



SHIFT to “Next Stage”

Integrated Report 2019

Year Ended March 31, 2019

SEKISUI CHEMICAL CO., LTD.

Message SHIFT to the “Next Stage”

With ESG concerns driving our management,
we will take the next leap forward

Identifying “SHIFT to the ‘Next Stage’ – With ESG concerns driving our management, we will take the next leap forward” as our policy, we will steadily implement forward-looking investment and constant structural reforms while at the same time working to strengthen our business base with a long-term vision. SEKISUI CHEMICAL Group is taking a powerful first step toward realizing its long-term vision that defines what the Group wants to become in the future.



Toshiyuki Kamiyoshi

President of Housing Company

Teiji Koge

President and Representative
Director

Yoshiyuki Hirai

President of Urban Infrastructure &
Environmental Products Company

Ikusuke Shimizu

President of High Performance
Plastics Company

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

Publication of the Integrated Report 2019

Publication of the Integrated Report 2019

Fiscal Year Ended March 31, 2019

SEKISUI CHEMICAL Group aims to become a more compelling company by making quantitative growth compatible with qualitative transition in its business operations, based on its prominence in technology and quality, and achieving sustained growth in accordance with its responsibility to society.

Since 2016, the Group has published an integrated report that explains its economic value, the outcomes of activities to create social value, Group strategies, its medium-term vision, as well as a discuss its financial strategy, shareholder return policy and other measures that form the basis of corporate activities. We hope this integrated report is a useful tool for deepening your understanding of the Group.

In editing this report, SEKISUI CHEMICAL Group has referred to the integrated reporting framework recommended by the International Integrated Reporting Council and the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry.

This report can be downloaded from our website in PDF format. Moreover, the online version of this report can be viewed on the Investor Relations section of our website, from the SEKISUI Overview menu.



Integrated Report (PDF version)

<https://www.sekisuichemical.com/ir/library/annual/index.html>

SEKISUI Overview (Online version)

https://www.sekisuichemical.com/ir/sekisui_overview/index.html

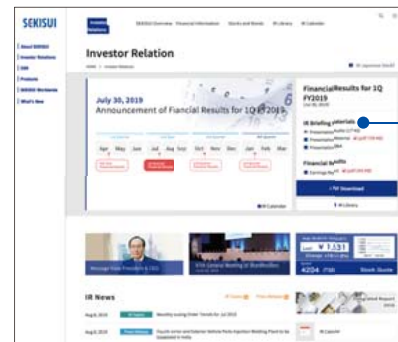
This report covers fiscal 2018, the period from April 2018 to March 2019. Some parts of this report contain qualitative information as of July 2019.

The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management's judgment of information available at the time this report was produced. Changes in key factors may cause actual performance results to differ materially from these forward-looking statements.

Introduction to Other Related Materials

Other related materials have been made available on our website to address the diverse interests of our readers in order to further their understanding of the Group.

Investor Relations Information <https://www.sekisuichemical.com/ir/index.html>



IR Briefing Materials

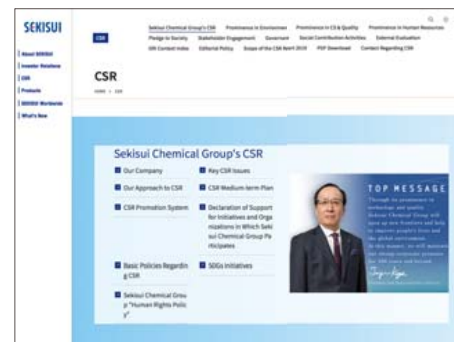
The latest results presentation materials are available here. An audio recording of the presentation can be listened to online as well.

Fact Book, Financial Analysis Tools

Eleven years of historical financial data and indicators can be viewed in graphs and tables here.



CSR <https://www.sekisuichemical.com/csr/index.html>



Please refer to the CSR section of the Company's website for detailed information on CSR and key CSR issues (materiality).

Our Principles

Our Principles

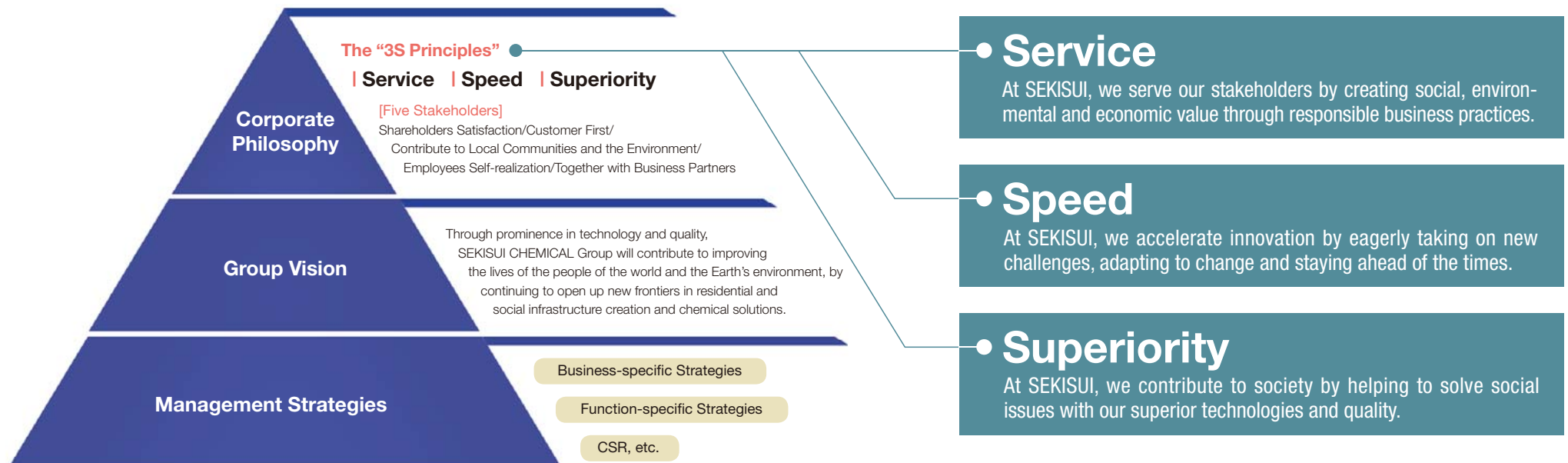
SEKISUI CHEMICAL's Group Principle is comprised of the three Corporate Philosophy, Group Vision, and Management Strategy elements. As one concrete strategy aimed at "contribute to improving the lives of the people of the world and Earth's environment," thereby achieving our Group Vision, we are carrying out the initiatives set out under our Medium-term Management Plan "SHIFT 2019 -Fusion-" launched in fiscal 2017 while taking one step forward toward a "new phase of growth."

SEKISUI CHEMICAL Group has encountered many challenges since its foundation in 1947. Over this period, our Corporate Philosophy and "3S Principles" have provided the underlying support and strength that has allowed us to overcome difficulties. In order to succeed in the future and become a corporate group that is sustainable for the next 100 years, it is vital that we return to the roots of this Corporate Philosophy.

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



Please see the following website for further details about SEKISUI CHEMICAL Company's Corporate Philosophy, Group Vision, and other elements of our Group Principles.
<https://www.sekisuichemical.com/about/vision/principles/index.html>

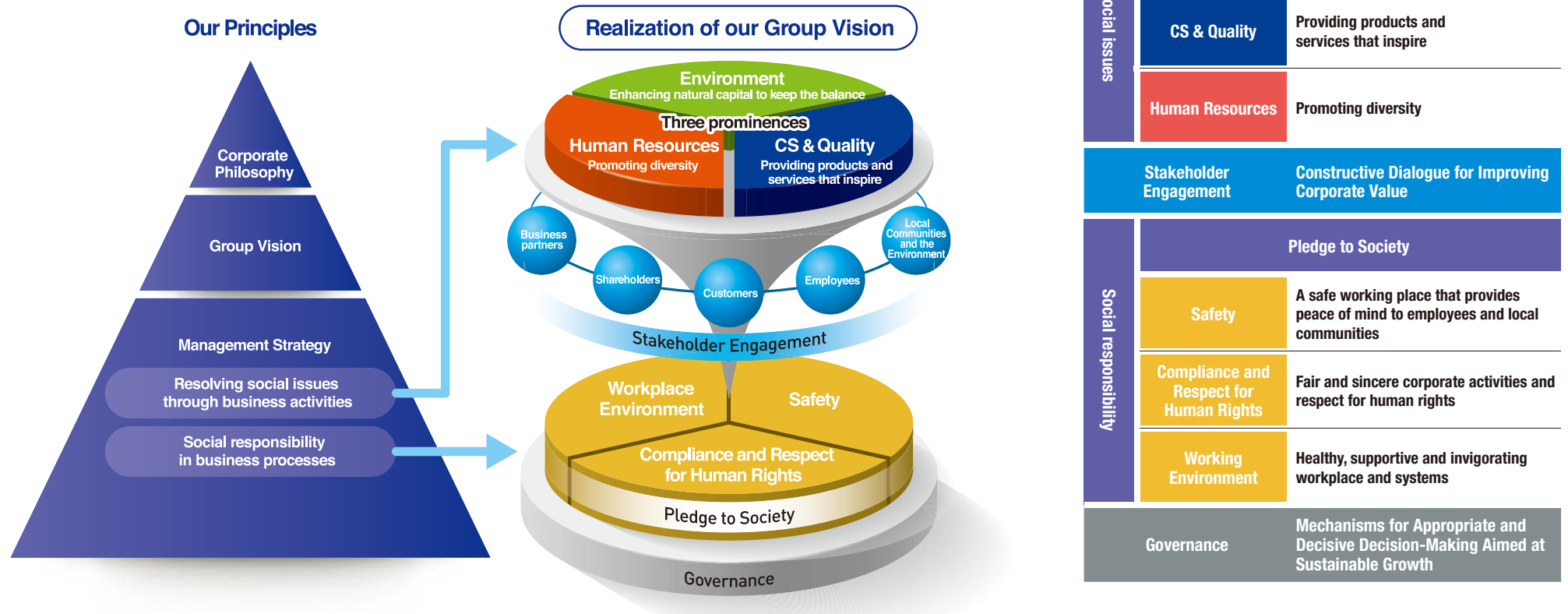


SEKISUI CHEMICAL Group CSR

Discussions regarding sustainability by SEKISUI CHEMICAL Group and the need to address CSR concerns began in earnest in the early 2000s. Since then, the Group has worked diligently to fulfill its corporate social responsibility by practicing its “3S Principles,” positioned sustainability at the heart of its Management Strategy, and implemented measures aimed at “Resolving social issues through business activities” and “Social responsibility in business processes.”

Recognizing that governance provides the foundation for all of its endeavors, SEKISUI CHEMICAL Group is making the pledge to society to responsibly engage in activities as the means to reduce risk while creating social value from each of its three prominences. Through constructive dialogue, every effort is also being made to properly grasp stakeholders’ expectations and requirements, and to apply this to the Group’s management. Moving forward, we are committed to realizing the Group Vision by ramping up efforts to push forward measures that integrate both business and CSR concerns.

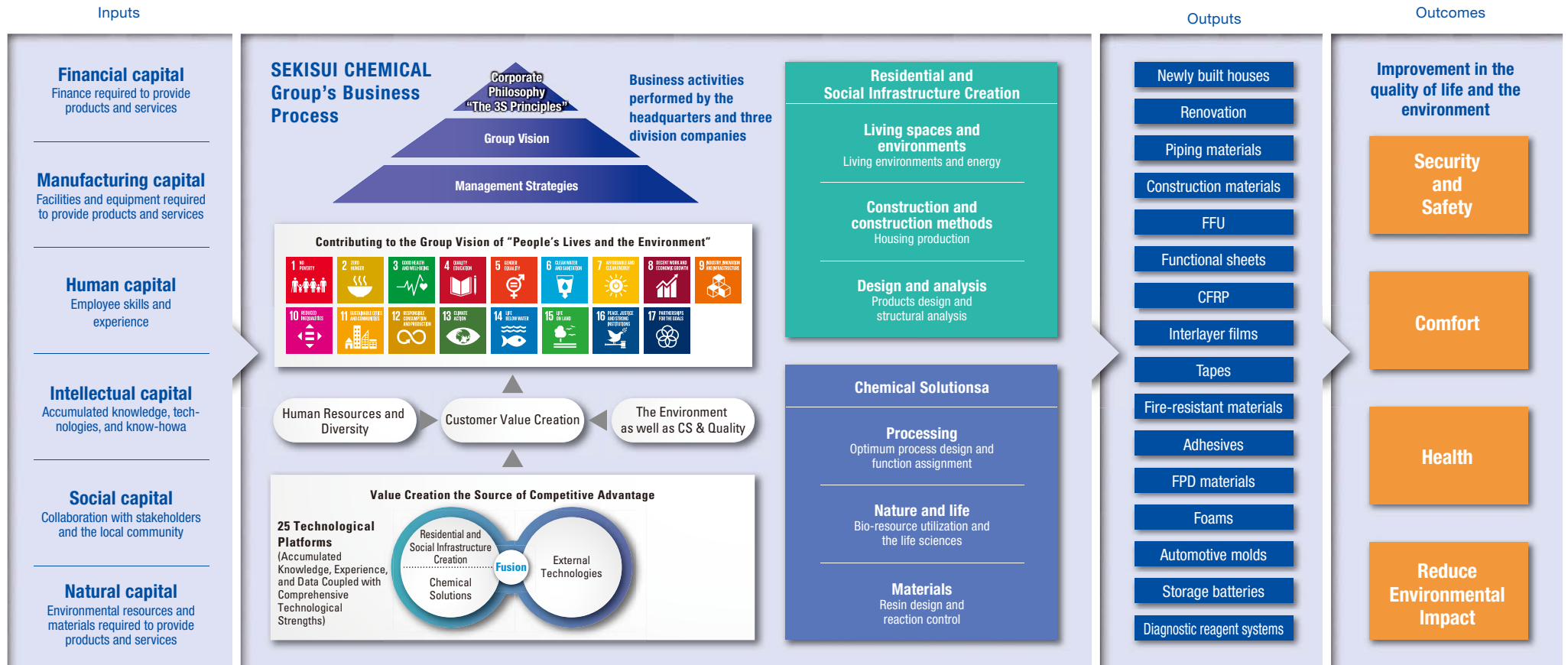
CSR conceptual scheme



Value Creation Process

Value Creation Process

SEKISUI CHEMICAL Group will continue to grow in a sustainable basis by “fusing” its technologies and strengths while helping to resolve social issues in “People’s Lives and the Environment” through its business activities.

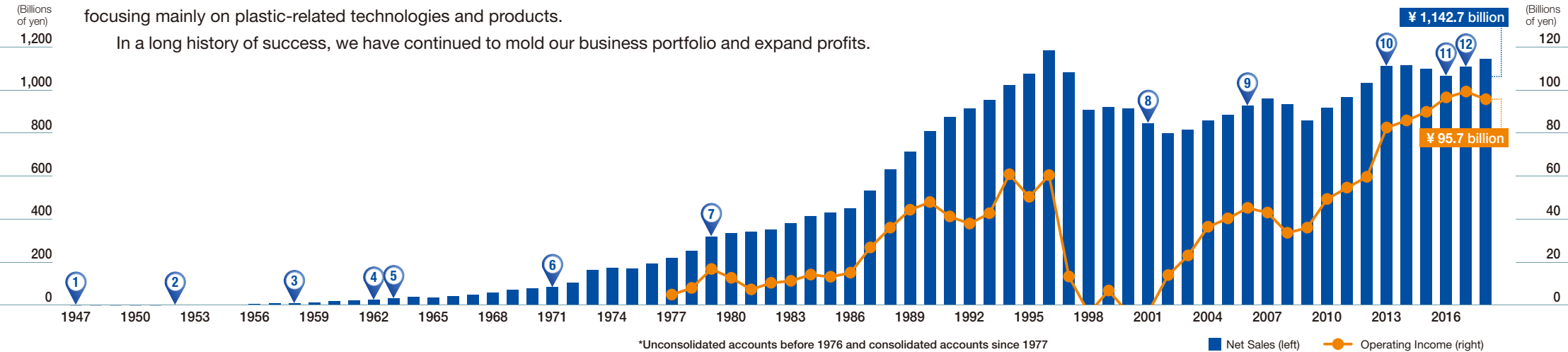


SEKISUI CHEMICAL Group Accomplishments

SEKISUI CHEMICAL Group Accomplishments

SEKISUI CHEMICAL Group was established in 1947 with the aim of comprehensively commercializing plastic, a new and innovative material in Japan at that time. Guided by our 3S Principles over the ensuing period, we have dared to challenge new businesses and frontiers while ushering in a new era focusing mainly on plastic-related technologies and products.

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

**1 1947**

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

**4 1962**

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

**2 1952**

Began full-fledged production of ESLON polyvinyl chloride pipes

**5 1963**

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

**3 1958**

Began production of inter-layer film for laminated glass S-LEC

**6 1971**

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

**7 1979**

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

**8 2001**

Divisional company system introduced

**10 2013**

Developed film-type lithium-ion batteries that achieve high safety, long cycle life as well as high capacity using proprietary materials technology

**11 2016**

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

**9 2006**

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

**12 2017**

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



Financial Highlights

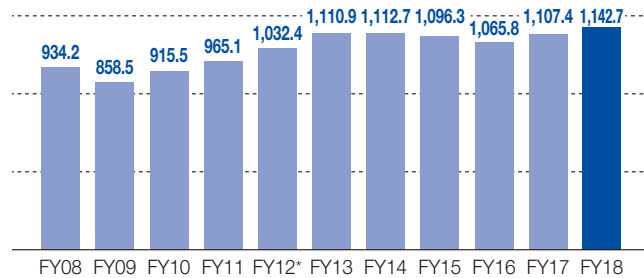
Financial Highlights

Net Sales

(Billions of yen)

FY2018

1,142.7



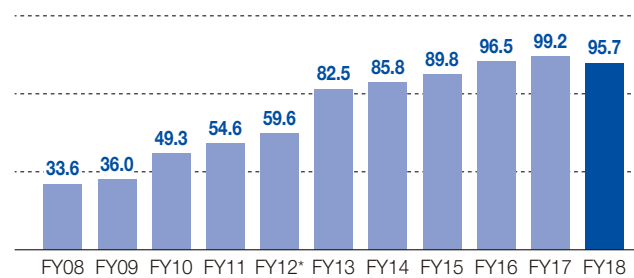
*Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

Operating Income

(Billions of yen)

FY2018

95.7



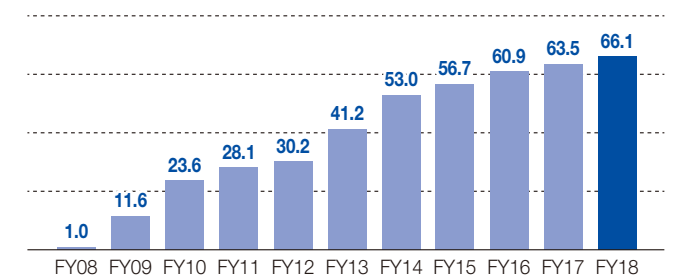
*Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

Net Income Attributable to Owners of the Parent

(Billions of yen)

FY2018

66.1

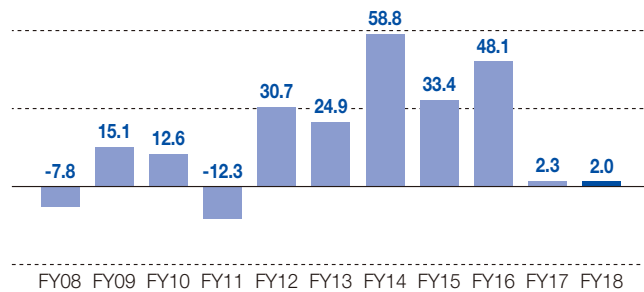


Free Cash Flow

(Billions of yen)

FY2018

2.0



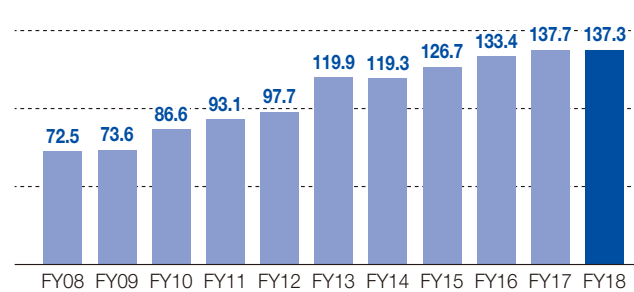
Free Cash Flow = CF Operating Activities + CF Investing Activities - Dividend Paid

EBITDA

(Billions of yen)

FY2018

137.3



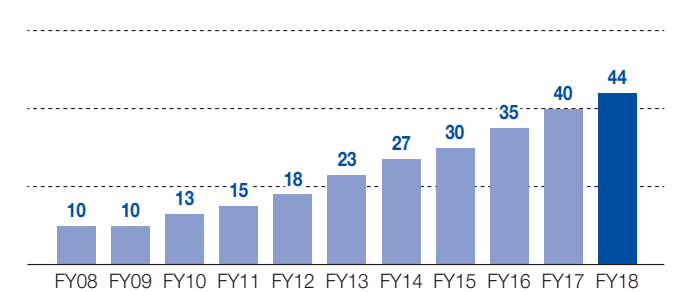
EBITDA = Operating Income + Depreciation and Amortization + Amortization of Goodwill

Dividends per Share

(Yen)

FY2018

44



Financial Highlights

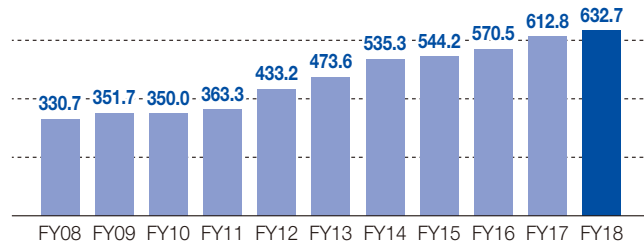
Financial Highlights

Net Assets

(Billions of yen)

FY2018

632.7

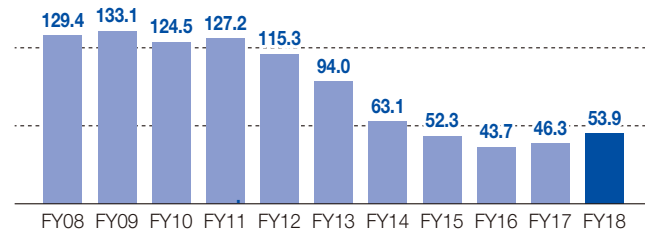


Interest-bearing Debt

(Billions of yen)

FY2018

53.9

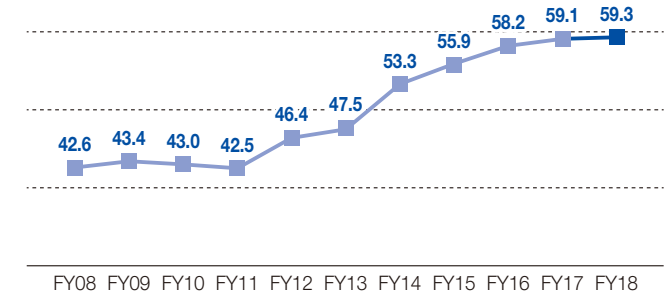


Equity to Total Assets

(%)

FY2018

59.3



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

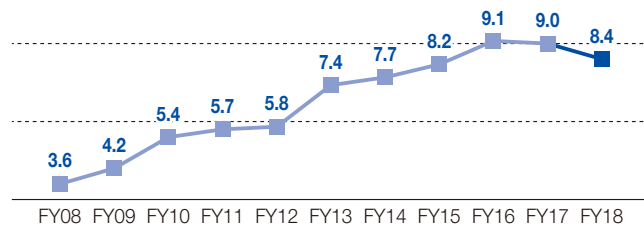
Equity= Shareholders' Equity including Accumulated Other Comprehensive Income
Equity to Total Assets = Equity/Total Assets

Operating Income Ratio

(%)

FY2018

8.4

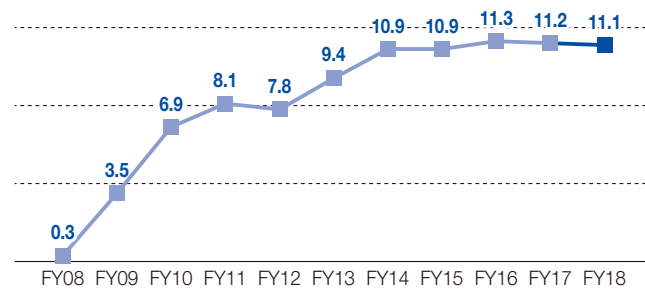


Return on Equity (ROE)

(%)

FY2018

11.1



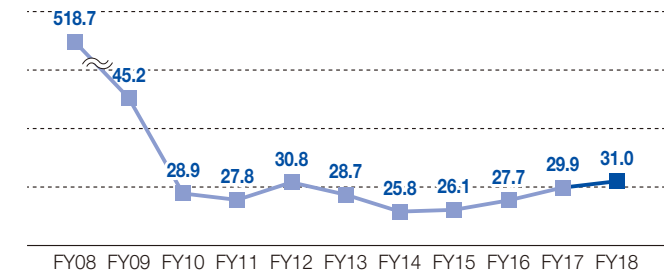
Equity= Shareholders' Equity including Accumulated Other Comprehensive Income
Return on Equity = Net Income Attributable to Owners of the Parent/Average Equity

Dividends Payout Ratio

(%)

FY2018

31.0

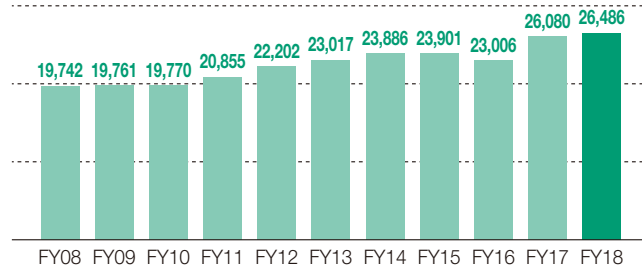


Non-Financial Highlights

Non-Financial Highlights

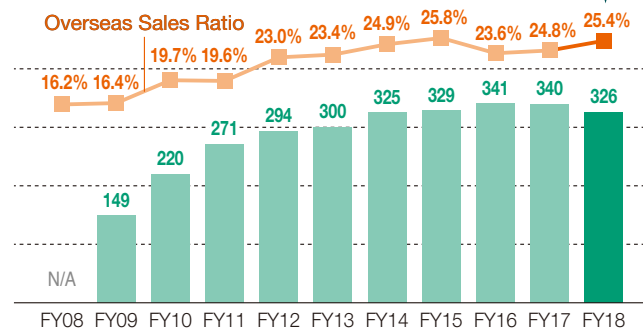
Number of Employees

(Number of persons)

FY2018
26,486

Global Talent Employees

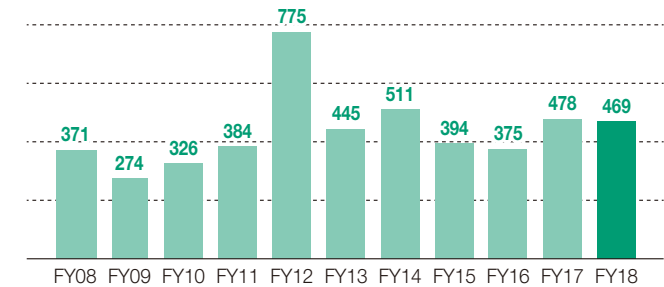
(Number of persons)

FY2018
326

Global talent employees: Japanese employees with experience working overseas (including global trainees). The Company introduced a global talent employees program in fiscal 2009.

Loss Costs

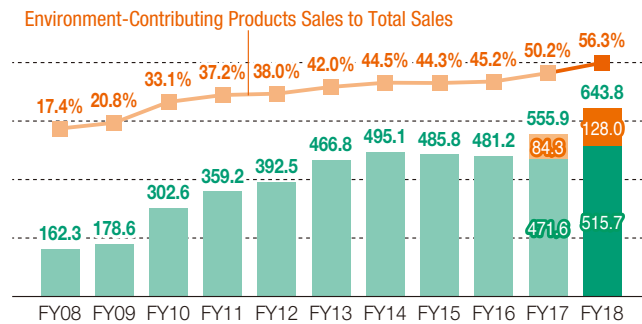
(Millions of yen)

FY2018
469

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

Environment-Contributing Products Sales

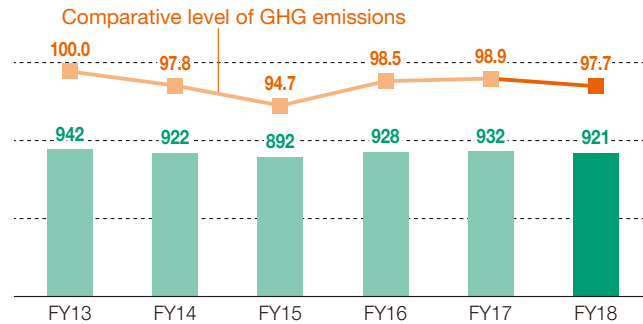
(Billions of yen)

FY2018
643.8

■ Sales of products that contribute to the natural environment
■ Sales of products that contribute to the social environment

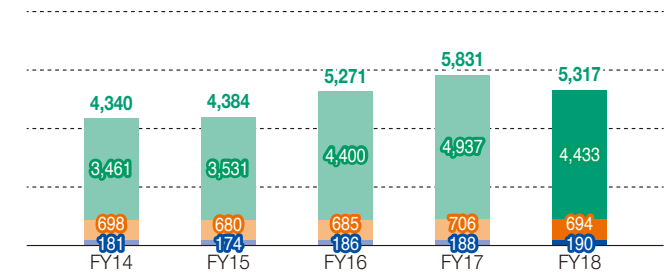
Environment-Contributing Products: Products that have demonstrated a high level of environmental contribution and that have been certified as having an effect when used by customers under the Company's internal certification system. In addition to the natural environment, the scope of contribution was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

Greenhouse Gas (GHG) Emissions that Arise from Business Activities

(1,000 tons-CO₂)FY2018
921

Note: Past figures have been revised due to improvements in precision.
FY2013=100

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

(1,000 tons-CO₂)FY2018
5,317

■ Scope3
■ Scope2
■ Scope1

Message from the President & CEO

Placing environmental, social, and governance (ESG) concerns at the heart of management in a bid to help realize a sustainable society, we are working to solve social issues that impact the global community through our business activities.

Teiji Koge

President and
Representative Director



Message from the President & CEO

SEKISUI CHEMICAL Group engages in business activities guided by the Corporate Philosophy (the 3S Principle) embodied in its Corporate Philosophy and is directed by its Group Vision “to contribute to improving the lives of the people of the world and the Earth’s environment.” To realize the Group Vision, we endeavor to solve social issues with our prominent technology and quality while working to reach the Sustainable Development Goals (SDGs) adopted by all United Nations member states aimed at realizing a sustainable society. We have positioned ESG concerns at the heart of our management strategies so that we may continue to give back significantly to stakeholders by creating meaningful social and economic value while maintaining our strong corporate presence.

SEKISUI CHEMICAL Group draws on our prominent processing technologies which have been honed over the years as the driving force to achieve our management strategies. The Group’s business activities cover a diverse range of areas encompassing 25 technological platforms. Categorized into the two broad domains of “residential and social infrastructure creation” and “chemical solutions”, these technological platforms include energy systems, infrastructure construction, and housing production construction technology as well as green chemistry, plastic molding, and polyvinyl chloride materials. Each of these platforms act as a source for the Group’s value creation. The prominence in technology of SEKISUI CHEMICAL Group enables us to engage in a wide range of global business activities in fields such as plastics materials, healthcare, urban infrastructure, and modular housing. The organizational structure of SEKISUI CHEMICAL Group is made up of a corporate headquarters which governs the activities of three Divisional Companies. Looking ahead, we will work to create new value and accelerate the pace of growth through fusion of our technologies and business opportunities with external resources through timely decision-making that allows us to leverage the benefits of the Divisional Company Structure.



**We will work to accelerate the pace
of growth and the creation of new value
while also promoting fusion opportunities
with external resources.**

Medium-term Management Plan “SHIFT 2019 -Fusion-”

SEKISUI CHEMICAL Group is working toward a “new phase of growth.” We aim to achieve net sales of 2 trillion yen and operating income of 200 billion yen during the 2020s. In 2017, the first year of the Medium-Term Management Plan, we directed our efforts toward securing “quantitative growth,” which means maintaining increased profitability proportionate with increasing sales and “qualitative transition.” We are also targeting operating income ratio of over 10%, and “sustainable growth that comes hand in hand with social responsibility.” When naming the Medium-term Management Plan, we decided on “SHIFT 2019 -Fusion-.” This embodies our desire to change the quality of growth from both a business results scale and a corporate attitude perspective. As a key word, we chose “Fusion,” which is central to promoting and achieving the plan. First, we asked ourselves what fusion opportunities we want to pursue. We are exploring the boundaries of our existing operations and promoting technology, opportunity and resource fusion across our entire SEKISUI CHEMICAL Group. We will then work to accelerate the pace of growth and the creation of new value while also proactively considering fusion opportunities with external resources.

SEKISUI CHEMICAL Group has identified certain financial targets under the Medium-term Management Plan. Our goal is to achieve net sales of 1.2 trillion yen, operating income of 120 billion yen, an operating income ratio of 10%, net income attributable to owners of the parent of 75 billion yen, and an ROE of 12% in fiscal 2019, the final year of the plan.

Record-high Bottom Line Profit for a Sixth Consecutive Fiscal Year Despite a Downturn in Operating Income

In fiscal 2018, the second year of the Medium-term Management Plan “SHIFT 2019 -Fusion-,” the Housing Company experienced substantial increases in the number of houses sold. The UIEP Company products also experienced increases thanks to the growth in houses sold. Earnings also increased on the back of growth in high-value-added products. Despite these positive factors, the High Performance Plastics (HPP) Company suffered a decrease in profit for the first time in seven periods. This was mainly due to the sudden and sharp deterioration in smartphone and automobile market conditions, coupled with an increase in raw material costs.

Looking at the Group’s performance in the fiscal year under review, net sales came to 1,142.7 billion yen while operating income totaled 95.7 billion yen. Based on these results, SEKISUI CHEMICAL Group fell short of its initial plans and incurred a downturn in operating income for the first time in 10 periods. Thanks largely to a decrease in non-operating expenses, net income attributable to owners of the parent amounted to 66.1 billion yen. This represented a record high for a sixth consecutive fiscal year.

Message from the President & CEO

Profit in the first half of fiscal 2018 declined by 3.8 billion yen. Despite a deterioration in global market conditions, the three divisional companies secured an increase in earnings. Profit on a second half stand-alone basis reached a record high, rising 0.3 billion yen to 53.5 billion yen. While the business environment is projected to remain harsh in fiscal 2019, SEKISUI CHEMICAL Group will strive for a substantial increase in sales and record highs at each major level of profit.

Although buffeted by a slump in the operating conditions of its smartphone and automobile markets, the HPP Company worked diligently to secure a boost in sales from its various strategic investments. In addition to the complete operational start of a new interlayer film line in Mexico, results are expected to benefit from a new interlayer film line that is scheduled to launch in Europe in the second half of fiscal 2019. Focusing on efforts to expand sales of prioritized products in Japan while improving the product mix through a shift to such high-value-added products as aircraft sheets overseas, the UIEP Company reported record high profits. The Housing Company posted increases in both sales and profit for a third consecutive fiscal year. This was mainly due to increases in the numbers of orders and houses sold through concerted efforts in the volume zone market focusing on first time buyers. The Housing Company also placed considerable emphasis on increasing the efficiency of indirect functions in its housing renovation business as a means to strengthen earning power.

SEKISUI CHEMICAL Group has identified “Fusion” as a group-wide theme that traverses all three divisional companies under its Medium-term Management Plan. Through “Fusion,” the Group is targeting a cumulative increase of 50 billion yen in net sales over the three-year period from fiscal 2017 to fiscal 2019. In fiscal 2018, the effects of various measures began to emerge. This included successful efforts to cultivate the Vietnam market by acquiring an equity interest in TP Group, a major pipe manufacturer in Vietnam, pioneer markets in the car electronics field, and strengthen kitchen, bathroom, and laundry renovation proposals through collaboration between the Housing and UIEP companies. From analyzing the cumulative effects of our “Fusion” efforts, results are largely in line with initial plans. Net sales have grown by more than 30 billion yen in the period up to fiscal 2018. In the current fiscal year, SEKISUI CHEMICAL Group is pushing forward various initiatives in a bid to crystallize additional benefits in the future. In addition to Corporate Headquarters working with the three divisional companies to initiate subdivision housing activities at the ASAKA Leadtown (Town and Community Development Project) located within its old Tokyo Plant site, construction will begin on a one-tenth scale demonstration plant to showcase the Group’s biorefinery (BR) technologies that convert waste into ethanol, to help achieve a circular economy.

While anticipating a harsh business environment throughout the first half of fiscal 2019, the Housing Company is expected to spearhead an increase in profit. Projecting a partial recovery in market conditions in the second half, we will work to realize the benefits of strategic investments. Through these means, we will endeavor to return the Group to an earnings growth trajectory. Taking into account the aforementioned, SEKISUI CHEMICAL Group is forecasting net sales of 1.175 trillion yen in fiscal 2019. From a profit perspective, operating income and net income attributable to owners of the parent are estimated to come in at 103 billion yen and 69 billion yen, respectively.

Earnings Structure (Divisional Company Organization System and Growth Strategies)

SEKISUI CHEMICAL Group adopted a divisional company organization system in 2001. We strongly believe that our divisional company organization system enables timely decision making for both customers and employees while addressing sudden dramatic changes in the market. We have also delegated broad and considerable authority to each divisional company across a wide range of areas including business execution and the setting of budgets. Moreover, each divisional company has its own R&D function. Responsible for a comprehensive range of activities from development through production to sales, this divisional company organization structure is distinguished by its high degree of management accountability. We have also clarified responsibilities with respect to profitability and cash flows. As a result, each divisional company is implementing various measures to improve added value and consistently reduce costs as its awareness toward profit increases.

For the most part, SEKISUI CHEMICAL Group has enjoyed continuous growth in earnings over the past decade thanks largely to this divisional company organization system. During this period, we have identified and invested intensely in growth enhancement areas (strategic fields). This in turn has helped to drive earnings growth.

For example, the HPP Company, which serves as a primary driver of Group-wide earnings and growth, identified Electronics, Automobile and Transportation, Building and Infrastructure, and Life Science as four strategic fields. The Company helped to increase earning power by promoting growth strategies that allocate management resources on a priority basis. The company focused mainly on products where it maintains a global competitive advantage including automotive interlayer films in the Automobiles and Transportation field and diagnostic reagents in the Life Science field.

While pursuing growth on the back of a divisional company organization system, SEKISUI CHEMICAL Group has continued to strengthen its governance structure covering each divisional company. Spearheaded by internal directors, the Policy Committee provides a forum for not only deliberating on managerial indicators, but also for evaluating rebuilding and/or exit strategies for underperforming businesses.

Meanwhile, control of the Medical Business, which was previously included in the HPP Company, has transferred to corporate headquarters from fiscal 2019. Recognizing the substantial potential of the Medical Business, this initiative is designed to help realize the “new phase of growth” identified under the Group’s long-term vision. Moving forward, we will work diligently to nurture the Medical Business, inject management resources as a new divisional company candidate, and accelerate the pace of expansion.

Message from the President & CEO

Strengthening the Management Foundation (Corporate Governance)

SEKISUI CHEMICAL Group recognizes that governance is the cornerstone of sound corporate management. Through governance, companies are better positioned to hone in on important themes that include the selection of and concentration on businesses where an improvement in capital efficiency is most likely to be achieved, the systems and processes required to properly carry out operations, the reduction of risks that could lead to a deterioration in corporate value, and the means and structure necessary to secure growth. As a key component of the decision-making process, governance is also a mechanism through which to fine tune and determine those strategies that will enable companies to put into effect the aforementioned themes.

In broad terms, governance is a discipline that provides a roadmap for sound and sustainable growth as well as the support required to build a structure that will help garner the confidence of society.

Based on this understanding, SEKISUI CHEMICAL Group has worked diligently to enhance corporate governance in a bid to increase the transparency and fairness of management and to ensure that decisions are made in a timely manner. In order to incorporate a broad range of perspectives, obtain the counsel of individuals with diverse backgrounds, and reinforce the supervisory function, we have appointed three highly independent outside directors to play a central role in the Company's top management. With this initiative, the ratio of outside directors to the total number of directors has risen to one third.

SEKISUI CHEMICAL Group also established the Nomination and Remuneration Advisory Committee in fiscal 2016. Under the Company's officers' remuneration plan, bonuses are not only linked to the Group's performance, but also the ratio of Environment-Contributing Products to total sales, each divisional company's performance including such non-financial indicators as CS & Quality management, ROE, and other factors. Moreover, a share-based compensation plan was added to the Company's officers' remuneration plan. This incentive plan is designed to further raise the motivation of officers and is linked closely with shareholders' value over the medium to long term.

Looking ahead, and in a bid to further strengthen the governance function of the Group's overseas business, which continues to expand, SEKISUI CHEMICAL Group newly established a regional headquarters in Thailand to complement existing headquarters in the U.S., Europe, and China. In this manner, we have put in place a structure to cover the ASEAN and Oceania zones. Every effort is being made to bolster the governance function by unifying operations in Japan and overseas, minimizing latent risks, and incorporating the knowledge of local operation outside Japan.

SEKISUI CHEMICAL Group's Approach Toward Addressing ESG Management

The business environment is veiled in a cloud of uncertainty. This is mainly due to a slowdown in the growth of emerging countries, the frequent incidence of regional conflicts and acts of terrorism, high foreign currency exchange rate volatility, and the rise of protectionism. Under these circumstances, demand in the leadup to Japan's consumption tax rate hike in 2019 is expected to change. At the same time, demand growth prior to the Tokyo 2020 Olympic and Paralympic Games and a subsequent negative correction is also anticipated. From our perspective, we believe that changes in population demographics typified by the declining birthrate in Japan, as well as shifts in the global environment attributable to climate change, climate devastation, and resource depletion issues represent megatrends that have the potential to considerably impact SEKISUI CHEMICAL Group. Initiatives aimed at addressing these two broad megatrends are critical to the durability of the Group's business model.

SEKISUI CHEMICAL Group is working diligently to help solve these important issues through its business activities. As one example, and as a part of efforts to address the critical issues of climate change risk and the impact on the global environment attributable to resource depletion, we have developed and market several products that are attracting widespread attention. This includes the Group's EsloHYPER Series of earthquake resistant, highly durable polyethylene leak-proof pipes and CROSS-WAVE, a plastic material used in rainwater storage systems. Both of these products are helping to resolve water issues in emerging countries. Looking also at countermeasures designed to address the issue of social infrastructure degradation, SEKISUI CHEMICAL Group has introduced the SPR Method, a trenchless sewage pipeline renewal method that facilitates the efficient application of backfill materials in the space between existing and rehabilitation pipes, as well as products in the InfraGuard Series to repair and strengthen degraded concrete and other structural surfaces and prevent peeling.

**Governance is a discipline
that provides the roadmap
for outlining efforts to build a
structure that will help garner
the confidence of society.**



Message from the President & CEO

In this manner, we believe that our efforts to engage in a diverse range of business development activities will not only provide the conduit for seizing a variety of opportunities, but also allow us to help resolve a host of social issues going forward. There are currently many unprecedented global social problems such as climate change, deteriorating social infrastructure, raw resource/energy issues, and super aging societies. However, we remain confident in our ability to make a significant contribution to solving these issues through our business activities by leveraging our prominence in technology and quality.

As far as its ESG endeavors are concerned, SEKISUI CHEMICAL Group was the first in Japan's chemical sector to acquire Science Based Targets (SBT) Initiative certification for greenhouse gas reduction targets. In addition, the Group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) in January 2019. In specific terms, we announced our agreement to the TCFD's recommendation that companies analyze the impact of climate change on their financial status and disclose information about their strategies to respond based on those impacts. Among a host of other initiatives, SEKISUI CHEMICAL Group is also working to increase the ratio of Environment-Contributing Products to total sales. This includes products that aim to achieve several of the SDGs. Coupled with efforts to promote health management, the Group revised its human rights policy.

Capital Policy and Return to Shareholders

Guided by the five core components of its Basic Capital Policy, SEKISUI CHEMICAL Group pursues optimal balance between investment for sustainable growth and the return of profits to shareholders while keeping in mind the optimal state of its balance sheet.

In conjunction with efforts to aggressively undertake growth investment activities totaling 300 billion yen as stipulated in its Medium-term Management Plan, the Group is utilizing borrowings in line with the demand for funds while maintaining a sound financial position. Turning to the Group's policy on the return of profits to shareholders, we are guided by profit growth trends over the medium to long term as well as the ongoing need to engage in proactive business investment. On this basis, the return of profits to shareholders is carried out in accordance with financial results. Moving forward, we will continue to pursue the vigorous and stable return of profits to shareholders through the payment of dividends and flexible buy back of shares. Our goals are to secure a Dividend-on-Equity (DOE) Ratio of around 3% while targeting a dividend payout ratio of roughly 30%.

Through these initiatives, SEKISUI CHEMICAL Group will continue to create new value that will be shared with society, generate economic value, and accelerate the pace of sustainable growth. As we work to achieve these goals, we kindly request the continued support and understanding of all stakeholders.

August 2019
President and Representative Director



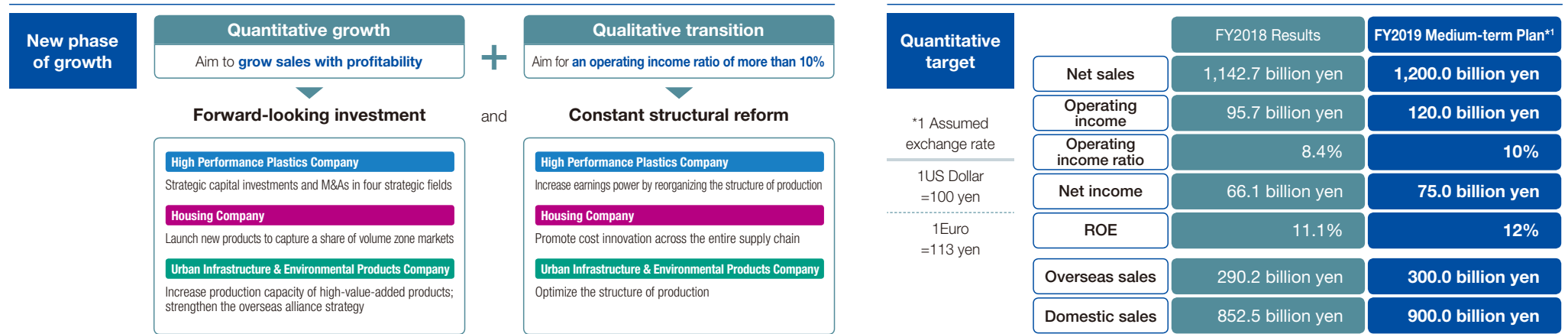
Basic Capital Policy

1. The Company recognizes its capital policy as one of the most important tasks in corporate governance.
2. The Company avoids implementing any capital policies that is not considered supportive to the creation of long-term shareholder value. Any capital policy involving a change in control or a substantial dilution will be subject to the deliberation of the Board of Directors for careful examination of its purpose and necessity/reasonableness and other due processes so that the shareholders will be provided with sufficient and clear explanation of it.
3. The Company sets and discloses in its Medium-term Management Plan its targets for various indicators of capital productivity such as return on equity (ROE).
4. By always keeping in mind the optimal state of the balance sheet, we will pursue an optimal balance between investment for sustainable growth of the Company and shareholder return.
5. The return of profits to shareholders will be carried out in accordance with financial results and in consideration of ROE and the Dividend-on-Equity Ratio as well as optimal balance between the policy for stable dividend payments and the ability to flexibly buy back shares. Our aim is to secure a DOE Ratio of around 3% while targets a dividend payout ratio of roughly 30%.

Progress of the Medium-term Management Plan "SHIFT 2019 -Fusion-"

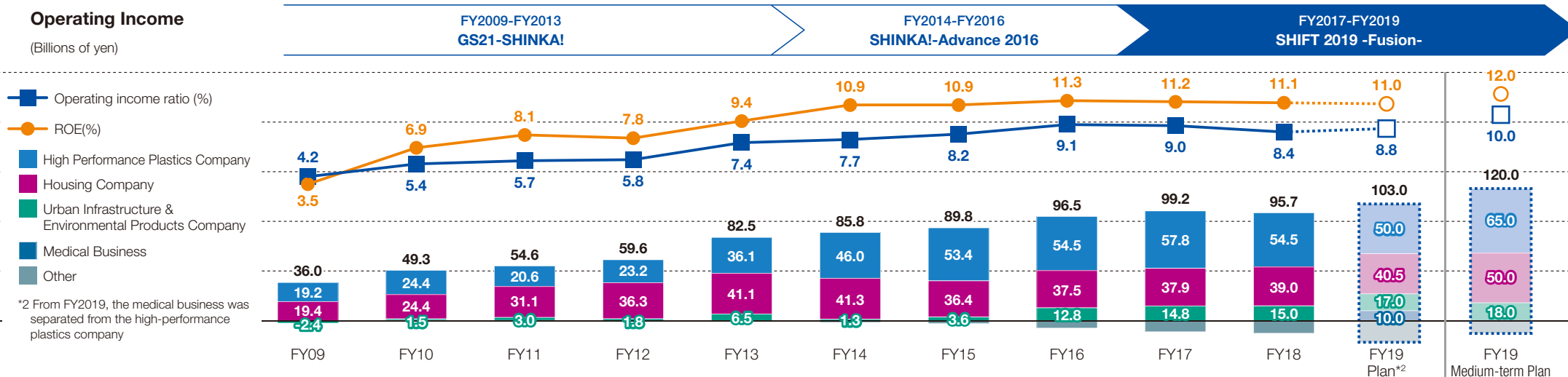
Progress of the Medium-term Management Plan "SHIFT 2019 -Fusion-"

Under the Medium-term Management Plan "SHIFT 2019 -Fusion-" (from fiscal 2017 to fiscal 2019) we will make "quantitative growth," by which we grow sales with profitability by appropriate growth investment for the future, compatible with "qualitative transition," by which we aim for an operating income ratio of more than 10% through ongoing improvements in profitability by constant structural reform.



Operating Income

(Billions of yen)



Progress of the Medium-term Management Plan “SHIFT 2019 -Fusion-”

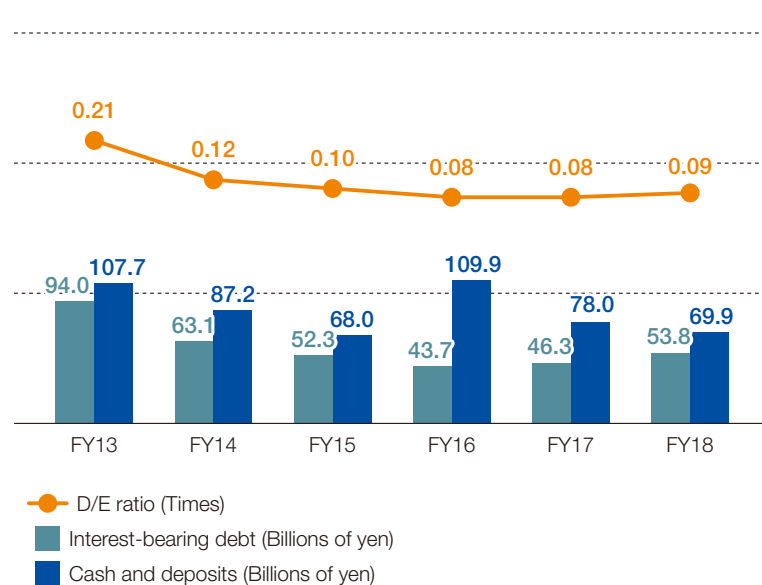
Progress of the Medium-term Management Plan “SHIFT 2019 -Fusion-”

Under the Medium-term Management Plan “SHIFT 2019 -Fusion-,” the policy is to conduct aggressive investment while maintaining a sound financial position. To that end, we double strategic investment and establish a new investment framework for M&As. We will make investments for growth from various perspectives, including establishing a new environmental contribution framework. On the other hand, our policy is to maintain active and stable returns of profits to shareholders through dividends and treasury stock acquisition.

Capital Policy Approach

Undertake aggressive investment activities and utilize borrowings in line with the demand for funds while maintaining a sound financial position

Trends in Cash and Deposits, Interest-bearing Debt, and D/E Ratio

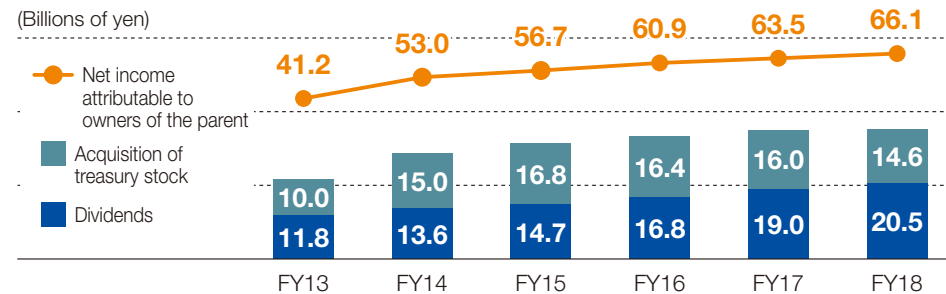


Returns to Shareholders

Maintain vigorous and stable returns to shareholders also under the Medium-term Management Plan

Returns to Shareholders Track Record

(Billions of yen)



	FY13	FY14	FY15	FY16	FY17	FY18
Net income attributable to owners of the parent per share (yen)	80.13	104.73	115.08	126.13	133.80	141.70
Cash dividends per share (yen)	23	27	30	35	40	44
Dividends payout ratio	28.7%	25.8%	26.1%	27.7%	29.9%	31.0%
Acquisition of treasury stock (billions of yen)	10.0	15.0	16.8	16.4	16.0	14.6
Total return ratio*1	52.9%	54.0%	55.5%	54.5%	55.1%	53.0%
ROE	9.4%	10.9%	10.9%	11.3%	11.2%	11.1%
DOE*2	2.7%	2.8%	2.8%	3.1%	3.3%	3.4%
Treasury stock retired (millions of share)	0	12	10	0	10	8

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

*2 DOE= Annual dividend/Average Shareholders' Equity

Commitments under the Medium-term Management Plan

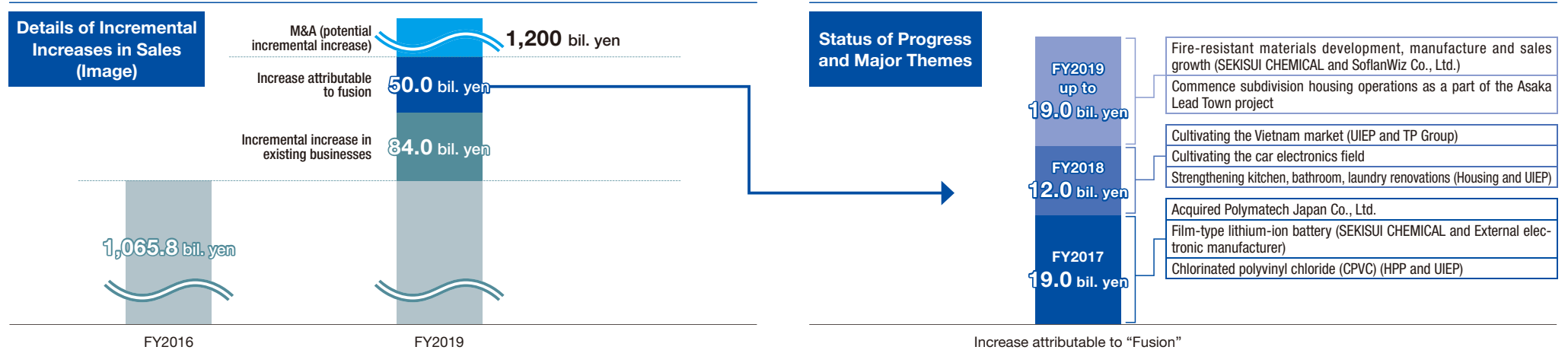
- Targeting a dividend payout ratio of 30%
- **Targeting DOE*2 of 3%**
- Flexible acquisition of treasury stock

Progress of the Medium-term Management Plan “SHIFT 2019 -Fusion-”

Progress of the Medium-term Management Plan “SHIFT 2019 -Fusion-”

In addition to growth in existing businesses, the thinking is that growth under the Medium-term Management Plan “SHIFT 2019 -Fusion-” will be achieved by creating incremental increases in sales in existing businesses through fusion themes and by accelerating the promotion of new businesses (commercialization of incubation and creation themes).

Targeting a FY2017-FY2019 cumulative increase in sales of ¥50 billion (compared with FY2016) through “Fusion” measures



Steady progress overall in Development & Creation themes; Plans to commence construction of a 1/10-size BR plant in FY2019

Typical Examples of Development Themes	FY2016	FY2017	FY2018	FY2019	FY2020 and after
Film-type lithium-ion battery (Housing, Corporate R&D and External electronic manufacturer)	Launch products for stationary use	Stationary use: Increase investments to expand production capacity and variation for housing			
Urban development project (Housing, UIEP, HPP, and Corporate R&D)		Design completion; commence preparation of land	Commence subdivision housing activities	Push forward urban development proposals that seamlessly combine the collective strengths of our Group's technologies and products nationwide	
Next-generation solar cell (Corporate R&D and advanced User Candidates)	Partial commercialization for indoor use	Indoor: Improve performance and production technologies; conduct user verification tests ⇒ Expand applications Outdoor: Promote progress in weather resistance development activities			
Carbon fiber reinforced thermal plastic (UIEP and Corporate R&D)	Partial commercialization in the civil engineering field	Consider application in other areas including vehicles and vessels			
Biorefinery (BR) technologies that convert garbage into ethanol (Corporate R&D)	Develop technologies	Verify technologies, realize business models and undertake a search for partners		Commence construction of a 1/10-size BR plant*	

*Final estimated scale of around 1/10

Progress of the Medium-term Management Plan “SHIFT 2019 -Fusion-”

Progress of the Medium-term Management Plan “SHIFT 2019 -Fusion-”

SEKISUI CHEMICAL Group’s Town and Community Development through “Fusion”

In addition to growth in existing businesses, the thinking is that growth under the Medium-term Management Plan “SHIFT 2019 -Fusion-” will be achieved by creating incremental increases in sales in existing businesses through fusion themes and by accelerating the promotion of new businesses (commercialization of incubation and creation themes).

SEKISUI CHEMICAL Group is currently promoting the ASAKA Leadtown (Town and Community Development Project) at a former Tokyo plant site in Asaka City, Saitama Prefecture as one of several fusion themes. Bringing together a broad collection of the Group’s products, the goal is to create a safe and secure, eco-friendly, sustainable town. At the same time, every effort is being made to promote fusion through collaboration with regional government agencies and companies outside the Group.

Achievements in Fiscal 2018 -ASAKA Leadtown-

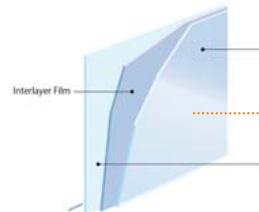
The project name, ASAKA Leadtown, is a coined phrase that shines a light on the efforts “leading into” the creation of a sustainable urban environment. The goal is also to “lead” both the region and local residents to a lifestyle that is one step ahead of the one that they currently enjoy. Bringing together the collective strengths of the Group’s latest lifestyle-related technologies and products, SEKISUI CHEMICAL Group is working diligently to support Asaka City’s town planning endeavors and efforts to realize both safety and security, make it easier to raise children, promote interconnected relationships for a vibrant lifestyle, and maximize the benefits of a natural environment.

Bringing Together SEKISUI CHEMICAL Group’s Technologies

SEKISUI CHEMICAL Group products help support safe and comfortable lifestyles not only in a visible manner (above ground), but in ways that are not always evident (below ground).

Above ground products

Earthquake-resistant, highly durable, high-performance factory-built housing products



S-LEC interlayer film for laminated glass



SMART HEIM

Can be used in the event of a disaster



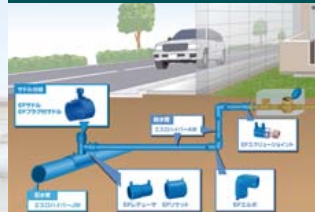
Drinking water storage system



Emergency-use storage-type portable toilet

Below ground products

Pipe networks that exhibit outstanding earthquake-resistant and durable features



ESLO Hyper

Torrential rain countermeasures



ESLO RCP for ground- and rainwater drainage use



Rainwater storage system “CROSS-WAVE”

Underground cabling



CC-BOX (electric and communications cable protective pipeline system)



Special Feature 1: Dialogue; Ensuring SEKISUI CHEMICAL Group's Sustainability through ESG Management

Dialogue

Ensuring SEKISUI CHEMICAL Group's Sustainability through ESG Management

With ESG concerns driving management, SEKISUI CHEMICAL Group will take the next leap forward. Well versed in environmental finance as it pertains to such wide-ranging topics as climate change, we welcomed Ms. Mari Yoshitaka to join us in a discussion on SEKISUI CHEMICAL Group's current and future initiatives.



Keita Kato

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

Ms. Mari Yoshitaka

Chief Environmental & Social Strategist
Environmental Strategy Advisory Division
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

The Role that SEKISUI CHEMICAL Group Should Be Expected to Play

Yoshitaka: I have been engaged in environmental finance consulting focusing on the climate change field for close to two decades. Interest in this issue from institutional investors has grown rapidly from around 2014.

Well prior to the start of this movement, SEKISUI CHEMICAL Group has promoted a wide range of initiatives since clarifying its stance toward corporate social responsibility (CSR) with an emphasis on the environment in 2000. What led you to pioneer efforts in the leadup to this current era?

Kato: Our inspiration comes from the president before last Naotake Okubo, who spearheaded the Company from 1999. Mr. Okubo advocated efforts aimed at “co-existence of ecology and the economy.” While this remains the cornerstone of our current approach toward CSR, SEKISUI CHEMICAL Group's endeavors began several years prior. We launched, for example, poly-pail plastic garbage bins made from polyethylene as early 1964, around the time of the Tokyo Olympics. Through efforts to address the issue of waste disposal that had continued to plague Tokyo, these products helped spur a beautification campaign that blossomed into a so-called “cleaning revolution.”

Over the ensuing period, we have developed and

brought to market a variety of products that help resolve environmental and social issues. In addition to introducing the SPR Method, a trenchless sewage pipeline renewal technique that facilitates the efficient application of backfill materials in the space between existing and rehabilitation pipes, SEKISUI CHEMICAL Group released an automotive interlayer film that controls the cabin temperatures of cars by cutting ultraviolet as well as infrared rays thereby increasing air conditioning efficiency. Among a host of products, the Group also launched a heat shielding interlayer film that helps reduce CO₂ emissions and an interlayer film for head-up display use that significantly improves safety.

Resolving social issues through business activities

Special Feature 1: Dialogue; Ensuring SEKISUI CHEMICAL Group's Sustainability through ESG Management

is now second nature and a part of our DNA. SEKISUI CHEMICAL Group is not a raw materials company. We provide additional functionality through processing, which in turn leads to added value, and ultimately solutions to social issues. Receiving high praise for these endeavors, our business and earnings as a result have grown substantially. Recently, we have become especially aware that solutions to social issues leads to sustainable growth.

Yoshitaka: In recent years, the trend toward ESG investment has become increasingly prominent worldwide together with an appreciation of growth in other than financial terms. I am pleased that steps to secure growth by resolving issues through business activities are being linked to the pursuit of earnings.

Kato: Our awareness toward ESG concerns may also reflect our shareholder profile. SEKISUI CHEMICAL Group's ratio of overseas institutional investors to total shareholders is around 10 percentage points higher than the average of all companies listed on the Tokyo Stock Exchange. Calling on overseas institutional investors on several occasions each year, we have noticed a significant increase in the number of ESG-related questions and proposals.

Yoshitaka: A substantial portion of the corporate sector is today engaging in ESG management. What do you see is your role as a company?

Kato: Taking into consideration our status and position within the manufacturing sector, it is our responsibility to help address environmental and social issues through the development of innovative products and technologies and to pursue every opportunity. Working to fulfill the requirements of customers and society, it is our role to provide high-value-added solutions.

In this context, we are endeavoring to create and expand Environment-Contributing Products that contribute substantially to resolving environmental and social issues. Critical to efforts aimed at the ongoing promotion of environment-based management is the Group's underlying technological and human resource assets as well as initiatives undertaken with customers. Drawing on the strengths of these assets and initiatives, we will work to resolve a host

of issues. We remain confident in our ability to balance the need for sustainable growth and business expansion with efforts to address social problems.

On another note, the issue of marine plastic waste has been picked up by various forms of media of late. SEKISUI CHEMICAL Group is also committed to resolving this concern.

About ESG Management

Yoshitaka: Interest in how companies address ESG concerns among investors is wide ranging. In addition to the defensive measures that companies are ethically bound to undertake, investors are calling for the disclosure of ESG information that includes details of companies' offensive measures and how efforts will contribute to growth.

However, the vast majority of companies have yet to clarify their levels of contribution to the environment and the impact on earnings. How has SEKISUI CHEMICAL Group responded to this wide-ranging interest and calls for increased information disclosure?

Kato: We do, for example, disclose details of various indicators including sales targets for Environment-Contributing Products. We would of course like to declare that our entire lineup is comprised of Environment-Contributing Products. In reality, however, as assessment is made on an objective basis by a panel of outside experts with products registered progressively. Employees are also better positioned to gauge the level of growth attributable to contributions to society as the ratio of Environment-Contributing Products increases. With this in mind, I look forward to the day when the Company can indeed declare that its entire lineup is comprised of Environment-Contributing Products. I believe this will help boost the number of employees who take pride in pursuing the sustainable growth of the Company through efforts to address ESG concerns.

In addition, SEKISUI CHEMICAL Group announces details of various integrated indices including its rate of return on natural capital. This index measures the level of



Ms. Mari Yoshitaka

After working for an IT company and a U.S. investment bank, she received M.S from the Department of Natural Resources and Environment at the University of Michigan. She was engaged in research work at the Technology and Environment Department of the World Bank Group's International Finance Corporation and was involved in a research for one of the first eco-funds in Japan. She joined Mitsubishi UFJ Morgan Stanley Securities in August 2000 to start up the climate finance related business and recently she has been conducting SDGs and ESG investment advisory business. She also teaches environmental business design at Graduate School of Media and Governance, Keio University. Also she is a member of Global Environment Committee, Central Environment Council.

contribution to the natural environment generated by our corporate activities as a whole. The goal is to convey our approach toward addressing ESG concerns by disclosing details of the burden imposed on the environment by our corporate activities including production processes, and the degree to which we contribute to society.

Yoshitaka: Speaking with the senior executives of over 150 companies each year, ESG concerns clearly play an integral

Special Feature 1: Dialogue; Ensuring SEKISUI CHEMICAL Group's Sustainability through ESG Management

role in shaping management. In this regard, today's leaders are struggling with how best to set the tone, and to balance contributions to the environment and society with earnings growth. It is difficult at this stage to categorically state that a balance has been achieved. Here, I would like to see SEKISUI CHEMICAL Group play a leadership role.

From my experience as a university professor, the motivation behind students, who engage in research without an understanding of how a technology can be used, and those who pursue a clearly defined objective, are poles apart. Have you had the same experience?

Kato: My involvement with automotive interlayer films is extensive and covers a lengthy period. SEKISUI CHEMICAL Group's competitive advantage stems from successful efforts to provide added value in such areas as sound and heat insulation and to differentiate its products from other companies. In developing new products, we also placed considerable emphasis on resolving social issues, which as a result helped drive business growth. The fact that our efforts were contributing to the Company's expansion was both rewarding and a source of motivation.

On the anniversary of the Company's founding this year, the message that "the very essence of SEKISUI CHEMICAL Group's business is grounded in the environment, society,

and governance" was broadcast to all employees. "Of paramount importance is the need to link solutions to society's problems with efforts to achieve sustainable development goals (SDGs)."

We would ask the frontlines of our operations to carry out their duties with an increased awareness toward ESG concerns. Our role as management is to showcase the appeal of these activities to the outside world. This message has become all the more prominent since our current president, Mr. Koge, took up office. Among several recent initiatives, for example, "Shift to the 'Next Stage' — With ESG concerns driving our management, we will take the next leap forward" has been adopted as the Group's slogan in fiscal 2019. In addition, the ESG Management Department was established and included in the Group's organization in April 2019. Redoubling our efforts, the goal is to move beyond the scope of just CSR management, and to clarify the importance of the environment, society, and governance with a focus on growth.

Should the Group's mindset evolve, and an acceptance toward the direct link between the Group's business and its products to addressing ESG concerns emerge, I am confident that the Group's ability to move forward including next-generation development themes will grow increasingly powerful.

Medium-term Management Plan and Long-term Vision

Kato: SEKISUI CHEMICAL Group will launch its next Medium-term Management Plan in fiscal 2020. We are also in the process of formulating a long-term vision that will carry the Group through to 2030 and plan to announce details.

More than just the disclosure of financial information such as sales and earnings targets, we recognize the importance of ESG-related non-financial key performance indicators (KPIs). By providing details that link both financial and non-financial data, we will better showcase the Group's efforts to expand its business scope while at the same time

helping to address ESG concerns as well as our strong commitment in an easy to understand manner.

Yoshitaka: Providing an accurate picture of the Company's evolution going forward, as well as the intentions of top management, are extremely important to investors that adopt a long-term perspective such as pension funds. Shining a light, for example, on the Group's lineup of Environment-Contributing Products in 2030 and the volume of sales will convey to one and all that SEKISUI CHEMICAL Group's activities are the epitome of ESG management.

Kato: A long-term vision that covers the next decade through to 2030 equates ostensibly to three medium-term management plans. In our medium-term management plans to date, results were computed on the amount of sales and earnings accumulated on an annual basis. In this instance, SEKISUI CHEMICAL Group is putting in place a long-term vision from which it will formulate a plan using the back-casting method. Under this method, we will consider steps that should be taken in the present by envisioning a goal for the future and working backward to the present. Rather than just an annual earnings plan, I am therefore hoping that this approach will help generate and identify milestones including the development of technologies that look to the future.

Yoshitaka: It is exactly this kind of long-term thinking that investors as well as millennial/post-millennial students, who are charged with the responsibility for our future, are looking for and hold in high esteem. Companies with a vision and plan that are able to not only survive, but thrive through to 2030 and beyond, are more likely to attract the talented young people. By securing excellent human resources, the potential for a company to grow further improves exponentially.

Climate Change

Yoshitaka: What are your thoughts on the Group's decision to adopt a 2030 environmental long-term vision index?

Kato: Under its long-term environmental management vision, "Sekisui Environment Sustainability Vision 2030,"



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SEKISUI CHEMICAL Group has positioned efforts to “expand and create markets for Environment-Contributing Products,” “reduce environmental impact,” and “conserve the natural environment” as three core underlying pillars. Under this vision, the Group has also established and is promoting the Sekisui Environmental Sustainability Index. Setting the use of natural capital (the impact on the environment) at 100, this index plots the return of natural capital (contributions to the environment). In fiscal 2018, SEKISUI CHEMICAL Group achieved a rate of return to natural capital target as reflected in the Sekisui Environmental Sustainability Index of 92%. This was one year ahead of its fiscal 2019 target of 90% set under its current medium-term plan.

This result reflects the substantial return attributable to Environment-Contributing Products as well as growth in high-value-added products. Meanwhile, SEKISUI CHEMICAL Group fell short of its environmental impact reduction plans

in fiscal 2018. Ultimately, the Group is targeting a reduction in greenhouse gas (GHG) emissions by 26% by 2030 compared with the level recorded in fiscal 2013. Taking into consideration, our ongoing growth through various means including M&As, this is proving to be an extremely challenging target.

Yoshitaka: Investors quite naturally look for companies to grow. However, growth also contributes to an increase in energy consumption. While one train of thought suggests that the massive expenditure required to reduce energy consumption is a negative factor, it can be argued that cutbacks in CO₂ emissions amid corporate growth helps to boost the efficiency of business activities.

Kato: Without a doubt, manufacturing and energy consumption efficiencies have improved considerably. We recognize that these efficiencies are extremely useful from an economic standpoint. While we are indeed behind plans

with respect to the volume of GHG emissions, reduction levels exceed plans on a basic unit basis.

Plans for the renewal of machinery and equipment utilizing the portion of Environment-Contributing Investments earmarked for GHG reduction is currently progressing in line with plan. I believe it is important to beef up measures which includes reviewing energy consumption patterns as well as procurement methods if we are to achieve our objectives.

Yoshitaka: I suspect that a better understanding of the relationship between your long-term vision and finances would make it easier to grasp the Group's growth potential. I believe SEKISUI CHEMICAL Group has also adopted science based targets (SBTs*!).

Kato: Looking back on the rate of natural capital return mentioned a moment ago, roughly 80% of the GHG emissions attributable to the Company's corporate activities are linked to both upstream and downstream operations along the supply chain. SEKISUI CHEMICAL Group took steps to acquire SBT Initiative certification last year in a bid to promote GHG reduction activities along the entire supply chain.

Yoshitaka: I have participated each year in the Conference of the Parties (COP) on climate change for over 10 years. I have seen an upswing in recent applicable agenda items. Without question, climate change is a reality. Interest continues to mount toward the manner in which business is responding to the relevant physical risks as well as the opportunities that arise. I refer, for example, to resilient business models that look to address natural disasters.

Kato: Our Sekisui Heim lineup using the Unit Construction Method, products handled by the Urban Infrastructure & Environmental Products (UIEP) Company, the High Performance Plastics (HPP) Company's CROSSWAVE which reduces rainwater runoff following periods of torrential rain, and other offerings precisely hit the mark. SEKISUI CHEMICAL Group's unit housing boasts a high in-factory production ratio. Less susceptible to the weather conditions attributable to climate change, our unit housing falls consistently within established construction schedules compared with rival products. Laid underground,



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CROSSWAVE helps adjust rainwater volumes by preventing the sudden rush of rainwater into waterways at the time of torrential rain. It also helps prevent damage to waterways while controlling overflow.

The Japanese government has provided supplementary budgets to reinforce the nation's infrastructure and land. Through the widespread use of these products, we hope to not only expand sales in Japan, but also promote applications overseas. In doing so, we see ample opportunities for growth. **Yoshitaka:** With a number of businesses and products designed to address the impacts of climate change, clearly SEKISUI CHEMICAL Group is exhibiting considerable foresight. I have heard that you are now venturing into the power business.

Kato: Japan's Feed-in Tariff (FIT) System for renewable energy will soon come to an end. We are looking to purchase surplus electricity from customers living in the Group's solar panel housing and to on-sell to the customers in need and/or supply to production sites in Japan. The goal is for all domestic production sites to meet their power consumption needs through the purchase of this renewable energy. For this reason, we sought approval to amend our Articles of Incorporation allowing the Group to undertake power business activities at this year's General Meeting of Shareholders.

During blackouts caused by natural disasters, for example, customers equipped with solar panels and storage batteries can consumer power as normal. I believe that the Group is well positioned to contribute during emergencies especially in the areas of security and safety.

Yoshitaka: Turning to other environment-related themes, there is growing pressure for the corporate sector to address the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD^{*2}). Companies are also being asked to prepare for multiple atmospheric warming scenarios. This includes the forecast 2°C rise in temperatures set under the Paris Agreement. Where does SEKISUI CHEMICAL Group stand on these issues?

Kato: We are examining the risks and opportunities associated with increases in temperatures of 2°C and 4°C. We are, for example, looking at in-company emission reduction

levels. In addition, we are pulling together a wide range of information including the impact of our products on the environment, our options and possible initiatives, and any effects that are likely to arise.

Meanwhile, in the event that a 4°C increase in temperatures should materialize, rather than focus on emission reduction levels and contributions to the environment, we are looking at what products and services to provide in order to contribute to security and safety in the event of an emergency such as a natural disaster attributable to global warming. On this basis, we are conducting various simulations from a variety of perspectives.

As I have mentioned, SEKISUI CHEMICAL Group maintains a broad lineup of Environment-Contributing Products. In this regard, customers are selecting our products for their value-added contributions to the environment and society. I am convinced that business opportunities will only continue to expand in this field.

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

^{*2} TCFD: The Task Force on Climate-related Financial Disclosures was established in 2015 by the Financial Stability Board (FSB), which is an international organization that seeks to stabilize the financial system. The TCFD recommends analyzing the impact of climate change on a company's finances and information disclosure with regard to response strategies.

Taking Up the Challenge of a Circular Economy while Targeting a Sustainable Society

Yoshitaka: In addition to the microplastics that are polluting the world's oceans, plastic in its various forms is attracting a growing amount of negative attention. What are your thoughts on measures aimed at addressing this issue?

Kato: As a company with its roots in the manufacturing sector, we believe it is important to upgrade and expand 3R principle endeavors. For this to happen, we recognize the need to play a responsible role in changing society's awareness

and to modify existing systems. Steps have therefore begun to bring the sector together in an effort to consider essential measures. As a pinnacle technology in the recycling of chemicals that eliminates the need to sort waste, SEKISUI CHEMICAL Group has developed a biorefinery (BR) technology that converts the gases generated at garbage disposal facilities into ethanol. In addition to its use as a fuel, the ethanol generated by this exceptional technology can be reapplied as a raw material for the manufacturer of plastic.

Initial steps are currently being taken to operate a one-tenth scale waste disposal pilot plant. Moving forward, we hope to contribute significantly to resolving the issue of plastic waste through large-scale collection activities and the subsequent conversion into ethanol. Today, talk of a resource recycling society is quite prevalent. We believe that the Group's BR technology has the potential to play a trump card role in realizing this kind of circular economy.

Yoshitaka: Historically, Japan's social climate has made it difficult to specify the link between increases in earnings and efforts to resolve environmental and social issues. The fact that companies like yourself are confronting these difficulties head on, and declaring their commitment to addressing ESG concerns through business activities, is a welcome trend. The fact that SEKISUI CHEMICAL Group also maintains BR and other technologies is also a source of mounting expectation.

As investors grow to appreciate these types of companies, the possibility exists for ESG initiatives that have been historically categorized as an external diseconomy to be internalized within the market. Should this happen, I expect the future will be bright. I can see a brisk upswing in ESG initiatives based on market mechanisms and a substantial increase in efforts aimed at resolving social issues. Taking the lead in these endeavors, I look forward to SEKISUI CHEMICAL Group further growth in this field.

Kato: SEKISUI CHEMICAL Group recognizes efforts to address ESG concerns as a driving force behind its sustainable growth. Today's dialogue only reaffirms that recognition. We will continue to do our utmost in meeting expectations and ask for your continued support and counsel.

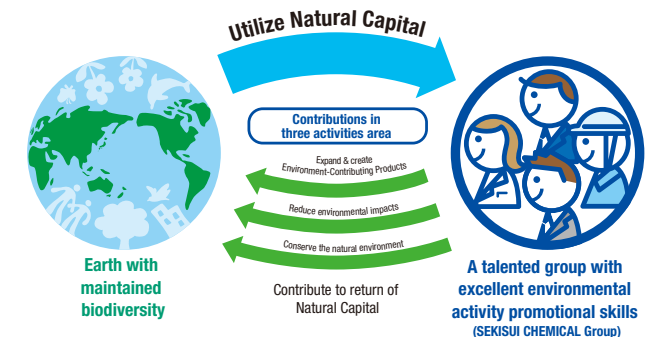
Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Realizing a Sustainable Society while Working to Become a Resilient Company



SEKISUI CHEMICAL promotes stakeholder engagement with constructive dialogue to improve corporate value and build relationships of trust with stakeholders, and it has set a policy of actively disclosing important corporate information from the viewpoint of financial, environmental and social concerns. Also, as a basic strategy in its Medium-term Management Plan, “SHIFT 2019 -Fusion-,” SEKISUI CHEMICAL Group has set up and works to promote the building of a sustainable management foundation from an environmental, social and governance (ESG) perspective. In particular, in relation to the environmental (E) viewpoint, the Group is actively tackling climate change and other environmental issues in its Environmental Medium-term Plan for fiscal years 2017 to 2019, “SEKISUI Environmental Sustainability Plan: Accelerate.” In June 2018, SEKISUI CHEMICAL acquired SBT initiative certification and the company as well as its supply chain are promoting activities toward a major reduction of greenhouse gas (GHG) emissions by the 2030 fiscal year.

The SEKISUI Environment Sustainability Vision 2030



2030 Target

- Secure a rate of return on natural capital: 100% or more
- Reduce greenhouse gas emission: 26% or more (vs. FY2013)

* Formulated in 2013 and published in 2014.
Adopt with the Natural Capital Protocol approach.

Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

SEKISUI CHEMICAL Group places the utmost importance on efforts aimed at analyzing those risks and opportunities that a company is likely to encounter over the long term, together with the need to consider and implement countermeasures and strategies that address a wide range of issues, on the understanding that both are essential to increasing corporate and global sustainability. With this in mind, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding the analysis and disclosure of information relating to the impact of climate change on corporations'

financial affairs in January 2019. By supporting the stance on information disclosure sought by the TCFD recommendations and promoting the disclosure of related information, SEKISUI CHEMICAL Group is building a sustainable management foundation that includes relationships of trust with its stakeholders while at the same time engaging in increasingly sophisticated activities that facilitate its evolution toward a resilient company.

Identifying "SHIFT to the 'Next Stage'—With ESG concerns driving our management, we will take the next leap forward" as our policy from FY2019, we will steadily implement

forward-looking investment and constant structural reforms while at the same time working to strengthen our business base with a long-term vision.

SEKISUI CHEMICAL Group also acknowledges the critical need properly grasp issues and promote solutions from each of the environmental, social, and governance (ESG) perspectives in order to practice sustainable corporate management. To this end, we are upgrading and expanding our activities while accelerating the pace of implementation. As one initiative, SEKISUI CHEMICAL Group launched the ESG Management Department.

Medium-term Management Plan SHIFT 2019 -Fusion-

- Make it compatible quantitative growth and qualitative transition

- Sustainable growth with social responsibility



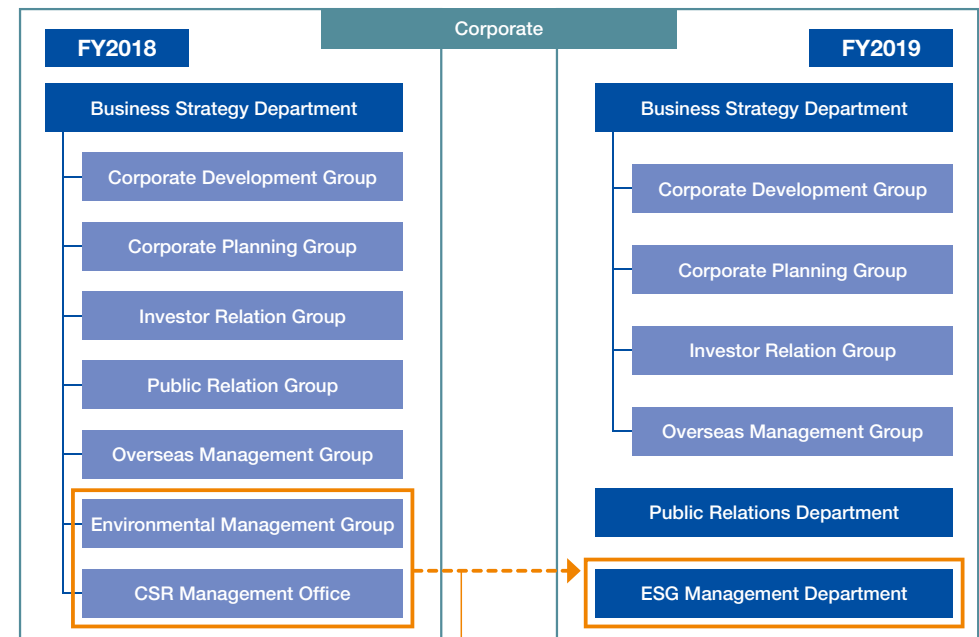
Basic Strategy

Strengthen the business base

3 actions
Accelerate "3 actions"
with "Fusion"

- Technology Fusion
- Opportunity Fusion
- Resources Fusion

Organizational Change geared toward "With ESG concerns driving our management, we will take the next leap forward"



SEKISUI CHEMICAL Group launched the ESG Management Department in an effort to further accelerate the pace of activities that focus on "the environment" and are aligned to the Group's mainstay operations.

Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Contributing to the SDGs through Business Activities

Overview of Environmental Initiatives

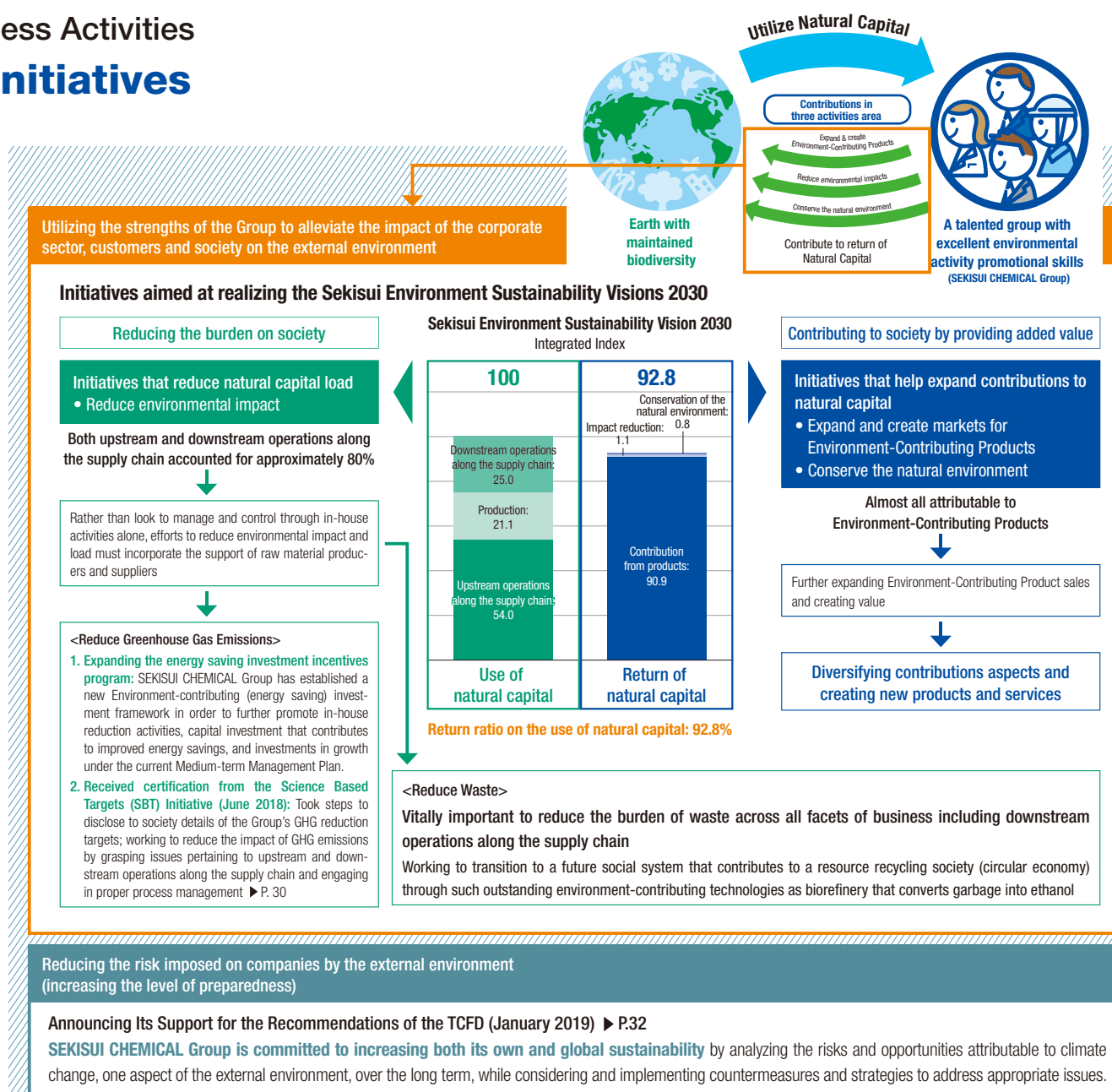
SEKISUI CHEMICAL Group is aware that its business activities depend on resources (natural capital). Each and every executive and employee is working to develop into talented personnel with excellent environmental activity promotional skills and will engage in environmental management based on contributions in three areas (“Expand and create markets for Environment-Contributing Products”, “Reduce environmental impact”, and “Conserve the natural environment”) to “give back more to the Earth than is taken” by 2030. With a view toward the return of natural capital, energies will continue to be directed toward creating prominent value as a part of efforts to realize a planet where biodiversity is preserved.

SEKISUI CHEMICAL Group recognizes that global warming and other forms of climate change are a global problem for society. We also strive to understand the risks and opportunities that climate change presents to the operations of SEKISUI CHEMICAL Group, in terms of their magnitude, scope of impact and other matters. For identified risks, SEKISUI CHEMICAL Group examines measures to mitigate the risks, and for identified opportunities, it considers the creation of new businesses by developing products and services. Through this kind of management, we believe it is possible to remain a company that meets the demands of society through sustainable business development.

For details on environmental initiatives, please see CSR Report 2019.

<https://www.sekisuichemical.com/csr/report/index.html>

Sekisui Environment Sustainability Vision 2030



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Contributing to the SDGs through Business Activities

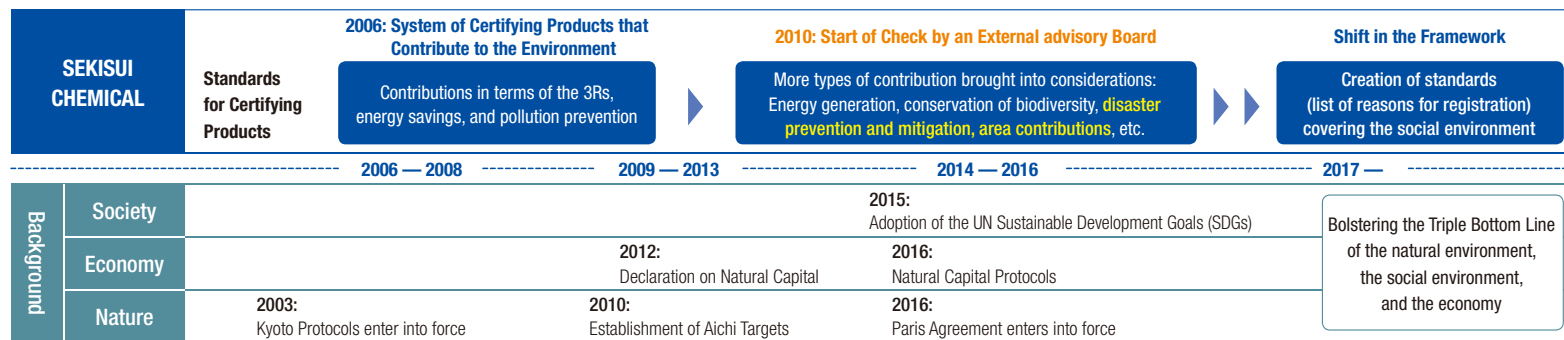
Initiatives Expand and create markets for Environment-Contributing Products

Since its foundation, SEKISUI CHEMICAL Group has continued to adopt a bold approach when confronting social issues. In working to put forward a wide range of solutions, the Group has consistently provided products that help improve people's lives around the world while also contributing to the global environment. Recognizing the universal need to address the global-scale issues advocated under the sustainable development goals (SDGs) adopted by

the United Nations, we are convinced that its growth and development is best served by helping to realize a sustainable society through its business activities. In its Group Vision statement, we have declared that it will contribute, through its primary business activities, to "improving the global environment" and "improving the lives of people around the globe"—that is, the resolution of issues called for in the SDGs. Hitherto, we designated products with a

high degree of contribution to issue resolution as Environment-Contributing Products, and strove to create and expand markets where we should increase contributions to "improving the Earth's environment." Since fiscal 2017, we have looked back on changes to business content and the social environment, and have declared the creation and expansion of products that heighten contributions to "improving life for everyone around the world."

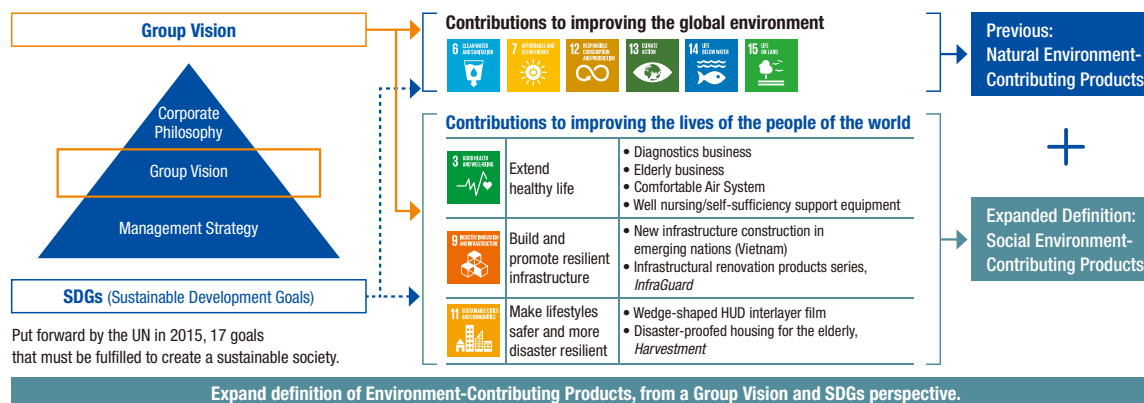
Involvement History



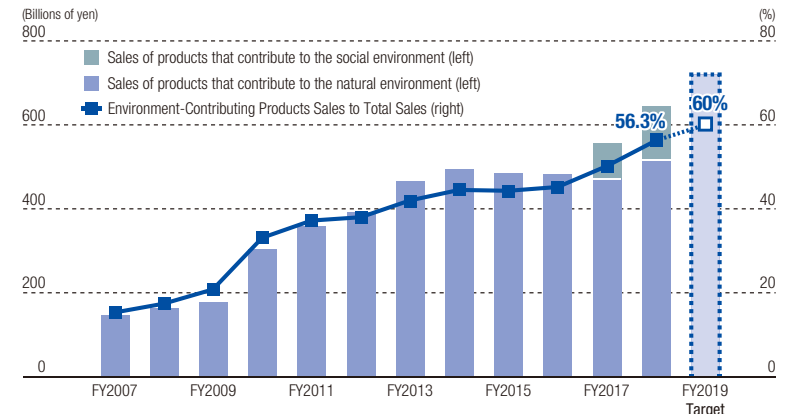
Definition

- Products and business that demonstrably assist our customers and society to reduce their environmental impact.
- Environment-Contributing Products refer to products that achieve a certain level of environmental impact reduction in comparison to previous products and systems.
- Ensure transparency with respect to in-house standards and registration through oversight meetings conducted by outside experts

Environment-Contributing Products—Expanded Definition



Environment-Contributing Products Sales



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Contributing to the SDGs through Business Activities

Environment-Contributing Products spread throughout the group

SEKISUI CHEMICAL Group has been promoting active involvement in international organizations and international rules, including the declaring of our support for the UN Global Compact in 2009. At this point, we would like to showcase the products and services that the Group contributes through its business operations under the Sustainable Development Goals (SDGs) agenda compiled by the United Nations.



EsloHYPER Series Polyethylene Pipes

A water supply pipe that does not leak water, because the pipes and fittings are joined by electrofusion. Contributes to resource recycling by preventing water leakage and improving resource (water) utilization efficiency



Housing Equipped with Solar Power Generation Systems

Housing made possible by creating, saving, and storing energy by means of solar power generation, storage batteries, and HEMS. Reduces CO₂ emissions in residential areas and contributes to climate change mitigation



CROSS-WAVE

CROSS-WAVE is an underground rainwater storage system material that facilitates the reuse and management of rainwater outflows. Introduced by the Japanese government (Ministry of Economy, Trade and Industry) as a climate change application example 10 at the COP23 Japan Pavilion.



Film-type Lithium-ion Battery

Enables larger capacity by being of the film type, promotes effective utilization of re-energy, contributes to climate change mitigation



Eco-friendly, Sustainable Town and Community Development

The SEKISUI Safe & Sound Project is a Town and Community Development undertaking that encompasses a mix of houses for sale, commercial facilities, and an apartment complex in Asaka City, Saitama Prefecture. This project brings together the Group's collective strengths in products, technologies, and know-how to create a secure and safe, eco-friendly, and sustainable town.



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Environment-Contributing Products

13

CLIMATE ACTION

**Housing in Thailand**

Durable, energy-saving housing manufactured and sold in Thailand. Contributes to reduced CO₂ emissions and climate change mitigation in Thailand

11

SUSTAINABLE CITIES AND COMMUNITIES



9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

**Sewage (Spirally) Pipe Renewal (SPR) Method**

Rehabilitates and strengthens ageing sewage pipes in a short period of time by a non-excavation method

6

CLEAN WATER AND SANITATION



11

SUSTAINABLE CITIES AND COMMUNITIES



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



13

CLIMATE ACTION



13

CLIMATE ACTION

**Automotive Sound Insulation/Solar Control Interlayer Film**

Reduces CO₂ when vehicle is in motion and contributes to climate change mitigation by means of improved air conditioning efficiency and thinner glass

11

SUSTAINABLE CITIES AND COMMUNITIES



3

GOOD HEALTH AND WELL-BEING

**Diagnostic Reagents for Patients Suffering from Viral Diseases**

Diagnostic reagents to diagnose whether someone is infected with a virus. Lead to early detection of illness and extend healthy lifespans

1

NO POVERTY



9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

**FFU Synthetic Wood**

Synthetic wood with high durability. Used for railway sleepers and enhancing safety of mobility travel

11

SUSTAINABLE CITIES AND COMMUNITIES



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



12

RESPONSIBLE CONSUMPTION AND PRODUCTION

**Convert Garbage into Ethanol**

SEKISUI CHEMICAL has developed a technology that gasifies combustible waste accumulated at waste disposal facilities without any sorting, and converts this gas into ethanol using a microbial catalyst. By facilitating the processing of waste without emitting greenhouse gas or other harmful emissions and the use of oil resources, this technology is expected to contribute to the creation of the ultimate resource recycling system.

9

INDUSTRY, INNOVATION AND INFRASTRUCTURE



13

CLIMATE ACTION



17

PARTNERSHIPS FOR THE GOALS



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Efforts to Reduce Environmental Impact

Promotion by Receiving SBT Initiative Certification

SEKISUI CHEMICAL Group conducts its business using natural assets (natural capital), such as fossil fuels and wood. To balance the irreplaceable global environment and sustainable business as well as to reduce environmental impact, we are working to reduce greenhouse gas (GHG) emissions from the procurement of raw materials through each stage of development, production,

transportation and use.

With regard to efforts to resolve climate change issues, we applied for certification under the Science-based Targets (SBT) Initiative, to demonstrate that our medium-to long-term goals for GHG emission reductions for the entire business and supply chain are scientifically based, ambitious targets under an international framework. The

Group thus became the first in the chemical industry world-wide to receive this certification.

In the years to come, we will continue to recognize our responsibility as an industry prime mover while dedicating ourselves to the activities and initiatives that will spearhead the society-wide efforts to combat climate change.

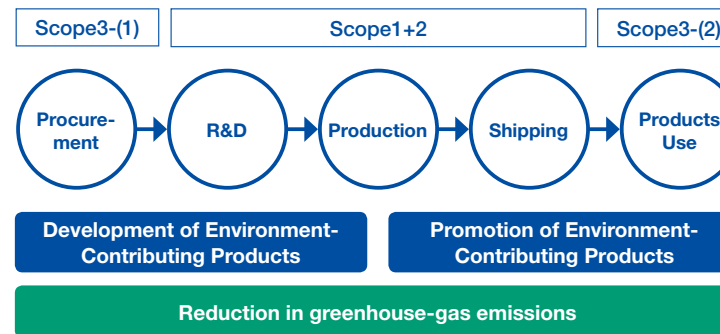
Science-Based Targets (SBT)

	GHG Emission Reduction Target	
Scope1+2	Reduce 26% in FY2030 (relative to FY2013)	
Scope3 (Supply chain)	Reduce 27% in FY2030 (relative to FY2016)	
	Purchased raw materials	Reduce 20% in FY2030 (relative to FY2016)
	Use of sold products	Reduce 50% in FY2030 (relative to FY2016)



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

Reducing Emissions throughout the Supply Chain



	Definition	Specific initiatives to achieve GHG emission reduction targets
Scope1	Direct emissions and fuel used in production processes, etc. by business	To reduce GHG emissions, initiatives on energy consumption reform and energy procurement reform will be implemented, in addition to promoting energy saving investment program.
Scope2	Indirect emissions from energy resources, electricity purchased in production processes, etc.	<ul style="list-style-type: none"> • Environmental Contribution Investment Framework: Set as strategic investment in the current Medium-term Plan to promote capital investment that contributes to energy conservation • Energy consumption reform: Production innovation, reducing GHG by reducing energy consumption • Energy procurement reform: Reducing GHG by changing energy procurement, energy creation, and energy use
Scope3	Other indirect emissions, supply chain production, transport, customer use of product, disposal, etc.	<p>(1) In the procured raw materials, along with reconsidering selection criteria for selecting new materials, activities will be promoted involving supply chain for materials procured in bulk in order to reduce GHG emissions by 20% by FY2030 compared to FY 2016.</p> <p>(2) In terms of emissions at the stage of product usage, we will contribute to energy usage reductions from occupied housing by increasing the proportion of net-zero energy houses (ZEH) among the housing units that we sell, achieving 50% reductions, relative to FY 2016, by FY 2030.</p>

Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Initiatives toward Realizing Resource Recycling-based Society (Circular Economy)

The Ultimate Environment-Friendly Technology for Resource-recycling Society “Biorefinery”—Converting Garbage into Ethanol

As the ultimate in environment-friendly technologies for a resource recycling society, the Company has established innovative production technology for a biorefinery, a technology that converts garbage into ethanol, and is accelerating commercialization as the first step in changing social systems.

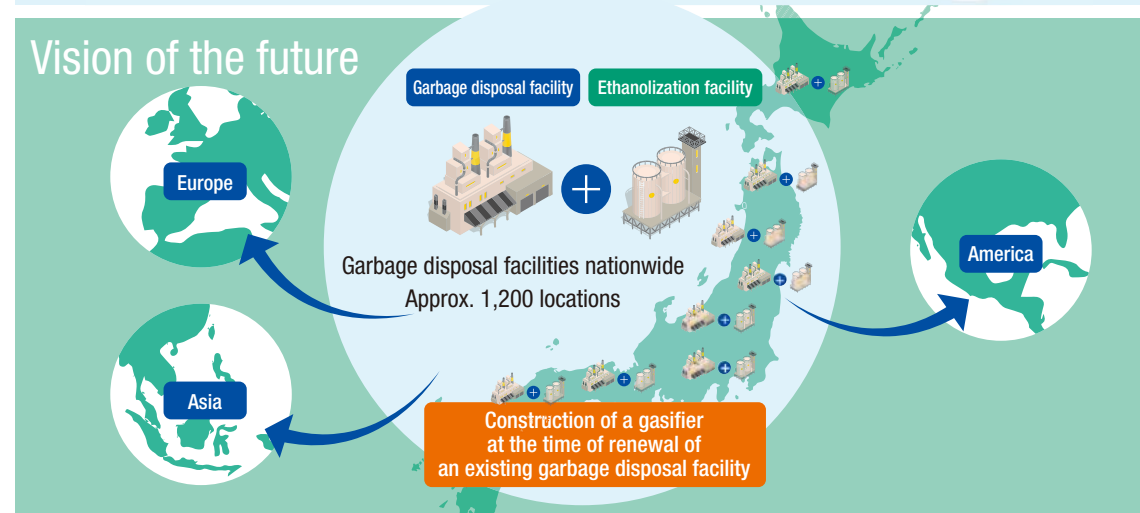
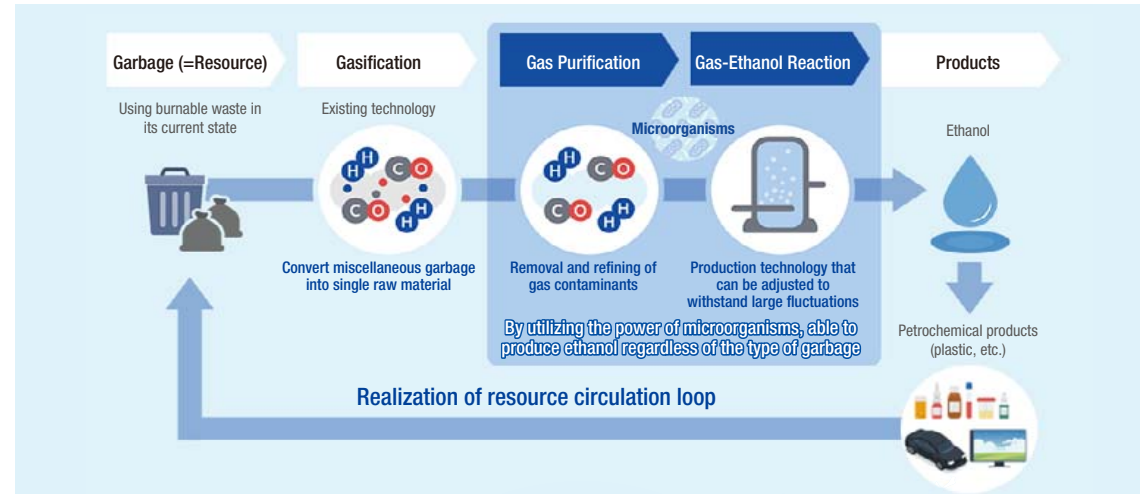


In fiscal 2019, we will start construction of a practical-use plant that will be one tenth of the final expected scale (photo shows the 1/1000th scale pilot plant)

Response to Marine Pollution Problems Caused by Microplastics Social Responsibility with Regard to Waste

SEKISUI CHEMICAL Group confirms that waste discharged from its production processes is handled properly by exchanging manifests with waste contractors. Marine pollution caused by microplastics has recently become a problem, but the Group does not manufacture and sell primary microplastics for applications on the assumption that they will undergo an extraction process. However, should a sold product be used in society, or not be properly disposed of after use, the possibility that the product will undergo a miniaturization process cannot be denied. To carry out appropriate waste disposal, we are collaborating with industry, government, and academia, and considering options as we aim for an early solution to this problem.

Biorefinery (BR), the World's First Technology to Convert Garbage into Ethanol The Ultimate System for a Resource-recycling Society



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

To Become a Resilient Company

Statement of Support for TCFD and Response to Climate Change Issues

SEKISUI CHEMICAL Group recognizes that, among environmental issues, climate change is a high priority that must be addressed and represents an important external environmental factor affecting management. The Group thus declared its support for the recommendations of the TCFD* (disclosure of the impact of climate change on corporations' financial affairs) in January 2019, and its related initiatives are gaining momentum.

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

Having discussed the risks that the external environment poses to management and its sustainability, the Board of Directors examine how to adapt to the impact (risk) of climate change on the Company and whether to increase the sustainability of our business. Specifically, the transition and physical risks were identified for five fields (housing, infrastructure, automobiles and transportation, medical, energy), based on 2°C and 4°C climate change scenarios, their impact analyzed, and consideration given to the risks and opportunities for our business.

After due consideration, in July 2019 we disclosed the Group's response to climate change issues under the four items recommended by the TCFD: Governance Systems Related to Climate Change, Strategy, Risk Management as well as Indices and Targets.

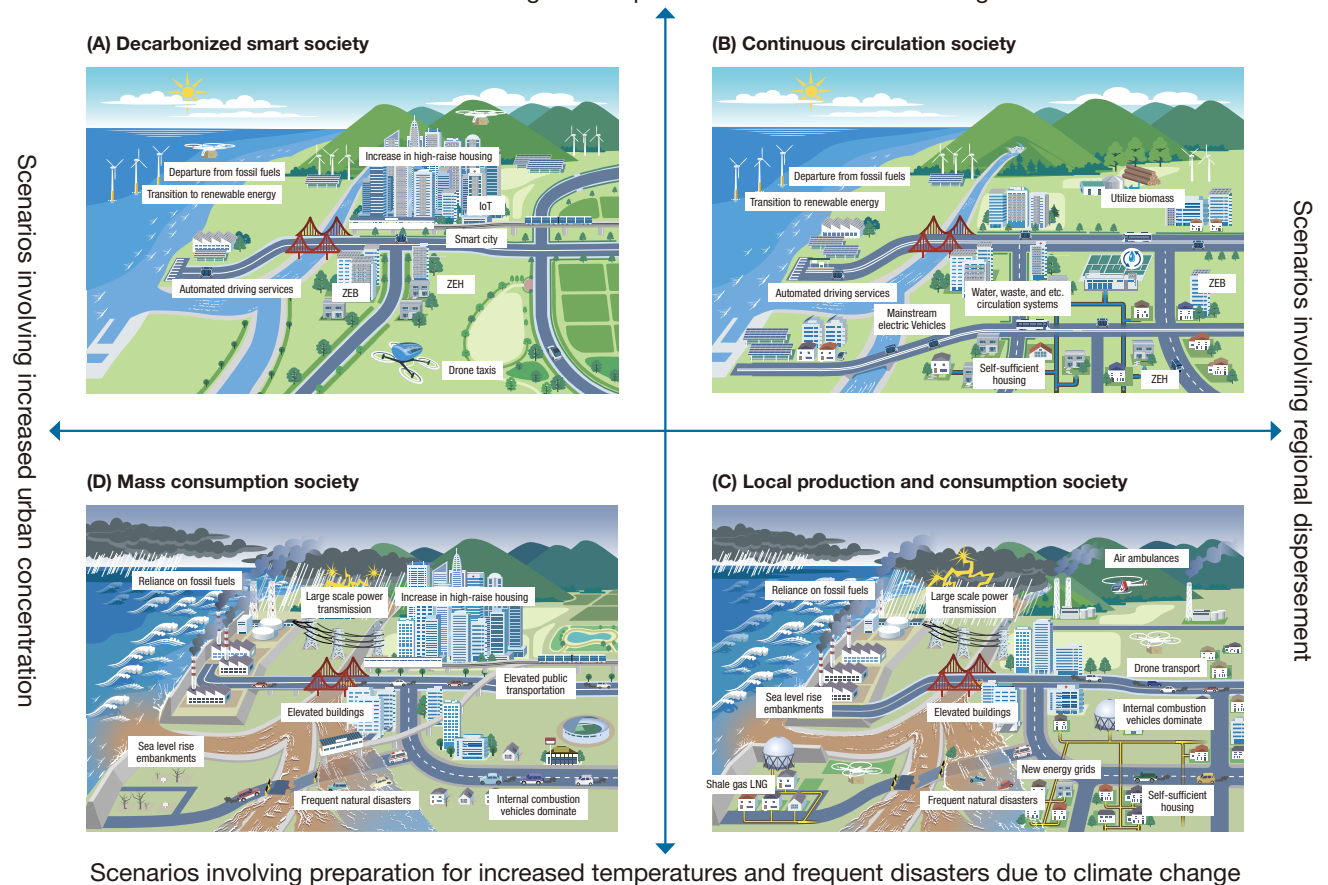
In the years to come, we will continue with TCFD-based disclosure while working to remain a highly sustainable company that can contribute to a more sustainable Earth and achieve continuous growth regardless of whatever scenario presents itself.

Please download and refer to more details on "Information Disclosure based upon on the TCFD Statement of Support" from our CSR website.

https://www.sekisuichemical.com/csr/assets/images/csr_tcf_d_e.pdf

Four assumed society scenarios

Scenarios involving various policies to control climate change



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

External Evaluations in FY2018

CSR in general

- Earned selection to the Dow Jones Sustainability Indices (DJSI) World
- Earned RobecoSAM sustainability rating Bronze Class
- Earned selection to the FTSE4Good Index
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the MSCI ESG Leaders Index
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers
- Selected as one of the “2019 Global 100 Most Sustainable Corporations in the World index”
- Earned selection to the S&P / JPX Carbon Efficient Index Composite

Environment

Earned selection to the 2018 “CDP Climate Change A-List”



FTSE4Good

<https://www.ftserussell.com/products/indices/FTSE4good>



FTSE Blossom
Japan

<https://www.ftserussell.com/ja/index/spotlight/ftse-blossom-japan-index>



“SEKISUI CHEMICAL CO., LTD. has been reconfirmed for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 09/12/2016.

This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company can be qualified as a sector leader in terms of Corporate Social Responsibility (CSR).”



<https://www.corporateknights.com/reports/global-100/>



2019 Constituent
MSCI ESG
Leaders Indexes

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High Performance Plastics (HPP) Company

High Performance Plastics (HPP) Company

Business Overview

The High Performance Plastics (HPP) Company's strengths are its original fine particle, adhesion, precise molding, and other technologies upon which it develops a wide range of businesses centered on providing materials for advanced technology fields. The HPP Company focuses on business development driven by high-value-added products and commands top global market shares for products ranging from conductive fine particles and liquid crystal sealants to interlayer films for automotive laminated glass and polyolefin foam for automobile interiors. The HPP Company is the primary operating income generator for SEKISUI CHEMICAL Group and is introducing competitive products into global markets with the aim of achieving earnings growth that outpaces the global economic growth rate.

During the final fiscal year of the medium-term management plan, the HPP Company will fortify its current core products, develop new products, augment its operations through M&A and other measures in its three strategic fields of Electronics, Automobiles and Transportation, and Building and Infrastructure.

* Life Science business transferred control to the Company's headquarters as the Medical Business since FY2019.

President's Policy

“Fusion for New Values”

-with “Resolution & Challenge” and Revolution-

- (1) Growth Engine
- (2) Competitiveness Enhancement
- (3) Global Management

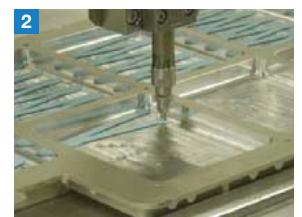


Ikusuke Shimizu

President of High Performance Plastics Company

Topics

- Apr. 2018** Stock Acquisition of Veredus Laboratories Pte. Ltd., a testing Company in Singapore
- Apr. 2018** New Chinese Research Center for Interlayer Films for Laminated Glass in Shanghai **1**
- July 2018** Decision Made on Expansion of Thermal Interface Materials Business in Europe **2**
- Aug. 2018** Photovoltaic System for Generating Power for Internal Consumption Installed at a US Plant that Manufactures Interlayer Films for Laminated Glass
- Sept. 2018** Decision Made on Regenerative Medicine Venture and Business Cooperation with Cyfuse Biomedical K.K.
- Oct. 2018** Establishment of Electronics Materials Technology Service Center in Shanghai
- June 2019** Purchase of AIM Aerospace Group, a US-based Manufacturer of carbon fiber reinforced plastics (CFRP) Products for Aircraft



High Performance Plastics (HPP) Company

Fiscal 2018 Performance

Sudden deterioration in smartphone and automobile market conditions along with higher raw material costs leads to lower profits for the first time in seven years

During fiscal 2018, the High Performance Plastics (HPP) Company secured higher net sales, primarily with the help of higher sales volumes in its four strategic fields. Meanwhile, the Electronics field saw contraction in smartphone demand starting in the third quarter, while the Automobiles and Transportation field saw worsening automobile market conditions in Europe and China. Along with these developments, the impact of higher raw material costs meant that the Company was unable to cover increases in fixed costs coinciding with strategic investments and experienced a decline in operating profit for the first time in seven years.

Net sales for the fiscal year under review increased across all four strategic fields climbing ¥25.8 billion compared with the previous fiscal year, to ¥412 billion. On an actual basis after excluding the impacts of

mergers and acquisitions that led to the new inclusion of companies in SEKISUI CHEMICAL's scope of consolidation, net sales expanded ¥7.6 billion. Operating income in the HPP Company came to ¥54.5 billion, a decline of ¥3.3 billion compared with the previous fiscal year, which led to lower profits for the first time in seven years. As a result, the operating margin also dropped 1.8 points to 13.2%.

Looking at the Company's activities across each of its four strategic fields for the period under review, the Automobiles and Transportation field saw market conditions worsen, including prolonged problems related to exhaust emissions regulations in Europe and lower automobile sales coinciding with the economic downturn in China. Despite this, increased sales on the relatively healthy US market helped the Company achieve higher sales volume overall. Moreover, high-performance interlayer films, such as those used in head-up displays, continued to see demand growth.

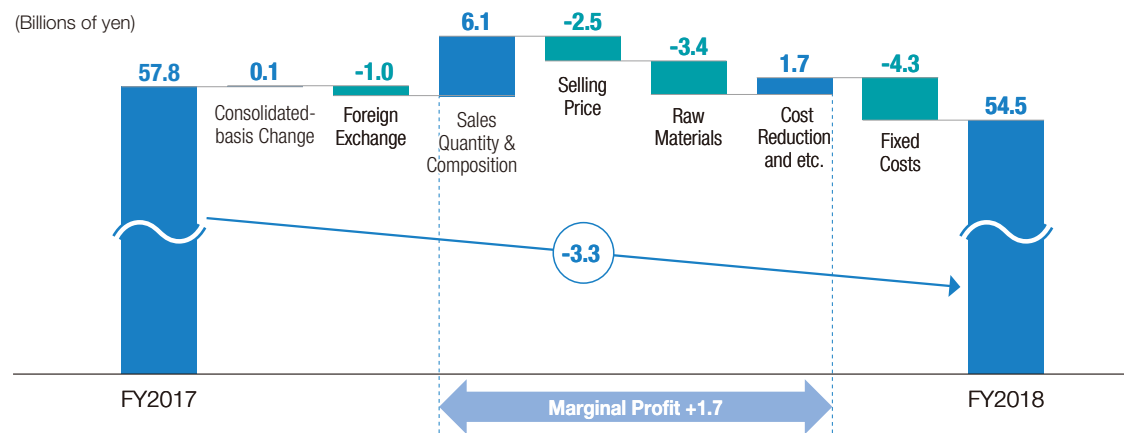
Despite the impact of worsening smartphone market conditions, the Electronics field saw higher sales as a result of the steady expansion of non-liquid fields, such as component packaging and semiconductors. In the Building and Infrastructure field, although the Company's fire-resistant materials, one of its mainstay products, saw healthy sales, this field was also affected by more intense CPVC price competition, particularly in regions such as the Middle East and India.

Steady emergence of the effects of strategic investments targeted at expanding high-performance products

Under the Medium-term Management Plan "SHIFT 2019 -Fusion-," which aims to pivot the Company toward growth, the HPP Company is advancing growth strategies centered on focusing its energies on non-liquid fields in the Electronics field, expanding sales of high-performance interlayer films in the Automobiles and Transportation field, and enhancing thermal insulation and non-combustible materials in the Building and Infrastructure field. During 2018, the effect of investments made into expanding production capacity for high-performance interlayer films in Mexico at the end of the previous fiscal year contributed, and the Second Polyolefin Foam Plant in Thailand went into operations. In addition, the effects of strategic investments are steadily beginning to yield positive results, including advancing synergy between Polymatech Japan Co., Ltd. (current Sekisui Polymatech Co., Ltd.), acquired in fiscal 2017, and SoflanWiz Co., Ltd. (current Sekisui SoflanWiz Co., Ltd.).

Analysis of Operating Income for FY2018 (year-on-year)

(Billions of yen)



Growing electrification of instrument panels for use in automobiles

High Performance Plastics (HPP) Company

Fiscal 2019 Forecasts

Aiming for profit growth for the first time in two years driven by focusing energies on non-liquid fields and expanding high-performance interlayer films

In its fiscal 2019 plan, the HPP Company expects the harsh business environment in the Electronics and Automobiles and Transportation fields to continue for the foreseeable future. Despite this, the Company projects higher profits based on a positive outlook for strategic investment effects, including focusing energies on expanding sales in non-liquid fields as part of the Electronics field and expanding sales of high-performance interlayer films in the Automobiles and Transportation field, primarily on the European market where a new production line will go into operations during the second half of the year.

Although the Medical Business will be placed under the jurisdiction of the Headquarters during the period under review, net sales during fiscal 2019 are projected to reach ¥351 billion, a ¥9.7 billion increase compared with the ¥341.3 billion recorded

during fiscal 2018, after excluding the influence of this transfer. Operating income was calculated in the same manner, and is projected to increase to ¥50 billion from the ¥44.9 billion recorded during fiscal 2018.

Continuing to focus energies on non-liquid fields as part of the Electronics field

The fiscal 2019 plan for the three strategic fields assumes that the slowdown in the smartphone market as part of the Electronics field, which started during the third quarter of the previous fiscal year, will continue throughout fiscal 2019. Under these circumstances, emphasis will be placed on shifting to non-liquid fields and accelerating the pace of efforts aimed at strengthening the portfolio while at the same time increasing the Company's market share in mainstay products and expanding its new customer base.

The non-liquid related products on which the HPP Company will focus its energies include those for which new applications are foreseen, such as Heat-resistant Selfa™, used during the semiconductor production process, and elastic adhesives, used for joining parts and materials. Moreover, the Company aims to go beyond simply replacing existing items to uncover new demand, thereby achieving growth that is not affected by fluctuations in the market.

As a result of these moves, the Company increased net sales for non-liquid products in the Electronics field to 43% during fiscal 2018 and aims to increase these further in the future.

Aiming for growth that outpaces global automobile production with a focus on expanding adoption of high-performance interlayer films in the Automobiles and Transportation field

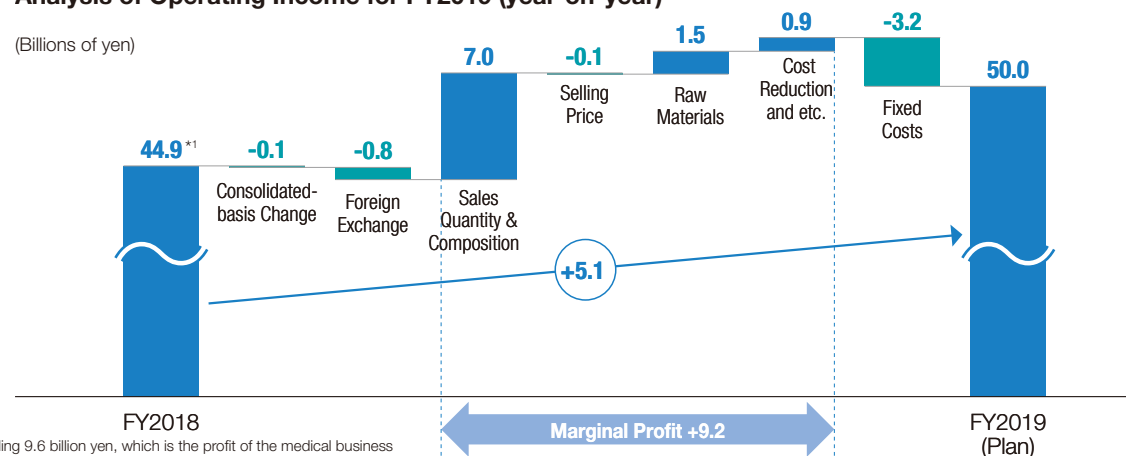
Despite the continuation of severe market conditions, in the Automobiles and Transportation field, the HPP Company is targeting higher sales with the help of the new interlayer film production line in Mexico, which has been operating steadily since the previous fiscal year, and a new high-performance interlayer film production line in Europe, which is scheduled to begin full-scale operations during the third quarter of the fiscal year under review.

High-performance interlayer films with solar control and sound insulation capabilities help improve the level of comfort inside automobiles and reduce automobile weights, which has led to their use in a wider range of automobile parts besides windshields, including side and roof panels. Moreover, the wedge-shaped films used in head-up displays can help improve safety, so their use is also gradually expanding from luxury vehicles to mass-market automobiles. In addition, the Company is aiming to launch products that address the increased use of electronics in automobiles, such as thermal interface materials used in electric vehicles. In this way, the Company is aiming to achieve growth that outpaces global automobile production in the Automobiles and Transportation field during the fiscal year under review.

In the Building and Infrastructure field, the Company expects to see a continuation of severe CPVC market conditions as a result of intensifying price competition. Despite this, the Company is aiming to expand sales on the high-value-added US market and is focusing its energies on expanding sales of non-combustible polyurethane and other fire-resistant materials.

Analysis of Operating Income for FY2019 (year-on-year)

(Billions of yen)



^{*1} Excluding 9.6 billion yen, which is the profit of the medical business

^{*2} Life Science field transferred to the corporate direct control as a medical business from FY2019.

High Performance Plastics (HPP) Company

Contributing to the SDGs through Operations

High Performance Plastics (HPP) Company

Improving safety, peace-of-mind,
and comfort while reducing environmental impactEnvironmental and social
issue related needsThe HPP Company's Primary
Core Technologies

Examples of solutions and Environment-Contributing Products born from core technologies

Reduce
environmental
impact

Improved safety

Disaster prevention
and mitigation

Safe water supply

Enhanced IT
infrastructure
(high-capacity
communications)

PVA/B

Infrastructure
industrial materialPrecision/
complicated moldingConductive/
insulating material

Interlayer films for automotive laminated glass



Along with improving the basic functionalities of safety and visibility, adding solar control functions to these films helps reduce air conditioning loads and improve fuel efficiency.

Fi-Block fire-resistant thermal expansion material

In the event of a fire, Fi-Block expands to form a thermal insulation layer that blocks flames and prevents the spread of fire.



CROSS-WAVE rainwater storage system

This high void ratio system controls the amount of rainwater that flows into sewage systems, etc., during heavy rains and enables the reuse of rainwater. The load resistant design allows for use as a parking lot during normal times.



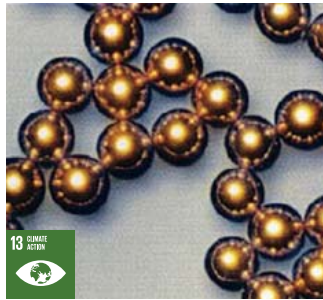
Thermal interface grease

With its high heat releasing rate, this grease protects 5G base stations for high-speed, high-capacity communications from heat and contributes to the greater sophistication of IT infrastructure.

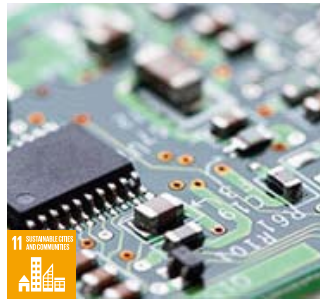


High Performance Plastics (HPP) Company

Main Products



Conductive fine particles



Component packaging materials for semiconductors



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



Moldings for automobile bumpers



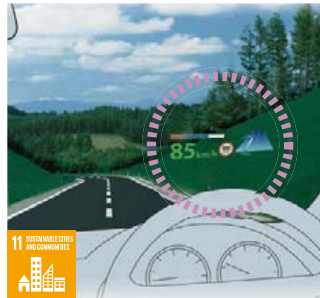
Foaming material for automotive interiors



Rainwater storage system



Interlayer film for automotive laminated glass



Wedge-shaped high performance interlayer films for head-up display (HUD) system use



Chlorinated polyvinyl chloride (CPVC) resin compound



Thermal expansion fire-resistant materials

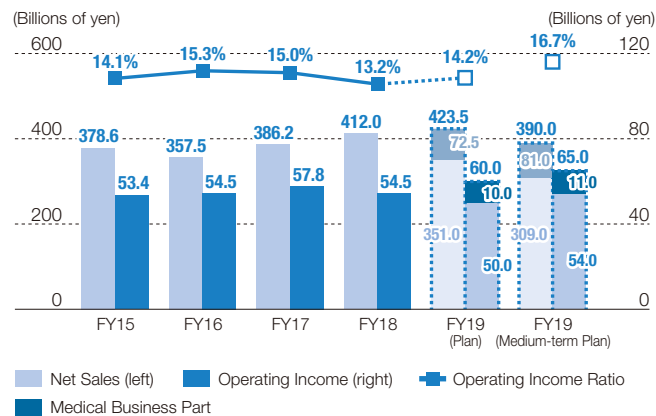


Non-combustible polyurethane



Products for industrial application (tape)

Performance Highlights



(Billions of yen)

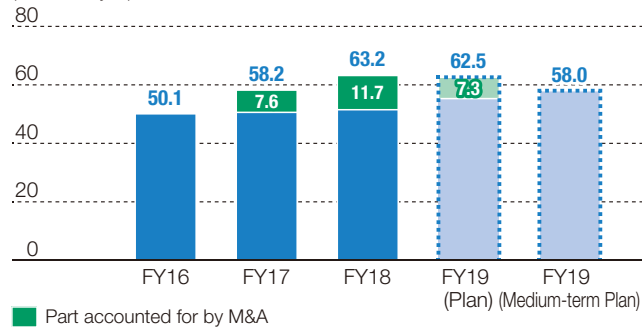
	FY14	FY15	FY16	FY17	FY18
Assets	357.7	382.4	388.2	447.5	460.4
EBITDA	64.5	73.2	74.0	77.9	76.2
Depreciation and Amortization	16.6	18.1	17.7	18.0	19.2
Capital Expenditures	17.9	23.5	20.7	25.7	37.3
R&D Expenditures	15.9	16.7	18.0	18.9	21.2
Number of Employees	7,051	7,453	7,269	9,735	9,702
Consolidated Subsidiaries (Overseas Companies)	60(47)	62(48)	57(46)	67(55)	68(56)

High Performance Plastics (HPP) Company

HPP Company and Market Data

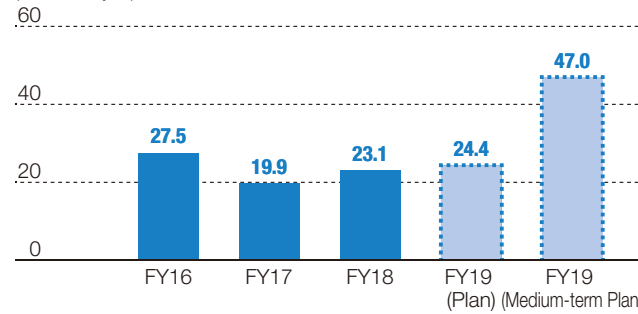
Electronics

(Billions of yen)



New Product Sales

(Billions of yen)

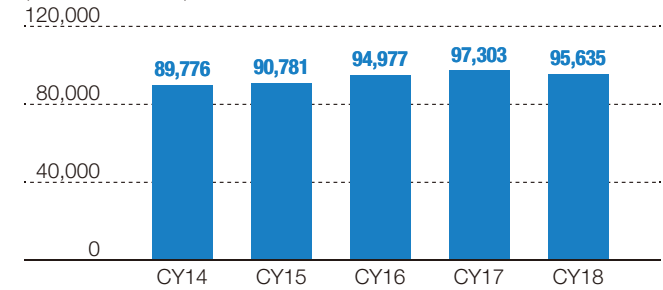


*Definition of new product: up to 5 years after being placed on the market

Market Data

World Motor Vehicle Production Volume

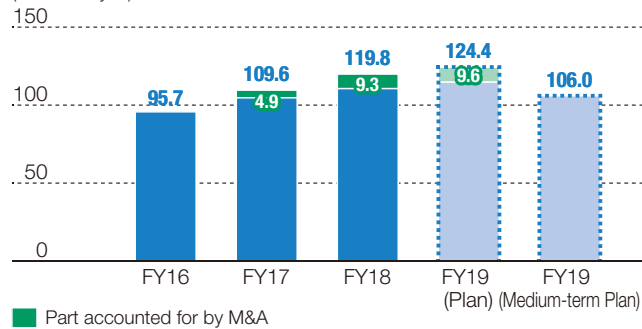
(Thousands of Cars)



Source: OICA correspondents' survey

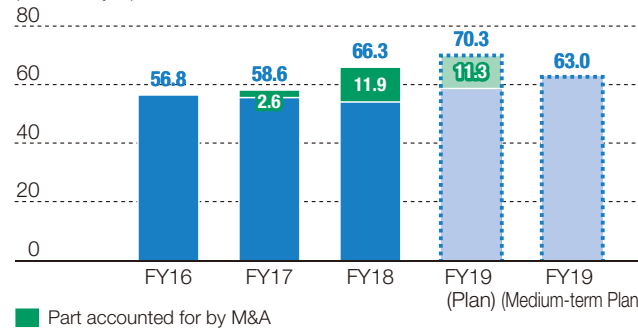
Automobiles and Transportation

(Billions of yen)



Building and Infrastructure

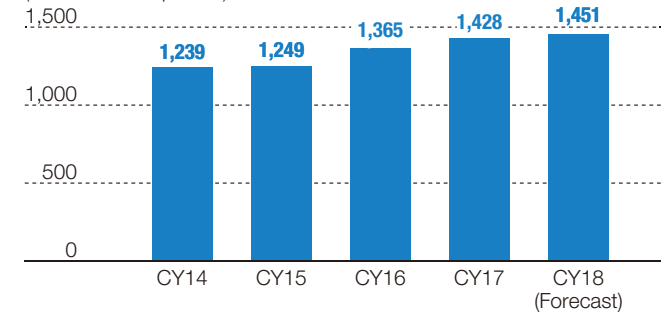
(Billions of yen)



Market Data

Global Smartphone Production Volume

(Millions of smartphones)



Source: "Annual of Electronic Equipments 2019," Chunichisha Co., Ltd.

Housing Company

Housing Company

Business Overview

The Housing Company has established a unique position in Japan in new housing construction as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. The Company was in particular an early mover in housing with solar-power generation systems, going back to 1997 when it first scaled up such initiatives, and its cumulative sales of such residences exceeded 200,000 units as of the end of Fiscal 2018. The Company achieved another milestone in April 2012 with the release of its Smart Heim models with standard features such as built-in storage batteries and the Smart Heim Navi Home Energy Management System (HEMS). Later, in April 2019, the Company put together a lineup that caters to a broader spectrum of customers by launching sales of its higher cost performance Smart Power Station Urban.

In the Renovation business, it draws on the features of its factory-built housing products and its database of the housing stock it has constructed to offer renovation proposals best suited to the life stage of each homeowner.

In the Frontier (Domestic) business, we are also developing our management of existing home sales, leasing and management, and other housing asset management operations as well as the construction and operation of housing with support services for senior citizens. In addition, the company is expanding its new construction housing operation overseas.

President's Policy

Turn the expected demand decline environment after the tax-hike into an opportunity, accelerate investment for growth and produce successful results.



Toshiyuki Kamiyoshi

President of Housing Company

Topics

- Apr. 2018** New-type "Smart Power Station FR" Launched **1**
- May 2018** Start of SEKISUI CHEMICAL Group's Urban Development "SEKISUI Safe & Sound Project"
- June 2018** Establishment of a Joint Venture in Thailand for Housing Estate Development Business
- July 2018** Launch of a new type of "Parfait"
- Oct. 2018** Development and Introduction of "New SCOPE," SEKISUI HEIM's Next-generation CAD System
- Nov. 2018** Launched *Parfait-bj Style* —A proposal-type product targeting dual-income families raising children—
- Nov. 2018** Launch of ZEH-compliant "Letoit AZ" Rental Apartment Buildings
- Apr. 2019** Launch of "Smart Power Station Urban" **2**
- Apr. 2019** Start of SEKISUI's SMARTHEIM DENKI Power Trading Service



Housing Company

Fiscal 2018 Performance

Reported a third consecutive fiscal year of sales and profit growth. New housing orders continued to increase as renovation orders turned positive

In fiscal 2018, the Housing Company achieved sales and profit growth for the third consecutive fiscal year. Looking at the status of sales by specific business, results were mixed. While the housing and frontier businesses, which focus mainly on newly built houses, recorded an increase in sales, sales declined slightly in the renovation business. There was almost no growth in demand in the face of the consumption tax rate hike scheduled for fiscal 2019. On the earnings front, the housing business saw a decline in profits as a result of increased costs stemming from soaring material prices and from prior investments aimed at securing orders in fiscal 2019. Meanwhile, earnings turned positive in the renovation business, primarily due to reductions in fixed

costs centered on the increased efficiency of indirect functions. As a result, net sales in the fiscal year under review came to ¥506.7 billion, an increase of ¥8.9 billion compared with the previous fiscal year. From a profit perspective, operating income totaled ¥39 billion, up ¥1.1 billion year on year. Cost reduction activities have also progressed smoothly, leading to a 0.1 point increase in the operating income ratio, which now stands at 7.7%.

Expanded the product lineup catering to a broader spectrum of customers, including enhancing products targeted at volume zone markets, and secured an increase in orders

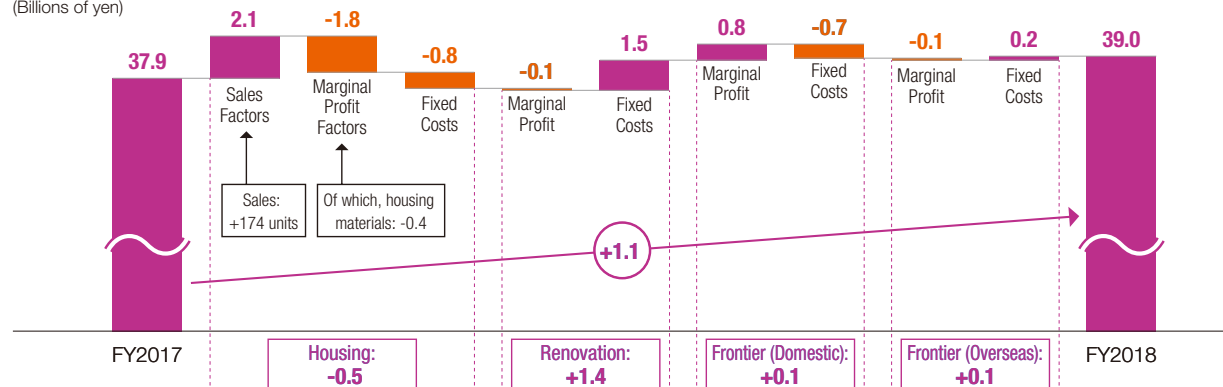
Reflecting on the Housing Company's performance by business, the housing business enhanced the draw of products targeted at a broader spectrum of customers, including

those targeted at volume zone markets. This move led to an increase in both the number of units ordered and sold.

In addition, by adding to the number of model home galleries, expanding the sales force, and taking other measures to enhance sales capability, the company strengthened its framework for securing new orders during the fiscal year under review. Although the renovation business reduced fixed costs through greater efficiency in indirect functions, at the same time it also focused its energies on expanding sales of storage batteries and other strategic products. These moves led to a positive turn in orders. In terms of the domestic and overseas frontier businesses, real estate saw firm trends in its mainstay leasing business, but experienced a delay in the launch of new businesses. In addition, the Asaka Lead Town (Town and Community Development Project) which has been positioned as one of the pillars of new business within the Company, began subdivision housing operations for some lots during the fiscal year under review.

Analysis of Operating Income for FY2018 (year-on-year)

(Billions of yen)



Parfait Steel-frame Unit Housing

Housing Company

Fiscal 2019 Forecasts

Aiming for a fourth consecutive fiscal year of sales and profit growth by continuing long-term strategies and working to level out construction

In fiscal 2019, the Housing Company aims for higher sales and profit, in part by linking the previous fiscal year's order backlog in both the housing and renovation businesses to an increase in sales. Net sales are projected to reach ¥522 billion and operating income to reach ¥40.5 billion for a fourth consecutive fiscal year of sales and profit growth. At the same time, the housing business will continue to advance growth strategies, including undertaking measures that connect to a greater market share in the future. Moreover, the "leveling out" targeted in the current Medium-term Plan will be expanded to focus more energy on leveling out on-site construction in addition to leveling out production

and transportation, which have been the focus thus far. Ultimately, this will help level out sales. Turning to the outlook for each business, the Company is targeting higher sales in each of the housing, renovation, and frontier businesses. From a profit perspective, despite the outlook for higher fixed costs in the housing business coinciding with hiring more personnel, additional housing sales are expected to cover these costs. Meanwhile, higher sales are also being targeted for the renovation and frontier businesses through a higher marginal profit based on increased sales.

Aiming to expand new housing orders by focusing energies on securing orders from first-time buyers

The fiscal 2019 market for new housing is expected to see

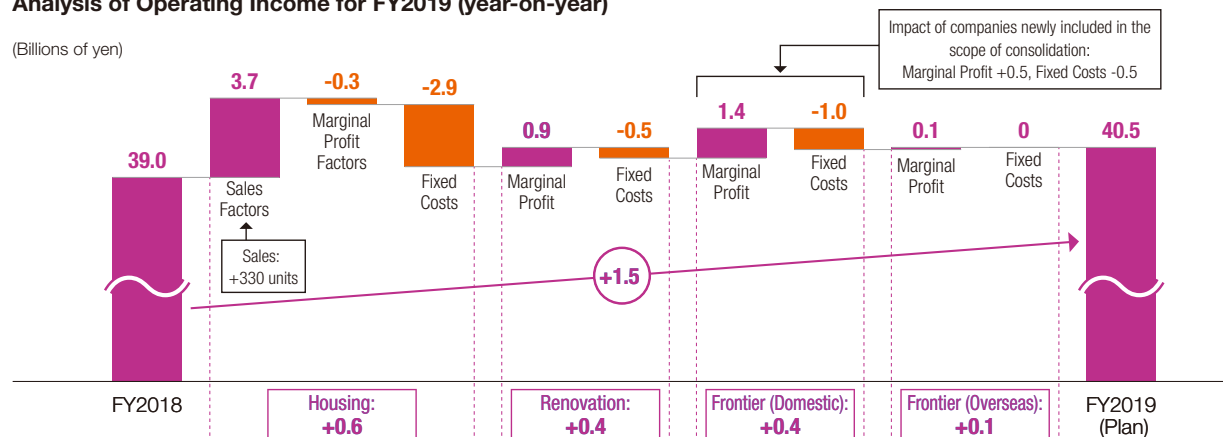
demand fall 5% during the first half and 7% during the second half year on year due to the impact around the time of the consumption tax rate hike. However, demand for housing among first-time buyers is expected to remain firm and the Company aims to secure orders by attracting visitors using the additional number of model house galleries built during the previous fiscal year. At the same time, the Company has expanded its stock of ready-built houses and land since the previous fiscal year, and will increase land purchases during fiscal 2019 in aiming to lift the total number of orders for new housing.

Recovering earnings power by focusing on increasing the efficiency of indirect functions in the renovation business

In fiscal 2019, the renovation business will reinforce points of customer contact in order to increase orders per person while working to improve efficiency through the separation of periodic diagnosis and sales activities. The strategic products into which energies will be focused include strengthening proposals for storage batteries that support energy self-sufficiency in preparation for the end of the Feed-in Tariff (FIT) program. This is important given that contracts based on the FIT program for homes equipped with solar power generation systems will begin to reach the end of their terms starting in November 2019. Moreover, the Company will continue efforts to improve the efficiency of indirect functions in working to increase earnings power. In terms of Asaka Lead Town, for which sales of subdivision houses began in February, the Company plans to have half of all 130 sale lots either under contract or sold during fiscal 2019.

Analysis of Operating Income for FY2019 (year-on-year)

(Billions of yen)



Housing Company

Contributing to the SDGs through Operations

Housing Company

Improving safety, peace-of-mind,
and comfort while reducing environmental impactEnvironmental and social
issue related needsThe Housing Company's
Primary Core Technologies

Examples of solutions and Environment-Contributing Products born from core technologies

Reduce
environmental
impactAddress
energy problemsAging among craftsmen
and shortage of
carpenters

Extend healthy life

Disaster prevention
and
mitigationHousing production
construction
technology

Energy system

Thermal, air,
and
acoustic environmentTown and Community
DevelopmentSmart Power Station homes equipped with three technologies
(solar, storage batteries, HEMS) to realize energy self-sufficiency

Energy self-sufficient homes realize resource recycling. In the rare event of a power outage, they also ensure a supply of power, reduce harm to lifestyles, and contribute to the safety and peace-of-mind of residents. Factory production ensures short construction periods, reduced construction processes, and consistent quality (high earthquake resistance, airtightness, and heat insulation).



*Production plant for factory-built housing

Homes equipped with comfortable ventilation and
air conditioning systems

By maintaining a consistent thermal environment throughout, these homes offer comfortable lifestyles with little temperature variation.

Smart Heim Town urban planning for
disaster mitigation

In order to ensure a level of comfort that best approaches normal life even in the event of a natural disaster, the Company implements Town and Community planning utilizing the latest technologies of SEKISUI CHEMICAL Group.



Housing Company

Main Products



In-house production in progress inside the Housing Unit Factory



A housing unit being installed



External walls (Eco-chante) renovation



Living room, dining room, and kitchen renovation



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



A large-capacity solar power generation system



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



The Company's Smart Heim Navi Consulting HEMS

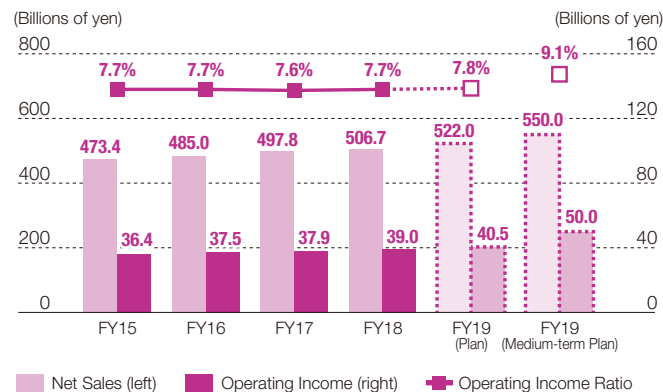


Housing for the elderly for which the Sekisui Heim Group is responsible, from constructing to operating



The housing production factory in Thailand

Performance Highlights

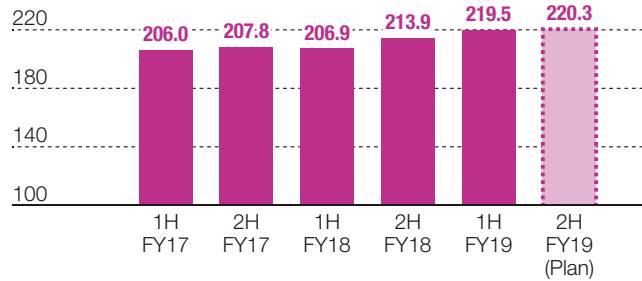


(Billions of yen)	FY14	FY15	FY16	FY17	FY18
Assets	249.1	265.5	277.8	283.3	315.2
EBITDA	48.0	44.5	46.5	47.4	48.5
Depreciation and Amortization	6.7	8.0	8.9	9.3	9.4
Capital Expenditures	9.8	14.4	13.5	14.4	17.8
R&D Expenditures	4.9	4.8	4.5	4.6	4.2
Number of Employees	10,442	10,419	10,447	10,698	10,891
Consolidated Subsidiaries (Overseas Companies)	40(1)	41(1)	41(1)	37(1)	37(1)

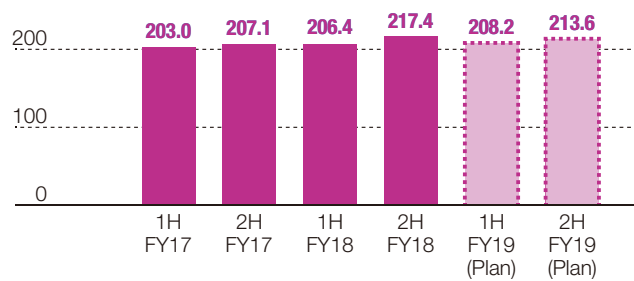
Housing Company

Housing Company and Market Data

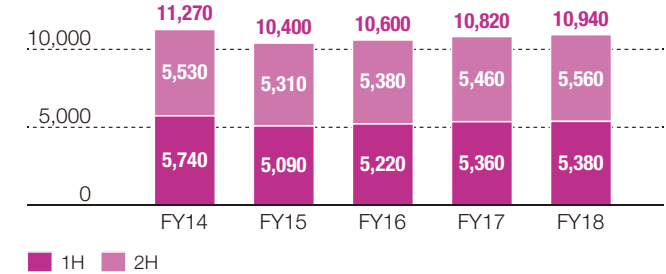
Year-start Backlog

(Billions of yen)
260

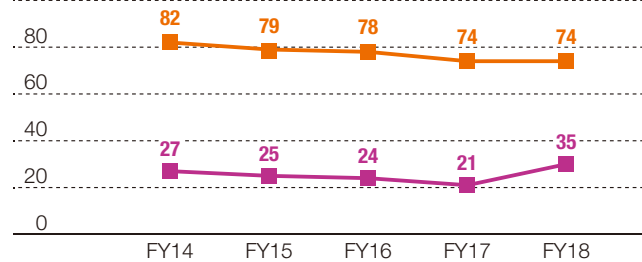
New Housing Orders

(Billions of yen)
300

Number of Houses Sold

(Units)
15,000

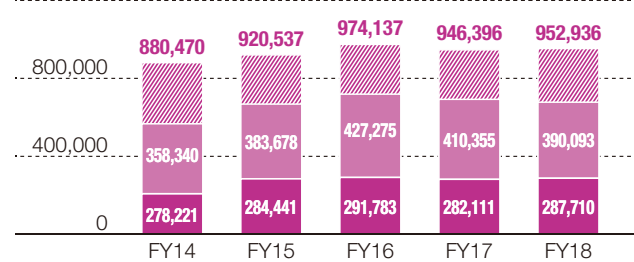
Solar Power Generation System and Installed Storage Batteries Load Ratio

(%)
100

— Solar power generation system
— Installed storage batteries

Market Data

Housing Starts

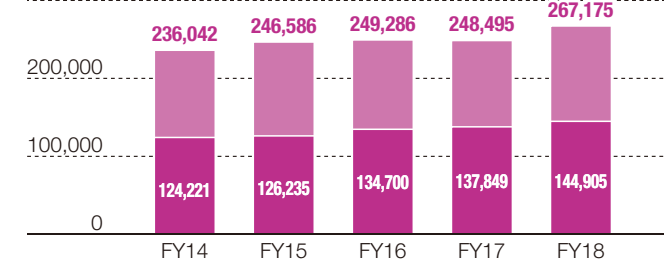
(Units)
1,200,000

■ Privately-owned houses
■ Rental housing

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

Market Data

Housing Starts for Subdivision Housing

(Units)
300,000

■ Of which, detached house

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

Urban Infrastructure & Environmental Products (UIEP) Company

Urban Infrastructure & Environmental Products (UIEP) Company

Business Overview

The Urban Infrastructure & Environmental Products (UIEP) Company is a manufacturing and sales leader in Japan in water sewerage and supply pipe systems as well as construction materials supply businesses, which collectively form the company's core operating platform.

Based on the Medium-Term Management Plan that started in fiscal 2017, we redesigned our business portfolio and set up a new strategic portfolio consisting of three strategic areas: "Piping and Infrastructure," "Building and Living Environment" and "Advanced Materials."

We will promote strategies, such as "overseas," "growth," "core" and "reform," in accordance with the market and competitive environments in which the products are produced in each field.

In particular, under "growth" and "overseas," we will actively introduce high-value-added products, based on the technologies cultivated in our fundamental businesses for many years, and promote business domain expansion through alternative materials, such as metal, wood and glass.

President's Policy

Be reborn, UIEP!

-with new success story for the next decade-

- (1) Accelerate and enhance growth strategy
- (2) Minimize business-risk



Yoshiyuki Hirai

President of Urban Infrastructure & Environmental Products Company

Topics

- Apr. 2018** Management Integration and Name Change of a Production Subsidiary; East Japan Sekisui Industry Co., Ltd. Established
- May 2018** Omega-Liner Method Wins the Best Design Award in the Environmental and Equipment Design Award
- Mar. 2019** Launch of High Value Added ESLON® Pipe+ (plus) PVC Pipes **1**
- Apr. 2019** Management Integration and Name Change of a Production Subsidiary; West Japan Sekisui Industry Co., Ltd. Established
- Apr. 2019** Launch of Construction Labor Reducing SPR-NX Rehabilitation Pipe **2**
- May 2019** Environment-Contributing Facility at YAMANASHI SEKISUI CO., LTD. Commences Operation



Urban Infrastructure & Environmental Products (UIEP) Company

Fiscal 2018 Performance

Steady expansion in overseas businesses made up for struggles in general products in Japan
Achieved record high profit at the company level for a third consecutive fiscal year

In fiscal 2018, the UIEP Company struggled with both sales volume and selling prices for general products in its domestic businesses. In contrast, overseas businesses, including aviation sheets sold in the US, recovered steadily. While net sales were essentially unchanged at ¥239.2 billion, operating income reached ¥15 billion, a ¥200 million increase year on year, thereby helping the Company to achieve record high profits for three consecutive fiscal years.

Looking at the situation by region, although domestic businesses saw a steady expansion of prioritized products, which deliver high added value while promising expectations

for growth, they struggled with general products. In addition, the industrial pipe business was negatively affected by the lower demand for IT investments. Turning to overseas businesses, along with steady recovery in the aviation sheet business, capacity expansion investments targeted at growth in the sheet and synthetic railway sleeper businesses came to completion and contributed to performance.

Accelerating the pace of growth in each of the three strategic fields

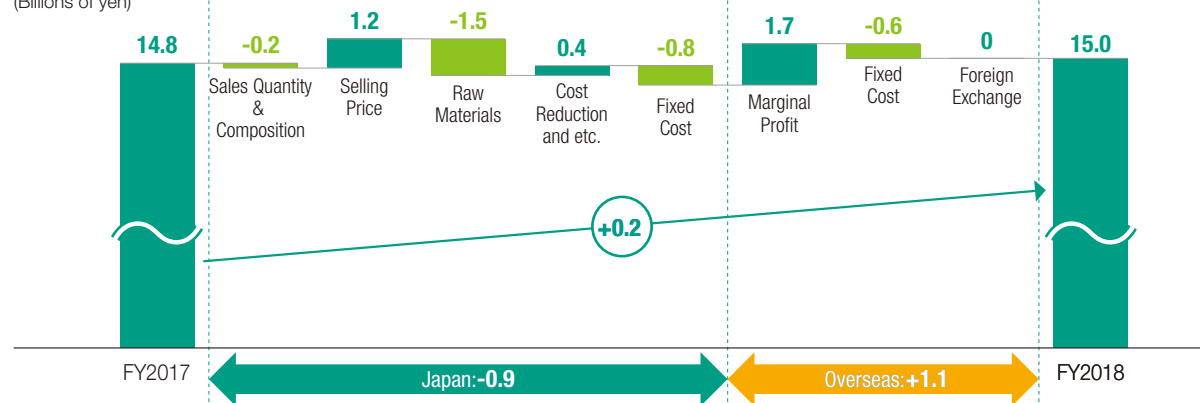
The UIEP Company has identified Piping and Infrastructure, Building and Living Environment, and Advanced Materials as its three strategic fields. The Company is looking to expand profit over the medium-to-long term by accelerating the pace of growth in each of the three strategic fields

and boosting prioritized products, which deliver high added value while promising expectations of growth.

Despite struggling with general products, in fiscal 2018 the Piping and Infrastructure field expanded sales of prioritized products, new products, and rehabilitation pipes that help reduce construction work times, thereby achieving net sales on a par with the previous fiscal year. The Building and Living Environment field saw robust sales of construction materials in part due to demand from natural disaster recovery projects, but this field ultimately experienced lower net sales year on year due to depressed sales of modular bathrooms coinciding with the decline in apartment complex construction starts. The Advanced Materials field saw a steady recovery in sales of aviation sheets in the US and expanded use of synthetic railway sleepers, primarily in Europe and the US. These positive aspects led to higher net sales year on year.

Analysis of Operating Income for FY2018 (year-on-year)

(Billions of yen)



FFU Synthetic Wood for Shield Work



Synthetic Railway Sleepers

Urban Infrastructure & Environmental Products (UIEP) Company

Fiscal 2019 Forecasts

Continuing expansion overseas and accelerating sales of prioritized products in Japan to achieve broad profit growth and record high profits for a fourth consecutive fiscal year

In fiscal 2019, the UIEP Company will continue to expand sales of prioritized products and introduce new products in Japan. Overseas, the Company will continue growth by realizing benefits from the capacity expansion investments made during the previous fiscal year in sheets and synthetic railway sleepers. As a result of these measures, net sales are projected to reach ¥244 billion, an increase of ¥4.8 billion year on year.

Meanwhile, the Company will promote improved margins for general products, with which it struggled in Japan during the previous fiscal year, and accelerate production reorganization

and structural reforms of unprofitable businesses. As a result of these measures, operating income for the fiscal year under review is forecast to reach ¥17 billion, an increase of ¥2 billion year on year. On this basis, the UIEP Company is targeting a fourth consecutive fiscal year of record profit.

Accelerating expansion of prioritized products through market-optimized products

In each of its targeted sectors, the UIEP Company will focus its energies on expanding sales of prioritized products that utilize the strengths of the Company. These sectors include the public sector (civil engineering, etc.), the private sector (building construction, etc.), and the overseas sector (aviation sheets, synthetic railway sleepers, etc.). In the public sector, whereas public works budgets are appropriated for infrastructure maintenance and enhancement projects, such as the Plan for National Resilience budget and the Three-year Emergency Response budget, the Company

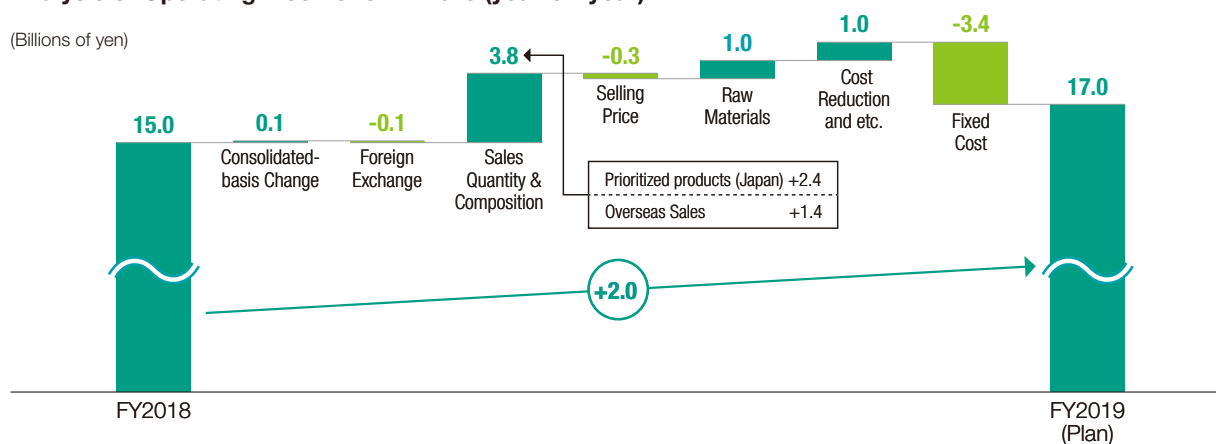
will work to expand sales of prioritized products for aging infrastructure measures that suit these budgets, such as the Sewage (Spirally) Pipe Renewal Method and SEW (Shield Earth Retaining Wall System by FFU synthetic wood) for shield work applications. Moreover, in the private sector, the Company will focus its energies on HYPER AWHP earthquake-resistant water pipes for high-rise buildings and high flowrate drainage systems for heavy rain measures. In the overseas sector, the Company will work to expand use and sales centered on those prioritized products that utilize the Company's unique prominences, such as flame retardant, excellent design aviation sheets and synthetic railway sleepers that comply with environmental regulations.

Higher sales in the Pipes and Infrastructure and Advanced Materials fields, and structural reform in the Building and Living Environment field

Looking at each of the three strategic fields individually, in the Pipes and Infrastructure field, the Company will continue working to expand sales of prioritized products and new products that contribute to shorter construction work times. Here, the Company will focus on sales on construction markets in the major metropolitan areas. Moreover, the Company will continue promoting alliance strategies for rehabilitation pipes. In the Building and Living Environment field, the Company will work to strengthen earning power through structural reforms and to expand sales of prioritized products and new products (CHOUSHIN LEVOL new housing gutters, large bathrooms for nursing care facilities (KGS-F), and high flowrate drainage systems). In the Advanced Materials field, the Company will thoroughly realize the benefits of capacity expansion investments for aviation sheets by capturing new customers and pioneering new applications (construction, medical, railway). By promoting alliance strategies for synthetic railway sleepers, the Company aims to expand their use in Europe, the US, and elsewhere overseas.

Analysis of Operating Income for FY2019 (year-on-year)

(Billions of yen)



Urban Infrastructure & Environmental Products (UIEP) Company

Contributing to the SDGs through Operations

Urban Infrastructure & Environmental Products (UIEP) Company

Improving safety, peace-of-mind,
and comfort while reducing environmental impactEnvironmental and social
issue related needsUIEP Primary
Core Technologies

Examples of solutions and Environment-Contributing Products born from core technologies

Safe water supply

Labor shortages

Disaster prevention
and
mitigationReduce environmental
impact

Aging infrastructure

Housing and
infrastructure Design
and analysisComposite/
Dispersion processInfrastructure/
Industrial materialsPipe installation
and
construction

EsloHYPER polyethylene water supply pipes



With their exceptional flexibility and strong joints, these pipes prevent ruptures and leaks caused by earthquakes and ground subsistence, thereby ensuring the supply of safe water. These pipes are lightweight, quick to install, and corrosion-resistant.

Aviation sheets



These flame retardant, impact-resistant sheets have exceptional design qualities. Along with helping to reduce the weight of machinery, they also improve the fuel efficiency of transport equipment.

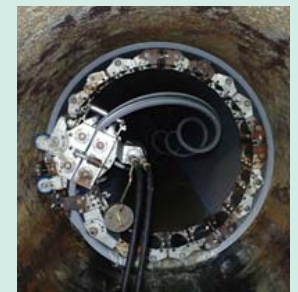
Synthetic railway sleepers

These sleepers are made of light-weight, corrosion-resistant plastic that achieves the same lightweight, water-resistant, durable level of wood. These sleepers do not require preservatives, so do no harm to the environment.



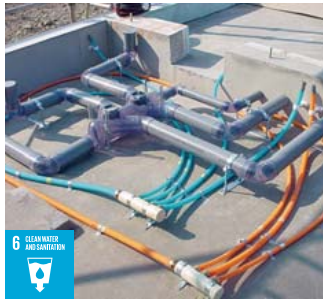
Sewage (Spirally) Pipe Renewal (SPR) Method

Installed on the inside of existing pipes, this method enables renewal of aging sewage pipes without digging up roads, and realizes shorter construction work times and a significant reduction in waste.

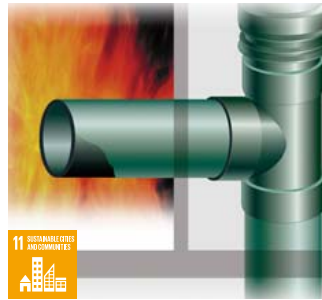


Urban Infrastructure & Environmental Products (UIEP) Company

Main Products



6 CLEAN WATER AND SANITATION
Residential water supply and drainage system



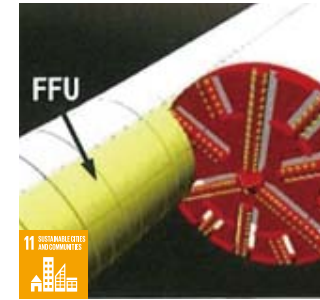
11 SUSTAINABLE CITIES AND COMMUNITIES
Fire-resistant pipes for buildings



11 SUSTAINABLE CITIES AND COMMUNITIES
High-performance seismic polyethylene pipes



11 SUSTAINABLE CITIES AND COMMUNITIES
Plant products with high corrosion and chemical resistance



11 SUSTAINABLE CITIES AND COMMUNITIES
SEW (Shield Earth Retaining Wall System) synthetic FFU



13 CLIMATE ACTION
Aviation sheets



9 INDUSTRY, BARRIERS AND INFRASTRUCTURE
Sewage (Spirally) Pipe Renewal (SPR) Method



11 SUSTAINABLE CITIES AND COMMUNITIES
Designer rain gutters



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Functional flooring



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Synthetic railway sleepers

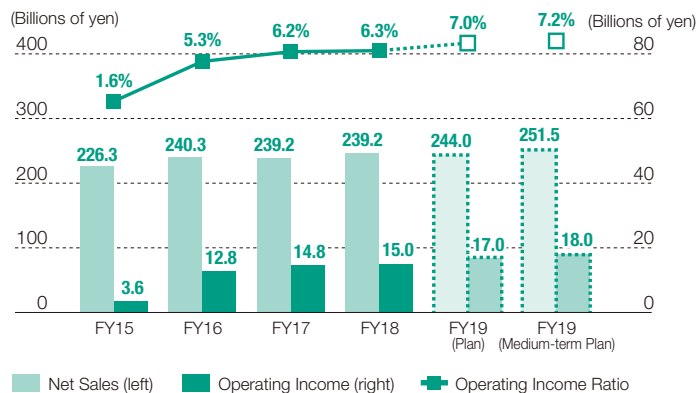


3 GOOD HEALTH AND WELL-BEING
Plastic sheet for medical equipment



3 GOOD HEALTH AND WELL-BEING
Low elution sterilization container for medical use

Performance Highlights

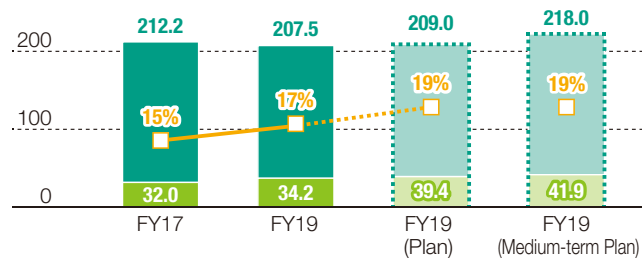


(Billions of yen)	FY14	FY15	FY16	FY17	FY18
Assets	198.8	179.1	193.9	207.1	216.7
EBITDA	9.6	13.4	19.5	21.4	22.2
Depreciation and Amortization	6.2	6.4	6.4	6.4	7.0
Capital Expenditures	15.4	8.5	6.7	9.8	13.9
R&D Expenditures	5.1	5.3	5.7	6.1	5.9
Number of Employees	5,453	5,044	4,789	4,945	5,139
Consolidated Subsidiaries (Overseas Companies)	56(32)	43(19)	39(15)	38(15)	39(16)

Urban Infrastructure & Environmental Products (UIEP) Company

UIEP Company and Market Data

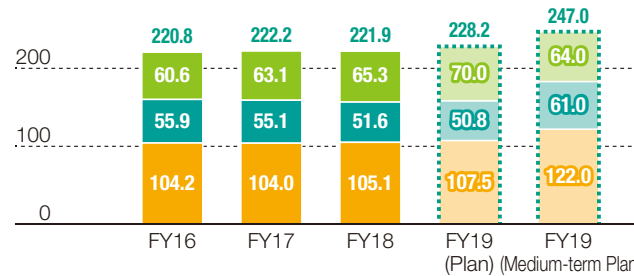
Sales in Prioritized Products*

(Billions of yen)
300

■ Domestic sales ■ Prioritized product sales included in Domestic sales
 — Ratio of prioritized product sales included in Domestic sales

*Prioritized products: High-value-added products with the potential for market growth and substitutability

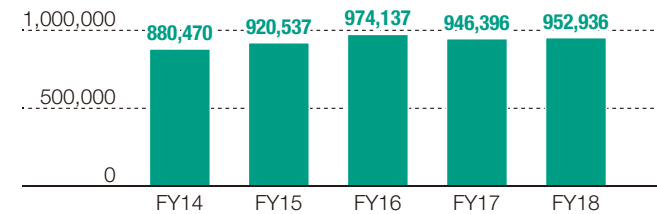
Net Sales in the Three Strategic Fields

(Billions of yen)
300

■ Piping and Infrastructure ■ Building and Living Environment
 ■ Advanced Materials

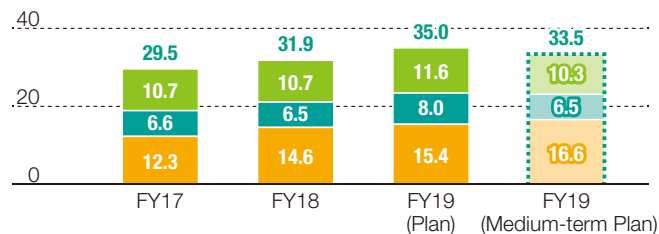
Market Data

Housing Starts

(Units)
1,500,000

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

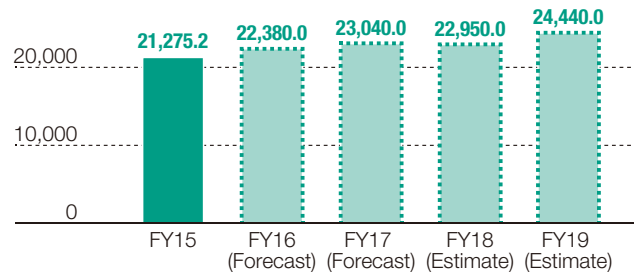
Overseas Sales

(Billions of yen)
60

■ Americas ■ Europe ■ Asia and Australia

Market Data

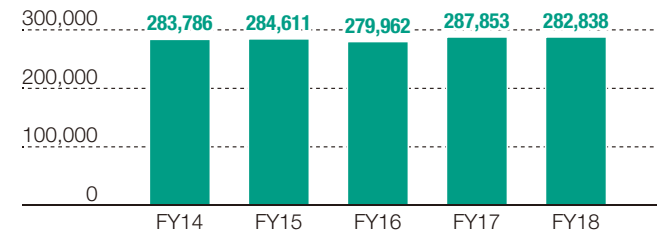
Government Construction Investment (nominal value)

(Billions of yen)
30,000

*Research Institute of Construction and Economy: "QUARTERLY OUTLOOK OF CONSTRUCTION AND MACRO ECONOMY" (issued April 2019)

Market Data

Shipment volume of rigid PVC pipe

(t)
400,000

Source: "PVC Pipe Shipment Volumes," Japan PVC Pipe and Fittings Association

Medical Business

Medical Business

Business Overview

Under its mission of contribute to the realization of healthy and enriched lifestyles for all people, the Medical Business provides the pharmaceutical sciences sector with a diverse range of products and services.

Formed through the merger of SEKISUI CHEMICAL's Medical Business Division and Daiichi Pure Chemicals Co., Ltd., in 2008, SEKISUI MEDICAL CO., LTD. has taken the lead in supporting the Group's Medical Business.

The globally active Medical Business is composed of two parts, namely the Diagnostics Business, which is centered on diagnostic drugs and devices, and the Pharmaceuticals Sciences Business, which handles contracted manufacturing of active pharmaceutical ingredients (APIs), and the Drug development solutions business, which provides support for research and development among pharmaceutical companies. The Pharmaceuticals Sciences Business is further broken down into the Pharmaceuticals and fine chemicals business, which handles contracted manufacturing of active pharmaceutical ingredients (APIs), and the Drug development solutions business, which provides support for research and development among pharmaceutical companies. The ratio of net sales accounted for by overseas business has exhibited steady growth, reaching 50% in fiscal 2015, up from the 21% recorded in fiscal 2008. The Medical Business is promoting further globalization through the continued acceleration of business deployments in North America, Europe, and Asia.

In recent years, social and consumer needs for medical care have been diversifying in line with the dramatic transformations of the global medical environment. Accordingly, we will continue to embrace change and challenge new frontiers so that we can create unique, high-quality products and services that will leave our customers truly satisfied.

Overview of Business

Diagnostics Business

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



CP3000



RapidTesta™ FLU/NEXT

Pharmaceutical Sciences Business

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

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



Active Pharmaceutical Ingredients (APIs)



Drug development solution testing (APIs)

Core Strategy

Strengthening core business

Diagnostics (domestic): Expand business scope and domains through introduction of new products

Diagnostics (overseas): Promote mainstay derivative products and expand alliances with major companies (blood coagulation and other fields)

Pharmaceuticals and fine chemicals business: Commence operations at a new manufacturing facility at the Iwate Plant

Expanding frontiers

China & Asia: Commence operations at a new plant in Suzhou; cultivate the Asia market by centralizing the operations of Veredus Laboratories

Europe and the U.S.: Expand the sales network; expand the drug development solutions business Laboratories

New businesses: Enter clinical (human) fields; specialty peptide drug substance and enzymes

Diagnostics Area



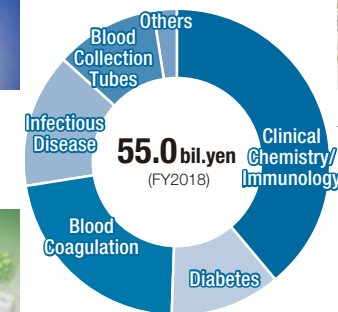
Vacuum blood collection tubetesting



Reagent for cholesterol test



Reagent for influenza test



Blood coagulation analyzers

Medical Business

Medical Business

Fiscal 2018 Performance and Fiscal 2019 Forecasts

In addition to the start of a new scope of consolidation that includes Singapore-based Veredus Laboratories, which was acquired at the end of fiscal 2017, in fiscal 2018 the Medical Business saw growth in sales with performance primarily driven by an expansion of overseas sales in Europe, the US, and China for its mainstay diagnostics business. Likewise, the Medical Business set a new record for operating income for the second consecutive fiscal year. During fiscal 2019, the Medical Business will be removed from the High Performance Plastics (HPP) Company and placed under the jurisdiction of the Headquarters. During the first fiscal year after separation, sales are forecast to increase ¥1.8 billion to ¥72.5 billion and operating income is forecast to increase ¥400 million to ¥10

billion. In the Diagnostics Business, expansion of new products and a reinforced framework in Europe, the US, China, and Asia are expected to increase sales ¥3 billion to ¥58.1 billion. The Pharmaceuticals Sciences Business is forecast to see a decline in sales because of an expected drop in demand for some of its mainstay products. Despite this, the Medical Business will work towards new orders for APIs and on expanding its drug development solutions business in Europe and the US.

Medium-term Plan

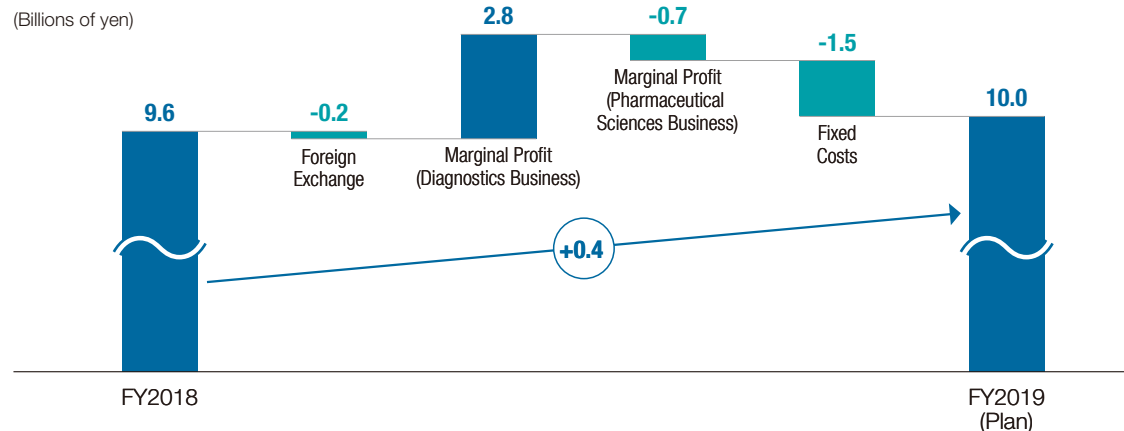
Under the current medium-term plan, the Medical Business has steadily grown its core domains (diagnostic reagents (domestic) and pharmaceuticals and fine chemicals) and growth enhancing domains (diagnostics reagents

(overseas), drug development solutions (overseas), and new APIs) as one of the four strategic fields within the HPP Company. From fiscal 2019, the Medical Business will fall under the jurisdiction of the Headquarters, but will continue to advance growth strategies in the two domains of diagnostics and pharmaceutical sciences.

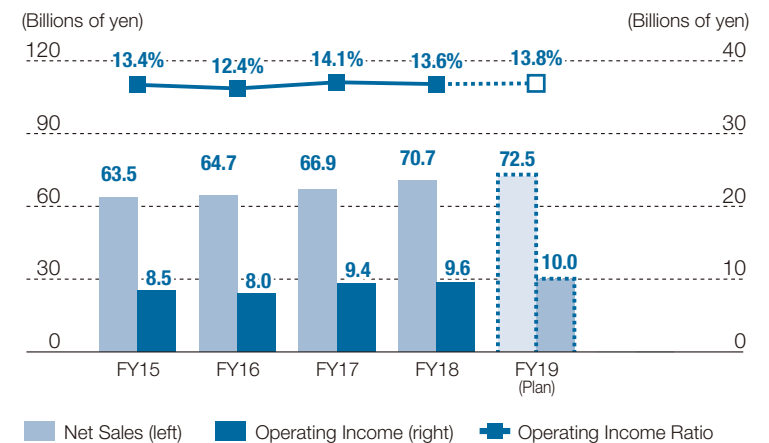
In striving to achieve the Medium-term Plan, the Medical Business is working to demonstrate technological synergy with each area that has been acquired thus far through mergers and acquisitions. In addition, it aims to continue expanding its business domains in both the Diagnostics Business and Pharmaceuticals Sciences Business from the two aspects of business area and technical expansion.

The Medical Business will work to further accelerate growth as a means of contributing to the realization of a new phase of growth as the Company's long-term vision (2020s: ¥2 trillion in net sales, ¥200 billion in operating income).

Analysis of Operating Income for FY2019 (year-on-year)



Performance Trends



Review and Analysis of Consolidated Results for Fiscal 2018

Review and Analysis of Consolidated Results for Fiscal 2018

Fiscal year ended March 31, 2019

Business Environment

Carrying on from the previous year, the global economy continued to experience a modest recovery in 2018. Unlike the simultaneous across-the-board worldwide improvement in 2017, however, there were signs of a discrepancy in the rates of recovery between countries and regions. While the global economy as a whole exhibited a modest ongoing positive turnaround from the second half of 2018 to the beginning of 2019, there were indications of weakness in various countries in Asia and Europe including China and Germany.

Despite a prolonged period of economic recovery from 2011 following the crisis set off by the collapse of Lehman Brothers, uncertainty surrounding the future continues to mount. This largely stems from the growing confusion caused by trade friction between the U.S. and China as well as concerns regarding the direction of the U.K.'s withdrawal from the European Union.

Turning to the domestic economy in fiscal 2018, Japan continued to experience a mild recovery after bottoming out

in November 2012. Buoyed by a moderate pickup in the global economy, the corporate sector is reporting record-high earnings. Employment conditions and incomes are also on the rise. Moreover, domestic demand including private consumption and private-sector capital investment is showing signs of improvement while enjoying the benefits of an ongoing virtuous cycle.

As far as the market environments for each of the Group's individual business segments are concerned, new housing starts in the domestic housing field increased for the first time in two fiscal years. While trends in rental housing remained weak in line with the previous year, growth in detached privately-owned homes helped drive up construction starts. In specific terms, construction starts came to 952,936 units in fiscal 2018, an increase of 0.7% compared with the previous fiscal year. Turning to detached houses, privately owned homes climbed 2.0% year on year to 287,710 units, while built-for-sale detached housing grew 5.1% compared with the previous fiscal year to 144,905 units.

In the Water Infrastructure field including polyvinyl chloride (PVC) pipes, shipments of high-value-added products that deliver increased labor efficiencies expanded on the back of robust trends in condominium construction starts. In addition, trends in construction investment remain stable spurred by a variety of factors including activities related to the upcoming 2020 Tokyo Olympic and Paralympic Games as well as urban redevelopment.

Overseas, business conditions became increasingly harsh. Smartphone demand in the Electronics field declined. Operations in the Automobiles and Transportation field were impacted by a deterioration in mainstay automobile market conditions in Europe and China. Turning to the Life Science field, which in relative terms is less affected by movements in economic conditions, emerging markets continued to experience growth. Demand in developed countries remained stable.

From a foreign currency exchange rate perspective, the value of the yen against the U.S. dollar hovered above the

¥109 level at the start of the fiscal year in April 2018 finishing just above ¥110.50 as of the end of the fiscal year in March 2019. Looking at movements throughout the fiscal year under review, the value of the yen exhibited a relatively moderate trend, fluctuating between a range of ¥108 to ¥113 against the U.S. dollar. In fiscal 2018, the annual average foreign currency exchange rate against the U.S. dollar was ¥111 and ¥128 against the euro. These levels were essentially unchanged from the previous year.

Overview of Business Results and Financial Position

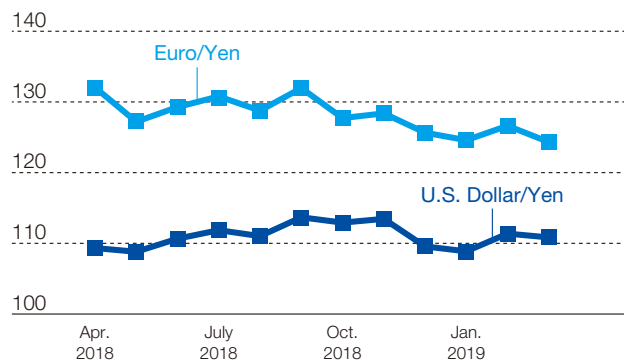
1. Analysis of Business Results for Fiscal 2018

(1) Net sales and operating income

Positioned as a pivotal year of its Medium-term Management Plan "SHIFT 2019 -Fusion-," SEKISUI CHEMICAL Group took steps to strengthen both quantitative measures (forward-looking investments) and qualitative measures (constant structural reform) while at the same time promoting new businesses and "fusion" measures in a bid to accelerate efforts aimed at securing the "a new phase of growth" targeted under its Medium-term Management Plan in fiscal 2018. Furthermore, energies were directed toward improving work style reforms together with workplace capabilities, strengthen the governance function and enhance the quality of management taking into consideration the need to address environmental, social and governance (ESG) concerns.

Meanwhile, the deterioration in smartphone-related product market as well as automobile-related product market conditions in China and Europe exceeded expectations. Coupled with this difficult environment, the Group's activities were impacted by increases in strategic investments and research and development-related fixed expenses as well as an upswing in raw material costs.

Exchange Rate



*The exchange rate is the closing rate at month end.

Review and Analysis of Consolidated Results for Fiscal 2018

Accounting for each of these factors, SEKISUI CHEMICAL Group reported an increase in net sales of 3.2% compared with the previous fiscal year to ¥1,142,713 million. From a profit perspective, on the other hand, operating income decreased 3.6% year on year to ¥95,686 million and ordinary income edged down 0.8% to ¥93,146 million. Despite this downturn in earnings, net income attributable to owners of the parent improved 4.2% compared with the previous fiscal year to ¥66,093 million. This represented a sixth consecutive fiscal year of record high bottom line profit.

Of these totals, the Housing Company posted net sales of ¥506,729 million, up 1.8% compared with the previous fiscal year. Again, on a year-on-year basis, operating income came to ¥39,002 million, an increase of 2.8%. Accordingly, the Housing Company reported growth in both sales and profit. In addition to firm trends in orders and sales of newly built houses, these results reflected steady progress in fortifying the earnings structure of the Renovation business.

In the New Housing Construction business, the Housing Company reported firm housing complex trends together with an increase in the number of orders compared with the previous fiscal year. This was mainly due to successful efforts aimed at upgrading and expanding the product lineup, which included the release of such new products as the steel-framed unit housing, Parfait-bj Style, for two-income households

and families raising children. Furthermore, and in addition to upgrading and expanding model houses, sales personnel and network of Sekisui Heim Museum experience-based showrooms, the Housing Company also focused on purchasing land for sale as well as sales of built-for-sale houses.

In the Renovation business, the amount of orders exceeded the level recorded in the previous fiscal year. This was largely due to increased sales of such strategic products as storage batteries. Furthermore, and in addition to fortifying the Company's earnings structure focusing mainly on increasing the efficiency of indirect functions, particular emphasis was also placed on reinforcing points of customer contact through energy self-sufficient proposals.

In the fiscal year under review, net sales in the UIEP Company came in at ¥239,193 million. This was essentially unchanged from the previous fiscal year. Operating income climbed 1.5% year on year to ¥15,007 million. Results in FY2018 were impacted by a variety of factors. In addition to a downturn in apartment complex construction starts and such factors as construction project delays, the UIEP Company experienced a drop in sales volumes of general products. These negative factors were offset by sales growth in other areas including prioritized products in Japan and thermoplastics sheets for aircrafts in the U.S. Meanwhile, the upswing in sales of prioritized products helped even out

increases in raw materials to product prices as well as fixed expenses. As a result, the UIEP Company reported a third consecutive fiscal year of record-high profit.

In the Piping and Infrastructure field, general products struggled while demand for industrial piping materials declined in the fourth quarter. Despite these difficult conditions, successful steps were taken to boost sales of prioritized and new products that were released ahead of the competition and help increase operating efficiency per employee, rehabilitation pipes, and other products. Accounting for each of these factors, net sales were essentially unchanged from the previous fiscal year.

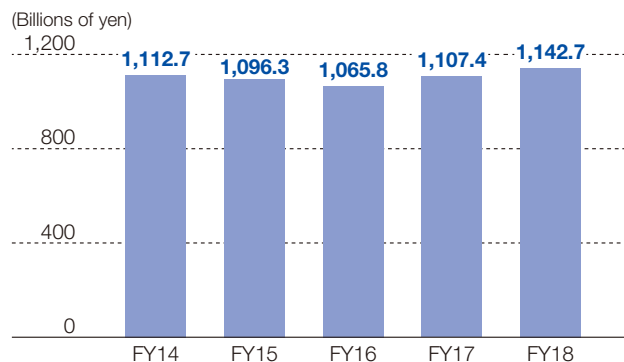
Turning to the Building and Living Environment field, net sales declined compared with the previous fiscal year. While trends in building materials sales were firm, this year-on-year downturn was largely due to the drop in sales of modular bathrooms attributable to lower apartment complex construction starts.

In the Advanced Materials field, sales of thermoplastic sheets for aviation use saw a steady recovery in the U.S. Sound results in this field were also underpinned by upswings in the use of wood railways sleepers mainly in Europe and the U.S. Taking these factors into consideration, sales in the Advanced Materials field grew compared with the previous fiscal year.

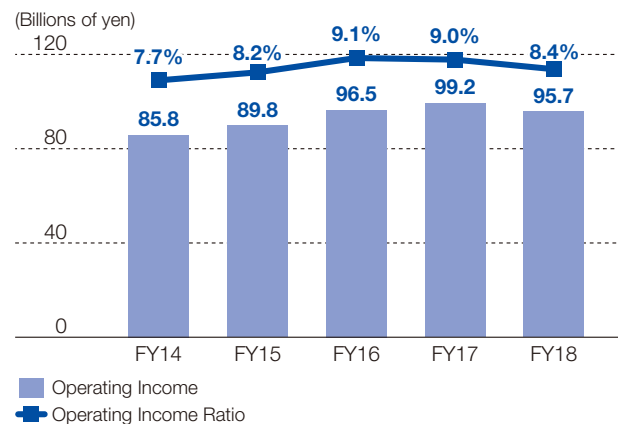
Net sales in the HPP Company amounted to ¥412,011 million in fiscal 2018, up 6.7% compared with the previous fiscal year. From a profit perspective, operating income on the other hand declined 5.8% year on year to ¥54,478 million. In the fiscal year under review, net sales benefitted from the growth in sales of high-performance products. This was mainly due to the effects of strategic investments and efforts to reform the portfolio. As far as earnings are concerned, results were impacted by an increase in fixed expenses associated with strategic investments, higher raw materials costs and a sudden deterioration in market conditions. Taking each of these factors into consideration, the HPP Company reported an increase in sales and decrease in profit.

In the Electronics field, demand for such mobile devices as smartphones and tablets declined substantially. Despite this drop in demand, net sales increased compared with

Net Sales



Operating Income and Operating Income Ratio



Review and Analysis of Consolidated Results for Fiscal 2018

the previous fiscal year. This was largely attributable to the progress achieved in expanding sales of various products for substrate and semiconductor use in the non-liquid field.

In the Automobiles and Transportation field, the number of automobiles manufactured dropped significantly in China and Europe from the third quarter. Thanks to contributions from the startup of a new interlayer film for laminated glass production line at SEKISUI CHEMICAL Group's Mexico Plant, however, net sales in this field increased compared with the previous fiscal year. Of particular note was the inclusion of Sekisui Polymatech Co., Ltd. in the Company's scope of consolidation from the second quarter of FY2017. As a result, net sales increased in the both the Electronics as well as Automobiles and Transportation fields.

As far as the Building and Infrastructure field is concerned, net sales exceeded the level reported in the previous fiscal year. While affected by the downturn in construction demand in such regions and countries as the Middle East and South Korea, which led to a drop in chlorinated polyvinyl chloride (CPVC), this year-on-year increase in net sales was primarily due to steady growth in sales of fire-resistant materials mainly by Sekisui SoflanWiz Co., Ltd., which was included in the Company's scope of consolidation.

In the Life Science field, net sales were up compared

with the previous fiscal year. This largely reflected firm trends in demand for diagnostic reagents mainly from overseas.

(2) Non-operating income and expenses

After posting a foreign exchange gain of ¥1,018 million, non-operating income in FY2018 increased ¥12 million compared with the previous fiscal year. Non-operating expenses for the fiscal year under review declined ¥2,748 million year on year. While SEKISUI CHEMICAL Group incurred expenses for exterior wall inspections and maintenance of ¥2,282 million, this decline in non-operating expenses was mainly due to the absence of any foreign exchange loss.

(3) Extraordinary income and loss

During the fiscal year under review, SEKISUI CHEMICAL Group posted a gain on sales of investments in securities of ¥3,411 million as extraordinary income and incurred a loss on impairment of fixed assets of ¥1,274 million and a loss on sales or disposal of property, plant and equipment of ¥1,373 million for a total extraordinary loss of ¥2,648 million, up ¥591 million, or 28.8%, compared with the previous fiscal year.

(4) Net income attributable to owners of the parent

Accounting for each of the aforementioned factors, income before income taxes and minority interests came to ¥93,908 million, a decrease of ¥433 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owner of the parent amounted to ¥66,093 million, up ¥2,633 million, or 4.2%, year on year.

2. Financial Position

(1) Assets, liabilities and net assets

Total assets as of March 31, 2019 stood at ¥1,023,706 million, an increase of ¥29,569 million compared with the end of the previous fiscal year

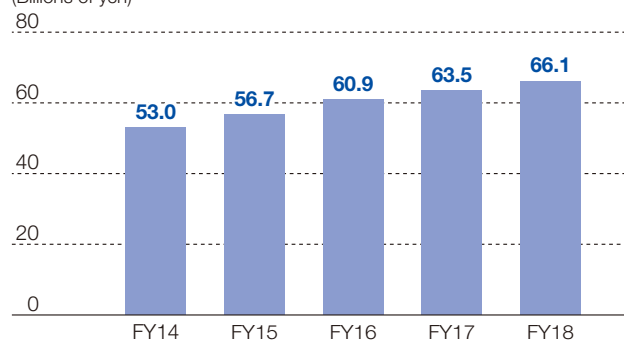
(Assets)

Current assets stood at ¥470,037 million as of the end of fiscal 2018, ¥10,836 million higher than the balance as of the previous fiscal year-end. While the balance of cash and deposits decreased ¥8,114 million during the fiscal year under review, the total balances of trade receivables and inventories climbed ¥3,710 million and ¥21,729 million, respectively.

In addition, non-current assets grew ¥18,733 million

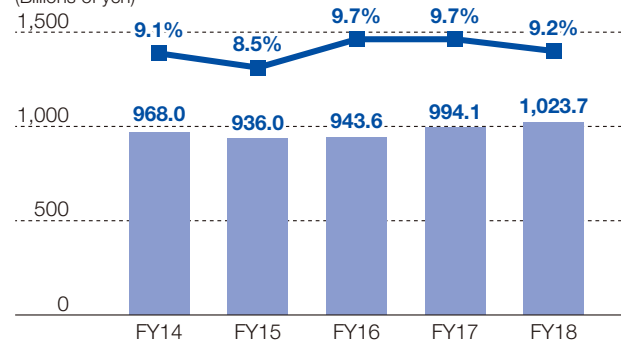
Net Income Attributable to Owners of the Parent

(Billions of yen)



Total Assets and Return on Total Assets

(Billions of yen)

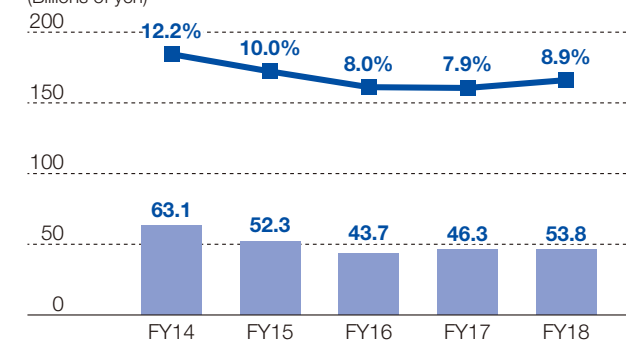


■ Total Assets
 ■ Return on Total Assets

Return on Total Assets = Ordinary Income/Average Total Assets

Interest-bearing Debt and Debt/Equity Ratio

(Billions of yen)



■ Interest-bearing Debt
 ■ Debt/Equity Ratio

Debt/Equity Ratio = Interest-bearing Debt/Equity

Review and Analysis of Consolidated Results for Fiscal 2018

year on year to ¥553,669 million.

(Liabilities)

Liabilities increased ¥9,581 million compared with the end of the previous fiscal year to ¥390,960 million as of the end of fiscal 2018. The main components were increases of a combined ¥428 million in note payable, electronically recorded obligations, accounts payable and accrued expenses and a total of ¥7,522 million in interest-bearing debt.

(Net assets)

Net assets stood at ¥632,746 million as of the end of the fiscal year under review, an increase of ¥19,988 million compared with the end of the previous fiscal year. The balance of retained earnings increased after accounting for such factors as net income attributable to owners of the parent of ¥66,093 million and the payment of dividend totaling ¥19,713 million. Other movements included decreases in treasury stock at cost of ¥14,571 million and unrealized holdings gain on securities of ¥9,518 million.

(2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥68,613 million as of the end of fiscal 2018, a decrease of ¥8,110 million compared with the end of the previous fiscal year. Factors influencing fiscal 2018 cash flow accounts were as follows.

(Operating activities)

Net cash provided by operating activities came to ¥85,213 million, up from ¥82,272 million in the previous fiscal year. In the fiscal year under review, major cash inflows, which included income before income taxes and minority interests of ¥93,908 million, depreciation and amortization of ¥38,789 million and an increase in advances received of ¥4,271 million, exceeded such principal cash outflows as income taxes paid of ¥21,925 million, the increase in inventories of ¥21,288 million and gain on sales of investments in securities of ¥3,411 million.

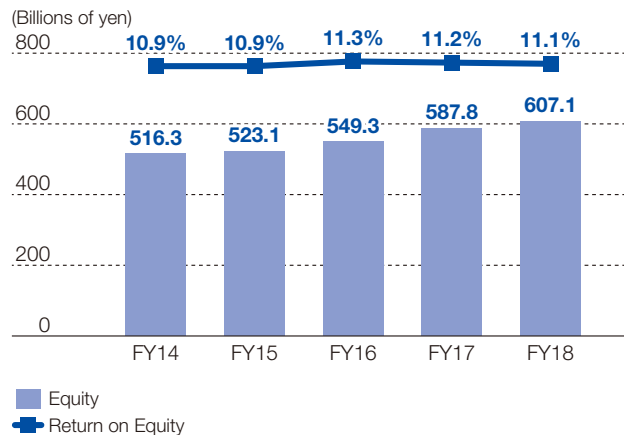
(Investing activities)

Net cash used in investing activities amounted to ¥62,553 million, up from ¥60,881 million in the previous fiscal year. The principal cash inflow came from proceeds from sales or redemption of investment in securities totaling ¥5,745 million. Meanwhile, cash outflows largely included ¥60,082 million for purchases of property, plant and equipment focusing mainly on priority and growth fields and ¥6,111 million for purchase of intangible assets.

(Financing activities)

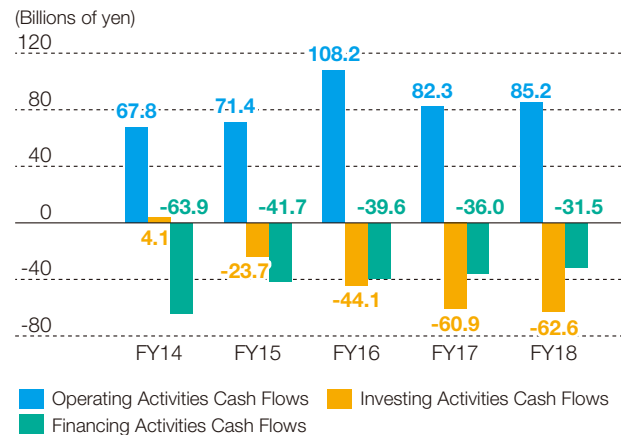
Net cash used in financing activities was ¥31,539 million compared with ¥35,981 million in the previous fiscal year. The major cash inflow came from a net increase in interest-bearing debt of ¥3,427 million. Principal cash outflows came from cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries of ¥20,616 million and the purchase of treasury stock of ¥14,571 million.

Equity and Return on Equity

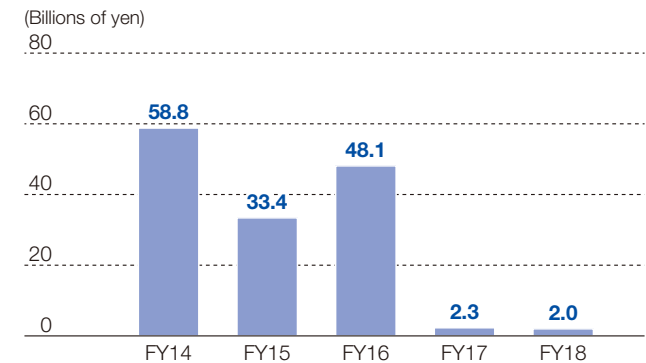


Equity = Shareholders' Equity including Accumulated Other Comprehensive Income
Return on Equity = Net income attributable to owners of the parent / Average Equity

Cash Flows



Free Cash Flow



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

Business Risks

The following factors related to our business and accounting practices may materially influence investment decisions. The Company is endeavoring to establish a system for anticipating potential risks for the Group, preventing their occurrence, and promptly and appropriately dealing with them if they occur. Forward-looking statements contained herein are based upon assessments made by SEKISUI CHEMICAL Group at the end of fiscal 2018.

(1) Foreign Currency Fluctuations

Exchange rates may affect the value of the Group's overseas assets held in foreign currencies when converted into yen. The Group employs hedging strategies as needed in response to currency fluctuations. However, the business results and the financial position of the Group may be affected if the exchange rates diverge significantly from the forecasted levels.

(2) Raw Material Price Volatility

The Group's business results and financial position may be affected in the event that the Group, especially the High Performance Plastics Company and the Urban Infrastructure & Environmental Products Company, is unable to transfer changes in prices of polyvinyl chloride, olefin, steel, or other raw materials to product prices in a timely manner and is unable to maintain sufficient margin.

(3) Overseas Business Activities

Unforeseeable changes in laws and regulations, fragility in the industrial base, and social or political turmoil such as terrorism, war, or other factors may affect the Group's overseas business activities. The emergence of such risks may disrupt the Group's overseas business activities, which would affect the business results and future plans of the Group.

(4) Housing Related Tax and Interest Rate Trends

The Group's housing-related businesses are affected by domestic taxes and consumption taxes on house purchases and by interest rate trends. These trends may impact our housing-related businesses and affect the Group's business results and financial position.

(5) Electronics Market Trends

The electronics industry, a market for the Group's High Performance Plastics Company, is characterized by severe fluctuations in demand. A rapid drop in demand within a short period could affect the Group's business results and financial position.

(6) Trends in Public Works

The Group's Urban Infrastructure & Environmental Products Company includes products used in the public sector. Trends in public works therefore influence the Company's business performance. Public investment is determined by government policy at the national and local levels, and decisions to reduce public investment may impact the Group's business performance and financial position.

(7) Industrial Accidents and Disasters

A fire, explosion, or other industrial accident at one of the Group's facilities that causes a major impact on the Group's business capability and on the local community could damage society's trust in the Company and incur response costs, including compensation costs directly related to the accident, business opportunity costs from the stoppage of production activity, and compensation costs from payments to customers. Such an event may affect the Group's business results and financial position.

(8) Intellectual Property and Product Liability

In the event that a dispute arises concerning the Group's intellectual property, the dispute resolution may not be favorable to the Group. The discovery of defects in the Group's products may require large-scale product recalls and compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which could impact the Group's business results and financial position.

Human Capital

Human Capital

While continuing to protect the rights of all its employees and giving consideration to providing comfortable and rewarding workplace environments, SEKISUI CHEMICAL Group works to develop its human resources and is intending that the effective utilization of those human resources will lead to the enhancement of its corporate value.

Stance toward Human Resources

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

Recognizing that protecting the human rights of individuals is our social responsibility, we respect each person's

diversity, personality and individuality, while promoting various work styles compatible with each country and region and the creation of safe and secure working environments. Sharing the same basic stance with regard to human resources throughout the Group, we are promoting the creation of fulfilling workplaces in which diverse human resources can thrive.

Respect for Human Rights

To fulfill its responsibilities to all stakeholders, the Group conducts business activities that show consideration for human rights in conjunction with its business partners. Providing all Group employees with a copy of the Compliance Manual, we strictly demand respect for human rights, the prohibition of discrimination, prevention of harassment, and the protection of personal information. With regard to the prevention of harassment, we also conduct educational programs in association with e-learning sessions. We are working to facilitate and encourage the understanding of our employees.

Labor Relations

In SEKISUI CHEMICAL Group, the companies and labor unions collaborate while respecting each other's position and way of thinking. Through close communications, we undertake constructive discussions on issues labor and management have in common under the shared objective of advancing our

companies. In the Group in Japan, there were 15 independent labor unions with 5,349 employees in the All-SEKISUI CHEMICAL Labor Union Federation in fiscal 2018.

Diversity Management

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

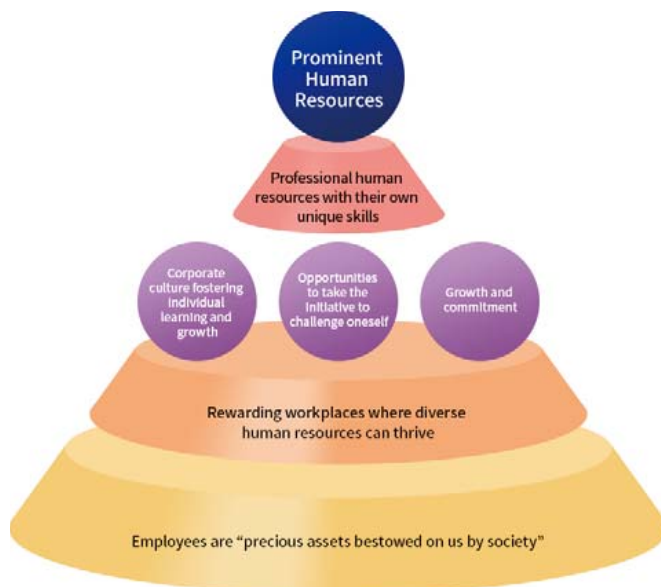
SEKISUI CHEMICAL Group's Diversity Management Policy

Diversity is essential to maintain our strong corporate presence for 100 years and beyond. We understand and recognize that every employee's orientation to work and life, and their personal strengths are different and thus we use this to our advantage. Through employee dialogue, we will strengthen our organizational culture by providing employment, opportunities for development and an enhanced work environment to support growth.

Diversity Management Promotional Structure (CSR Committee, Human Resources Committee)

The CSR Committee deliberates on CSR measures generally. This includes matters relating to diversity management. Chaired by the president, the CSR Committee is comprised of such senior executives as the presidents of divisional companies as well as employee representatives including female employees and the head of the Labor Union. Matters that require resolution are also reported to the Board of Directors.

In addition to deliberating on Group-wide diversity management issues, the Human Resources Committee puts in place



Human Capital

and monitors measures aimed at securing and developing the personnel necessary for diversity management. Chaired by the managing executive officer and head of the Human Resources Department, the Human Resources Committee is comprised of executive officers and the heads of human resources departments selected from each divisional company.

Work Style Reforms

In order to accelerate the pace of diversity management, SEKISUI CHEMICAL Group has positioned 2018 as its inaugural year of promoting work style reforms. After first putting in place a “Statement of Work Style Reforms,” the Group has initiated the three business, HR system, and work environment reform activities, and it is steadily making improvements.

SEKISUI CHEMICAL Group is working to address the issue of long working hours by improving productivity and is aiming to create an invigorating and rewarding workplace.

Investment in Work Style Reforms

Substantial capital investment and the introduction of systems are essential to continuously realizing the effects of business and work environment reforms. With this in mind, SEKISUI CHEMICAL Group has decided to invest 10 billion yen over the two years of 2018 and 2019 in an effort to reduce working hours Group-wide.

Statement of Work Style Reforms

We determine work methods that promote growth over time to enable each and every individual employee to manifest their personal “characteristics,” and pursue highly productive work methods that maximize success. In order to improve productivity, the Company actively invests in management resources, and unifies managers and workers to coalesce their wisdom Companywide. We nurture work worth doing by improving the quality of the job, and promote workers’ diverse activities by returning the success of reforms to them.

In 2018, the first year of our efforts, we made investments of approximately 8 billion yen (including an amount intended for after 2020). With the goal of promoting reduction in working hours from which we will not backtrack, we have invested in a production management system and automated inspection equipment, as well as a video conferencing system and strategies aimed at improving the workplace environment.

Promotion of Health Management

SEKISUI CHEMICAL Group announced details of its Declaration of Health and established the Basic Policy for Health and Productivity Management* in March 2019. This Declaration and Policy summarizes the Group’s philosophy and stance toward health management and provides the roadmap for further improving the physical and mental health of its employees, which is recognized as the foundation for diversity management.

* “Health and Productivity Management” is a registered trademark of the NPO Kenkokeiei.

Initiatives to Promotion Health Management

SEKISUI CHEMICAL Group is working to achieve the objectives of its existing medium- and long-term health management goals across the five physical, mental, social well-being, Group-wide initiative, and motivation and productivity segments.

Among a host of specific examples, SEKISUI CHEMICAL

Group is looking to promote healthier and longer lives in line with seven key health habits, push forward mental health initiatives and create vibrant workplaces through the effective use of stress checks, and engage in health promotion activities based on an analysis of data collated through the application of ICT.

Working in unison, the Group has also established a structure through which steady measures can be implemented to advance health management. In addition to setting up the Health Promotion Office within the Company’s Human Resources Department, every effort is being made to put forward comprehensive health management promotions plans and to enhance collaboration between the officers responsible for and in charge of health management at approximately 300 business sites and the Health Promotion Office in a bid to ensure the well-being of all employees. Each year, health promotion workshops are held for officers responsible for and in charge of health management. The participation rate was 93% in 2018.

Recognized as a 2019 Certified Health and Productivity Management Organization

SEKISUI CHEMICAL was recognized for its Companywide efforts to resolve issues relating to the health of its employees and was certified as a 2019 Health and Productivity Management Organization by both the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for the third year in a row in the large enterprise category (“White 500”). In addition, on this occasion the certification included twenty SEKISUI CHEMICAL Group companies that are actively engaged in health management.

Declaration of Health for SEKISUI CHEMICAL Group

SEKISUI CHEMICAL Group’s Basic Policy for Health and Productivity Management SEKISUI CHEMICAL Group has been engaged in health management initiatives for our employees based on our belief that “employees are precious assets bestowed on us by society.” SEKISUI CHEMICAL endeavors to take these initiatives to the next level by treating the promotion of the health of our employees as a management strategy that is aimed at achieving the physical, mental, and social well-being of all employees.



Human Capital

Initiative Aimed at Ensuring Safety and Security

We, SEKISUI CHEMICAL Group, recognize that employee safety is essential to achieving sustainable growth. We aim to be a “Safe and Secure” enterprise that establishes safe and secure working environments and has the full trust of its customers and the community as well as its employees.

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

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

Allowing Diverse Human Resources to Excel

SEKISUI CHEMICAL Group provides opportunities for personnel training according to individual career orientation. As an overall company activity, we strive to ensure that the Group can move forward on the two pillars of business leaders, who will someday shoulder management, and efficient staff that can maintain our manufacturing processes. In addition, we support employees in their efforts to take the initiative to challenge themselves while providing the systems and opportunities necessary to promote individual growth.

Developing Employees to Fill Senior Management Position Going Forward

With an eye toward management positions throughout the Group, SEKISUI CHEMICAL has established the Saijuku School. This internal training and development tool is designed to help enhance the scope and depth of future business leaders going forward.

Employees participating in the Saijuku School review a wide range of case studies while attending lectures. In addition to the skills required to put forward management strategies, the Saijuku School provides details of important business theories and philosophies. This in turn provides participants with the broad perspective necessary to engage in global business development and to further hone the abilities to think and act. Working to instill a broad mindset that encompasses the Group as a whole, employees are encouraged to take the initiative in their own development and to establish action plans geared toward reform.

Training Human Resources to Support the Workplace

The human resources who will support the foundations of management in practical terms in the workplace must undergo self-growth as highly capable practitioners accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, SEKISUI CHEMICAL Group hires human resources who will support the workplace as permanent, full-time employees, creates an environment in which they can demonstrate their abilities with peace of mind over the long term, and deploys the Meister System to strengthen their abilities in the workplace.

Group Internal Job Posting

SEKISUI CHEMICAL Group supports its employees' willingness to take on challenges. At the same time, assistance is given to realize career plans by providing opportunities to thrive within the Group through the internal posting of job openings.

Under the Group's internal job posting system, all employees are eligible to apply for a position in line with the requirements posted on the Group's intranet. The approval of

managers is not required.

Retaining and Utilizing Young Employees

SEKISUI CHEMICAL has established a training manager (brother/sister) program aimed at enabling new employees to smoothly adapt to their assigned workplaces and quickly hit the ground running.

The role of training managers goes beyond job-related instruction to play a role in providing guidance on how adult members of society should conduct themselves while following up on new employees' state of mind. The program also encourages training managers to leverage their experience guiding junior employees to gain a new perspective and thereby grow themselves.



Promote the Active Participation of Seniors

In fiscal 1993, SEKISUI CHEMICAL introduced a reemployment system for employees who had reached mandatory retirement age. Since fiscal 2006 this program has been expanded to Group companies as well. In October 2015, SEKISUI CHEMICAL revised its Senior Expert System, a system for reemploying elderly retirees in order to foster greater employee motivation. We have finished putting in place systems for employees to continue working through to the age of 65 at all Group companies, ensuring that 100% of the employees that elect to do so can remain employed or be reemployed.

Human Capital

Promote Female Empowerment

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

SEKISUI CHEMICAL Group has initiated efforts toward the empowerment of women as a first step toward promoting diversity management. The CSR Medium-term Plan launched in fiscal 2017 set the goal of becoming “an organization where women can truly thrive” as well as specific targets for the hiring of women and the number of women in management positions. These targets form an integral part of the objectives that

Ratio of new graduate women to total new hires

FY2018 (Result)

FY2019 (Medium-term Plan)

29.7%

35.0%

Number of women in management positions

FY2018 (Result)

FY2019 (Medium-term Plan)

160

200



directors and executive officers are expected to help achieve.

SEKISUI CHEMICAL Group has broadly classified its endeavors into two phases in order to empower women. The first is to increase retention rates and create a workplace environment in which women can thrive. The second is to foster women's candidacy for management positions. In a bid to increase retention rates and create a workplace environment in which women can thrive, every effort is being made to put in place a receptive environment in which women can demonstrate their attributes and participate actively at an early stage and to introduce a structure and systems that will allow flexible workstyles. Working to foster women's candidacy for management positions, SEKISUI CHEMICAL Group is conducting programs including training for women who hope to be appointed to management positions and their direct supervisors.

Efforts to Employ People with Disabilities

We believe it important not only to hire people with disabilities, but to create an environment where those with disabilities can easily work. Maintaining an environment in which people with disabilities can work easily at the same time leads to an environment in which all employees find it easy to work. To help maintain that environment, we have been conducting joint brainstorming sessions for people with disabilities that involve the personnel departments of the entire Group since fiscal 2016.

Developing Personnel Who Can Succeed on the World Stage

Amid accelerating global business development, SEKISUI CHEMICAL Group recognizes the need to make active use of the diverse human resources who support each business and to revitalize the organization in order for each company within the Group to maintain autonomous growth. Based on this understanding, the Group is promoting the development of personnel in line with the conditions in each area.

To adapt to the different business characteristics, history, management styles, lifestyle habits, as well as the various laws and regulations of each country and region, SEKISUI CHEMICAL Group is focusing on training human resources capable of demonstrating their abilities in their respective countries and regions.

Hiring Foreign Nationals

SEKISUI CHEMICAL Group is actively hiring foreign nationals for the purpose of further globalizing the Group's businesses. In addition to hiring students who have been studying in Japan, the Company launched overseas recruitment activities in fiscal 2015. In fiscal 2018, the Company carried out the hiring of engineers in India and of personnel for office-based positions in the UK and the Netherlands. We will allow our diverse human resources to excel and accelerate globalization by expanding the area in which we recruit new employees, acquiring the best candidates from around the world, and having them work with a global perspective.

Global Talent Employee System

The Group has established a Global Talent Employee System dedicated to nurturing of global human resources that can succeed on the global stage, and about 1,700 employees of the Group working in Japan have registered with it. The participants are provided with cultural training programs and professional education necessary for working overseas, and we are currently promoting measures to create opportunities for them to actually go to other countries and gain work experience there.

Global Trainee Program

The Group offers a Global Trainee Program that enables employees to gain work experience overseas. Employees working in sales, accounting, product development, and some other areas with a certain achievement level are eligible to participate in the program allowing them to apply for posts at the overseas companies affiliated with the Group. In fiscal 2018, we organized our Overseas Engineers Dispatch Program aiming at training engineers with globally competitive high-level expertise as well as Short-term Overseas Dispatch Training Program that teaches the participants to cultivate their own abilities and behavioral patterns that are required to succeed in global business. The Group shall continue expanding the programs allowing more and more employees working in various countries to gain experience in business overseas.

Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

SEKISUI CHEMICAL Group recognizes that maintaining a prominence in technology is the bedrock for creating value. This is particularly the case in the residential and social infrastructure creation as well as chemical solutions fields, where the Group's technology platform provides the underlying strength of its competitive advantage. In order to further advance this prominence in technology, the Group is committed to consistently strengthening its human resources and organizational structure in the research & development, manufacturing and intellectual property (IP) fields.

Research & Development (R&D)/Manufacturing

SEKISUI CHEMICAL's Approach to R&D and Its R&D System

With the putting of efforts into practice for its Group Vision forming the framework of its medium-term management strategy, SEKISUI CHEMICAL Group is aiming to maintain its strong corporate presence for 100 years and beyond. The Medium-term Management Plan "SHIFT 2019 -Fusion-" is positioned as one step forward toward a "new phase of growth" for the realization of the aim, and establishes the acceleration of new business creation through "technology fusion" as one of the top priorities. Actively promoting the fusion of in-house technologies with those from outside, the Company is working to increase the pace of commercialization in the new markets and fields that will play a part in the Group's future while creating attractive themes that look beyond at what will follow.

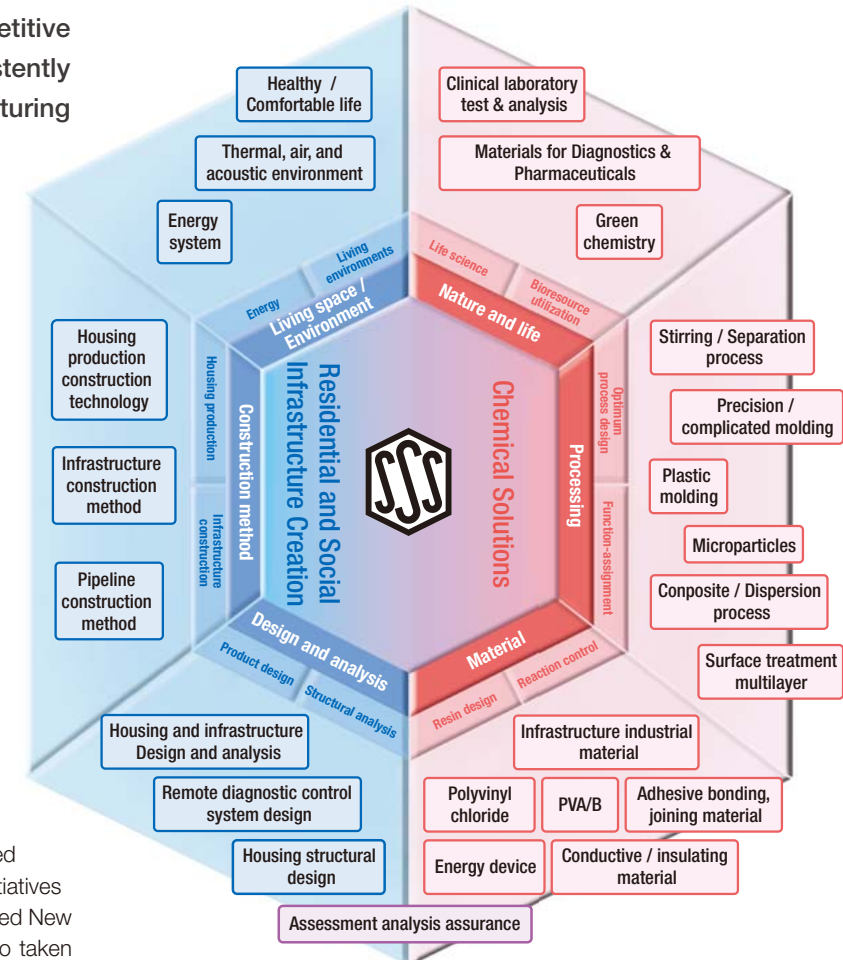
Forming the basis of these efforts are the 25 technological platforms with direct links to the Group's two business domains, "Residential and Social Infrastructure Creation" and "Chemical Solutions." These are the fundamental technological platforms that support the Group's product lineup and should even be said to be the source of its competitiveness that has been cultivated over

many years. An example of this would be our processing, which imparts smart value to components and our molding that enhances the functionality of materials. In this area, we listen to the needs of our customers as a way to best determine the path to adding value. Moreover, by effectively combining multiple platforms, we will continue to develop new products and services that are capable of maintaining a clear lead in the market even in a harsh competitive environment.

Serving as the R&D system in the Group responsible for these platforms are the four primary R&D centers within the Housing Company, the UIEP Company, the HPP Company, and the Corporate headquarters. In addition, Sekisui Medical Co., Ltd. and other key affiliated companies maintain independent R&D divisions and facilities. Directly linked to the enhancement of existing businesses and the pioneering of new frontiers, the R&D conducted at the divisional companies focuses on product development and manufacturing technology themes that will lead to profit in the near future.

In fiscal 2018, SEKISUI CHEMICAL Group introduced several new products to the market. Working to bolster initiatives aimed at addressing rebuilding demand, the Group launched New Parfait to further fortify its product lineup. Steps were also taken to inject other products into the market including a non-flammable urethane thermal insulating foam material for onsite use, the first of its kind to acquire approval from Japan's Ministry of Land, Infrastructure, Transport and Tourism as an organic non-flammable material. Looking ahead, SEKISUI CHEMICAL Group will continue

25 Technological Platforms



Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

to actively introduce new products in fiscal 2019 as a part of efforts to secure a new phase of growth.

In contrast, as an independent research unit the center within Corporate headquarters is conducting research into themes that present extremely high technical hurdles to be addressed over medium- and long-term timeframes, large-scale themes spanning the entire Company, and new business domain themes which we have never challenged before as a group.

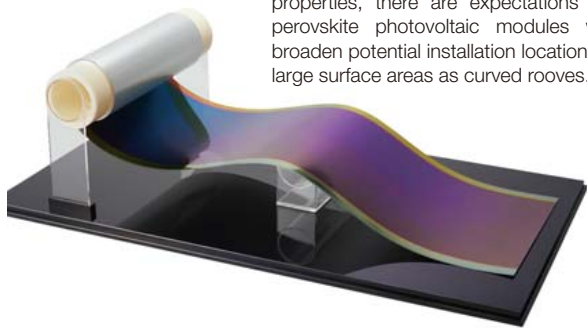
For example, SEKISUI CHEMICAL Group participated in EcoPro 2018 -International Exhibition on Environment and Energy- in December 2018. Here, the Group's film-type perovskite photovoltaic battery drew wide-ranging attention and expectation as a next-generation solar cell. In addition, the Group is moving steadily toward the world's first practical application of a bio-refinery technology that converts waste into ethanol. Through these and other initiatives, SEKISUI CHEMICAL Group is actively promoting the development of other themes with a view to creating new businesses.

Moreover, divisional companies and Corporate headquarters are bringing to the table their respective capital while engaging in co-development activities to promote a variety of fusion themes. SEKISUI CHEMICAL Group has also established the New Innovation Committee (NIC) as a forum to support these endeavors. The NIC is comprised of officers who oversee the Group's R&D, manufacturing, business strategy and human



Film-type Perovskite Photovoltaic Battery

The perovskite photovoltaic battery is attracting widespread attention as the next generation of photovoltaic modules. SEKISUI CHEMICAL Group is actively engaged in development utilizing a highly efficient roll to roll (R to R) production process that employs film substrates. Because of their lightweight and flexible properties, there are expectations that film-based perovskite photovoltaic modules will significantly broaden potential installation locations including such large surface areas as curved roofs.



resources functions, and is charged with the responsibility of calling for and evaluating themes with the potential for fusion. Those themes considered worth pursuing are then supported either through corporate expenses or through the dispatching of personnel. Several themes have already been approved and are in the process to realization.

As one example, SEKISUI CHEMICAL Group is taking preparatory steps to develop a Town Energy Management System (TEMS) under which the Company will purchase excess electricity generated solar power generation cells from customers living in SEKISUI HEIM houses. In addition to supplying this excess electricity to customers living in SEKISUI HEIM houses that are not equipped with power-generating facilities, the purchased power will also be made available use at domestic plants and business sites of the Group. Plans are in place for this service to begin from fiscal 2019.

Strengthening Manufacturing Capabilities

The Group is working to promote R&D that helps to create new products. At the same time, the Group is placing equal emphasis on strengthening its manufacturing capabilities in a bid to reinforce the competitive advantage of its existing products.

In the Medium-term Management Plan "SHIFT 2019 -Fusion-," we stated "minimizing manufacturing risk and fortifying our ability to respond to the new era of manufacturing"* as a policy relating to manufacturing capabilities. Regarding the building of a culture to reduce manufacturing risk as one of its priority measures, the Company will promote the strengthening of CS quality infrastructure by, for example, promoting the intrinsic safety of equipment and the thorough promotion of safety-aware human resource development as well as the building of a CS quality information knowledge system. As part of our efforts to bolster our manufacturing capabilities, we will use quantitative assessments of our production technology capabilities to strengthen our technical capabilities in automation and information technologies, while accelerating the introduction of new technologies relevant to ICT/IoT technologies. At the same time, we will further enhance our manufacturing core strengths through the nurturing of manufacturing human resources, as we have been doing up to now.

Such organizational approach will enable the Group to engage its prominent technologies and quality in the continuous development of new frontiers in the domains of "Residential and Social Infrastructure Creation" and "Chemical Solutions" for the betterment of the environment and the people's lives in the world.

*The Third Industrial Revolution: IT/Information Society; The Fourth Industrial Revolution: AI

Human Resources and Benefits for R&D and Manufacturing

The Group presents Great Invention Awards to acknowledge researchers and engineers that have created highly unique and innovative inventions with the potential to become profitable technologies and products. These awards and the accompanying monetary endowment are one way the Group demonstrates its recognition of and appreciation for its talented researchers and engineers.

So far in the current fiscal year, certification has been awarded to advancements in conductive fine particles and anisotropic conductive materials.

The Group has also established a specialist position system for researchers and engineers with highly specialized skills. The system selects exceptional individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the Company. As of April 2019, 21 people held specialist positions.

The Group introduced the Meister position to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Group. The position is intended to promote the Group tradition of superior skill and craftsmanship and increase the motivation of each and every technician. As of April 2019, 3 people held Meister positions. Cultivating and encouraging the Group's talented manufacturing technicians by acknowledging their highly refined skills inspires motivation and will further elevate the Group's high level of manufacturing expertise in the years to come.

Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

Intellectual Property

Fundamental Policy on Intellectual Property

Intellectual property is an important management resource that underpins growth and revenue aimed at optimizing corporate value. Accordingly, SEKISUI CHEMICAL Group places considerable emphasis on strategic IP activities in order to maximize its technological prominence and contribute to business growth. Among a host of activities, the Group identifies business strategies based on an analysis of the competitive environment. To this end, SEKISUI CHEMICAL Group assesses the IP landscape, which includes a review of IP, market and peer data. The Group also engages in IP portfolio management.

Intellectual Property Management System and Major Activities

SEKISUI CHEMICAL Group has set up independent intellectual property divisions at its Corporate headquarters and at each divisional company. This takes into account the Group's divisional company structure and enables the Group to promptly engage in activities that are attuned to the business environment of each divisional company.

The intellectual property divisions, the business divisions, and the R&D divisions at each divisional company are tasked with constantly maintaining cooperation and periodically holding Intellectual Property Strategy Committee meetings for divisional company presidents. Through these means, the Group is able to engage in activities that facilitate the building of an IP network almost to the

complete exclusion of competitors.

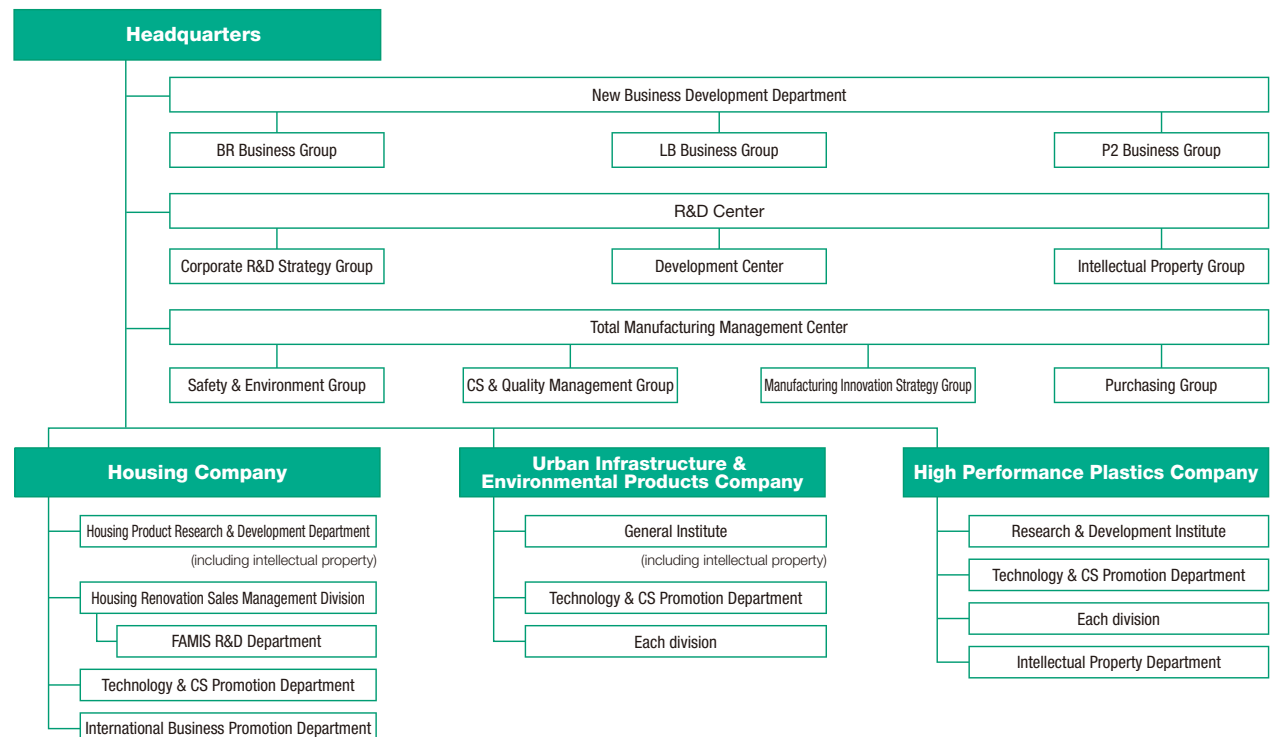
The Intellectual Property Division at the Group's Corporate Headquarters is responsible for the planning and drafting of basic IP strategies that are common to the entire Group, IP education and training as well as management of the patent management system. Taking into consideration its corporate R&D mission of creating new businesses, SEKISUI CHEMICAL Group draws on an analysis of the IP landscape at an early stage to engage in strategic IP activities that allow it to overwhelmingly succeed while continuously dominating the market.

SEKISUI CHEMICAL Group has adopted a new two-tiered IP education and training system from fiscal 2018. In addition to

a basic IP education and training component that covers areas common to both Corporate headquarters and each divisional company, this new two-tiered IP education and training system contains a second component aligned to the particular features of each divisional company that is designed to enhance practical skills. Moreover, steps were taken to update the patent management system in May 2018 in order to maximize the contribution to strategic IP activities.

In this way, the intellectual property divisions at Corporate headquarters and at each divisional company are endeavoring to build a close-knit Group-wide IP structure while engaging in strategic IP activities that are attuned to the business environment.

R&D, Manufacturing, and Intellectual Property Management System



Social Capital

SEKISUI CHEMICAL Group recognizes the importance of providing products and services that consistently satisfy and appeal to customers. Only in this way can the Group truly strengthen its ties with society and stakeholders. Accordingly, every effort is made to enhance the quality of our human resources, products, and systems while targeting the quality that will always be specified by customers. At the same time, we adhere strictly to a policy of CSR procurement and promote green procurement when seeking to purchase raw materials. We also refrain from the use of conflict minerals associated with inhumane acts.

Cognizant that the Company is a member of society, we support the social contribution activities of employees in each of three fields: the environment, the next generation, and local communities.

CS & Quality Management—Pursuing a level of quality that is always specified by customers

Since 1999, SEKISUI CHEMICAL Group has practiced customer satisfaction (CS) management. In 2004, we coined the phrase CS & Quality in the belief that customer satisfaction and quality are inseparable. We began CS & Quality Management to consistently deliver value to our customers so that they will always choose our products and services. As we consider customer's feedback as the beginning of our manufacturing activities, we are actively honing the Quality of Our People, the Quality of Our Systems, and the Quality of Products and Services. In this manner, the Group is working in unison to consistently deliver the quality that is always specified by customers.

On-site Manufacturing Supports Quality

Recognizing that it is the fields of manufacturing development that support quality, since fiscal 2006 SEKISUI CHEMICAL Group has focused its efforts on innovation in production. Based on its belief that quality defects lead to

higher costs arising from handling complaints or increased waste, we are trying to reduce costs by targeting the “three zeros” of accidents, waste, and complaints.

Preventing Quality Fraud

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

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

Systems for Employees to Share Customer Feedback

SEKISUI CHEMICAL Group's Customer Consultation Office receives over 10,000 inquiries and comments every year. The Group directly answers each inquiry and analyzes the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers. Having published VOICE, a summary of the inquiries received by Customer Consultation Office, the Group is working to reflect customer feedback in management activities, cultivate and instill a culture of CS & Quality in all employees, and promote understanding of these issues in Group-wide businesses in a manner that transcends particular operational areas.



CS & Quality Medium-term Plan Progress

The Group has identified two themes for CS & Quality Management. One of these is the number of major quality issues*¹ and the other is the external failure costs*². In fiscal 2018, there was one incidence of a major quality issue. This was the first incidence of a major new product*³ quality issue within the period of the current medium-term plan. External failure costs decreased compared with fiscal 2017. To achieve zero major quality issues in the future, we aim to improve Basic Qualities by ensuring thorough adherence to the practice of Development Guidelines and Everyday Management Guidelines throughout the entire Group.

Social Capital

We aim to continue to decrease external failure costs by rolling out across the entire Group a more robust quality assurance system, management of changes and alterations to this system, and quality risk-reduction activities based on the prevention of defects.

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

*2 External failure costs: Costs arising from responding to product-related complaints.

*3 New product: A challenging product selected by divisional companies through the development of new fields and technologies.

Materials Procurement

SEKISUI CHEMICAL Group regards openness, fairness and equity, legal compliance mutual trust, and consideration for the environment as the basis of its CSR procurement. We will strengthen the harmonious and mutually beneficial partnerships with our business partners through fair transactions. We actively request that all our suppliers ensure superior quality, take into consideration the environment, comply with the relevant laws and social norms in each of the countries and regions in which they operate, and conduct health and safety activities in their own companies.

Caring About Human Rights Issues Across the Entire Supply Chain

Through CSR procurement with our suppliers, we make sure our business partners respect human rights. With regard to suppliers that do not meet the prescribed standards, a request is made to ensure that the necessary steps are taken to resolve any issues. SEKISUI CHEMICAL Group works together with suppliers in the implementation of appropriate measures. We are making progress with the development of mechanisms, designed specifically for our overseas business partners and suppliers, to encourage improvements

via our regional headquarters. Following upon the survey implemented in fiscal 2017, in fiscal 2018 we assessed the status of human rights related initiatives among the major suppliers for Group Companies in the Asian and Oceania regions by implementing the CSR procurement survey. As a result, we confirmed that no major human rights infringements, including child labor and forced labor, occurred at our major suppliers.

Addressing the Issue of Conflict Minerals

SEKISUI CHEMICAL Group is concerned about the conflict mineral problem, namely the mineral resources controlled by armed forces in the Democratic Republic of Congo and neighboring countries that commit human rights violations and destroy the environment. We conduct surveys on the use of conflict minerals at companies throughout our supply chain from a CSR perspective. We put our "Conflict Minerals Survey Guidelines" into effect in April 2017. These guidelines were newly formulated for each Group division* responsible for receiving survey requests for conflict minerals from suppliers and for conducting the surveys. In fiscal 2018, we conducted 569 conflict mineral surveys (as of June 18, 2019) at SEKISUI CHEMICAL's Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and the Group companies of each. We were unable to identify any conflict minerals among the surveyed companies. However, there were some issues such as the smelting facility being unclear for 2 of these surveys. These surveys will continue to be implemented in fiscal 2019.

*For the quality control department of each divisional company factory and the quality control departments of affiliated

Addressing the Procurement of Timber Materials

We have been implementing Timber Procurement Surveys for Housing Company suppliers since fiscal year 2015, and Timber Procurement Survey Guidelines for the procurement departments of each divisional company were established in 2017. Implementation of the guidelines began in April 2018.

In order to contribute to the eradication of deforestation as well as the sustainable use of timber resources, every effort is made to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements. In fiscal 2018, we conducted a survey based on the Timber Procurement Survey Guidelines for all companies. The results confirmed that all of the timber was logged in accordance with statutory and regulatory requirements for the business partners (39 companies) of the Housing Company.

Social Contribution Activities

As a company that lives together with the local community, the Group promotes social contribution activities in the areas of the environment, the next generation, and local communities. For example, on an environmental theme we encourage forest preservation activities, the preservation of biodiversity, and greening activities. Positioning these activities as a hallmark of our initiatives as a corporate citizen in tune with the needs of society, we also support the activities of Group employees to give back to society.

Social Contribution Activities



On-site Science Classroom for Children



Providing Medical Services to Villagers in India

Natural Capital

Natural Capital

The air, water, and land that constitute our plant provide a healthy living environment for its inhabitants and foster robust biodiversity. Our daily lives and economic activities are sustained by the natural capital* provided by our planet. SEKISUI CHEMICAL Group is aiming for the planet and society to remain like this. In addition to halting the deterioration of natural capital, such as by reducing greenhouse gas (GHG) emissions, promoting the recycling of resources, and reducing the burden on ecosystems, the Group contributes to making returns to natural capital through such means as expanding sales of its Environment-Contributing Products that contribute to the environment, while engaging in daily business activities toward achieving a world in which biodiversity is preserved.

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

Long-term Environmental Management Vision “Sekisui Environment Sustainability Vision 2030”

SEKISUI CHEMICAL Group formulated the Long-term Environmental Management Vision “Sekisui Environment Sustainability Vision 2030,” the basis of its environmental activities, to advance environmental management. The Group will engage in environmental management based on contributions in three areas —“Expand and create markets for Environment-Contributing Products,” “Reduce environmental impact,” and “Conserve the natural environment” —to give back more to the Earth than is taken” by 2030. We aim for a “world in which biodiversity is conserved” by reaching a return rate to natural capital of 100% or higher by 2030 and thus achieving sustainable use of the earth’s natural capital.

Environmental Medium-term Plan “Sekisui Environment Sustainability Plan: Accelerate” (FY2017-2019)

We have established and are implementing a three-year Environmental Medium-term Plan for fiscal 2017 through

fiscal 2019 based on backcasting from our Long-term Environmental Vision. This Environmental Medium-term Plan, “Sekisui Environmental Sustainability Plan: Accelerate,” will accelerate various initiatives aimed at achieving the posture we have depicted for 2030 in our Long-term Environmental Vision.

Integrated Index “Sekisui Environmental Sustainability Index”

The Sekisui Environmental Sustainability Index represents the impact on the environment caused by the activities of SEKISUI CHEMICAL Group companies (the use of natural capital) and their degree of contribution to the environment (returns to natural capital) as a single indicator. Starting in fiscal 2017, the “rate of return to natural capital,” as reflected in this index, is being used as a KPI to manage the overall

■ Sekisui Environmental Sustainability Index

FY2018 (Result)	FY2019 (Medium-term Plan)	FY2030 (Target)
92.8%	90%	100%

progress of Group companies’ environmental management.

In fiscal 2018, setting the use of natural capital (the impact on the environment) at 100, the return of natural capital (contributions to the environment) was 92.8%. One of the factors in this achievement was expanding the contribution from the products, including solar power-equipped houses and interlayers to address sound and heat insulation in vehicles. Increasing the “product contribution,” as reflected in this index, and bringing about an improvement in the return to natural capital are also linked to improving the environmental efficiency of SEKISUI CHEMICAL Group customers. (▶P.26)

Promotion System

Environmental Management System

The CSR Committee headed by the president and the Environmental Subcommittee of SEKISUI CHEMICAL Group report on CSR-related issues, afterward determining CSR policies and initiatives for the entire Group. Their reports are then submitted to the Board of Directors for approval and subsequent implementation. Each business site manages its environmental activities through an environment management system based on ISO 14001.

Complying with Environmental Laws and Regulations

The Group has set its own environmental management targets, such as for reducing emissions into the atmosphere and water environments, which are tougher than legal regulations. Each business site strictly follows these internal targets. We aim to prevent environmental accidents before they occur by conducting internal environmental audits to unveil latent environmental risks.

Natural Capital

Usage of Natural Capital

Climate Change

We will continue to work toward reducing GHG emissions at every stage of our business activities from the procurement of raw materials to development, manufacturing, transport, and use with the COP21 (Paris Agreement) objectives at the forefront of our decision-making. (▶P.26,30)

■ Reducing GHG emissions attributable to Business Activities (vs. FY2013)

FY2018 (Result)	FY2019 (Medium-term Plan)
-2.3%	-6.0% or more

SEKISUI CHEMICAL Group is also actively engaged in environment-contributing investments that contribute to reducing greenhouse gas emissions from its production divisions. In regard to the electricity that accounts for about half of these greenhouse gas emissions, we are reviewing our selection criteria for electric power suppliers with an eye toward cutting costs and CO₂ emission coefficients. Moreover, we are increasing our utilization ratio for



Example of the environment-contributing investment

SEKISUI S-LEC AMERICA, LLC (SSA), a consolidated subsidiary based in North America, installed a photovoltaic power generation system at its headquarters and plant site in July 2018. This photovoltaic power generation system is projected to produce an amount equivalent to roughly 10% of SSA's annual power usage and reduce GHG emissions.

renewable energy by advancing the introduction of solar power equipment to generate electricity for use at the plant or facility in which it was installed.

Efficient Use of Resources

With regard to waste, we strive to thoroughly implement the “3Rs” (reduce, reuse, and recycle) throughout entire life-cycles. We also engage in Zero Waste Emissions Activities that reuse as resources all the waste generated due to our business activities.

Conservation of Water Resources

Identifying the impact of water resources on business continuity and reflecting this into our BCP. SEKISUI CHEMICAL Group recognizes that conveying the importance of safe water supply and water infrastructure to customers is critical for business sustainability since we supply products for infrastructure for water supply, storage and drainage. In addition, the Group also realizes that contributions to preserving water resources through its businesses will help achieve one of the 17 Sustainable Development Goals (SDGs): “access to safe drinking water and sanitation.”

Chemical Substance Management

Since fiscal 1999, SEKISUI CHEMICAL Group has set and worked toward its own targets for reducing emissions and the transfer of chemical substances in addition to implementing efforts such as the Product Assessment System for Environmental Impact*¹ and the Green Procurement System*². Periodically we also review chemical substances, in accordance with the establishment and amendment of relevant laws and regulations.

*1 Product Assessment System for Environmental Impact: A system for assessment of the environmental impact of product development all the way from raw material procurement through manufacture, use, disposal, transport and all other stages.

*2 Green Procurement System: A system of giving priority to choosing raw materials, parts, etc. with lower levels of environmental impact when procuring them.

Environmental Impact Assessment

SEKISUI CHEMICAL Group undertakes an evaluation of the environmental effects of products across all stages from

product planning, development, and mass prototyping to marketing and initial distribution.

Return of Natural Capital

Environment-Contributing Products

SEKISUI CHEMICAL Group defines products that have demonstrated a high level of environmental contribution when used by customers as Environment-Contributing Products. Environment-Contributing Products are contributing to the return of natural capital by creating and expanding markets. (▶P.26-29)

In fiscal 2018, new registrations exceeded targets. SEKISUI CHEMICAL Group also achieved its Environment-Contributing Products sales ratio target. Meanwhile, SEKISUI CHEMICAL Group is increasing sales of Environment-Contributing Products through new registration. This is in turn attributable to growth in zero energy houses (ZEH) in Japan and a reaffirmation of the value of pharmaceuticals and drug manufacture support in the Group's medical operating which expanding globally.

■ Ratio of Sales of Environment-Contributing Products

FY2018 (Result)	FY2019 (Medium-term Plan)
56.3%	60% or more

Conserving the Natural Environment

Having incorporated items relating to biodiversity into its Environmental Management Policy in April 2008, SEKISUI CHEMICAL Group formulated guidelines in 2011. The Group has striven to conserve the natural environment, including in terms of biodiversity, through both environmentally conscious business activities and actions to preserve the environment undertaken around the world.

Dialogue with Outside Director



In order to promote both the defensive and offensive attributes of the governance function, I will help monitor and supervise the activities of management while providing the impetus required to explore new businesses.

Dialogue

Yutaka Kase

Outside Director

Tsuyoshi Okano
Interviewer
Head of Investor Relation Group
Business Strategy Department

SEKISUI CHEMICAL Group is working diligently to upgrade and expand the governance function, which underpins every aspect of its business activities, in an effort to enhance the fairness and transparency of management. We spoke with Yutaka Kase, who has served as an outside director since June 2016, and solicited his thoughts on the unique features that distinguish corporate governance at SEKISUI CHEMICAL Group as well as his frank opinion on pending issues.

The Role of an Outside Director

How do you view your role as an outside director?

Kase: While serving as an outside director at several companies in the past, I have focused mainly on ensuring that business activities remain sound and determining whether management is inherently transparent and fair.

Historically, the Board of Directors at a large number of Japanese companies have been comprised solely of in-house officers. This has in turn created difficulties in

conveying information to top management. With this in mind, outside directors must play an independent role and provide counter as well as opposing opinions to company presidents and other directors as and when required.

In addition to promoting the defensive attributes of the governance function by monitoring and supervising the activities of management, outside directors must also showcase the positive attributes by providing the impetus to explore new opportunities. While helping to evaluate the potential of each new business, the role of an outside director then extends to the promotion of strategic investments as needed.

Taking the aforementioned into consideration, diversity is key in securing a broad range of external opinions. In this sense, SEKISUI CHEMICAL Group's outside directors bring to the table a wide range of perspectives. A large portion of my career, for example, was spent at a general trading company. For his part, Mr. Oeda is well versed in manufacturing focusing mainly on food-related fields and Mr. Ishizuka, who retired in June 2019, has a background in retail. While all experienced executives, this diversity in specialist expertise helps ensure extremely well-balanced management.

Throughout your career in top management you have served as an outside director at several companies. Undoubtedly, this has provided you with a wealth of experience. What motivates you when accepting to serve as an outside director and what do you see as your sense of mission?

Kase: During my days as chairman of Sojitz Corporation, I was asked to serve as an outside director at Astellas Pharma Inc. As a company that is widely recognized for its advanced governance, I saw it as an opportunity to gain invaluable knowledge and experience.

Building on this extremely fruitful period, I have since served as an outside director at multiple companies. Including my time at relatively small owner/proprietor companies, I have been motivated to make use of my experience within the managements of other companies.

Dialogue with Outside Director

Diversity and Effectiveness of the Board of Directors

Can you provide us with specific details of the governance function at SEKISUI CHEMICAL Group starting with the Board of Directors? There have been growing calls to include women and foreign nationals in the Boards of Directors of Japanese companies in recent years to ensure that a wide range of diverse perspectives and values are included in management. What are your thoughts on the diversity of SEKISUI CHEMICAL Group's Board of Directors?

Kase: If we confine our discussion to just women and foreign nationals, SEKISUI CHEMICAL Group may indeed have fallen short in efforts to promote diversity. If we look at the Company's Audit & Supervisory Board members, however, we see a wealth of disparate backgrounds and experience that span the legal, quality control, academic, and accounting professions. While all outside directors have experience in top management, each is a specialist in a different field. This in itself is a measure of diversity. In April this year, SEKISUI CHEMICAL Group internally promoted its first female executive officer. Steps have also been taken to promote diversity through the appointment of women to the positions of outside director and Audit & Supervisory Board member in June.

I must point out that the issue here is not the increase in female and foreign national appointments. Of critical importance is the effort made to promote open and constructive debate within management. For example, I know Ms. Ishikura, who was newly appointed an outside director in June 2019, and can vouch for her extensive knowledge across a wide range of fields. Bringing also to the table her perspectives as a woman, I am convinced that she will contribute significantly to the governance of SEKISUI CHEMICAL Group.

How active are the discussions of the Company's Board of Directors? Can you tell us about some of the Board's features including the way in which issues are identified and progressed?

Kase: I believe that SEKISUI CHEMICAL Group's Board of Directors engages in the lively and transparent exchange of opinions and extremely vigorous debate.

In particular, I can sense the strong enthusiasm with which president Koge addresses issues relating to ESG management. I feel that a large portion of the Company's governance function is underpinned by the efforts of top management to take the lead in positioning contributions to the global environment and society as key pillars of its business activities.

Can you also give us your thoughts on the effectiveness of the Board of Directors?

Kase: The Board of Directors is not just a ceremonial show-piece. It is a forum for concerted discussion and debate. Prior to each meeting, Mr. Kato provides a detailed and thoughtful explanation of each agenda item. This helps to ensure that outside directors are provided with the information necessary to fully participate. Taking into consideration these elaborate steps, Board of Directors' meetings are conducted in a brisk and lively manner. The procedures that the Company has put in place assures that the Board's effectiveness is more than sufficient.

Initiatives Aimed at Promoting Compliance

From a defensive standpoint, efforts by outside directors to monitor and supervise management are key components of the governance function. What is your impression of the Company's systems for securing compliance and preventing scandals?

Kase: SEKISUI CHEMICAL Group reflects sincerely on past compliance issues and works diligently to put in place the necessary countermeasures to prevent a recurrence. Rather than just a mere formality, however, it is vital that top management remains fully involved. In addition to instilling a thorough awareness toward the importance of sound management among all employees, it is critical to maintain



Mr. Yutaka Kase

Previously served as President & CEO of Sojitz Corporation, Representative Director and Chairman of Sojitz Corporation, etc. Outside director of our Company from June 2016. Chairman of the Nominating and Remuneration Advisory Committee since June 2019.

a constant state of vigil. Despite all the best intentions and promotion of preventative measures, compliance issues and scandals will nevertheless happen when they happen. In this event, it is absolutely vital to respond in a timely manner and ensure proper disclosure.

In recent years, SEKISUI CHEMICAL Group has rapidly expanded its overseas businesses through various means including M&As. Can we have your thoughts on governance and compliance from a global perspective?

Kase: Properly grasping the operations and management status of subsidiaries outside Japan becomes increasingly difficult as the Group's overseas network continues to expand. When an issue actually arises, or is anticipated, it is imperative to have in place a mechanism that garners

Dialogue with Outside Director

information in a timely manner and allows the Company's head office Board of Directors to engage in proper debate.

About the Roles of Top Management and the Chairperson of the Board of Directors

Thank you for providing us with your views on governance from a wide variety of viewpoints. Do you have any thoughts on current issues?

Kase: I believe that the Company's current structure and systems well maintained. If I were to voice an opinion, however, it would concern the position of Board chairperson.

The position of chairperson at SEKISUI CHEMICAL Group is currently vacant. As such the president spearheads the Board of Directors. From purely a personal standpoint, I would prefer that this position be filled by an individual other than the chief executive. Should a company president serve concurrently as chairperson, difficulties may arise in holding

oneself responsible for a slump in operating results or a scandal. Taking into consideration the need for fairness and transparency, a separate Board chairperson would be in the position to more appropriately handle such a situation. Given this scenario, shifting to a structure in which the Director and Chairperson spearheads the Board is more likely to benefit the Company.

Succession Planning and Remuneration Systems

What are your thoughts on succession planning?

Kase: A succession plan should not simply focus on identifying next-generation candidates with the potential to lead a company going forward. Starting from an earlier phase, plans should include how to nurture senior executives. This would allow members of the Nomination and Remuneration Advisory Committee to responsibly voice their opinion on a qualified candidate during debate. I would therefore like to see the Company upgrade and expand its succession plan to include training and development at the candidate stage.

Moreover, it is vital that a third-party, external professional organization evaluate officers.

Can you comment on the Company's remuneration system?

Kase: Global trends would suggest the importance of remuneration calculated in line with performance and results based on a definitive formula.

While the Company's remuneration system is currently comprised of the three fixed, performance-based, and long-term incentive components, each amount is not determined automatically. Looking ahead, I would like to see SEKISUI CHEMICAL Group shift to a system where each component is determined automatically at the time of the Company's earnings announcement eliminating the need for arbitrary input from top management. I believe this is a new issue for consideration by members of the Nomination and Remuneration Advisory Committee. While opinions vary

regarding fixed and performance-based component ratios, I am in favor of starting at the current 6:4 split before moving to a formula of around 5:5.

Outlook for SEKISUI CHEMICAL Group

In closing, what expectations do you hold for the Company and its future?

Kase: SEKISUI CHEMICAL Group is an extremely earnest company. On several occasions in the past, I have called directly on a number of the Group's overseas businesses and R&D sites. I believe that one of the Company's principal strengths is its technological development capabilities. Looking back over each actual visit, I was especially impressed by the Group's frontline FFU* manufacturing skills. The broad expanse of SEKISUI CHEMICAL Group's operations from glass fiber to wood-related products is an indication of its chemical prowess. First-hand experience has led me to believe that the Group's technological capabilities nurtured over many years provide the bedrock for its overall power.

Another strength lies in the balance and clearly defined roles of the Group's three divisional companies. I am convinced that efforts to promote and expand business in a timely manner has led to each divisional company's current strengths. Looking ahead to the new era, positive steps are also being taken to pursue challenges by nurturing the Group's medical products operations into a stand-alone business.

As far as expectations are concerned, I hold high hopes for the Group's biorefinery (BR) project and the use of technology to convert waste into ethanol. Should endeavors in this area achieve practical application, SEKISUI CHEMICAL Group can be assured of both rapid and dramatic growth standing head and shoulders above its competitors in addressing the global waste problem.

* FFU: Exhibiting a natural wood-like appearance, FFU is a glass fiber-reinforced foamed polyurethane material. Lightweight, strong and corrosion-free, FFU is applied across a broad range of areas worldwide including as railway sleepers. ▶ P.49



Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2019)

Board of Directors



President and
Representative Director
Chief Executive Officer
**Teiji
Koge**

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

Reasons for Election of the Director

Since Mr. Teiji Koge was appointed as President and Representative Director in 2015, he has served as the driving force in taking on the "Challenge towards new phase of growth" by implementing his strong leadership, with the aim of maintaining SEKISUI CHEMICAL Group's strong corporate presence for 100 years premised on the Group's management principles. Furthermore, since June 2018, he has presided over Board of Directors meetings, encouraged constructive discussions on management strategies, executed governance reform to increase the involvement of Outside Directors, and endeavored to ensure the effectiveness of the Board of Directors. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Chairman of the Board of Directors

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)



Representative Director
Senior Managing
Executive Officer
**Keita
Kato**

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

Reasons for Election of the Director

Since Mr. Keita Kato was appointed as Director in 2014, he has implemented his leadership and made significant achievements as President of High Performance Plastics Company. Also, as Head of Business Strategy Department since January 2019, he has been overseeing SEKISUI CHEMICAL Group's management in general as well as administrative supervision functions of overseas businesses and properly supervising business execution from a global perspective. The Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group by applying such abundant experience and deep insight to the formulation/deliberation and supervision of management strategies, etc. in the Board of Directors, and thus re-elected him as a Director.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)



Director
Managing Executive
Officer
**Yoshiyuki
Hirai**

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

Reasons for Election of the Director

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of global management structure and promoting constructive engagement with shareholders mainly as the Head of the Business Strategy Department by leveraging the knowledge fostered through his abundant experience so far. As President of Urban Infrastructure & Environmental Products Company since January 2019, he has been performing his duties by applying his deep insight; he is also highly knowledgeable of the stakeholders' expectations and issues surrounding SEKISUI CHEMICAL Group. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)



Director
Managing Executive
Officer
**Hiroyuki
Taketomo**

Apr. 1985	Joined the Company
July 2011	Director of SEKISUI MEDICAL CO., LTD.
Sept. 2014	Head of Human Resources Group of CSR Department
Apr. 2015	Executive Officer of the Company, Head of Human Resources Department
Apr. 2016	Executive Officer of the Company, Responsible for Legal Department, Head of Human Resources Department
June 2016	Director of the Company, Executive Officer of the Company, Responsible for Legal Department, Head of Human Resources Department
Apr. 2017	Director of the Company, Managing Executive Officer of the Company, Responsible for Legal Department, Head of Human Resources Department [incumbent]

Reasons for Election of the Director

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

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)



Director
Managing Executive
Officer
**Toshiyuki
Kamiyoshi**

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

Reasons for Election of the Director

Mr. Toshiyuki Kamiyoshi has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM TOHOKU CO., LTD., President of TOKYO SEKISUIHEIM CO., LTD. and Head of Housing Sales Management Division of Housing Company. Since he was appointed as President of Housing Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Therefore, the Company has judged that he has high capabilities necessary for enhancing the corporate value of SEKISUI CHEMICAL Group and thus elected him as a Director.

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2019)

Board of Directors



Director
Managing Executive
Officer
**Ikusuke
Shimizu**

Apr. 1987	Joined the Company
July 2006	President of SEKISUI TA INDUSTRIES, LLC
July 2011	Head of Interlayer Film Division of High Performance Plastics Company
Apr. 2015	Executive Officer of the Company Head of Foam Division of High Performance Plastics Company
Apr. 2016	Executive Officer of the Company Responsible for Automobiles & Transportation field Head of Foam Division of High Performance Plastics Company
Apr. 2018	Executive Officer of the Company Responsible for Electronic Device Materials field Head of Foam Division of High Performance Plastics Company
Jan. 2019	Managing Executive Officer of the Company President of High Performance Plastics Company Responsible for Electronic Device Materials field of High Performance Plastics Company Director of Sekisui Fuller Company Ltd. [incumbent]
Apr. 2019	Managing Executive Officer of the Company President of High Performance Plastics Company
June 2019	Director of the Company, Managing Executive Officer of the Company President of High Performance Plastics Company [incumbent]

Reasons for Election of the Director

Mr. Ikusuke Shimizu is highly knowledgeable of the High Performance Plastics Company's strategic fields including the overseas segment, having served as Head of Foam Division, Responsible for Automobiles & Transportation field, Responsible for Electronic Device Materials field of High Performance Plastics Company as well as President of SEKISUI TA INDUSTRIES, LLC, etc. Since he was appointed as President of High Performance Plastics Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Therefore, the Company has judged that he has high capabilities necessary for enhancing the corporate value of SEKISUI CHEMICAL Group and thus elected him as a Director.



Independent
officer
Outside Director
**Yutaka
Kase**

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

Reasons for Election of the Director

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

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)



Independent
officer
Outside Director
**Hiroshi
Oeda**

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

Reasons for Election of the Director

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

Number of Attendance of the Board of Directors Meetings of the Company: 13 out of 13 Board of Directors Meetings in FY2018 (Attendance rate: 100%)



Independent
officer
Outside Director
**Yoko
Ishikura**

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

Reasons for Election of the Director

Ms. Yoko Ishikura has advanced academic expertise in international politics/economics and international corporate strategy, and is well-versed in corporate management through her experience as outside director at multiple global enterprises. Furthermore, she has been actively involved in diversity management and promotion of greater participation of women, which are areas being addressed by SEKISUI CHEMICAL Group. Therefore, the Company has judged that she would be able to contribute to enhancing the corporate value of SEKISUI CHEMICAL Group and thus elected her as an Outside Director.

* Independent officers: defined by the Tokyo Stock Exchange.

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2019)

Audit & Supervisory Board Members



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

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

Activities since assuming office in June 2017

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

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board Meetings in FY2018 (Attendance rate: 100%)



Corporate Audit &
Supervisory Board
Member
**Yuichi
Hamabe**

Apr. 1982	Joined the Company
Sept. 2004	Director of SEKISUI AQUA SYSTEM CO., LTD. General Manager of Business Administration Division of SEKISUI AQUA SYSTEM CO., LTD.
July 2009	Director of TOKUYAMA SEKISUI CO., LTD. General Manager of Corporate Finance & Accounting and Planning Department of TOKUYAMA SEKISUI CO., LTD.
July 2010	Managing Director of TOKUYAMA SEKISUI CO., LTD. General Manager of Corporate Finance & Accounting and Planning Department of TOKUYAMA SEKISUI CO., LTD.
Apr. 2012	Head of Corporate Audit Department
Apr. 2016	Assistant to General Manager of HR Department
June 2016	Audit & Supervisory Board Member of the Company [incumbent]

Activities since assuming office in June 2016

Mr. Hamabe conducts daily audit activities as a Corporate Audit and Supervisory Board Member, utilizing his wealth of work experience and knowledge of personnel and audits. In addition, he makes appropriate opinions and recommendations that are useful for deliberations.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board Meetings in FY2018 (Attendance rate: 100%)



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

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

Activities since assuming office in June 2014

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

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board Meetings in FY2018 (Attendance rate: 100%)



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

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

Reasons for election of the Audit & Supervisory Board Member in June 2019

Mr. Kazuyuki Suzuki has deep insight and abundant experience in quality control and reliability engineering. Since he was appointed to Audit & Supervisory Board Member in June 2015, he has given useful opinions and suggestions from an expert's point of view on quality control, etc. at Board of Directors meetings and Audit & Supervisory Board meetings, and has contributed to improving the supervisory functions of the Audit & Supervisory Board and the Board of Directors. Therefore, the Company has re-elected him as an Audit & Supervisory Board Member.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2018 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board Meetings in FY2018 (Attendance rate: 100%)



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

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

Reasons for election of the Audit & Supervisory Board Member in June 2019

Ms. Ryoko Shimizu has specialized knowledge of accounting in Japan and overseas as well as abundant auditing experience as a Certified Public Accountant. The Company has judged that she is well-qualified for SEKISUI CHEMICAL Group in seeking expansion of its global businesses and sustained enhancement of its corporate value, and thus elected her as an Outside Audit & Supervisory Board Member.

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2019)

Executive Officer

Teiji Koge

Chief Executive Officer

Housing Company**Toshiyuki Kamiyoshi**

Managing Executive Officer
 President of Housing Company
 Head of Housing Sales Management Division
 Head of Town and Community Development Department

Futoshi Kamiwaki

Managing Executive Officer
 Head of Administrative Management & Control Department

Kenji Yagi

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

Shinichiro Koga

Executive Officer
 Head of Technology & CS Promotion Department

Masahide Yoshida

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

Masakazu Okada

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

Hirokazu Hisamune

Executive Officer
 Head of Housing Renovation Sales Management Division

Akinori Kawase

Executive Officer
 Head of Housing Product Research &
 Development Department

**Urban Infrastructure &
Environmental Products Company****Yoshiyuki Hirai**

Managing Executive Officer
 President of Urban Infrastructure & Environmental Products
 Company

Akira Nishimura

Managing Executive Officer
 Head of Management Planning Department

Kiyoshi Fujii

Executive Officer
 Head of Higashinohon Sales Headquarters

Masabumi Nishimura

Executive Officer
 Head of Industrial Piping Systems Division

Takeo Kishitani

Executive Officer
 Head of Sheet Division

Hiroki Okubo

Executive Officer
 Head of Pipe Systems Division

Yoshiki Deguchi

Executive Officer
 Head of General Institute

High Performance Plastics Company**Ikusuke Shimizu**

Managing Executive Officer
 President of High Performance Plastics Company

Toshitaka Fukunaga

Managing Executive Officer
 Head of Technology & CS Promotion Department

Katsunori Mukai

Executive Officer
 Head of New Business Promotion Division and Research &
 Development Institute

Toshio Konno

Executive Officer
 Head of Purchasing Department

Takatsugu Arai

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

Akira Asano

Executive Officer
 Responsible for Automobiles & Transportation field, Head of
 Automobile & Transportation Business Strategy Department

Masayuki Inoue

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

Takashi Muramatsu

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

Headquarters**Keita Kato**

Senior Managing Executive Officer
 Responsible for ESG Management Department
 Head of Business Strategy Department
 Head of New Business Development Department

Hiroyuki Taketomo

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

Hitoshi Kobayashi

Executive Officer
 Head of Total Manufacturing Management Center

Masao Ogasa

Executive Officer
 Head of R&D Center

Tatsuya Nishida

Executive Officer
 Head of Corporate Finance & Accounting Department

Meiko Koga

Executive Officer
 Head of Public Relations Department

Corporate Governance

Corporate Governance

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

SEKISUI Corporate Governance Principles

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

In addition to the above Principles, the status of the Company's initiatives and its approach with respect to all 78 items of the Corporate Governance Code, consisting of the General Principles, Principles and Supplementary Principles, are summarized and disclosed in the form of the Initiatives to Each of Principles of the Corporate Governance Code.

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

Corporate Governance Systems

(1) Organizational Structure

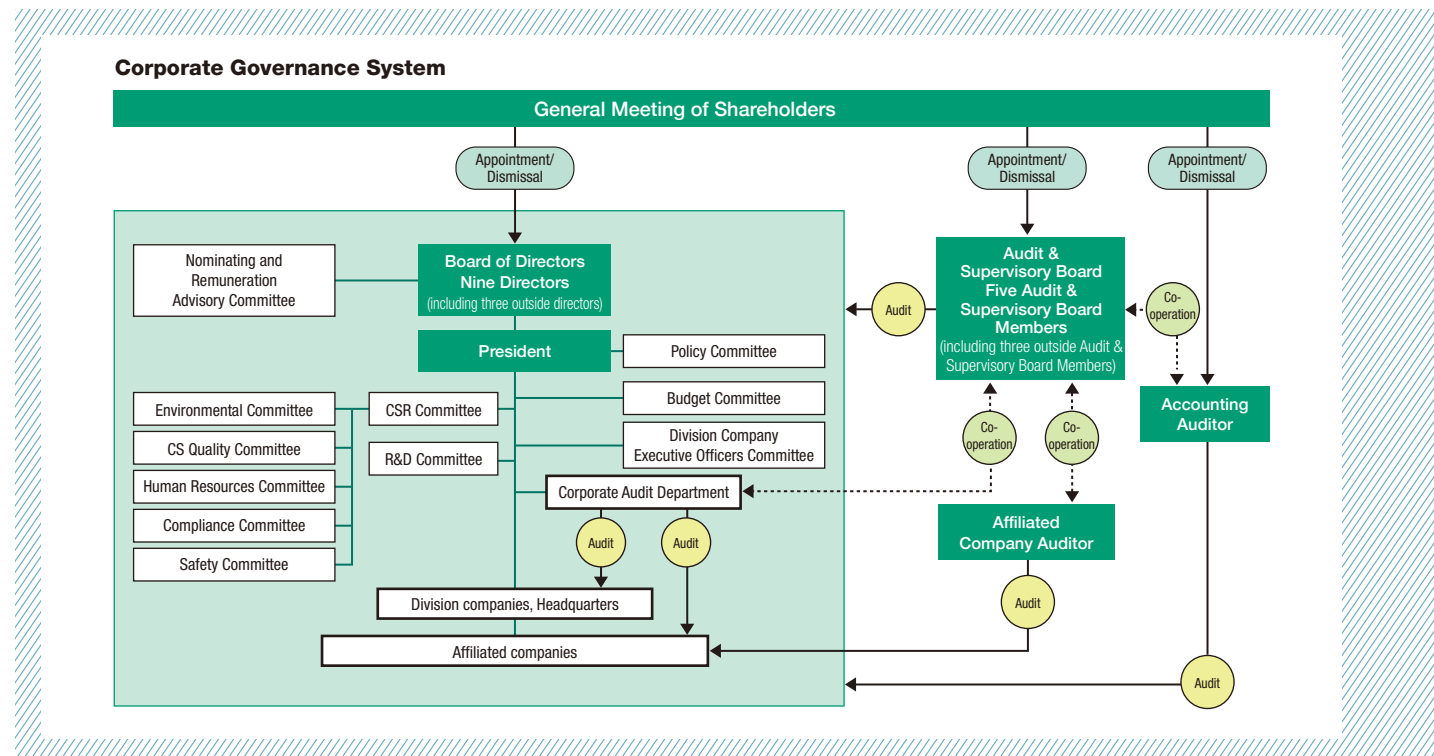
As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision-making function in management.

(2) Roles and Responsibilities of the Board of Directors

Positioned as the body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues as well as for supervising the execution of business, the Board of Directors has in place a highly effective

Initiatives Taken to Enhance Corporate Governance

2001	Divisional Company Organization System introduced
2008	Executive Officer system introduced Outside Director system introduced, two independent management executives invited to serve as Outside Directors
2015	SEKISUI Corporate Governance Principles and Independence standards of Outside Directors formulated
2016	Nomination and Remuneration Advisory Committee (chaired by Outside Director) established
2018	Number of Outside Directors increased by one, change to three outside director system



Corporate Governance

supervisory system for Directors by appointing three sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations.

(3) Composition of the Board of Directors

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

In addition, Audit and Supervisory Board Members, including Outside Audit and Supervisory Board Members, shall attend the meetings of the Board of Directors.

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 independent Outside Directors, who have broad knowledge and experience, and Audit and Supervisory Board Members with strong expertise, the presidents of the divisional companies effectively perform the roles and responsibilities of the Board of Directors and maintain a balance with respect to diversity, optimal size, and capabilities.

(4) Independent Outside Directors

The Company has appointed three Independent Outside Directors with the extensive knowledge and experience in matters such as corporate management and corporate governance required under the Company's "Criteria for Independence of Outside Board Members." The Outside Directors provide counsel based on their diverse and objective perspectives, particularly on priority management issues such as global development strategy, business model revisions, and the strengthening of ESG management.

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

(5) Nominating and Remuneration Advisory Committee

The Company has established an optional advisory committee concerning nomination and remuneration to further enhance the fairness and transparency of management. The Nomination and Remuneration Advisory Committee deliberates matters related to enhancing the effectiveness of the Board of Directors, including the nomination and non-reappointment of senior executives, including representative directors, the nomination of candidates for Director, and the system of remuneration and levels of remuneration for Directors. The Committee also discusses the commissioning of and dealings with advisors or executive advisors, including former representative directors and presidents, and submits recommendations and advice to the Board of Directors. The Nomination and Remuneration Advisory Committee comprises five members, the majority of whom are independent Outside Directors. The Chairperson is elected from the independent Outside Directors.

(6) Transactions between related parties

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 shareholders. The Board of Directors Regulations stipulate a conflict of interest transaction between the Company and its Director as a matter requiring the resolution of the Board of Directors. Actual individual transactions are monitored by the Board of Directors through the approval or reporting processes. The Audit & Supervisory Board also audits such transactions in accordance with the Note of Audit & Supervisory Board Auditing Standards.

(7) Support for and Collaboration with Directors and Audit and Supervisory Board Members

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites

several times a year. To further enhance the effectiveness of management supervision by Outside Directors, the Company is making improvements to the deliberations that take place at the Nomination and Remuneration Advisory Committee, where the majority of the members are Outside Directors, and facilitating their dialog with Audit and Supervisory Board Members and corporate auditors.

From the point of view of succession planning, the Company is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures at Executive Officers Liaison Meetings that are held on a quarterly basis and providing opportunities for Directors, Audit and Supervisory Board Members and Executive Officers to meet when the new management system is inaugurated following the Annual General Meeting of Shareholders.

Recognizing the need to ensure cooperation, the Audit & Supervisory Board and the Outside Directors hold regular meetings to share information and exchange opinions. The meeting held on April 25, 2019 featured a lively exchange of views and opinions in regard to the report on Audit & Supervisory Board as well as compliance and corporate governance-related initiatives.



From the left (Outside Directors): Yutaka Kase, Kunio Ishizuka (retired June 2019), and Hiroshi Oeda. From the right (Audit & Supervisory Board members): Kazuyuki Suzuki, Yasuhiro Nishi (retired June 2019), Tetsuo Ozawa, Moritoshi Naganuma (Corporate Audit and Supervisory Board Member) and Yuichi Hamabe (Corporate Audit and Supervisory Board Member).

Corporate Governance

Composition of the Board of Directors

Name	Position in the Company	Number of Years *1	Nominating and Remuneration Advisory Committee	Policy Committee*2	CSR Committee/ R&D Committee	Directors' and Audit and Supervisory Board Members' Outstanding Expertise, Experience and Capabilities*4						
						Corporate Management/ Management Strategy	Financial Affairs/ Accounting	Legal Affairs	Quality Control	Human and Labor Administration/ Human Resources Development	International Mindset	Research & Development
Teiji Koge	President and Representative Director Chief Executive Officer	14 years	○	●	●	✓				✓		
Keita Kato	Representative Director Senior Managing Executive Officer	5 years	—	○	○	✓			✓		✓	✓
Yoshiyuki Hirai	Director Managing Executive Officer	4 years	—	○	○	✓	✓				✓	
Hiroyuki Taketomo	Director Managing Executive Officer	3 years	—	○	—	✓		✓		✓		
Toshiyuki Kamiyoshi	Director Managing Executive Officer	—	—	○	○	✓						
Ikusuke Shimizu	Director Managing Executive Officer	—	—	○	○	✓			✓		✓	✓
Yutaka Kase	Independent Outside Director	3 years	●	—	—	✓					✓	
Hiroshi Oeda	Independent Outside Director	1 year	○	—	—	✓					✓	
Yoko Ishikura	Independent Outside Director	—	○	—	—	✓					✓	
Moritoshi Naganuma	Corporate Audit and Supervisory Board Member	2 years	—	○	—		✓					
Yuichi Hamabe	Corporate Audit and Supervisory Board Member	3 years	—	○	—					✓		
Tetsuo Ozawa	Independent Outside Audit and Supervisory Board Member	5 years	○	—	—			✓				
Kazuyuki Suzuki	Independent Outside Audit and Supervisory Board Member	4 years	—	—	—				✓			
Ryoko Shimizu	Independent Outside Audit and Supervisory Board Member	—	—	—	—		✓				✓	

*1 At the closing of the Annual General Meeting of Shareholders held on June 20, 2019

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

*3 The green circle indicates the chairman or committee chairman.

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

Corporate Governance

Remuneration and Other Compensation for Officers

(1) Policy regarding determination of remuneration and other compensation

Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

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

Remuneration Mindset

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and stock options. For Outside Directors and Audit

and Supervisory Board Members, remuneration is made up of basic remuneration only.

<Basic Remuneration>

Basic remuneration within the framework of officer remuneration is a fixed payment determined by the roles and responsibilities of each Director. For executive directors, a portion of the basic remuneration is required to be used for the purpose of the Company's stock through the Officers Stock Ownership Plan, increasing the emphasis on and awareness of stock prices in management.

<Bonuses>

The bonus represents the performance-based remuneration, the amount of which is determined based on the payment standards linked to the business performance of the Company and each divisional company, ROE (return on equity), and dividend policy.

<Share-based Compensation>

The share-based compensation is an incentive plan aimed at further raising motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, under which the number of shares to be granted is determined in accordance with the position of Directors (excluding Outside Directors). Said plan has a structure enabling Directors to receive a benefit at the time of retirement for the results for which they contributed

to enhancing the Company's mid- and long-term corporate value in the form of the Company's shares reflecting such enhancement in share value, thereby enhancing the link with mid- and long-term shareholders' value.

(2) Determination Process for Officer Remuneration and Other Compensation

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

<Overview of Nomination and Remuneration Advisory Committee Activities>

- This committee is convened by the chairperson (an Outside Director).
- The agenda items of this committee are introduced by the committee members, and the secretariat compiles them and presents them to the chairperson.
- The deliberation results of this committee are reported to the Board of Directors by the chairperson.
- The Board of Directors carries out final policy determination, respecting the report of this committee. In addition, the Directors and members of this committee must carry out these decisions from the perspective of whether or not they contribute to the corporate value of the Company and providing benefit to shareholders. Decisions must never have the goal of providing individual benefit to the Directors or committee members themselves, management ranks, or any other third party.

<Director Company Stock Ownership Guidelines>

In addition to having introduced, for Directors (excluding Outside Directors) and divisional company Executive Officers, a share-based compensation plan to further raise motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, the Company has established "Company Stock Ownership

Director Compensation in Fiscal 2018

(millions of yen)

	Basic remuneration		Bonus		Stock-based compensation		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	11	308	7	142	7	57	11	508
(Of which external Directors)	3	33	—	—	—	—	3	33
Audit & Supervisory Board Members	5	85	—	—	—	—	5	85
(Of which external Audit & Supervisory Board Members)	3	28	—	—	—	—	3	28

(Notes) 1. As listed above, the number of eligible officers includes one Outside Director who retired at the close of the 96th Annual General Meeting of Shareholders held on June 27, 2018.
2. The amount paid to directors does not include the portion of employee's salary (including bonus) amounting to 134 million yen for Directors who concurrently serve as employees.

Corporate Governance

Guidelines" for those who are holding more than a certain number of shares.

Appointment of Directors and Audit and Supervisory Board Members

(1) Appointment of Directors and Audit and Supervisory Board Members

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

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

(2) Succession planning for the Company President

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

Execution of duties by the Board of Directors and the Audit & Supervisory Board

(1) Execution of duties by the Board of Directors

With the goal of ensuring efficiency in the execution of its

duties, the Board of Directors met 17 times in fiscal 2018. Important matters relating to the Company's management policy and management strategy are discussed at meetings of the Policy Committee, of which internal Directors are members. Following deliberation, matters are passed to the Board of Directors, where the final decisions are made.

(2) Execution of duties by the Audit & Supervisory Board

The Audit & Supervisory Board confirms the status of the internal controls system through the attendance of meetings, including Board of Directors meetings, as well as by investigating related departments, including those at group companies, and confirming approval documents for important matters. Alongside the implementation of on-site audits, the effectiveness of the audits has been improved through the regular exchange of information with internal audit departments and accounting auditors. With the goal of facilitating the exchange of information, the Company held 18 meetings of the Audit & Supervisory Board in fiscal 2018. SEKISUI CHEMICAL also holds meetings and workshops with affiliate corporate auditors with the goal of improving cooperation and raising overall audit quality.

Executive Officer System and Executive Committee

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

By transferring authority to the divisional companies, the Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decisions on basic policies of SEKISUI CHEMICAL Group's

management as well as high-level management decision-making and supervision of business execution.

Assessment Relating to the Board's Effectiveness

The Company evaluates the effectiveness of the Board of Directors every year.

Having set an appropriate agenda, the Board of Directors engages in sufficient discussion with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit and Supervisory Board Members.

The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and functioning properly. In fiscal 2018, the Board of Directors thoroughly deliberated important management issues such as growth strategies, including R&D, M&A, investment, and large new businesses, and fundamental strategies, including work style reform and CS & quality. The Board also ensured that adequate time was provided to sufficiently discuss these issues and active participation and opinions and recommendations were actively provided by both outside and inside Directors as well as Audit and Supervisory Board Members.

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

In fiscal 2019, the Company will further enhance deliberations on important management issues and ensure fairness and transparency in the Company's management by making what the Board of Directors deem to be appropriate decisions.

Compliance, Risk Management, Respect for Human Rights, and Stakeholder Engagement

While giving consideration to human rights on a global scale, SEKISUI CHEMICAL Group is at the same time strengthening its compliance initiatives that are in tune with the ethics and social norms value by society as it adheres strictly to laws, regulations and internal rules. Moreover, and as far as risk is concerned, SEKISUI CHEMICAL Group is reinforcing its system that unifies risk management, to prevent risks from occurring, and crisis management, which involves responding to major risks.

Compliance

Our Approach to Compliance

In SEKISUI CHEMICAL Group, we established our “Compliance Declaration” in 2003 based on principles such as “contributing to society,” “being a trusted company,” and “adherence to the letter and spirit of the law.” In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In April 2019, under the leadership of President Koge, it was declared that compliance was management itself for SEKISUI CHEMICAL Group, and each and every one of our employees would act in accordance with our compliance regulations. In order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.

Preventing Major Compliance Issues

In the CSR Medium-term Plan, which we started to implement in fiscal 2017, we carried over “zero incidents of major compliance issues” as a KPI target from the previous medium-term plan. From fiscal 2015 onward, SEKISUI CHEMICAL has continually achieved zero incidents of corruption and fraud. In fiscal 2018 as well, no major compliance issues arose.

We will continue strengthening our management of compliance and work to prevent compliance issues before they occur.

Establishing a System for the Promotion of Compliance

We are building a realistic and effective compliance promotion system to ensure that compliance management is fully put into practice. In addition to having established a Compliance Subcommittee—which reports to the CSR Committee and is chaired by the executive officer who heads the Legal Department—as an organization to oversee Group compliance and to put forward policies and implementation measures, we are also establishing compliance promotion subcommittees at corporate headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into

practice and implementing and deploying each measure. In the unlikely event that an important compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.

Reinforcement of Global Legal Affairs Structure

SEKISUI CHEMICAL Group has been reinforcing its legal affairs structure by developing and deploying legal personnel, strengthening collaboration among legal departments and enhancing legal functions. In fiscal 2017, employees responsible for legal affairs at Sekisui Europe B.V. and Sekisui Southeast Asia Co., Ltd., our regional head-quarters in Europe and Thailand, respectively, took up new posts.

Compliance Training

As part of our efforts associated with putting compliance management into practice, we also focus on employee compliance education. We continuously provide opportunities for all Group employees to learn about the importance of compliance, such as by introducing compliance study into training for new employees and rank-specific training, and conducting e-learning sessions specific to compliance quarterly.

Upgrade of the Whistle-blowing Program

In 2002, SEKISUI CHEMICAL Group developed the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistle-blowing system, which is the mechanism that has

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been made available for use by all SEKISUI CHEMICAL Group employees and its business partners. Operated under the supervision of the executive officer in charge of the legal department, S.C.A.N. enables direct reporting not only to the Legal Department but also to an outside law firm. In addition to serving as a reporting system, S.C.A.N. also plays a role as a point of contact for consultations, such as whether a specific act would be classed as a compliance violation.

In order to create an organizational culture that maintains full awareness of compliance, the system also prescribes the protection of the whistleblower and stipulates that information on the person who provided the information be kept secret from everyone other than at the point of contact and the prohibition of any prejudicial treatment toward that person.

SEKISUI CHEMICAL in fiscal 2015 reconfigured its internal reporting system and established new reporting and consultation points of contact for our business partners. The content of consultations and reports is shared only among the minimum number of people necessary to

resolve the “law-violating conduct” concerned, and all parties that need to be involved are obliged to keep that content confidential.

Prevention of Bribery and Corruption

A signatory to and an approver of the UN Global Compact, which stipulates anti-corruption efforts under its voluntary action principles, SEKISUI CHEMICAL Group is promoting efforts to prevent acts of bribery and corruption in that spirit.

As part of our internal regulations, we have put in place rules to prevent bribery and corruption and are promoting their introduction at all SEKISUI CHEMICAL Group companies. We have also formulated anti-bribery guidelines, which summarize matters concerning bribery and corruption, that employees should observe when doing business in Japan, the United States and China. We have worked to make these regulations and guidelines known via the intranet, so that Group employees can check them at any time.

Handling Measures for Antitrust Laws

At SEKISUI CHEMICAL Group, we have been operating a business organization membership payment system, a pre-application and follow-up report system for competitor contact, and a price revision committee system since 2007 as a compliance program for antitrust laws. The implementation status of these systems is audited yearly, and the program is revised as needed. We are currently working to expand these systems to Group companies, and the introduction of the program was completed at domestic business companies with high cartel risk in fiscal 2018.

Risk Management

Management Structure

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

In the SEKISUI CHEMICAL Group’s risk management structure, the head of the HR department, who is also a Director and Managing Executive Officer, holds ultimate responsibility, and the Risk Management Group of the HR Department at Corporate handles day-to-day risk-management operations. We are striving to publicize and thoroughly install among the directors, executive officers, and employees of SEKISUI CHEMICAL and its Group companies the “SEKISUI CHEMICAL Group Risk Management Guidelines,” which were established based on the revised “Basic Philosophy on Internal Corporate Governance Systems” of April 2015, to identify significant risks and to prevent them from manifesting by centrally and comprehensively collecting and evaluating information about risks. In the event that a significant risk does become manifest, an Emergency Response Headquarters will be established based on the “SEKISUI CHEMICAL Group Crisis Management Guidelines,” creating a framework capable of swiftly and appropriately handling the situation. In preparation for such rare contingencies, a code of conduct regarding this framework, to be referred to by all employees, has also been shared with all Group employees via the Group intranet and other means.

Fiscal Year 2018 Number of Whistleblowing Cases and Consultations

Reports/consultations	Number of cases
Power harassment	44
Working conditions	34
Sexual harassment	6
Workplace environmental concerns	7
Misuse of expenses	5
Sales methods related	0
Misrepresentation of work performance	2
Incidents with business partners	0
Others	14
Total number of complaints	112

Compliance, Risk Management, Respect for Human Rights, and Stakeholder Engagement

Bolstering Risk Management (Prevention) Structures

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

These activities launched during fiscal 2011 among 27 organizations, primarily business units within the Company. The number of organizations engaged in these actions has increased each year, reaching 173 in total, including those in Japanese and overseas affiliates, in fiscal 2018. In fiscal 2019, we will bring the number of organization to 177 while aiming to cover around 93% of consolidated revenue. The Group is also working to improve the effectiveness of these actions through inter-organizational cooperation and linkages among specialist divisions.

Crisis Management Systems Overseas

Based on its corporate regulations “Overseas Safety Management Regulations,” SEKISUI CHEMICAL Group has formed a pyramid-shaped overseas crisis management organization with an officer in charge of overseas crisis management at the peak. (The officer in charge of overseas crisis management is answered to by [the head of the] Overseas Crisis-Management Office, to which the regional heads answer, and to who in turn the heads of locations answer.) It is primarily through this organization that the Group supports employees traveling abroad, those stationed abroad, and locally based employees, using such means as sharing crisis management-related information, issuing advisories in a timely manner, instructing employees about travel restrictions, and implementing other emergency-response measures. As the number of Group locations increases with each passing year, crisis management manuals have

been organized at each factory, office, or other business location based on support provided by the Overseas Crisis-Management Office, and these manuals are revised periodically and whenever deemed necessary. Regarding risks particular to overseas sites, including civil unrest, terrorism, and infectious diseases, the Group has organized a support system based on signing contracts with crisis-management companies, such as those that provide security assistance and medical assistance.

Identifying Risks

To make clear which risks the group as a whole should prepare itself for, the scope of anticipated risks has been identified on a comprehensive basis, going beyond ESG risks alone, and these risks have been compiled into the “SEKISUI CHEMICAL Group Risk List.”

Major ESG Risks Faced by SEKISUI CHEMICAL Group

Environmental risks	soil and air pollution/leaks of harmful substances/tightening of environmental regulations, etc.
Societal risks	worsening of relations with local communities/rumor-based reputational harm/spread of communicable diseases/breakdowns of functions provided by public bodies, etc.
Legal risks	unethical or criminal behavior/violations of the Monopolies Act or fraudulent transactions/unauthorized overwriting of data/behavior constituting harassment/sudden changes to laws or regimes/infringements on intellectual property rights, etc.
Quality-related risks	a responsibility for manufactured goods/product recalls/mistakes during construction, etc.
Human resources/labor risks	labor practices that violate the law/discrimination/changes to the composition of employees, etc.
Safety risks	employee health and safety/workplace accidents/the safety of employees stationed or traveling abroad, etc.
Financial risks	various risks relating to finances, accounting, and taxes
Information-management risks	information leaks/destruction or loss of electronic data, etc.
Management decision and business design-based risks	unclear vision and management policies/defects in work processes/product-related incidents, etc.
Affiliated company and supplier risks	scandals at affiliated companies/disasters or accidents affecting affiliated companies, etc.

Respect for Human Rights

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

SEKISUI CHEMICAL Group began formulating SEKISUI CHEMICAL Group “Human Rights Policy” in October 2018. Subsequently, we have established a new Human Rights Policy in June 2019 after implementing a human rights risk assessment and approval at a meeting of the Board of Directors. This policy already has been disclosed.

The “Human Rights Policy” proposes to firmly respect human rights across the board, including the value chain beyond the Group, in compliance with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council.

Going forward, we will work to achieve an understanding of and instill this new Human Rights Policy among all employees of the Group, as well as our suppliers and business partners.

Compliance, Risk Management, Respect for Human Rights, and Stakeholder Engagement

SEKISUI CHEMICAL Group “Human Rights Policy”

SEKISUI CHEMICAL Group recognizes that it is our responsibility to protect human rights of all individuals affected by our business activities. In order to advance efforts to promote respect for human rights, we hereby announce the adoption of SEKISUI CHEMICAL Group “Human Rights Policy” (“Policy”), based on the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council in June 2011.

SEKISUI CHEMICAL Group contributes to society through its business activities under its Corporate Philosophy, the “3S Principles” (Service, Speed, and Superiority), in order to meet the expectations of its stakeholders. As part of our Group Vision, residential and social infrastructure creation and chemical solutions are designated as the business domains that should be pursued, through which we are working to improve the lives of the people of the world and the Earth’s environment.

For SEKISUI CHEMICAL Group to truly contribute to the achievement of a sustainable world, we understand that the human rights of all individuals within our sphere of influence must be respected.

1. Basic principles on human rights

The “Policy” is our promise to respect human rights, in order to fulfill our responsibilities to all stakeholders, based on our Corporate Philosophy and Group Vision. To that end we support and respect the United Nations International Bill of Human Rights (specifically the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights), which sets out the basic human rights of every individual. Furthermore, in addition to the Declaration on Fundamental Principles and Rights at Work from the International Labour Organization (ILO), which sets out people’s fundamental rights at work, we also support and respect international human rights standards for workers adopted in conventions on such matters as wages and working hours, and the United Nations Declaration on the Rights of Indigenous Peoples. Lastly, as a company that has signed up to the United Nations Global Compact (“GC”), we support and respect the GC Ten Principles.

2. Scope

The “Policy” is applicable to all employees and executive officers of SEKISUI CHEMICAL Group. Our Group also expects all of our business partners to comply with the “Policy” in connection with our products and services.

3. Responsibility of respect for human rights

SEKISUI CHEMICAL Group is aware that it is not possible to completely eliminate every possibility of an adverse impact from its business activities. That said, we aim to fulfill our responsibility of promoting respect for human rights by building a responsible supply chain that avoids infringing the human rights of the people affected by our business activities, and, if our business activities do have an adverse impact on someone’s human rights, appropriate action will be taken in an effort to rectify that situation.

4. Human rights due diligence

SEKISUI CHEMICAL Group will establish a system of human rights due diligence to identify, prevent and mitigate any adverse impacts on human rights that our Group causes in society.

5. Dialogue and Consultation

In its implementation of the “Policy”, SEKISUI CHEMICAL Group will engage in earnest dialogue and consultation with our stakeholders, and will apply expert human rights knowledge from independent third parties.

6. Education and training

SEKISUI CHEMICAL Group will provide education and training as is appropriate to ensure that the “Policy” becomes an incorporated part of all of our business activities and is implemented effectively.

7. Remediation

If it emerges that SEKISUI CHEMICAL Group’s business activities have had adverse impact on someone’s human rights, or if our involvement in the same through for example one of our business relationships emerges or is suspected, we will work to remedy the same through dialog and the appropriate processes in line with international standards.

8. Responsible executive officer(s)

SEKISUI CHEMICAL Group will entrust an executive officer or officers with the responsibilities for execution of the “Policy”, who will supervise its progress and status.

9. Information disclosure

SEKISUI CHEMICAL Group will disclose the progress and the results of our efforts to promote respect for human rights, on its website and through other media.

10. Applicable laws and regulations

SEKISUI CHEMICAL Group will comply with the laws and regulations of each of the countries and regions in which our business activities are conducted. Where there is a conflict between a country’s laws or regulations and internationally recognized human rights standards, our Group will pursue ways to respect international human rights principles to the maximum extent possible.

The “Policy” has received the approval of our board of directors and the signature of our President and Representative Director.

May 15th, 2019

Teiji Koge
President and Representative Director
SEKISUI CHEMICAL CO., LTD.



Compliance, Risk Management, Respect for Human Rights, and Stakeholder Engagement

Stakeholder Engagement

To build relationships of trust with its stakeholders, SEKISUI CHEMICAL Group believes that it is important to strengthen corporate value through constructive dialogue. Positioning its stakeholders as partners in improving corporate value, having constructive dialogue with them, assessing their expectations and requests, as well as resolving society-wide issues together with them leads to great opportunities for SEKISUI CHEMICAL Group. We aim to create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.

Disclosing information and promoting dialogue with our shareholders and investors

SEKISUI CHEMICAL Group believes it is important to actively disclose information in a timely and appropriate manner. Based on the “Principle of Corporate Information Disclosure,” we established the “Corporate Information Disclosure Regulations” specifying the content and the system of disclosure as part of our effort to strengthen our internal information disclosure framework. To ensure information is provided in a timely manner, the Group posts its financial statements and results briefings on the Company website in Japanese and English simultaneously and also provides audio recordings of the briefing and a transcript of the question and answer sessions.

With its business domains so diverse, SEKISUI CHEMICAL Group believes it is important to give shareholders and investors clear explanations of its actions to ensure that the Group’s overall business characteristics and CSR initiatives are sufficiently and correctly understood.

For example, not only does management hold quarterly results briefings, but the Company actively promotes individual meetings with institutional investors, briefings aimed at individual investors, and management briefings for all our shareholders.

We view “active engagement between investors and management” as one of our keys points for focus, and are actively promoting constructive dialogue with investors and shareholders, with the feedback from such reflected in our management efforts. SEKISUI CHEMICAL in November 2018 won the 25th Anniversary Commemorative Award of the IR Awards presented by the Japan Investor Relations Association (JIRA). This award recognizes not only our efforts to continually provide comprehensive IR activities over the long term, but also our efforts aimed at ensuring appropriate information disclosure and constructive dialogue with the investment community.

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



General meeting of shareholders (Osaka)



Presentation of Financial Results (Tokyo)



Management briefing for shareholders (Tokyo)

Japan Investor Relations Association
25th Anniversary Commemorative Award
(Awarded November 2018)

Data (Key Financial and Non-financial Data)

Data (Key Financial and Non-financial Data)

	FY2014	FY2015	FY2016	FY2017	FY2018
Financial Data					
Net Sales	1,112,748 mil. yen	1,096,317 mil. yen	1,065,776 mil. yen	1,107,429 mil. yen	1,142,713 mil. yen
(Housing)	494,116 mil. yen	473,441 mil. yen	484,975 mil. yen	497,782 mil. yen	506,729 mil. yen
(Urban Infrastructure & Environmental Products)	227,689 mil. yen	226,279 mil. yen	240,332 mil. yen	239,241 mil. yen	239,193 mil. yen
(High Performance Plastics)	372,296 mil. yen	378,552 mil. yen	357,526 mil. yen	386,154 mil. yen	412,011 mil. yen
Operating Income	85,764 mil. yen	89,823 mil. yen	96,476 mil. yen	99,231 mil. yen	95,686 mil. yen
(Housing)	41,327 mil. yen	36,387 mil. yen	37,549 mil. yen	37,935 mil. yen	39,002 mil. yen
(Urban Infrastructure & Environmental Products)	1,264 mil. yen	3,610 mil. yen	12,827 mil. yen	14,791 mil. yen	15,007 mil. yen
(High Performance Plastics)	45,951 mil. yen	53,353 mil. yen	54,537 mil. yen	57,821 mil. yen	54,478 mil. yen
Ordinary Income	87,978 mil. yen	81,213 mil. yen	91,513 mil. yen	93,929 mil. yen	93,146 mil. yen
Net Income Attributable to Owners of the Parent	52,995 mil. yen	56,653 mil. yen	60,850 mil. yen	63,459 mil. yen	66,093 mil. yen
Comprehensive Income	91,587 mil. yen	37,080 mil. yen	57,638 mil. yen	73,898 mil. yen	55,648 mil. yen
Operating Income Ratio	7.7 %	8.2 %	9.1 %	9.0 %	8.4 %
Total Assets	968,011 mil. yen	936,043 mil. yen	943,640 mil. yen	994,137 mil. yen	1,023,706 mil. yen
Net Assets	535,292 mil. yen	544,156 mil. yen	570,549 mil. yen	612,757 mil. yen	632,746 mil. yen
Net cash provided by operating activities	67,760 mil. yen	71,389 mil. yen	108,229 mil. yen	82,272 mil. yen	85,213 mil. yen
Net cash used in (provided by) investing activities	4,127 mil. yen	-23,715 mil. yen	-44,057 mil. yen	-60,881 mil. yen	-62,553 mil. yen
Net cash used in financing activities	-63,856 mil. yen	-41,726 mil. yen	-39,633 mil. yen	-35,981 mil. yen	-31,539 mil. yen
Free Cash Flow	58,810 mil. yen	33,375 mil. yen	48,107 mil. yen	2,325 mil. yen	2,043 mil. yen
Capital Expenditures	46,993 mil. yen	49,740 mil. yen	43,868 mil. yen	53,518 mil. yen	73,595 mil. yen
Depreciation and Amortization	31,203 mil. yen	34,735 mil. yen	34,843 mil. yen	36,016 mil. yen	38,789 mil. yen
Amortization of goodwill	2,348 mil. yen	2,156 mil. yen	2,118 mil. yen	2,416 mil. yen	2,848 mil. yen
R&D Expenditures	29,452 mil. yen	31,693 mil. yen	34,169 mil. yen	36,974 mil. yen	38,838 mil. yen
Net Assets per Share	1,033.49 yen	1,071.24 yen	1,147.91 yen	1,245.91 yen	1,307.75 yen
Net Income Attributable to Owners of the Parent per Share	104.73 yen	115.08 yen	126.13 yen	133.80 yen	141.74 yen
Dividends per Share	27.00 yen	30.00 yen	35.00 yen	40.00 yen	44.00 yen

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

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

Data (Key Financial and Non-financial Data)

	FY2014	FY2015	FY2016	FY2017	FY2018
Financial Data					
Financial Index					
Dividends Payout Ratio	25.8 %	26.1 %	27.7 %	29.9 %	31.0 %
Equity to Total Assets	53.3 %	55.9 %	58.2 %	59.1 %	59.3 %
Current Ratio	139.8 %	138.0 %	160.7 %	153.6 %	151.0 %
Fixed Ratio	97.2 %	95.9 %	86.9 %	91.0 %	91.2 %
Interest-bearing Debt	63,120 mil. yen	52,338 mil. yen	43,734 mil. yen	46,326 mil. yen	53,848 mil. yen
Debt/Equity Ratio	12.2 %	10.0 %	8.0 %	7.9 %	8.9 %
Total Assets Turnover	1.15 times	1.15 times	1.13 times	1.14 times	1.13 times
Inventory Turnover	7.09 times	7.11 times	7.00 times	6.84 times	6.30 times
Tangible Fixed Assets Turnover	4.31 times	4.11 times	4.01 times	4.09 times	3.88 times
R&D Expenditures to Revenues	2.65 %	2.89 %	3.21 %	3.34 %	3.40 %
Return on Equity	10.9 %	10.9 %	11.3 %	11.2 %	11.1 %
Return on Total Assets	9.1 %	8.5 %	9.7 %	9.7 %	9.2 %
EBITDA	119,316 mil. yen	126,714 mil. yen	133,437 mil. yen	137,665 mil. yen	137,324 mil. yen
Interest Coverage Ratio	51.7 times	64.5 times	100.4 times	109.9 times	113.5 times
Dividend on Equity Ratio	2.8 %	2.8 %	3.1 %	3.3 %	3.4 %
PER	14.89 times	12.04 times	14.83 times	13.87 times	12.55 times
Net Sales per Employee	47.44 mil. yen	45.88 mil. yen	45.44 mil. yen	45.12 mil. yen	43.47 mil. yen

Human Rights

Compliance Training

Number of Employees Participating in e-Learning	20,450	20,450	20,618	20,934	20,684 *2
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*1 Effective from the start of fiscal 2018, the fiscal year ended March 31, 2019, SEKISUI CHEMICAL Group has applied the partial amendments to the accounting standard for tax effect accounting (the Accounting Standards Board of Japan (ASBJ) Guidance No. 28 revised on February 16, 2018). These partial amendments have also been retroactively applied to data for fiscal 2017.

*2 Average for the sessions conducted four times during the year. However, as the third and fourth sessions are under way, data is the average of the results from the first and second sessions.

Equity= Shareholders' Equity including Accumulated Other Comprehensive Income, Equity to Total Assets = Equity/Total Assets, Current Ratio = Current Assets/Current Liabilities, Fixed Ratio = Fixed Assets/Equity, Debt/Equity Ratio = Interest-bearing Debt/Equity, Total Assets Turnover = Net Sales/Average Total Assets, Inventory Turnover = Net Sales/Average Inventory, Tangible Fixed Assets Turnover = Net Sales/Average Tangible Fixed Assets, R&D Expenditures to Revenues = R&D Expenditures/Net Sales, Return on Equity = Net Income Attributable to Owners of the Parent/Average Equity, Return on Total Assets = Ordinary Income/Average Total Assets, EBITDA = Operating Income + Depreciation and Amortization + Amortization of goodwill, Interest Coverage Ratio = (Operating Income + Interest and Dividends)/Interest Expense, Dividend on Equity Ratio = Total Dividend Payment (full year)/Average Equity, PER = Stock prices at the end of fiscal year/Net Income Attributable to Owners of the Parent per Share, Net Sales per Employee = Net Sales/Average Number of Employees

Data (Key Financial and Non-financial Data)

	FY2014	FY2015	FY2016	FY2017	FY2018
Human Resource					
Number of Employees	23,886	23,901	23,006	26,080	26,486
By Divisional Company					
(Housing)	10,442	10,419	10,447	10,698	10,891
(Urban Infrastructure & Environmental Products)	5,453	5,044	4,789	4,945	5,139
(High Performance Plastics)	7,051	7,453	7,269	9,735	9,702
(Headquarters)	940	985	501	702	754
By Region					
(Japan)	17,743	18,065	17,928	18,935	19,464
(North America, Central and South America)	1,579	1,512	1,403	1,482	1,494
(Europe)	1,425	1,048	973	961	958
(Asia/Pacific (including China))	3,139	3,276	2,702	4,702	4,570
Diversity					
Employment Ratio of People with Disabilities (SEKISUI CHEMICAL) *1	2.40 %	2.21 %	2.29 %	2.29 %	2.81 %
Number of Elderly Employees Reemployed (SEKISUI CHEMICAL)	83	104	65	21	49
Elderly Employees Reemployment Rate (SEKISUI CHEMICAL)	82.2 %	82.5 %	83.3 %	63.6 %	76.6 %
Global Talent Employees*2	325	329	341	340	326
Work-life Balance					
Number of people using work-life balance related programs*3 (Sekisui Chemical)	165	177	196	253	330
Health and Safety					
Loss Costs (Japan)*4	510.9 mil. yen	393.7 mil. yen	375.1 mil. yen	478.3 mil. yen	468.9 mil. yen

*1 Including special provision subsidiary

*2 Japanese employees with experience working overseas (including overseas trainees)

*3 Programs for promoting diverse working styles including childcare leave, shorter working hours, use of flexible working hours, and family leave

*4 Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences

Data (Key Financial and Non-financial Data)

	FY2014	FY2015	FY2016	FY2017	FY2018
Environment					
Greenhouse-gas Emissions that arise from Business Activities	922 kilotons-CO ₂	892 kilotons-CO ₂	928 kilotons-CO ₂	932 kilotons-CO ₂	921 kilotons-CO₂
Greenhouse-gas Emissions during Manufacturing (Japan)	351 kilotons-CO ₂	337 kilotons-CO ₂	329 kilotons-CO ₂	326 kilotons-CO ₂	316 kilotons-CO₂
Greenhouse-gas Emissions during Manufacturing (Overseas)	478 kilotons-CO ₂	472 kilotons-CO ₂	513 kilotons-CO ₂	525 kilotons-CO ₂	527 kilotons-CO₂
Energy Usage during Manufacturing (Japan)	3,592 TJ	3,463 TJ	3,539 TJ	3,604 TJ	3,592 TJ
Energy Usage during Manufacturing (Overseas)	5,956 TJ	5,881 TJ	6,391 TJ	6,559 TJ	6,454 TJ
Wastes Generated by Production Sites (Japan)	34.1 kilotons	31.7 kilotons	37.2 kilotons	38.3 kilotons	40.3 kilotons
Wastes Generated by Production Sites (Overseas)	27.9 kilotons	26.3 kilotons	30.1 kilotons	30.5 kilotons	31.2 kilotons
Wastes Generated on Construction Site of New Housing (Japan)	1.87 tons per unit	1.73 tons per unit	2.41 tons per unit	2.41 tons per unit	2.45 tons per unit
(New House Construction Site)	1.31 tons per unit	1.34 tons per unit	1.39 tons per unit	1.40 tons per unit	1.46 tons per unit
(Exterior Wall Plant)	0.34 tons per unit	0.16 tons per unit	0.71 tons per unit	0.70 tons per unit	0.66 tons per unit
(Assembly Plant)	0.22 tons per unit	0.23 tons per unit	0.32 tons per unit	0.32 tons per unit	0.32 tons per unit
NOx Emission Volume (Japan)	197 tons	190 tons	167 tons	166 tons	199 tons
SOx Emission Volume (Japan)	10 tons	15 tons	10 tons	9 tons	7 tons
Soot and Dust Emission Volume (Japan)* ¹	16.7 tons	16.3 tons	17.2 tons	16.2 tons	16.4 tons
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,259 tons	1,262 tons	1,066 tons	1,174 tons	1,142 tons
COD Emission Volume (Japan)	62 tons	65 tons	70 tons	90 tons	85 tons
Water Intake Volume at Production Sites (Japan)* ¹	16,019 kilotons	15,557 kilotons	15,386 kilotons	15,679 kilotons	15,214 kilotons
Water Intake Volume at Production Sites (Overseas)	4,321 kilotons	4,238 kilotons	5,224 kilotons	5,566 kilotons	6,015 kilotons
Environment-Contributing Products*²					
Ratio of Sales of Environment-Contributing Products	44.5 %	44.3 %	45.2 %	50.2 %	56.3 %
Net Sales	495.1 bil. yen	485.8 bil. yen	481.2 bil. yen	555.9 bil. yen	643.8 bil. yen
(Housing)	305.8 bil. yen	280.6 bil. yen	290.9 bil. yen	317.6 bil. yen	364.3 bil. yen
(Urban Infrastructure & Environmental Products)	99.8 bil. yen	103.5 bil. yen	90.3 bil. yen	93.7 bil. yen	97.7 bil. yen
(High Performance Plastics)	88.1 bil. yen	99.8 bil. yen	99.4 bil. yen	142.2 bil. yen	178.9 bil. yen

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

*2 In addition to the natural environment, the scope of contribution has been expanded to include the social environment effective from fiscal 2017.

Community Involvement and Development

Charitable Contributions	179 mil. yen	148 mil. yen	186 mil. yen	150 mil. yen	165 mil. yen
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Consumer Issues

External Failure Costs (Costs responding to product-related claims) * ³	112.1	108.9	100	102.4	98.6
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*3 FY2016=100

For more non-financial data, please visit the CSR section of our website. <https://www.sekisuichemical.com/csr/report/>

Corporate Information and Stock Information

Corporate Information and Stock Information As of March 31, 2019

Head Office: 4-4, Nishitenma 2-Chome,
Kita-ku, Osaka
530-8565

Tokyo Head Office: 3-17, Toranomom 2-Chome,
Minato-ku, Tokyo
105-8450

Founded: March 3, 1947

**President and
Representative Director:** Teiji Koge

Employees: 26,486

Consolidated Subsidiaries: 153

Affiliates (Equity Method): 8

Paid-in Capital: 100,002,375,657 yen

Fiscal Year: Ended March 31

Authorized: 1,187,540,000 shares

Issued: 492,507,285 shares

Listings: Common stock listed on
the Tokyo Stock Exchange

Stock Ticker Number: 4204

Number of Shareholders: 21,323

**Manager of the
Register of Shareholders:** Mitsubishi UFJ Trust and
Banking Corporation

Accounting Auditor: Ernst & Young ShinNihon LLC

Major Shareholders

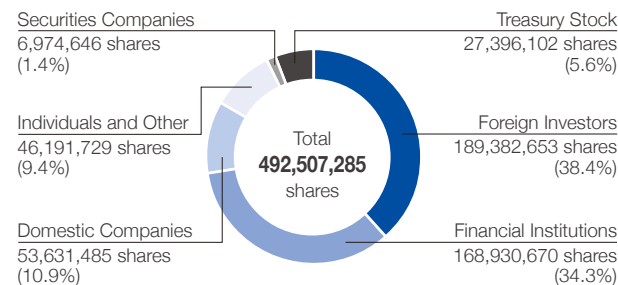
Name/Company Name	Number of Shares Owned (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,389	5.24
Japan Trustee Services Bank, Ltd. (Trust Account)	23,050	4.95
Asahi Kasei Corporation	21,039	4.52
The Dai-ichi Life Insurance Company, Limited	19,681	4.23
THE BANK OF NEW YORK MELLON 140042	12,062	2.59
Sekisui House, Ltd.	10,998	2.36
Employees Stock Ownership Plan	8,861	1.90
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8,398	1.80
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	7,660	1.64
MUFG Bank, Ltd.	7,618	1.63

Note1: The Company holds 27,396,102 treasury stocks, which are excluded in the above list.

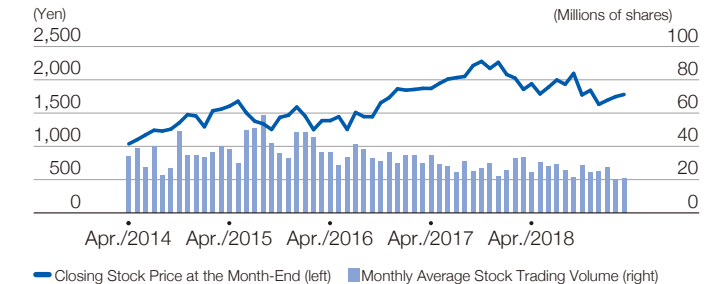
Note2: The treasury stocks excludes 201 thousand shares held by entrusted Employee Stock Ownership Plan and 315 thousand shares held by Board Incentive Plan as officer remuneration system, respectively.

Note3: The percentage is calculated after deducting the number of treasury stocks from that of total outstanding shares.

Breakdown of Shareholders



SEKISUI CHEMICAL Stock Price and Trading Volume



Additional Information

	FY2014	FY2015	FY2016	FY2017	FY2018
Open	1,087	1,544	1,382	1,882	1,869
High	1,619	1,752	1,983	2,350	2,114
Low	1,002	1,193	1,215	1,732	1,532
Close	1,559	1,386	1,871	1,856	1,779
Issued (Thousands of shares)	520,507	510,507	510,507	500,507	492,507
Market value (Billions of yen)	811.5	707.6	955.2	928.9	876.2

SEKISUI CHEMICAL CO., LTD.

Investor Relation Group, Business Strategy Department

<https://www.sekisuichemical.com>