves as the company's highest decision-making body. The Executive Officers Committee has been delegated substantial authority previously entrusted to the Board of Directors.

### (2) The Board of Directors

The Board of Directors continually strives to strengthen its role as a body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues, and supervising the execution of business. The Board includes Outside Directors to ensure transparency in management and fairness in business decisions and operations. In addition, all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall attend the meetings of the Board of Directors.

The number of Directors shall not exceed 15, and 2 or more of them shall be independent Outside Directors. 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 the business domain and size. The presidents of the divisional companies who are the top management of each business and senior corporate officers with significant experience and strong expertise are appointed as Inside Directors. Together with the Outside Directors who have broad knowledge and experience, they effectively perform the roles and responsibilities of the Board of Directors, taking the balance with respect to diversity, optimal size, and capabilities, with Audit & Supervisory Board Members with strong expertise.

In FY2022, next medium-term management plan (FY2023-FY2025), growth strategies (i.e. R&D, large-scale new business and large-scale capital investment, etc.) and foundational strategies (i.e. sustainability, digital transformation, safety, compliance and CS & Quality, etc.) were taken up as important management issues and sufficiently discussed at the Board of Directors Meeting.

### (3) Audit system

The Company has established an Audit & Supervisory Board as a supervisory body to oversee the Board of Directors and business execution system. Together with the adoption of Outside Audit & Supervisory Board Members, the system ensures wide-ranging viewpoints and fairness.

The Corporate Audit Department has been established under the direct control of the President, and conducts internal audits on the operations of the entire Group. Internal audit field work is conducted in accordance with

the internal audit regulations and based on the audit policy and the audit plan for the year. The findings are reported to the President, Directors, Audit & Supervisory Board Members and divisions concerned. The Corporate Audit Department receives action plans for improvement from the audited parties or conducts follow-up audits where necessary, through which it streamlines and improves the internal control system.

A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to perform audits without any obstacles by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, examining the approval documents of important projects, and receiving reports from related divisions including the internal audit division. Audit & Supervisory Board Members also hold a regular meeting with the Representative Directors to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make necessary requests to enhance mutual understanding.

The Company's accounting auditor is KPMG AZSA LLC. Certified public accountants who execute the accounting audit work will be replaced in a timely manner in accordance with relevant laws and regulations and the policy of KPMG AZSA LLC.

The accounting auditor and the Audit & Supervisory Board Members confirm the audit plan and mutually periodically exchange information and opinions including receiving audit reports, with the aim of improving effectiveness and efficiency of audits through close collaboration.

#### (4) Nominating and Remuneration Advisory Committee

The Company has established an optional advisory committee on nominations and remuneration policies as a complementary function to the Board of Directors, and for the purpose of enhancing fairness and transparency.

The Nomination and Remuneration Advisory Committee deliberates and makes recommendations to the Board of Directors on important management issues as necessary, in addition to the nomination of senior executives including Representative Directors and other Directors, etc. and adequacy of the system and the level of remuneration for the Directors. The Committee consists of 7 members, the majority of which must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.

### **3. Reasons for Adoption of Current Corporate Governance System**

As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board.

The Company is continuously encouraging to improve corporate value based on the belief that enhancing fairness and transparency and swift decision making are critical.

The Company adopted an Executive Officer System in 2008, for the purpose of separating the supervisory function (Directors) and the business execution function (executive officers), and elected 2 Outside Directors who met the criteria for independent officers.

In 2015, the "Nominating and Remuneration Advisory Committee," which consists of the majority of Independent Outside Officers and is chaired by an Independent Outside Officer, was established, in order to deliberate successor candidates for the President and other Directors, and remuneration of Directors.

The Company ensures fairness and transparency by establishing a highly effective system of supervision over Directors and improving the audit system, and judges that the current system is appropriate for the Company.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Notice is dispatched three weeks before the day on which the general meeting of shareholders is to be held.
Scheduling AGMs Avoiding the Peak Day	Holding the general meeting on a day not falling on the so-called general meeting concentration date.
Allowing Electronic Exercise of Voting Rights	A system for exercising voting rights by electromagnetic method for investors has been adopted since the annual general meeting of shareholders in June 2005.
Participation in Electronic Voting Platform	Yes
Providing Convocation Notice in English	English translation of the notice of convocation is posted on the website.
Other	A questionnaire survey targeted at shareholders who attended the general meeting of shareholders is conducted in order to further enhance communication with shareholders.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Set in “Corporate Information Disclosure Regulations” and “Basic Policy for Constructive Dialogue with Shareholders.”	
Regular Investor Briefings for Individual Investors	Held in Tokyo and Osaka as necessary (general meetings of shareholders are held in Osaka).	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Held on a quarterly basis to provide wrap-up of business performance and explain financial results.	Yes
Regular Investor Briefings for Overseas Investors	IR activities are conducted periodically in Europe, North America and Asian region.	Yes
Posting of IR Materials on Website	Information on financial results, materials to be disclosed in a timely manner other than information on financial results, annual securities reports or quarterly reports and IR briefing materials are posted on the website.	
Establishment of Department and/or Manager in Charge of IR	Division in charge of IR: Investor Relations Group within the Business Strategy Department / Officer in charge of IR: Executive Director & Head of Business Strategy Department.	
Other	E-mail newsletter for investors is published.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Provided in the Corporate Philosophy and the Corporate Code of Conduct.
Implementation of Environmental Activities, CSR Activities etc.	<p>-The SEKISUI CHEMICAL GROUP has declared its commitment to meeting expectations of its “Five Stakeholders”—i.e., “Customers,” “Shareholders,” “Employees,” “Business Partners,” “Local Communities and the Environment”—in its Corporate Philosophy, which describes the underlying approach to and policy for corporate activities, and believes that fulfilling this commitment will translate into carrying out its corporate social responsibility (CSR).</p> <p>The SEKISUI CHEMICAL GROUP has established the following CSR-related policies with the aim of conducting CSR management from a global perspective while standing out as a progressive company:</p> <ol style="list-style-type: none"> <li>1) Human Rights Policy;</li> <li>2) Environmental Management Policy;</li> <li>3) CS &amp; Quality Management Policy;</li> <li>4) Safety Policy;</li> <li>5) Personnel Policy;</li> <li>6) Social Contribution Policy; and</li> <li>7) Procurement Policy.</li> </ol> <p>For the details of each policy and information on specific initiatives, please refer to the sustainability Report (published annually).  <a href="https://www.sekisui.co.jp/sustainability_report/">https://www.sekisui.co.jp/sustainability_report/</a></p> <p>-The Environmental Management Policy is as follows.</p> <p>&lt; Mission &gt;  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 economy.</p> <p>&lt; Basic Policy &gt;  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.</p> <ol style="list-style-type: none"> <li>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 covering all of research, procurement, production, sales, use and disposal as waste.</li> <li>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.</li> <li>3. We make efforts to reduce the environmental impact of greenhouse gas emissions and hazardous chemicals, etc., and to prevent pollution by promoting effective use of limited resources and energy.</li> <li>4. We comply with the related laws, regulations, international rules, etc.</li> <li>5. We make efforts to improve environmental consciousness through education, and advance continual improvements by setting our own objectives and targets.</li> <li>6. We enhance our confidence through close communications with society.</li> <li>7. We actively work on social contribution activities such as nature conservation activities in each region.</li> </ol>

Development of Policies on Information Provision to Stakeholders	The Company has formulated and disclosed the Information Disclosure Policy and the Basic Policy for Constructive Dialogue with Shareholders. Upon their implementation, the Company has also formulated an own Principle of Corporate Information Disclosure and strives to strictly enforce it in all corporate activities.
Other	<p>&lt;Promotion of Diversity&gt;  The Company develops the plan aiming at promoting the maximum activation of potential power from each diverse group employees working in and outside of Japan.  In order to realize the sustainable growth, the Company believes that it is indispensable to have active participation by diverse human resources including female, senior-aged, foreign citizen, etc., so that the Company promotes diversity by setting and disclosing concrete numerical targets for hiring, employment, and cultivation plans.</p> <p>The Company established “Diversity Management Policy” to ensure greater participation by women, to foster an organization culture, which create much more synergy effect.</p> <p>&lt;Diversity Management Policy&gt;  We recognize the need for diversity for realizing a “strong corporate value for the next 100 years,” understand and acknowledge the fact that each individual employee’s attitude toward work and lifestyle, as well as their characteristics, are different, and positively take advantage of these differences. For creating such corporate culture, we will continue to develop various systems, through dialogues with employees, to provide employment and work opportunities and assistance to employees’ progress.</p> <p>&lt;Promotion of Work Style Reform&gt;  The Company set FY 2018 as the” starting year for Work Style Reform” and is addressing on a company-wide basis, intending to establish a corporate culture where each employee would continuously enjoy actively working, and to be regarded as a company group continuously favored by stakeholders.</p> <p>&lt;Statement of Work Style Reform&gt;  To empower every employee to demonstrate their personal strengths, we will transform our current work style, which requires long hours to achieve results, in to a productive work style that maximizes results in a limited time.  To improve productivity, the company will introduce various management resources and enable employees and managers across the company to unite their knowledge and experiences. Improving our quality of work will nurture engagement and enable us to return the reform results to employees, thereby strengthening our culture of diversity.</p>



## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and Progress of System Development

The Company, pursuant to the provisions of the Companies Act, has established and implemented the basic policy for the internal control system as the system to ensure proper business operations of the Group.

(1) System to ensure that Directors, executive officers and employees of the Company and Group companies execute their duties in compliance with laws, regulations and the Articles of Incorporation

The Board of Directors deliberates and decides the Fundamental Compliance Policies. Also, the Compliance Sub-committee has been established as a special subcommittee of the Sustainability Committee with the aim of strictly enforcing compliance in the Company and Group companies and making them steadily carry out sustainability activities in practice. The Compliance Sub-committee plans, examines and determines important matters related to compliance, for the purpose of building and implementing the compliance system in the Company and Group companies. The Sub-committee, which shall be chaired by a Director or executive officer appointed by the President, supervises the Company and Group companies' compliance initiatives on a Group-wide scale.

The Company has also prepared the "SEKISUI CHEMICAL GROUP Compliance Manual," presenting the guidelines for Directors, executive officers and employees of the Company and Group companies to act in accordance with laws, regulations, the Articles of Incorporation and corporate ethics. The Company also conducts training targeted at Directors, executive officers and employees of the Company and Group companies in regards to various laws and regulations and corporate ethics in the form of group training sessions and e-learning. The Company has developed an internal system to prevent damage from being caused by antisocial forces, and by using the "SEKISUI CHEMICAL GROUP Compliance Manual," thoroughly inform Directors, executive officers and employees of the Company and Group companies to have no relationship whatsoever with antisocial forces and to take a firm stand if unreasonable demands are made by antisocial forces.

In addition to the above, the intra-company whistle-blowing system S.C.A.N. (Sekisui Compliance Assist Network) enables employees to directly call the internal hotline or a lawyer's hotline when a compliance problem has arisen.

(2) System to store and manage information on the execution of duties of Directors and executive officers of the Company and Group companies

In accordance with the Document Management Rules, information on the execution of duties of Directors and executive officers of the Company and Group companies are recorded in document or electromagnetic media format and stored and managed in an appropriate manner.

(3) Rules and other systems related to management of risk of loss of the Company and Group companies

The Company strives to prevent risks from arising by identifying significant risks through the collection and evaluation of risk information in a centralized/complete manner based on the "SEKISUI CHEMICAL GROUP Risk Management Guidelines." In the event a significant risk has arisen, the Company will establish the emergency response headquarters to take prompt and appropriate measures based on the "SEKISUI CHEMICAL GROUP Crisis Management Guidelines."

(4) System to ensure that Directors and executive officers of the Company and Group companies execute their duties in an efficient manner

The meeting of the Board of Directors shall be held at regular intervals—i.e., once a month—and shall also be held whenever necessary. Important matters relating to the Company's management policy and management strategy are discussed at the meeting of the Policy Committee separately, and following its deliberation, they are determined at the meeting of the Board of Directors.

Furthermore, the Company has delegated authority by adopting the division company system and executive officer system. Each divisional company has an Executive Officers Committee, which serves as the company's highest decision-making body, to facilitate prompt decision-making in the company. In addition, meetings of senior-level employees, meetings of branch general managers, etc. are held within the divisional company as necessary, and reports are made in a prompt and precise manner to the divisional company's president, who is responsible for the execution of duties in the divisional company.

(5) System to ensure proper business operations of the Company and Group companies

The Company and Group companies collaborate closely with each other in terms of supervision, directives and communication, having formulated the "Corporate Activity Guidelines" based on the Group's management principles in order to improve the corporate value of the Group as a whole and fulfill its social responsibility. The Company also seeks to conduct business operations in an appropriate manner on a Group-wide scale while guiding, advising and assessing Group companies.

In regards to the business management of Group companies, monitoring is conducted by Audit & Supervisory Board Members, the Corporate Audit Department, etc., and enhancements are made to the system for Group companies to seek approval from and make reports to the Company based on the "Rules for handling affiliated companies" and "Guidelines for final decisions at affiliated companies."

In addition, if a misconduct arises at the Company or a Group company, thoroughgoing efforts will be made to prevent it from occurring again by requiring that a report on the nature of the scandal be made to the divisional company in charge or the Compliance Promotion-Subcommittee at the corporate headquarters without fail and that the Compliance Subcommittee be contacted by the Compliance Promotion Subcommittee so that all information will be collected and brought to the Director or executive officer appointed as the chairperson of the Compliance Subcommittee.

(6) Matters concerning employee to assist in the duties of Audit & Supervisory Board Members if such employee is requested by Audit & Supervisory Board Members.

If Audit & Supervisory Board Members request an employee to assist in his/her duties, the Company takes appropriate action such as appointing an employee to serve as his/her assistant subject to consultation with the Audit & Supervisory Board Members.

(7) Matters concerning independence of the employee referred to in (6) from Directors and executive officers

In cases where an employee is to be appointed to assist in the duties of an Audit & Supervisory Board Member, the evaluation and transfer of such employee shall require the prior approval of the Audit & Supervisory Board Members.

(8) Matters related to ensuring effectiveness of instructions to the employee referred to in (6)

In cases where an employee is to be appointed to assist in the duties of an Audit & Supervisory Board Member, such employee shall follow the directions and orders of the Audit & Supervisory Board Members.

(9) System for Directors, executive officers, Audit & Supervisory Board Members and employees of the Company and Group companies or recipients of their report to make a report to Audit & Supervisory Board Members and other systems for making a report to Audit & Supervisory Board Members.

Directors, executive officers, Audit & Supervisory Board Members and employees of the Company and Group companies make a report on the following matters to the Audit & Supervisory Board:

- (i) Matters that are important in the context of monthly management status;
- (ii) Matters that may inflict significant damage to the Company or Group companies;
- (iii) Important matters related to risk management;
- (iv) Material breach of laws, regulations or the Articles of Incorporation;
- (v) Whistle-blowing status of the intra-company whistle-blower system; and
- (vi) Other matters which are important in terms of compliance.

Also, the Internal Audit Department of the Company conducts operational audits and accounting audits with respect to the Company and Group companies, and reports the audit results to the Representative Director and the Audit & Supervisory Board of the Company on every occasion.

(10) System to ensure that the person who made a report to Audit & Supervisory Board Members, etc. will not be treated unfairly on the grounds of making such report

The Company prohibits the unfair treatment of anyone who works at the Company or Group company on the grounds that he/she has made a report to Audit & Supervisory Board Members, etc., and makes this thoroughly known among Directors, executive officers, Audit & Supervisory Board Members and employees of the Company and Group companies.

(11) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

Expenses deemed necessary for the execution of duties by Audit & Supervisory Board members shall be budgeted for in advance. However, it shall not be required in cases where unplanned duties should be executed.

**(12) Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured Efficiently to Be Performed**

A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to exercise without any obstacle its authorities by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, and examining the approval documents of important projects. Sufficient information sharing and exchange of opinions take place among the members of Audit & Supervisory Board (including Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members also hold a regular meeting with the Representative Directors, Directors, and executive officers to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make necessary requests to enhance mutual understanding.

Based on the above-mentioned policies, the Company endeavors to administrate its internal control system.

-The Company has developed internal controls over financial reporting, which are operated by a separate department in charge of the promotion of internal control. The status of company-level internal controls and the appropriateness of business processes at significant locations/units are monitored and the results of the audit conducted by the External Accounting Auditor are reported directly from the External Accounting Auditor to the Directors in charge and Audit & Supervisory Board Members as appropriate. The operation status of these controls and its evaluation are deliberated annually by the Board of Directors.

-The Company has clearly stipulated in the Board of Directors Regulations the conflict of interest transactions between the Company and its Directors as a matter requiring the resolution of the Board of Directors. Opinions of Outside Directors and Audit & Supervisory Board Members on these transactions are sought at the meeting of the Board of Directors through the approval or reporting processes pertaining to actual individual transactions. The execution status of these transactions is also required to be reported as appropriate at the meeting of the Board of Directors.

-The Company has developed the S.C.A.N. (Sekisui Compliance Assist Network), an intra-company whistle-blowing system, and since then we have made it available for use by all Group employees. This system is operated under the supervision of the officer appointed by the President and the operation status of the intra-company whistle-blowing system is reported to the Board of Directors.

- As part of the whistleblower system, the Company has secured a reporting contact at an external law firm that is independent from the Company in addition to the internal reporting contact in Japan. Additionally the Company has established a point of contact for the employees of foreign affiliates in United States, China, ASEAN and Europe countries. The protection of the whistleblower is prescribed by the Whistleblower Rules to put in place an environment in which whistleblowers do not suffer any disadvantage. For example, the identity of the whistleblower is kept secret from anybody other than the reporting contact.

## **2. Basic Views on Eliminating Anti-Social Forces**

**(1) Basic Views**

The Company has prepared the "SEKISUI CHEMICAL GROUP Compliance Manual," presenting the guidelines for Directors, executive officers and employees of the Company and Group companies to act in accordance with laws, regulations, the Articles of Incorporation and corporate ethics. The Company has developed an internal system to prevent damage from being caused by antisocial forces, and by using the Manual, thoroughly inform Directors, executive officers and employees of the Company and Group companies to have no relationship whatsoever with antisocial forces and to take a firm stand if unreasonable demands are made by antisocial forces.

**(2) Progress of System Development**

The Company is promoting to nurture corporate culture emphasizing compliance and is carrying through an internal system to prevent damage from being caused by antisocial forces, to have no relationship whatsoever with antisocial forces and to take a firm stand if unreasonable demands are made by antisocial forces

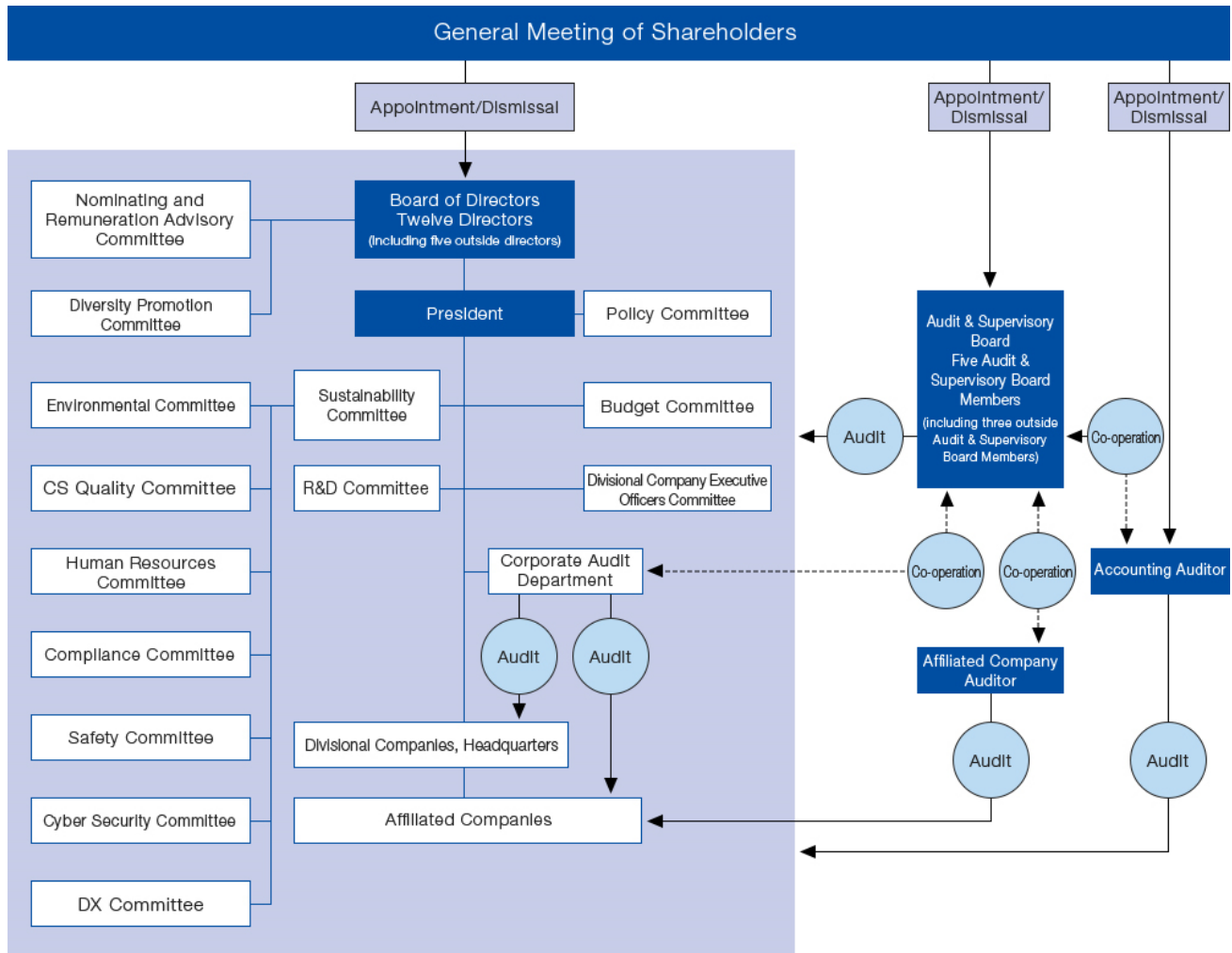
## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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### 2. Other Matters Concerning to Corporate Governance System

#### ■ Corporate Governance System



## ■List of Officers

Name	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities									
	Management	Core Function of Manufacturing Business		Preparations for Long-term Growth				Strengthening the Management Base		
	Corporate Management/ Management Strategy	Manufacturing/Safety/ Quality	Marketing/ Sales	Environment	Innovation (Research & Development/ New Business Development/ Alliance)	Global Business	DX (Digital Transformation)	Legal Affairs/ Compliance	Financial Affairs/ Accounting	Human Resources/ Diversity/ Human Rights
Teiji Koge	●		●	●						●
Keita Kato	●	●	●	●	●	●			●	
Futoshi Kamiwaki	●		●	●	●		●		●	
Yoshiyuki Hirai	●		●	●	●	●			●	
Toshiyuki Kamiyoshi	●		●							
Ikusuke Shimizu	●	●	●			●				
Kazuya Murakami	●									●
Hiroshi Oeda	●					●			●	●
Haruko Nozaki	●									●
Miharu Koezuka	●		●	●			●			
Machiko Miyai	●		●	●	●	●				
Yoshihiko Hatanaka	●		●			●			●	
Hiroyuki Taketomo	●							●		●
Tomoyasu Izugami		●	●				●			
Yoshikazu Minomo								●		
Wakyu Shinmen									●	
Kenji Tanaka		●			●		●			

## (Reference) List of Officers [subject to approval of this Annual General Meeting of Shareholders]

Name	Position at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)	Number of Attendance of the Board of Directors Meetings of the Company (The business term under review)	Number of Attendance of the Audit & Supervisory Board Meetings of the Company (The business term under review)	Number of Attendance of the Nomination and Remuneration Advisory Committee of the Company (The business term under review)	Number of Attendance of the Diversity Promotion Committee of the Company (The business term under review)
Teiji Koge	Chairman of the Board	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% (17 out of 17)	—	—	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)
Yoshihiko Hatanaka	Independent Outside Director	—	—	—	—	—
Hiroyuki Taketomo	Fulltime Audit & Supervisory Board Member	2 years	100% (17 out of 17)	100% (17 out of 17)	—	—
Tomoyasu Izugami	Fulltime Audit & Supervisory Board Member	—	—	—	—	—
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	1 year	100% (13 out of 13)	100% (12 out of 12)	—	—

Name	Position at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)	Number of Attendance of the Board of Directors Meetings of the Company (The business term under review)	Number of Attendance of the Audit & Supervisory Board Meetings of the Company (The business term under review)	Number of Attendance of the Nomination and Remuneration Advisory Committee of the Company (The business term under review)	Number of Attendance of the Diversity Promotion Committee of the Company (The business term under review)
Wakyu Shinmen	Independent Outside Audit & Supervisory Board Member	—	—	—	—	—
Kenji Tanaka	Independent Outside Audit & Supervisory Board Member	—	—	—	—	—

(Note) The above list does not present all knowledge held by the candidates.

### ■Outline of timely disclosure system

#### 1. corporate information disclosure policy

The SEKISUI CHEMICAL GROUP has established the "Information Disclosure Policy" and provides corporate information fairly and in a timely manner in order to ensure management transparency and fulfill its social responsibilities, and to deepen the understanding of all stakeholders regarding the Group.

Based on this policy, the Group actively discloses information as required by relevant rules and regulations, including corporate and securities exchange laws. The Group also discloses corporate information that is material from a financial, environmental, and/or social perspective, and any other corporate information, that it is so determined, should be disclosed.

#### 2. Internal system for timely disclosure

Regarding important information that may affect investment decisions of investors, we have the following system for each of the decisions, financial information and events.

##### (1) decisions and financial information

When the resolutions that may affect investment decisions of investors are submitted to the Board of Directors, the Corporate Communication Department will determine the content of timely disclosure in consultation with related departments in advance and will disclose it promptly after approval by the Board of Directors.

Financial information will also be disclosed promptly after the Board of Directors approves the financial information.

##### (2) events

When the events that may affect investment decisions of investors occur, the Corporate Communication Department will determine the content of timely disclosure in consultation with related departments and will promptly disclose it.