

Integrated Report 2021

Year Ended March 31, 2021

SEKISUI

Innovation for the Earth

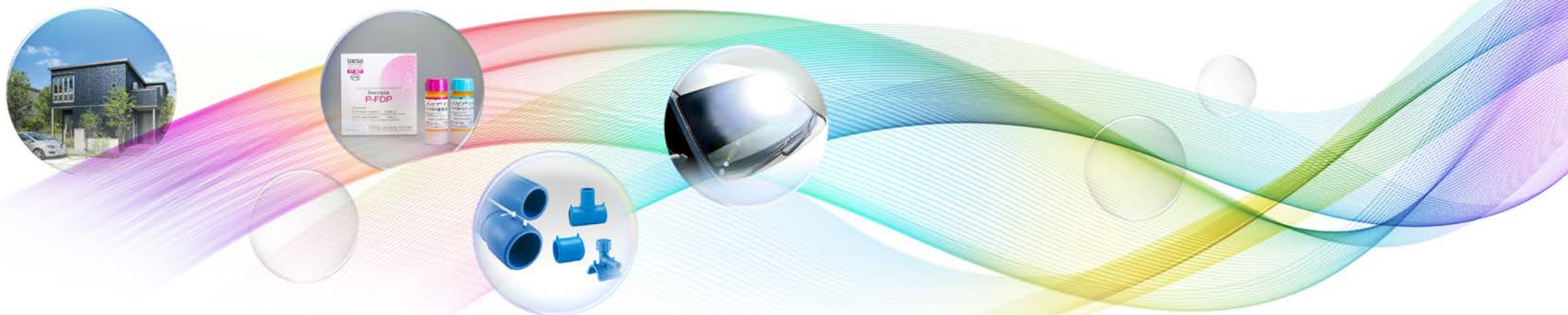


SEKISUI CHEMICAL CO., LTD.

Innovation for the Earth

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

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

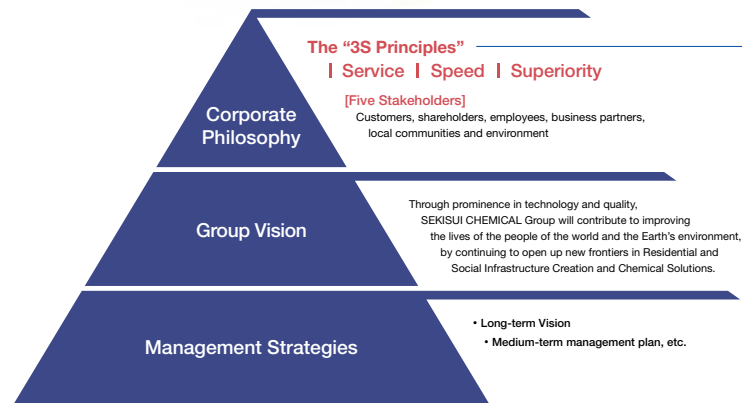


Our Principles

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

“The difference between people living their lives in accordance with ideals and those simply going where the currents and eddies of life take them becomes ever more apparent as the long years of their lives pass. The same is true of business. Only when employees mass under a common ideal arising from a basic policy of business management can the company demonstrate its great power as a corporate community.”

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



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>

Service

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

Speed

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

Superiority

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

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

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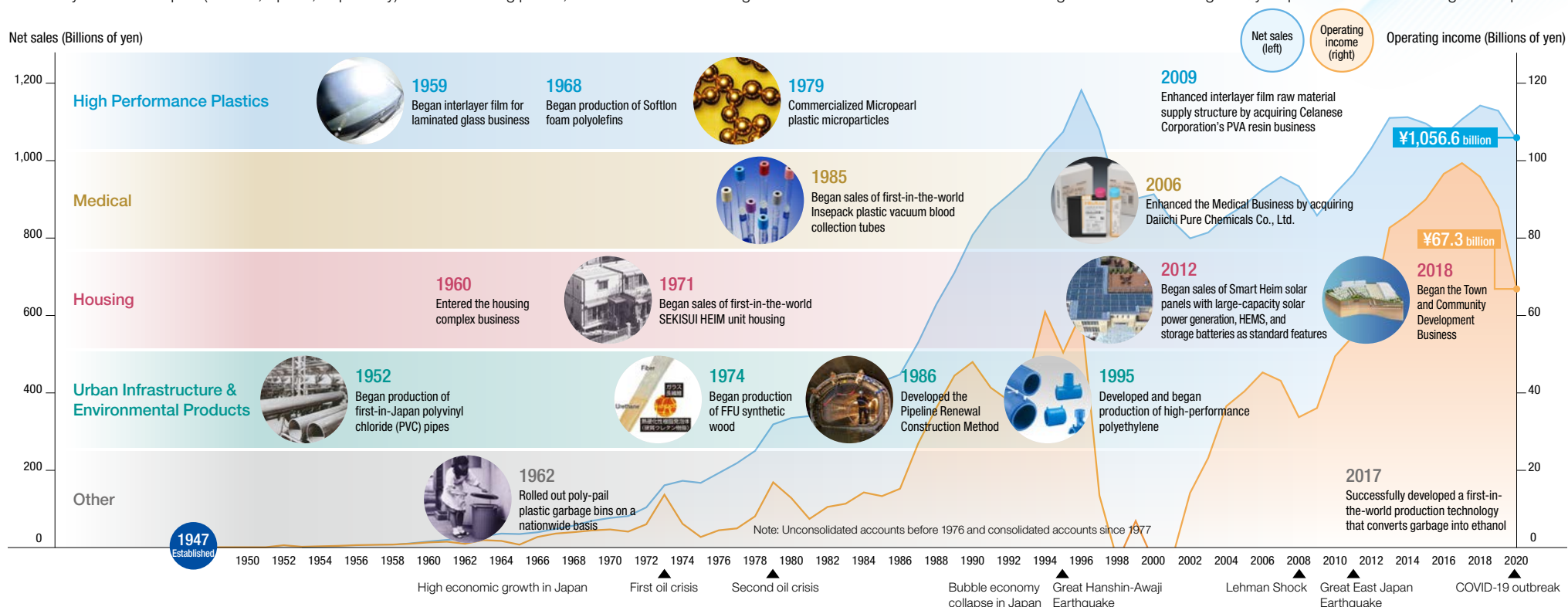
The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management's judgment of information available at the time this report was produced. Changes in key factors may cause actual performance results to differ materially from these forward-looking statements.

Figures in the Integrated Report

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

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 (Service, Speed, Superiority) over the ensuing period, we have dared to challenge new businesses and frontiers while ushering in a new era focusing mainly on plastic-related technologies and products.



1947-: Foundation

Established Process Creation Business as Pioneers in Plastics

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

1966-: Development

Improved Management Framework and Developed Next-Generation Businesses

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

* TQC: Total Quality Control

1980-: Growth

Launched High Performance Products and Expanded the Housing Business

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

1999-: Resurgence

Adopted a Three Company System and Initiated CSR Management

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

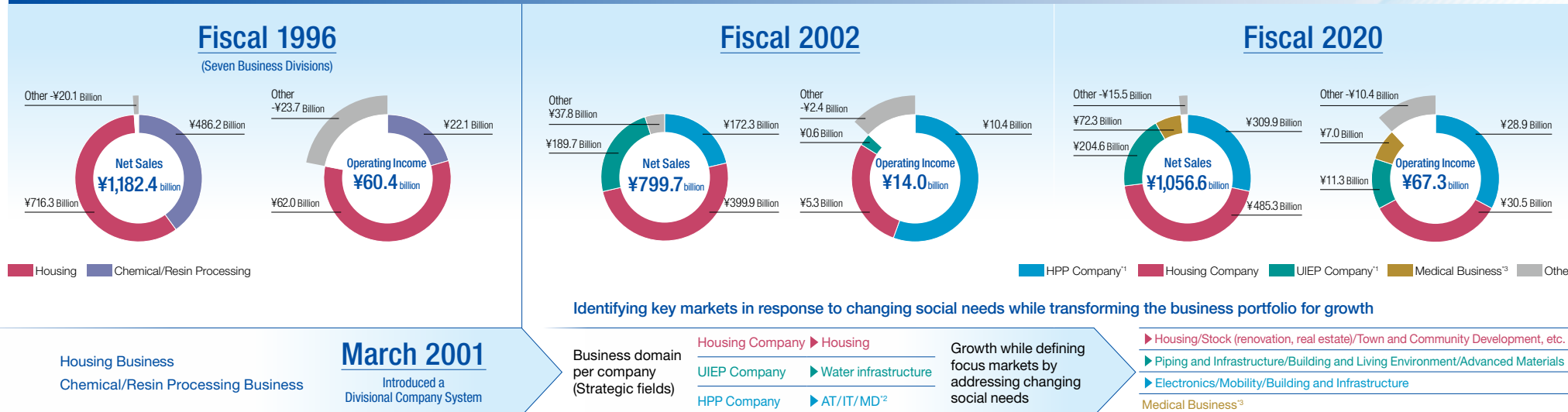
2008 onward: Transformation

Proactively Pursuing Strategic Investment and Evolving from CSR to ESG Management

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

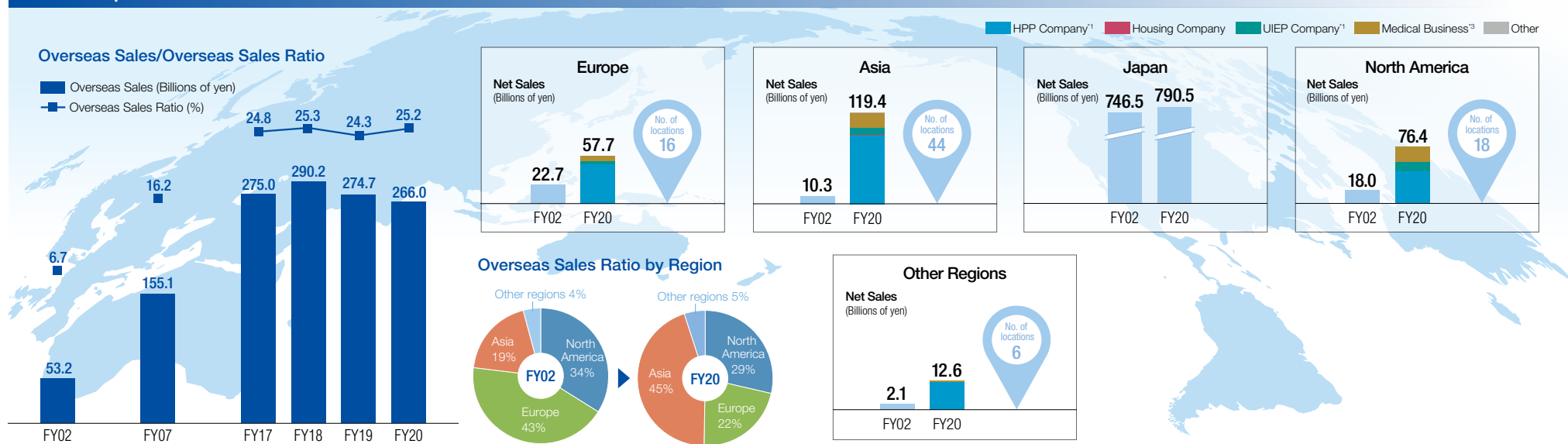
SEKISUI CHEMICAL Group Accomplishments

Performance Changes by Segment



¹ HPP Company: High Performance Plastics Company, UIEP Company: Urban Infrastructure & Environmental Products Company ² AT (automotive materials), IT (IT-related materials), MD (medical products) ³ The Medical Business was spun off from the High Performance Plastics Company in fiscal 2019 as new company candidate to accelerate growth.

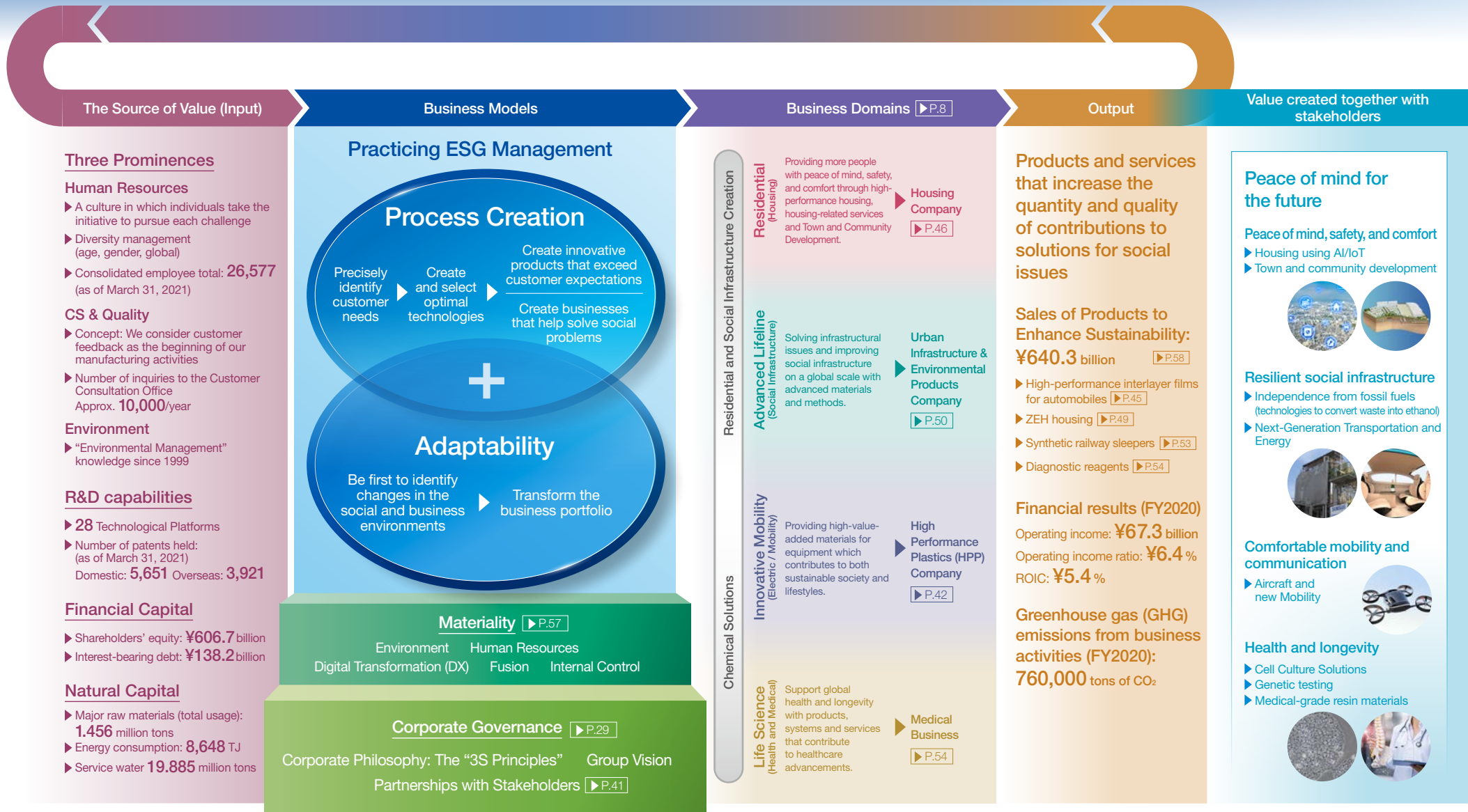
Global Expansion



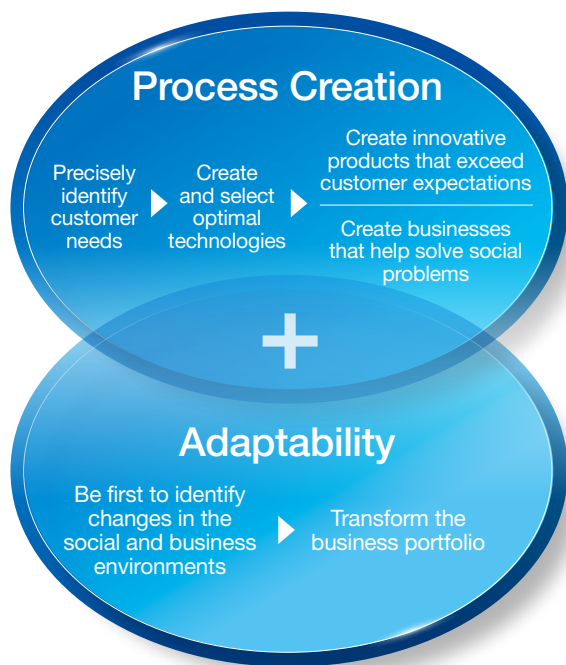
Value Creation Process

Vision 2030 Innovation for the Earth

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



Commentary: SEKISUI CHEMICAL Group's Value Creation Process



The “Three Prominences” and R&D Capabilities that Serve as the Source (Input) of the Group's Value

Human Resources

In order to ensure that each of our employees can hone and grow their unique skills, we offer a wide-range of “Elective and Recruitment-type Training Programs” through which employees can choose courses to attend from a varied lineup of training and educational options on their own. At the same time, we provide opportunities for employees that aim to put their motivation to undertake various challenges in a self-driven manner to the test in order to encourage the growth of each individual.

CS & Quality

Since 1999, SEKISUI CHEMICAL Group has engaged in CS management that places emphasis on customer satisfaction (CS). We directly reply to each of the more than 10,000 inquiries and opinions received by the Customer Consultation Office each year, and analyze the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers. By drawing out customer opinions and providing continuous feedback to the related business units of each divisional company, these efforts assist in revising product specifications, for example.

Environment

SEKISUI CHEMICAL Group has recognized the environment as an important issue since the 1990s. In addition to ongoing efforts to prevent pollution, every effort has been made to reduce the environmental impact of the Group's business activities. Since 2003, we have worked diligently to practice “Environment Management” on an increasingly fully fledged basis with the aim of achieving sustainable growth that balanced ecology with the economy. We still to this day strive to build a sustainable business base that includes ties of trust with our stakeholders through various measures including the acquisition of SBT certification and endorsement of TCFD.

R&D Capabilities

SEKISUI CHEMICAL Group recognizes that maintaining a prominence in technology is the bedrock for creating value. Forming the basis of these efforts are the 28 technological platforms with direct links to the Group's two business domains, “Residential and Social Infrastructure Creation” and “Chemical Solutions.” These are the core technological platforms that support the Group's product lineup and should even be said to be the source of the competitiveness that has been cultivated over many years.

We do more than just carefully listen to customer feedback to discover the added-value that we can provide through the technological platforms on an individual basis, and instead effectively combine multiple platforms to develop new products and services that are capable of maintaining a clear lead in the market, even in a harsh competitive environment.

28 Technological Platforms

Homes that Provide Peace of Mind Even during Disasters!

SEKISUI HEIM
Smart Power Station series

Technological Platforms (TPF)

- Housing production/construction/method
- Energy management
- Acoustic/thermal/air quality management
- Infrastructural/functional materials
- etc.

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

Micropearl AU:
plastic core conductive particle

Small-diameter particles on the order of several microns (1/1000 of a millimeter)

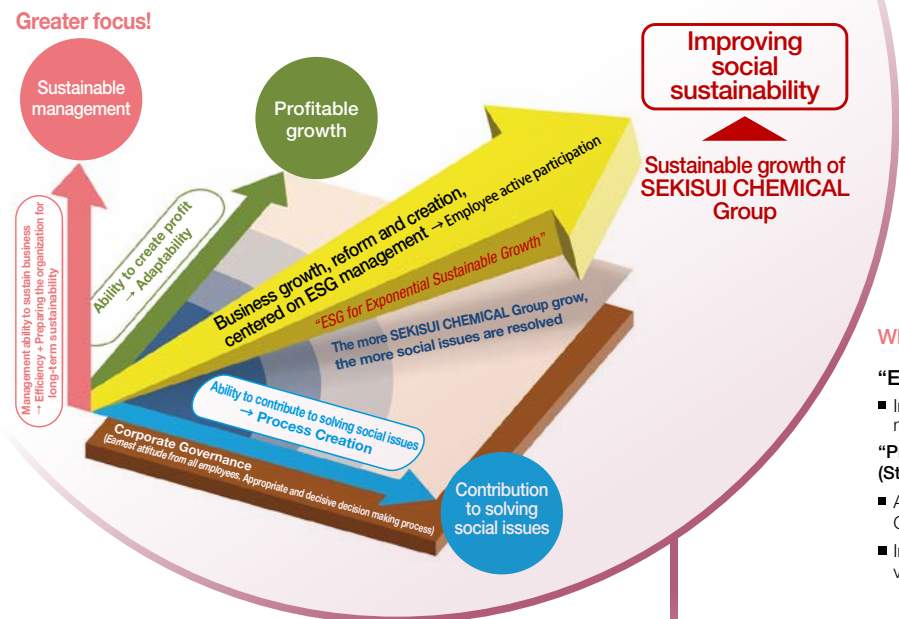
A product formed with uniform particle size and a metal layer of uniform thickness on the surface.

Technological Platforms (TPF)

- Conductive/insulating material
- Microparticles
- Surface treatment, multilayer

ESG Management at SEKISUI CHEMICAL Group

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

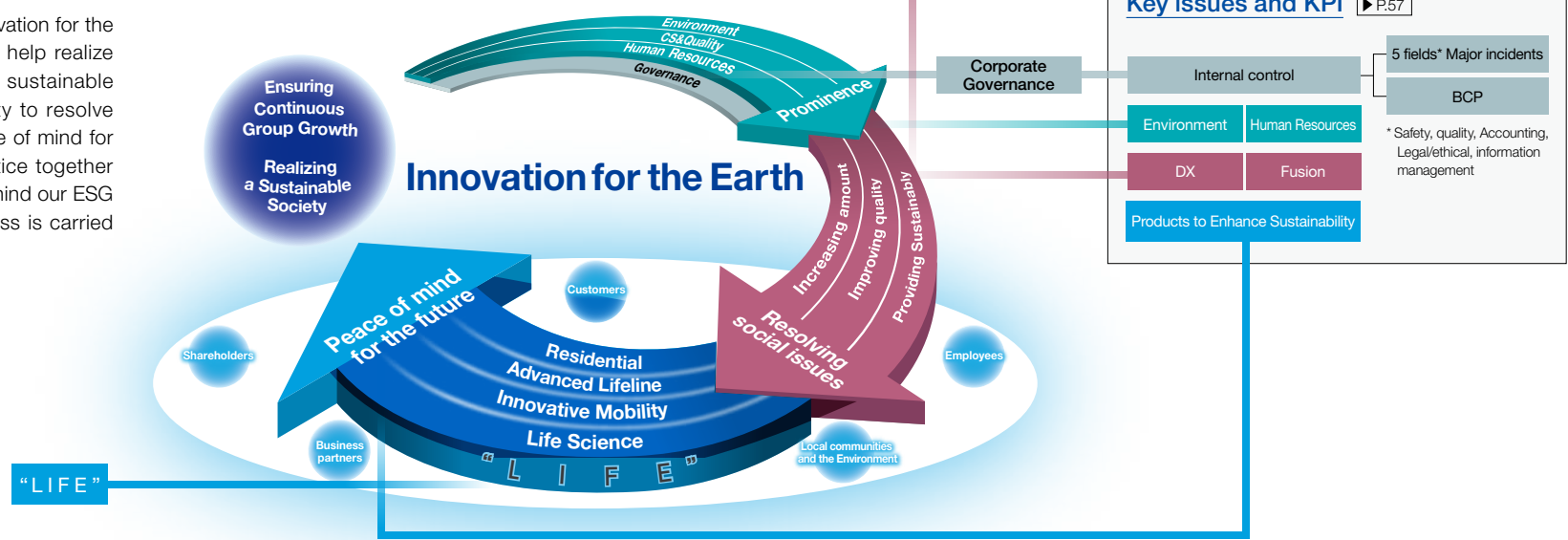


What is "Management ability to sustain business" ?

- "Efficiency"**
- Improve productivity and efficiency, make efficient use of management resources.
- "Preparing the organization for long-term sustainability (Strengthen business base)"**
- Avoidance of significant risk by thorough Safety, Compliance, and Quality.
 - Investing in business base for sustainable growth, reduce various long-term capital costs.

Conceptual Diagram of ESG Management

We have positioned the statement "Innovation for the Earth" as a central theme, and we will help realize a sustainable society and the Group's sustainable growth through our prominence, ability to resolve social issues, and efforts to bring peace of mind for the future. Putting this cycle into practice together with our stakeholders is the concept behind our ESG management. Our value creation process is carried out based on this conceptual diagram.



With a focus on four domains (business domains), we will pursue the creation of "peace of mind for the future," which supports the basis of LIFE.

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

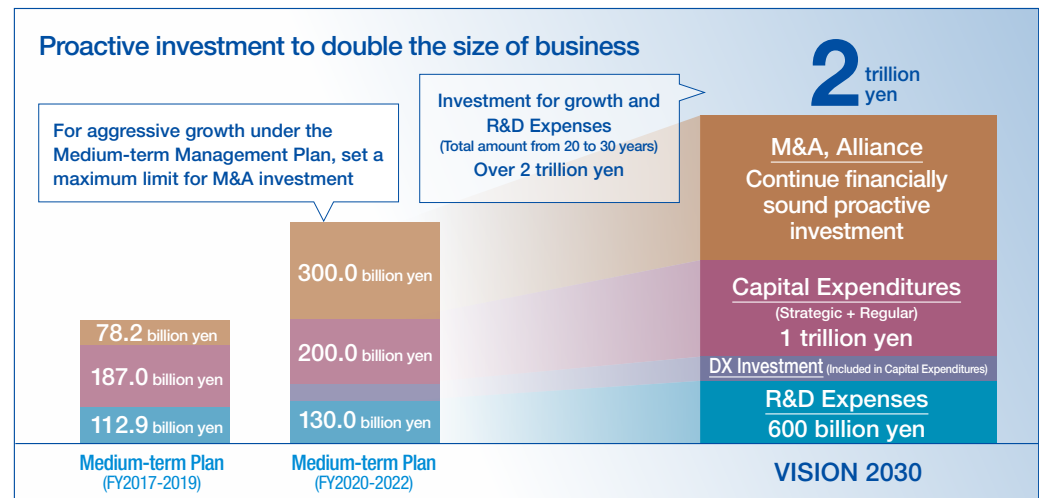
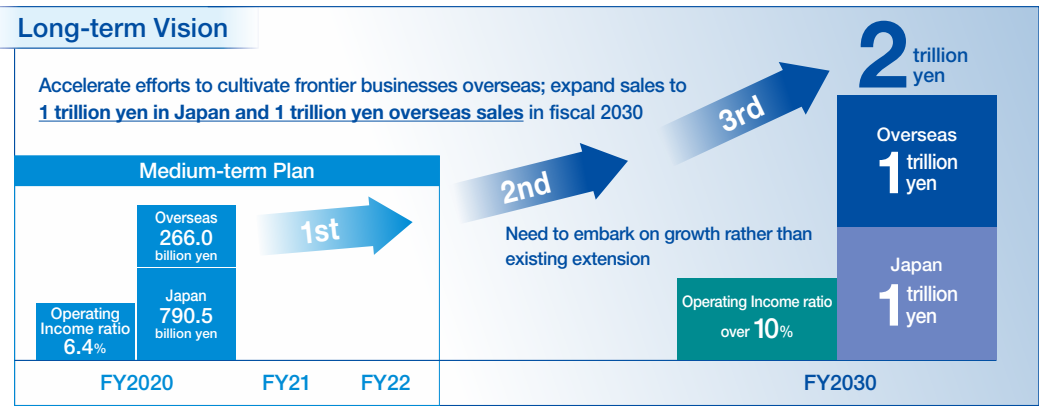
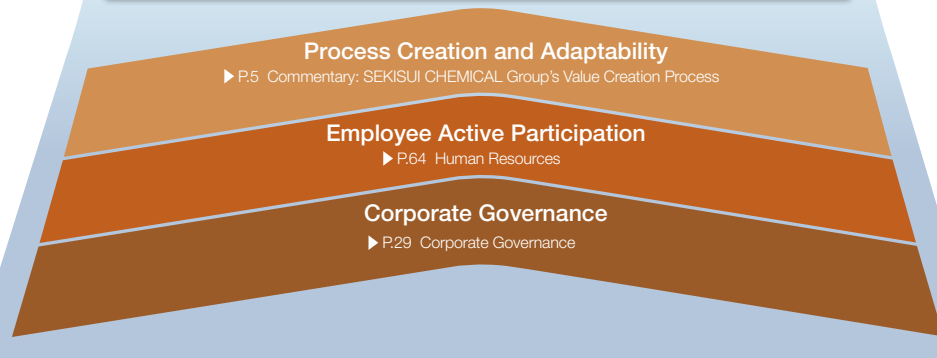
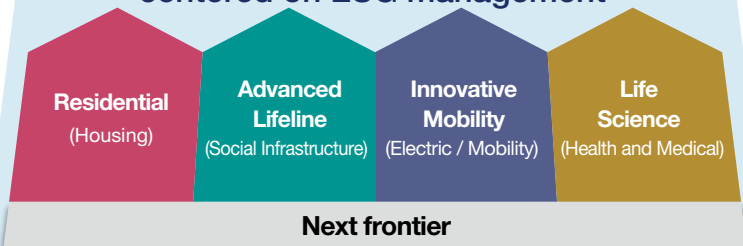
“Vision 2030,” the Group’s long-term vision, presents the vision statement of “Innovation for the Earth,” which incorporates the Group’s resolute will to continuously drive innovation as a means of “supporting the basis of LIFE and continuing to create ‘peace of mind for the future’ in order to realize a sustainable society.” This Vision lays down the four business domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double business by 2030 through the expansion of existing business while taking on the challenge of new domains along the strategy axis of “business growth, reform, and creation centered on ESG management.”

Proactive Investment of Management Resources

The expansion of business for which the long-term vision aims can only be achieved through substantial growth rather than the extension of existing businesses. SEKISUI CHEMICAL Group is proactively investing management resources to double the size of business by 2030. When executing new investments, the Group considers financial soundness and steps to increase the probability of return in anticipation of making investments exceeding ¥2 trillion in total value over the 10 years through 2030. Along with aiming to achieve a scale of ¥1 trillion through domestic growth, the Group will accelerate efforts to cultivate frontier businesses without slowing its current pace of growth overseas as part of a plan to expand the scale of overseas business to ¥1 trillion, more than three times that of today.

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

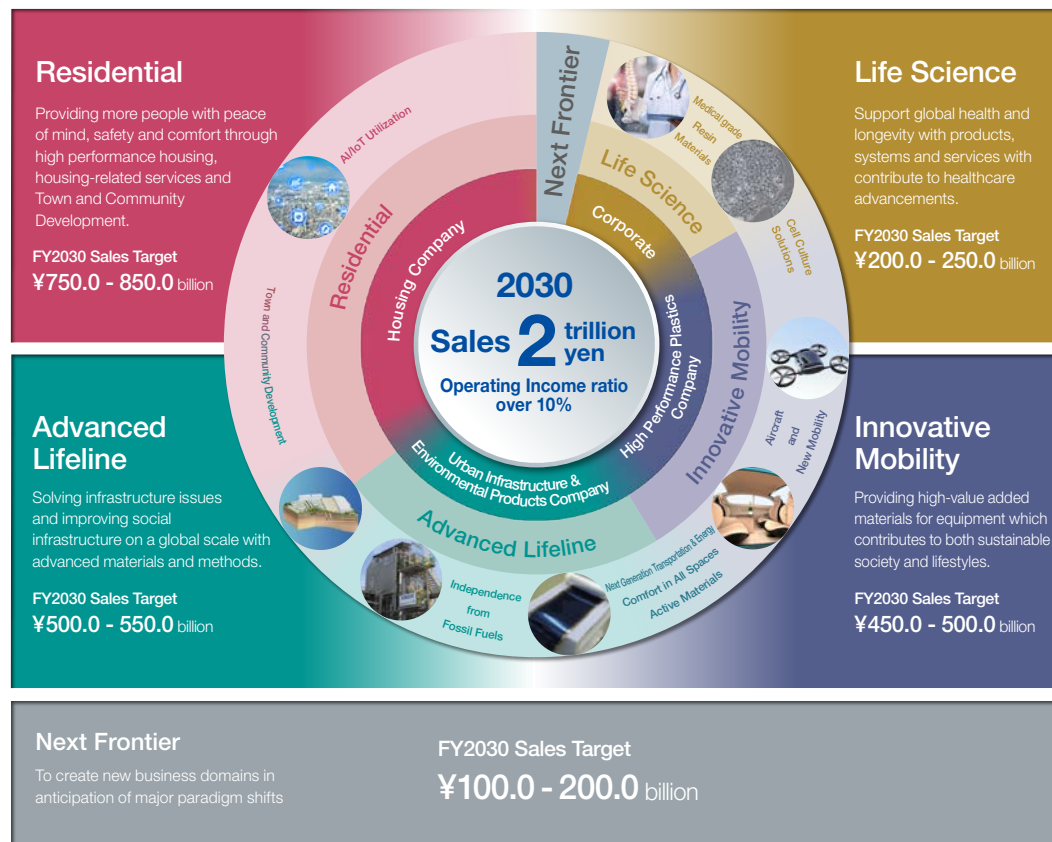
Sales: ¥2 trillion
Operating income ratio: 10% or higher
Business growth, reform and creation, centered on ESG management



Long-term Vision

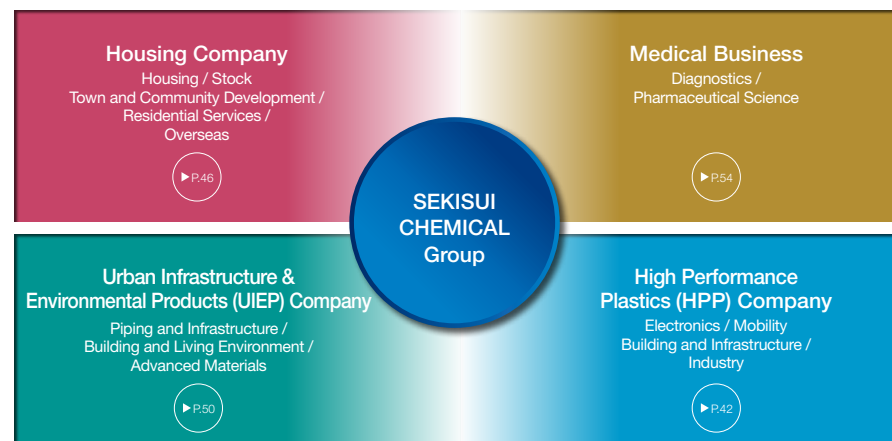
VISION 2030 Domain Growth Image and Targeted Business Structure

In each of the Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical) business domains, the Group will grow sales 1.5 to 3 times to achieve the major target for 2030 of ¥2 trillion in net sales, a doubling of business from today, and transform into an attractive company with diverse growth engines and a strong presence. By taking up the challenge of pursuing innovation as an extension of core technologies in each domain, the Group will create new businesses and the next frontier for the new business domains in anticipation of major paradigm shifts.

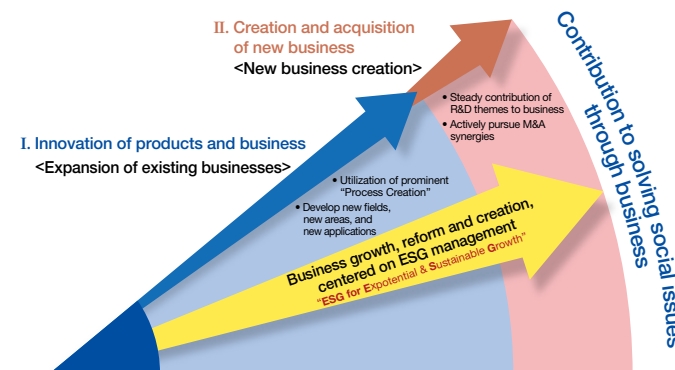


The Existing Business Portfolio and Strategies to Achieve the Vision

SEKISUI CHEMICAL Group currently carries out its businesses through the three Housing, Urban Infrastructure & Environmental Products (UIEP), and High Performance Plastics (HPP) divisional companies as well as the Medical business in the four domains shown to the left. The Medical business was spun off as a new company candidate in 2019 in an effort to accelerate the pace of growth in the Life Science field, which was previously included in the High Performance Plastics Company's activities. Going forward, we will broaden our contributions to resolving social issues through the expansion of existing businesses and the creation of new businesses.



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



Message from the President & CEO

Instilling ESG management, drawing out the will to undertake challenges among all Group employees, and accelerating innovation to double the Group's business by 2030

Due to the COVID-19 pandemic, which ravaged every region throughout the world, fiscal 2020 brought about significant changes in what we had previously accepted as common sense and the very ways in which we lead our lives. The pandemic also drove dramatic developments for companies, including a shift to digital and online work processes. Together, these transformations underscored just how dependent corporate activities are on the natural environment and social systems.

As the Head of the Business Strategy Department, I was involved in formulating the Long-term Vision through 2030 and the Medium-term Management Plan over the year from April 2019 to March 2020, when I was appointed as President & CEO and thereby placed in the position of executing these. The Long-term Vision announced in fiscal 2020 fully incorporates my own ideas and determination that despite today's uncertain world in which pandemics and other unforeseen events are a real possibility, we will pursue contributions to society through innovation and grow toward the goal of doubling the Group's business with a healthy awareness of risk. As the kick-off year of "Drive 2022," the first Medium-term Management Plan to be formulated by backcasting from the Long-term Vision, during fiscal 2020 we strove to strengthen earnings power, while our efforts to fortify our business structure and our growth investments for the future steadily advanced, despite the harsh business environment.

Although I have at times been frustrated following my appointment as President & CEO with today's situation in which I cannot visit overseas, or even domestic, business sites, I greatly appreciate our onsite employees for their conscious actions that have enabled us to maintain operations as normal. In this regard, I recognize that one of the most important roles I must fulfill is to communicate with onsite employees the need to understand and share the Long-term Vision, and to build a framework that encourages employees to undertake challenges in working toward our goals.

Under the assumption that COVID-19 will continue to have an ongoing impact, SEKISUI CHEMICAL Group will persist in working in unison as we boldly undertake challenges toward growth. Our first step will be to gear up toward achieving the goals under the final year of the current Medium-term Management Plan.

June 2021

President & CEO 

Message from the President & CEO

Fiscal 2020: Despite the significant impact of COVID-19 during the first half, ongoing self-driven efforts to strengthen earnings power and an improving market environment led a recovery during the second half to the level of the previous year

Throughout the first half of fiscal 2020, the first year of the current Medium-term Management Plan, the Group experienced an across-the-board decline in profits among all segments due to the significant impact of COVID-19. During the second half, however, the High Performance Plastics (HPP) Company ultimately recovered to record increases in sales and profits compared with the previous year, while the Housing and Urban Infrastructure & Environmental Products (UIEP) companies managed to reduce the degree to which their profits declined and the Medical Business succeeded in achieving operating income nearly on par with the previous year. As a result, net sales for the full year declined 6.4% to ¥1,056.6 billion compared with the previous year, operating income fell 23.5% to ¥67.3 billion, ordinary income dropped 28.2% to ¥62.6 billion, and net income attributable to owners of the parent contracted 29.8% to ¥41.5 billion. Although the Group did not achieve the planned operating income of ¥70 billion, we managed to reduce fixed costs ahead of schedule and steadily strengthened earnings power.

By business segment, the HPP Company contributed significantly to the dramatic recovery during the second half by advancing portfolio reforms in the electronics field, broadening non-LCD-related products, and expanding sales of high-performance products in the mobility field. Although the Housing Company saw a significant decline in orders due to the impact of COVID-19 during the first quarter, in particular, orders recovered during the second quarter and beyond. Moreover, the Housing Company managed to reduce the extent to which profits declined toward the end of the period as a result of its year-long efforts to fortify its business structure. Meanwhile, the UIEP Company experienced ongoing delays in the recovery of domestic demand and continued sluggishness in sheet demand for aircraft during the second half. However, the UIEP Company strove to reduce the degree to which profit declined by focusing on driving forward cost reductions and making other structural reforms. Despite being significantly impacted by the decline in both Japan and overseas outpatient testing, as a result of expanding sales of COVID-19 test kits and new active pharmaceutical ingredients that began deliveries during the second half, as well as efforts to reduce costs, during the second half the Medical Business recovered to a level at which it was able to secure profits nearly on par with the previous year. As a result of these developments, and as initially planned, SEKISUI CHEMICAL Group paid our shareholders a second-quarter dividend of ¥23 and a period-end dividend of ¥24 per share, for an annual dividend of ¥47 per share for fiscal 2020. This represents a year-on-year increase of ¥1 per share and an 11th consecutive fiscal year of dividend growth.

Although the "Drive 2022" Medium-term Management Plan got off to a rocky start due to the impact of COVID-19, the slump in sales volume at this time was offset by our efforts to reduce fixed and other costs wherever possible, thereby enabling us to minimize the degree to which profits declined during the first year of the Plan. Among these efforts, our success in strengthening earnings power

is expected to connect a performance recovery during the next fiscal year and beyond. In working to strengthen the ESG management base, the Group investigated key ESG issues (materiality) and KPIs, which we were able to present to our stakeholders. Looking forward, we will firmly ground management in accordance with these KPIs within the Company.

Fiscal 2021: Restoring business to pre-pandemic levels while addressing the new normal and establishing a path to achieving the targets of the Plan's final year

Although we assume COVID-19 will continue to have some degree of impact, during fiscal 2021 we will restore performance to pre-pandemic levels, and intend to use this year to establish a path to achieving the targets of the Medium-term Plan's final year. Despite the many uncertainties regarding the outlook for demand, including stagnated production of automobiles and electronics-related items due to the global semiconductor shortage, rising raw material prices, and a sluggish aircraft industry, the HPP Company will work to expand sales of environmentally friendly products and other high-performance products that match the sophisticated demands of our customers. Along with promoting product development tailored to a world living with COVID-19, the Housing Company will enhance negotiation capabilities corresponding to the new normal, including attracting customers via the internet. The UIEP Company and the Medical Business will focus on expanding overseas business in aims of raising profits while preparing for a recovery in domestic demand. Although I have sometimes received questions from investors about the possibility of revising the Medium-term Management Plan, at present we are not considering making any changes. Rather, the Group will, without doubt, achieve a performance recovery during fiscal 2021 in aims of meeting the schedule for the final year of the current Medium-term Management Plan.

I do not believe the world will ever fully return to its pre-pandemic state even after COVID-19 settles down, however. This is especially why I also maintain a strong sense of risk regarding the fact that companies cannot survive if they do not establish work styles that address the changes of the new normal. By ensuring the continuation into the future of the various schemes, efforts, new work styles, and methods of performing work that we implemented as a means of preventing the spread of infection during the pandemic, our efforts toward recovery will connect to success in the final year.

The Long-term Vision, "Vision 2030," incorporates the concept of "generating innovation that contributes to the Earth and people's lives"

In May 2020, SEKISUI CHEMICAL Group announced its new Long-term Vision with an end goal of 2030. The Vision Statement of "Innovation for the Earth: In order to realize a sustainable society, we support the basis of LIFE and will continue to create 'peace of mind for the future'" incorporates the

Message from the President & CEO



unifying theme behind our strong, Group-wide commitment to contribute to society through innovation.

In other words, it highlights our determination to support the fundamental LIFE of individuals and society in the broadest sense of the term, encompassing the residential, life science, and infrastructure fields. In addition, it shows that we are determined to deliver the value of “peace of mind for the future” for current and future generations, through products and services backed by technology.

Aggressively investing in growth domains in working toward profit expansion and efficient capital management

In the Long-term Vision, we proposed a net sales target of ¥2 trillion and a goal of doubling business by 2030. In addition, the Vision aims for sustainable growth that coincides with profits that aspire for an operating income ratio of at least 10%. Although this is a challenging numerical target that will be difficult to achieve through organic growth alone, we believe achieving this goal is entirely possible. However, this will require us to chart business expansion by nurturing new businesses and implementing M&As while carrying over past performance levels until 2030, specifically a CAGR

(compound annual growth rate) of more than 1% for domestic sales as in the previous Medium-term Management Plan from fiscal 2017 to fiscal 2019, and a CAGR of more than 11% for overseas sales as achieved from fiscal 2002 to fiscal 2019. In terms of M&As, in particular, we will primarily focus consideration on the mobility and medical fields while keeping an eye on overseas growth. Under the current Medium-term Management Plan, the Group established a budget frame of ¥300 billion, which enables us to aggressively investigate M&As if viable proposals emerge. Although the Company posted a net financial debt due to the acquisition of SEKISUI AEROSPACE CORPORATION in fiscal 2019, even if the entire budget frame established under the Medium-term Management Plan were procured through debt, the D/E ratio would still remain at approximately 0.2 and the Group would maintain financial soundness. In short, we will continue to make aggressive investments for growth while leveraging debt at the required timing. Meanwhile, when it comes to financing, the Group is also responsible for strictly managing and disclosing the degree of return that such financing generates, so the current Medium-term Management Plan adopts ROIC (return on invested capital) as a new key performance indicator.

In order to increase ROIC, we must improve the profit margin while at the same time boosting the turnover rate. In order to ensure sustainable growth going forward, we will place considerable importance on improving the accuracy of returns as we vigorously implement M&As and strategic capital investments. While also taking into consideration the replacement of our ROIC-based business portfolio, we recognize that the scale and quality of invested capital required differs depending on the business. For example, the Town and Community Development Business being undertaken by the Housing Company has a tendency to experience a lower ROIC over the short term due to high initial investment levels. In response, the Housing Company will thoroughly manage the turnover rate for purchased land as it increases the number of projects and expands the marginal profit. In regard to other businesses, the Group will also first seek to expand marginal profit and control fixed costs as a means of expanding profits, which serve as the numerator for ROIC, and raising the profit margin. We will also engage in more efficient financing through capital investments, M&As, and inventory adjustments.

The ROIC Spread, which represents the difference between ROIC and the cost of capital, is defined as the SEKISUI Sustainable Spread. As an indicator of corporate value, the SEKISUI Sustainable Spread also incorporates SEKISUI CHEMICAL Group's unique non-financial costs into the cost of capital.

In this respect, we consider the cost of capital in a broader sense. In addition to appropriate financial strategies and capital policies, we have categorized major incidents under each of the five safety, quality, accounting, legal/ethics, and information management domains, which together help control the occurrence of events with the potential for devastating effects on corporate value. At the same time, we believe that investing for the future in the environment, human resources, digital transformation, and other ESG categories that are crucial to the Company, as well as properly disclosing information through IR activities, will help control the cost of capital in a broader sense of the term.

Message from the President & CEO

Expanding Products to Enhance Sustainability that serve to improve the sustainability of both solutions to social issues and growth for the Group

In working to achieve the Long-term Vision, we are committed to creating and expanding Products to Enhance Sustainability. These are products that contribute to a high degree to the sustainability of society in our four existing business domains (Residential, Advanced Lifeline, Innovative Mobility, Life Science), which enable the Group to take a multifaceted approach to the various issues faced by society, as well as in new business domains.

Ever since our founding, we have continued to manufacture products as a key component of our social contribution activities. Launched in fiscal 2006, our unique system for certifying Environment-Contributing Products, in short those products designed to help resolve environmental and social issues, has become a symbol of the Group's ESG initiatives. Since fiscal 2020, we have evolved our focus to look beyond efforts aimed simply at resolving issues and now place considerable emphasis on improving the management ability to sustain business, as well as on profitability. To reflect this evolution, we have revised and newly adopted the concept of Products to Enhance Sustainability, which will further improve the sustainability of both resolving social issues and ensuring growth for the Group. In fiscal 2020, sales of Products to Enhance Sustainability came to ¥640.3 billion, reaching a 60% share of the Group's total sales. Looking ahead, we will focus on promoting Products to Enhance Sustainability and work to increase their share of total sales to 66% by fiscal 2022, the final year of the Medium-term Management Plan.

Perfecting technical skills and the ability to reform the business portfolio as a strength of the Company, and actively engaging in the fusion of internal and external resources

We maintain base technologies relating to Residential and Social Infrastructure Creation and Chemical Solutions, and have established these as a platform consisting of 28 technologies. One of our strengths is our process creation that encompasses the ability to listen carefully to customer feedback, select and combine the right materials in response to requests, impart added value by leveraging any number of these 28 technologies that are felt to be the best for the job, and apply our capabilities in providing solutions. Several representative examples include the SPR Method, which enables sewage pipes to be renovated without digging up the ground, and products that not only improve the comfort of automobile interiors, but also contribute to improved fuel efficiency and reduced CO₂ emissions, as with our sound insulation and heat insulation automotive interlayer films. Taking this approach and building long-term relationships of trust with our customers allows us to capture more new demands. And we believe that the very act of addressing these demands in an ongoing manner leads to sustained innovation for the Company.

Another one of our strengths is our management skill (Adaptability) in foreseeing changes in the

social and business environment, adapting to these changes, and advancing structural transformations of our business, as well as in reforming the business portfolio within each domain.

We believe that the act of specializing in areas where these strengths allow us to triumph, as well as our stance of boldly undertaking challenges, has supported the growth of the Company thus far.

Going forward, we will leverage these strengths while pursuing maximum synergies between the divisional companies. At the same time, we will accelerate open innovation through external alliances. Under the previous Medium-term Management Plan, we advanced the concept of "Fusion" in order to both generate approximately ¥40 billion in sales and to nurture an awareness of fusion as part of the mindset of our employees. We will continue aiming to maximize efficiency and synergies with a view to transforming existing business, the product portfolio, and the divisional company system.

Moreover, in preparation for long-term growth, we will aggressively and boldly cultivate domains peripheral to existing businesses and work to expand the business base through innovation. This move will include nationwide deployment of Town and Community Development, which brings together all of our technologies; Cell Culture Solutions and Medical Resins, which fuse the polymer and resin technologies held by the HPP Company and the technologies held by the Medical Business; and Independence from Fossil Fuels, which requires collaboration with local communities.

Corporate governance maintains transparency and impartiality based on guidelines, capital policy increases efficiency, and the policy on proactively returning profits to shareholders is unwavering

Transparent, impartial governance is the foundation for advancing sound corporate management. In order to reinforce the supervisory function and receive management-related advice from a broad perspective, we have appointed three independent Outsider Directors among the 10 members of the Board of Directors. Our Board of Directors is chaired by the Representative Director and Chairman, who is a non-executive director. Under the Revised Corporate Governance Code (Revised CG) announced in June 2021, at least one-third of all Board members must now be Outsider Directors. Although the Group did not meet this standard during fiscal 2021, we recognize this is the result of having to put the right people in the right place. We will investigate ways to address this situation during fiscal 2022 and beyond, and have begun searching for suitable human resources to serve as independent Outsider Directors. Moreover, SEKISUI CHEMICAL Group has established the voluntary Nomination and Remuneration Advisory Committee. Director bonuses are determined on a performance basis. In addition to the Group's overall performance, the payment of bonuses reflects such non-financial indicators as the sales ratio of Products to Enhance Sustainability as well as return on equity (ROE) trends. On top of this, we have introduced a share-based compensation plan. This incentive plan is designed to further raise the motivation of Directors and is linked closely to shareholders' value over the medium to long term.

In addition, the Revised CG requires us to review the endowment effect of cross-shareholdings.

Message from the President & CEO

Although we strategically hold shares of any major partners that are publicly-listed companies on a limited basis if doing so is judged to be beneficial and important when taking action to maximize growth in the medium- to long-term corporate value of the Group and the Company for which shares are held, our Board of Directors regularly reviews these holdings. Based on these reviews, we curtail any holdings that lack sufficient strategic benefits or are inconsistent with our capital policies.

Starting with the current Medium-term Management Plan, we will focus more intensely than ever on enhancing shareholder returns and have also clarified the policy for such. Although today's harsh business environment will continue into fiscal 2021, we intend to increase the annual dividend by ¥2 per share to ¥49 as a clear indication of the priority that we place on shareholders and in a bid to ensure a 12th consecutive period of dividend growth. At the same time, we will also ensure a dividend payout ratio of 35% or higher on a consolidated basis, a dividend on equity (DOE) ratio of 3% or higher, and a total return ratio of 50% or higher given a D/E ratio of less than 0.5. And we will continue to aggressively return profits to our shareholders by achieving sustainable growth.

Expanding opportunities for dialogue to instill the Vision in our employees

I myself was committed to how we could instill and embed the Long-term vision, Vision 2030, in our employees over the past year. Given that I have been unable to go to our business sites due to the impact of COVID-19, we held the Vision Caravan remotely as a location to engage in direct communication with our employees. In fact, I was able to directly convey the Long-term Vision to more than 2,300 SEKISUI CHEMICAL Group members through eight domestic and five overseas sessions. Post-session questionnaires indicated a very high level of understanding and a positive impression of my explanations regarding the Long-term Vision and the Medium-term Management Plan. This response gave me the solid sense that this approach is working. The sustainable growth of SEKISUI CHEMICAL Group, however, will rely on all employees gaining a deeper understanding of the concept that "ESG is work itself," and on the entire Group acting in unison to promote ESG management. Holding these dialogues allowed me to directly pick up on the enthusiasm of our employees in controlling major incidents through conscious action and on their strong spirit of undertaking challenges, and once again imparted upon me the importance of engagement. At the same time, they provided me with a solid sense that our efforts to enhance ESG management as the basis for sustainable growth are progressing steadily.

In fiscal 2021, we also launched the President's Blog on the intranet as a tool to further advance communication with our employees. Along with collecting comments and responses as feedback from our business sites regarding posts describing my own thoughts, positive remarks from our employees have encouraged me to further streamline communication within the Group. Instilling the Long-term Vision is not something we can do overnight. I will therefore continue to hold ongoing dialogue through Vision Caravan and this blog.



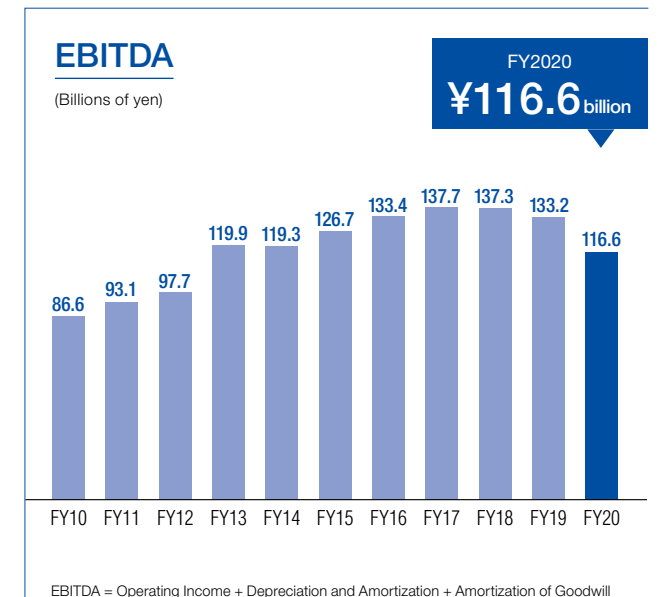
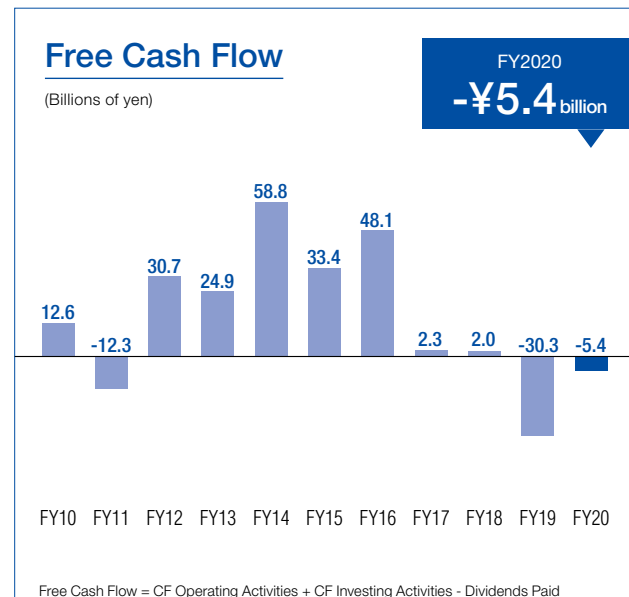
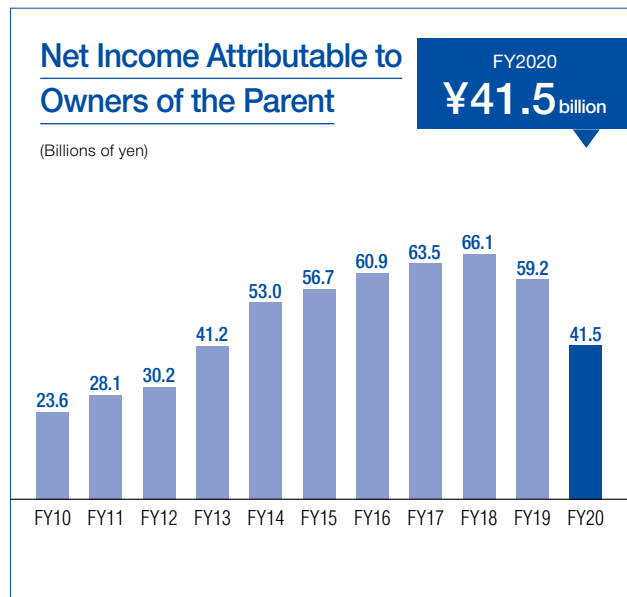
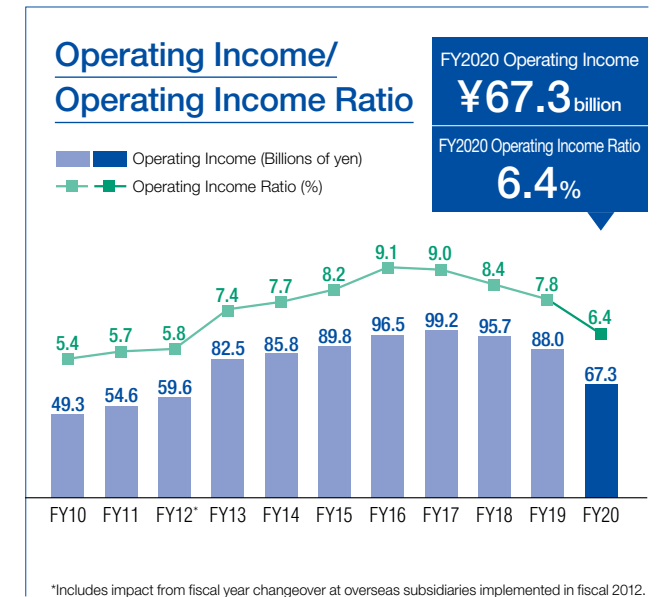
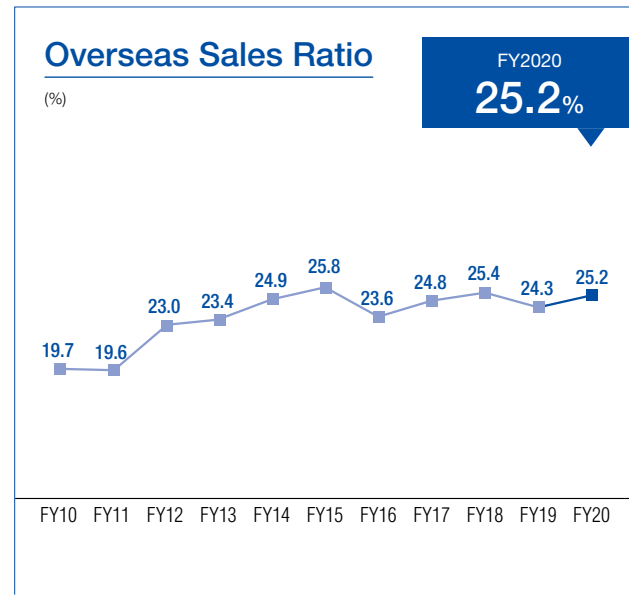
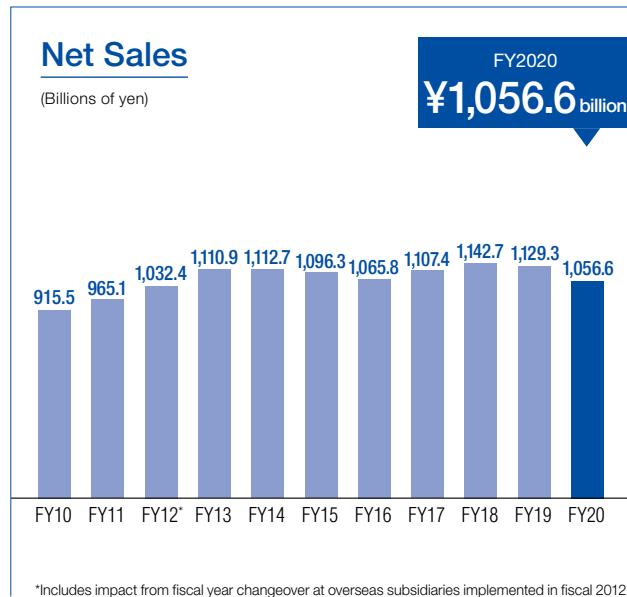
As a company essential to society

Since our foundation, SEKISUI CHEMICAL Group has continued to grow on the basis of the trust we earn from society, working in diverse areas that bring fulfillment and peace of mind to people's lives, ranging from water and the medical field to vehicle safety, residential construction, and social infrastructure.

Modern society, however, is faced with a growing number of social issues as identified in the SDGs, and the modern era is one of wrenching change and uncertainty, including a rapidly accelerating transition to a carbon-free society. Against this backdrop, I am convinced that the path SEKISUI CHEMICAL Group must follow is that of pursuing the sustainability of society and the environment through solving issues. The Group will therefore firmly prepare for the issues and risks inherent in today's changing environment and society. At the same time, we will interpret the solutions to these issues as business opportunities, and will break down the barriers within and between companies as a means of concentrating information and creating innovation. And by aiming to balance the achievement of a sustainable society with sustainable growth for the Group based on ESG management, we intend to persist in serving as a company that is essential to society and that continues to provide peace of mind for the future through our products and services. As we work toward achieving our goals, we welcome expectations and ask for the continued support and understanding of all our shareholders and stakeholders.

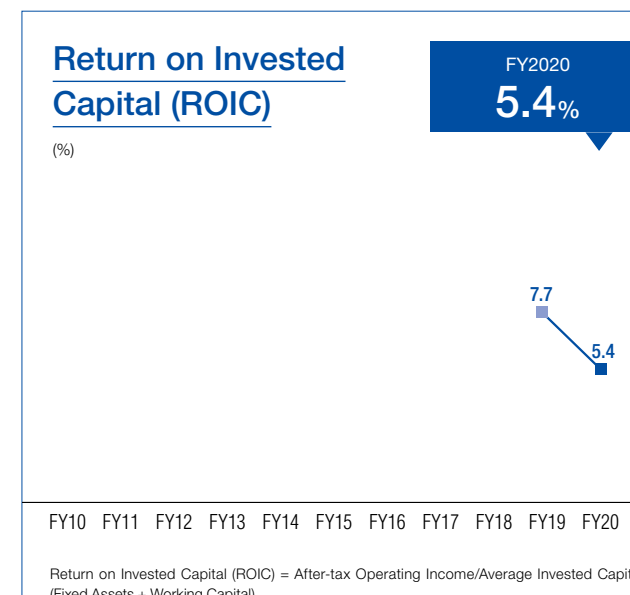
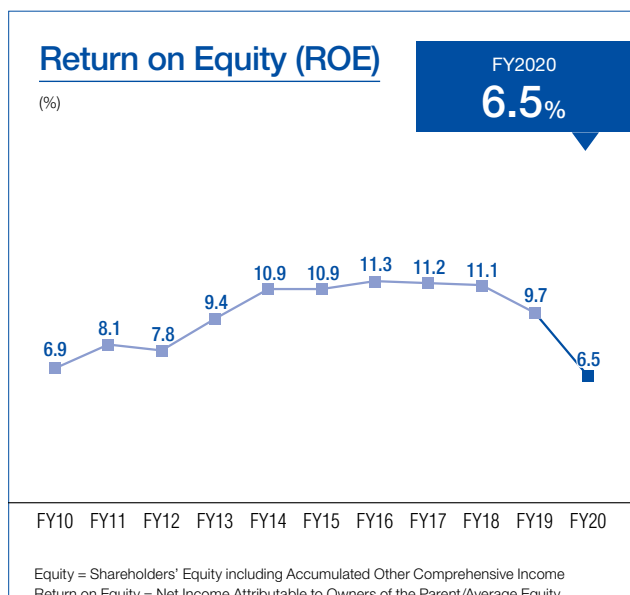
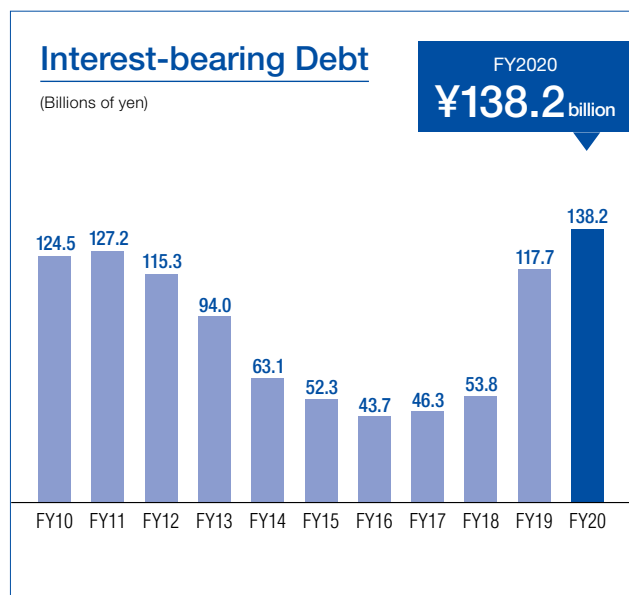
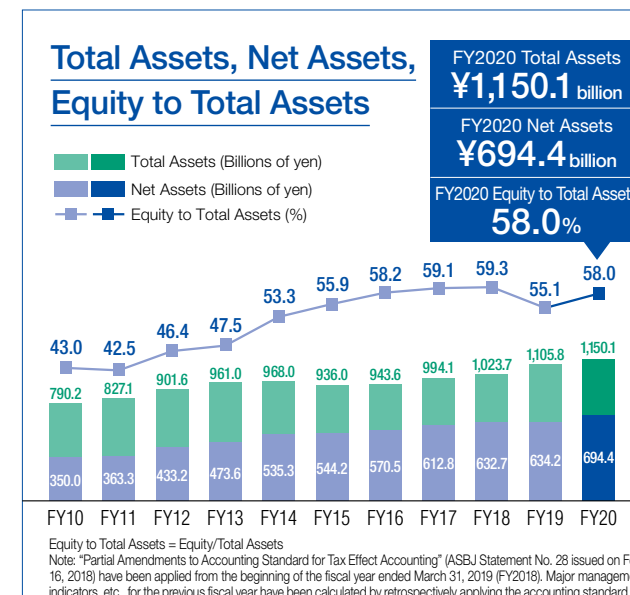
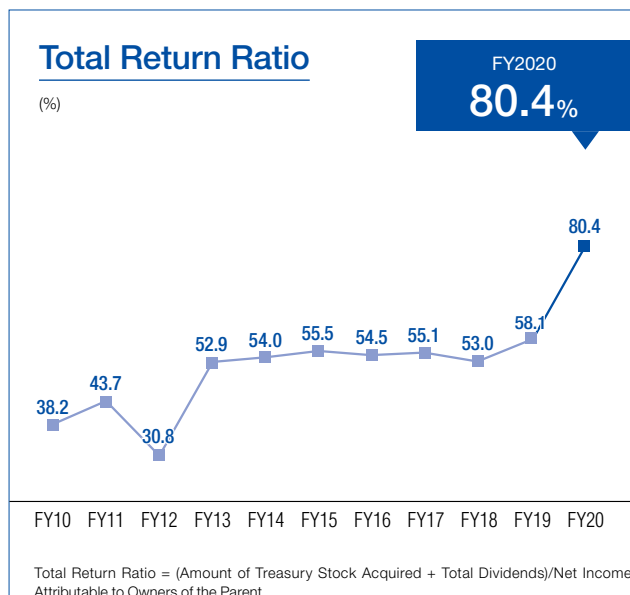
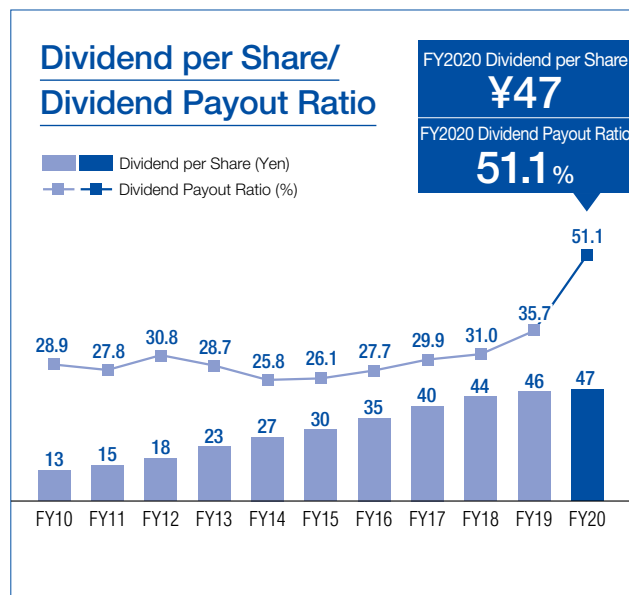
Financial and Non-financial Highlights

P.73 Review and Analysis of Consolidated Results for Fiscal (2020 Fiscal year ended March 31, 2021)



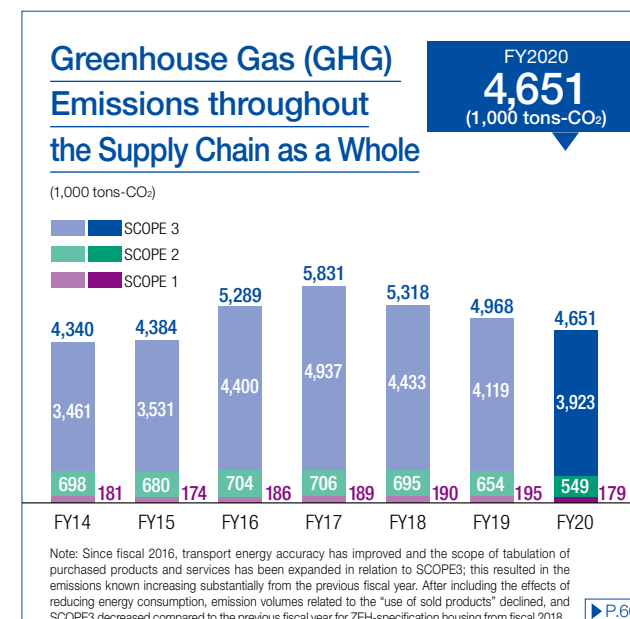
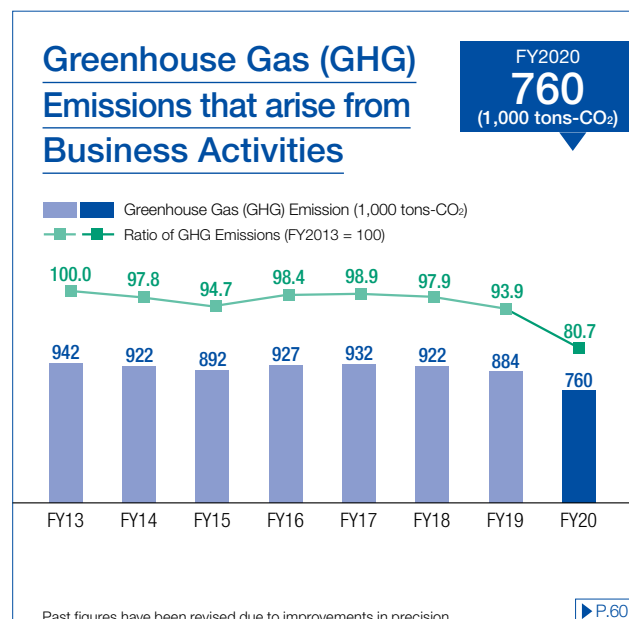
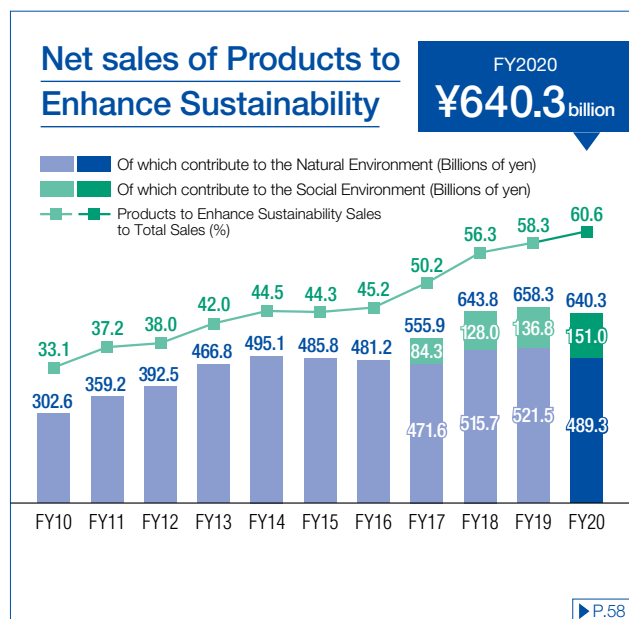
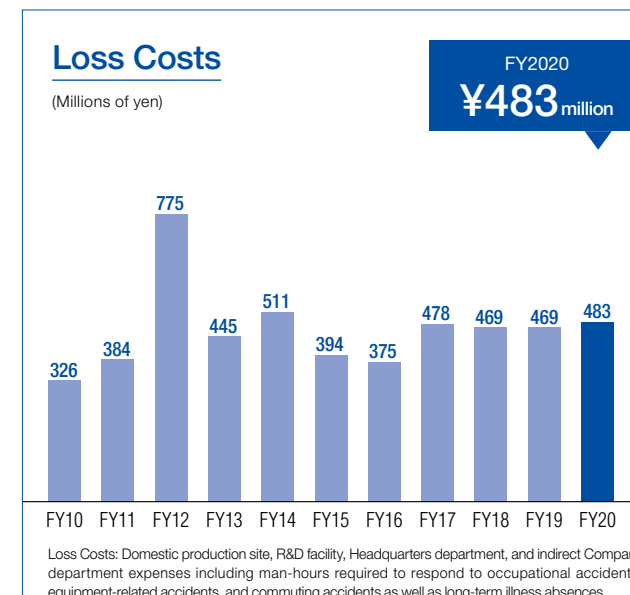
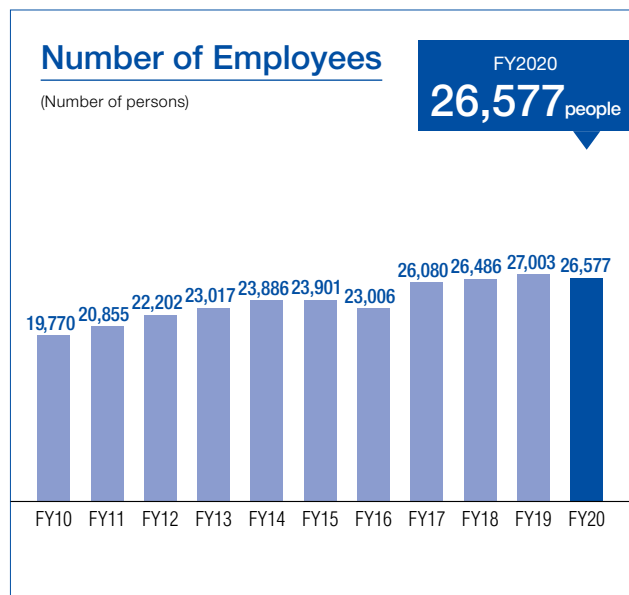
For the year ended March 31, 2021, the Companies completed the provisional accounting treatment related to a business combination. As a result, certain amounts as of and for the year ended March 31, 2020, include items that were adjusted retroactively to reflect the revision of the initial allocated amounts of the acquisition price as the Companies finalized the provisional accounting treatment for the business combination.

Financial and Non-financial Highlights

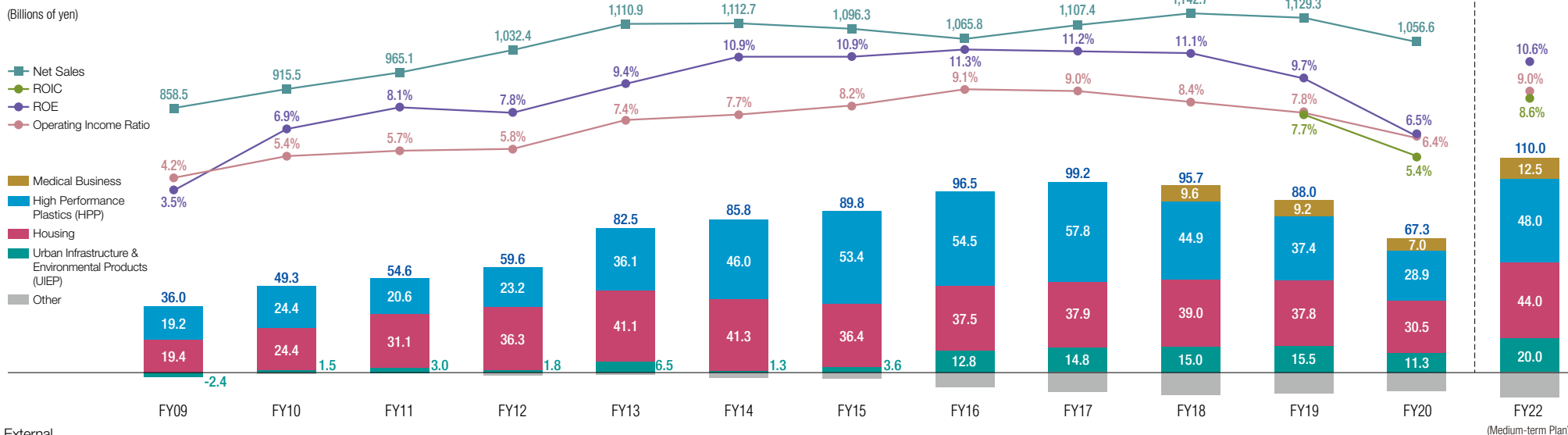


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Financial and Non-financial Highlights



Review of the Medium-term Management Plan (Trends in Operating Income)



External environment	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
	10/2018		03/2011			04/2014		01/2016	01/2017	03/2018	10/2019	02/2020
	Lehman shock		Great East Japan Earthquake			Consumption tax raised from 5% to 8%		Sudden yen appreciation	Establishment of a new U.S. administration	Emerging concerns toward global trade friction	Consumption tax raised from 8% to 10%	Spread of COVID-19
Forex Rate (Avg. rate for each term)	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	¥94/US\$	¥87/US\$	¥80/US\$	¥83/US\$	¥100/US\$	¥110/US\$	¥120/US\$	¥108/US\$	¥111/US\$	¥111/US\$	¥109/US\$	¥106/US\$

GS-21-SHINKA! (FY2009-2013)

Measures and Results

We made progress on bolstering earnings power in our core domestic businesses by having secured a "smart house No. 1" strategy in the Housing business and acquired the piping business of Mitsubishi Plastics, Inc., for the UIEP Company. Moreover, we have been actively developing our global business presence as well through the acquisition of the polyvinyl alcohol resin business from U.S.-based Celanese Corporation, and the Housing business setting up a joint venture for production and sales in Thailand. Over the period of the Plan, we have transformed our CSR management and raised the level of revenue gained from Environment-Contributing Products.

Challenges

- Opening up Frontier Domains
- Overseas business adapting to local society

SHINKA!-Advance 2016 (FY2014-2016)

Measures and Results

By specializing in strategic businesses and products and implementing structural reforms we were able to achieve growth in profit. In particular, we significantly expanded our overseas business by focusing mainly on high-performance interlayer films. In addition, we pioneered new markets and new fields through internal and external alliances, and picked up the pace of making Town and Community Development into a business. Over the period of the Plan, we commenced penetration of CSR management, initiated efforts to enhance governance, and established the Nomination and Remuneration Advisory Committee, etc.

Challenges

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

SHIFT 2019 -Fusion- (FY2017-2019)

Measures and Results

Fusion accelerated over the period of the Plan under review, during which we targeted a balance between quantitative and qualitative growth. Net sales attributable to fusion with Town and Community Development as one example increased by ¥39.8 billion (FY2016 vs. FY2019). Moreover, we have made aggressive Investments to achieve growth, and net sales attributable to M&As (SoflanWiz Co., Ltd., Veredus Laboratories, and AIM Aerospace) rose by ¥15.4 billion (FY2016 vs. FY2019). Strengthening ESG initiatives aimed at building a sustainable business base, we continuously earned high evaluations from GLOBAL100 and others.

Challenges

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

Drive 2022 (FY2020-2022)

* Acquisition of AIM Aerospace

To achieve sustainable growth and in our aim for expansion in the mobility field, in fiscal 2019 we acquired AIM Aerospace Corporation (now SEKISUI AEROSPACE CORPORATION) in our efforts to make major inroads into the aerospace field. (Acquisition value: Approx. US\$500 million)

Overview

- Headquarters: Seattle, Washington State, United States
- Business: Carbon fiber reinforced plastic (CFRP) (thermoplastic, thermosetting)

In the development, manufacture, and sale of molded products such as carbon fiber reinforced plastic (CFRP) (thermoplastic and thermosetting) composites in the aerospace field, where barriers to entry are high, SEKISUI CHEMICAL is generating development synergies with the thermoplastic CFRP technologies that it holds as well as sales synergies that leverage its worldwide network and will develop medical devices and other applications, as it endeavors to expand its business scale.

Progress under the Medium-term Management Plan “Drive 2022” (FY2020-2022)

Policy

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

Basic Strategies

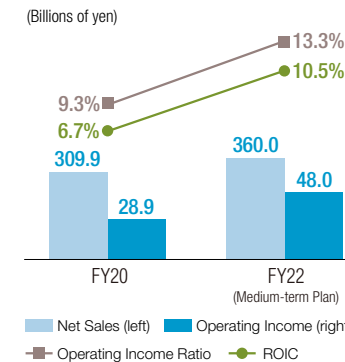
The basic strategies of the Medium-term Management Plan Drive 2022 are to build a corporate structure that is able to practice ESG management and enhance corporate value on a sustainable basis, address the three key Drive issues of (1) business growth and reform, (2) preparation for long-term growth, and (3) strengthening the ESG management base as a first step toward realizing the long-term vision while also accelerating efforts through fusion and digital transformation.



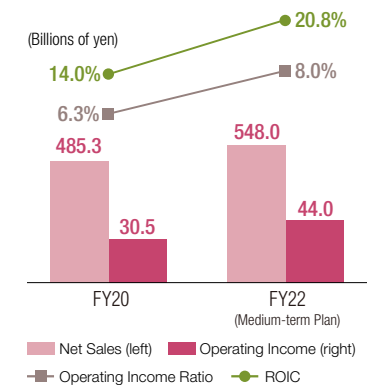
Fiscal 2022 Targets

	FY2020	FY2022
	Results	Medium-term Plan
Net Sales	1,056.6 billion yen	1,220.0 billion yen
Operating Income (ratio)	67.3 billion yen (6.4%)	110.0 billion yen (9.0%)
Net Income	41.5 billion yen	70.0 billion yen
ROIC	5.4%	8.6%
ROE	6.5%	10.6%
Overseas Sales (ratio)	266.0 billion yen (25.2%)	320.0 billion yen (26%)
EBITDA	116.6 billion yen	170.0 billion yen

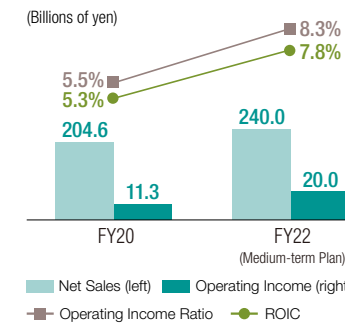
High Performance Plastics Company



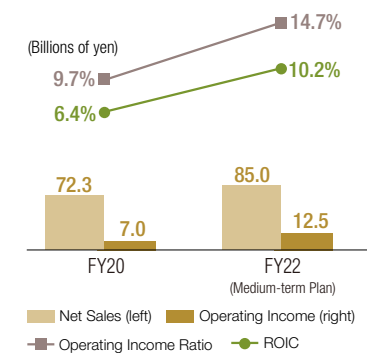
Housing Company



Urban Infrastructure & Environmental Products Company

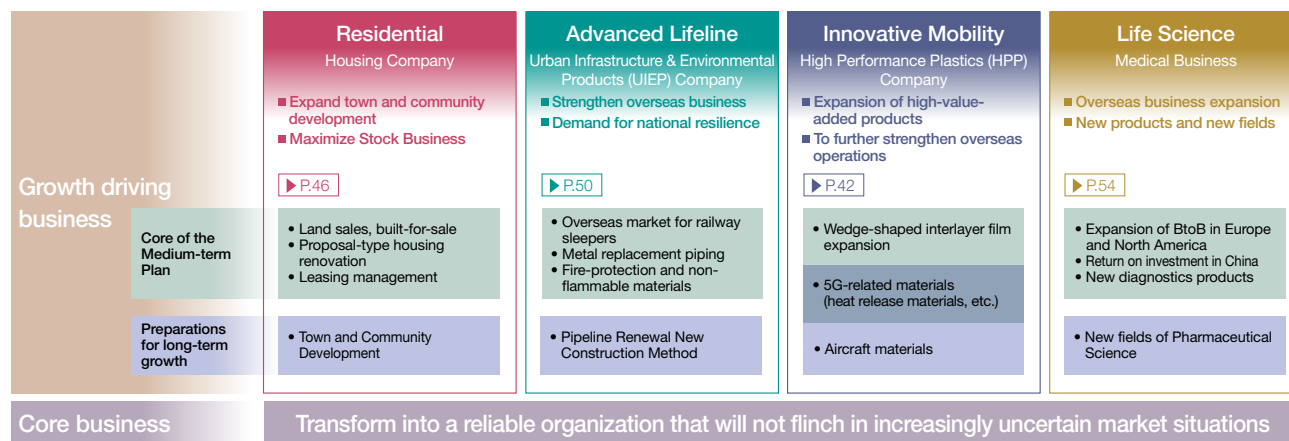


Medical Business



Basic Strategies

Existing Business Drive ① Business growth and reform



In the Housing Company, we place a special emphasis on further boosting sales capabilities for ready-built houses, and together with investigating a “successful model” that can take maximum advantage of plant-production merits gained through leveling, we are moving forward on preparations for the long term, notably with town and community development. In UIEP, we are endeavoring to generate new prioritized products, regardless of conventional products and fields. Moreover, by specifically promoting our business expansion strategy for overseas markets, we are making progress on sharpening our portfolio and illustrating our growth story. The HPP Company is accelerating its efforts to make ready and execute its upcoming growth strategy, fully seizing upon the results of its upgrades to promote productivity, mainly with those made up until now at overseas locations, as well as undertaking M&A and other activities. In the Medical Business, we will expand our operations to become a company strengthen the foundations for growth by putting in place a global development system and reforming such organizations as CDMO, which is included in the Pharmaceutical Sciences Business.

New Business Drive ② Preparation for long-term growth

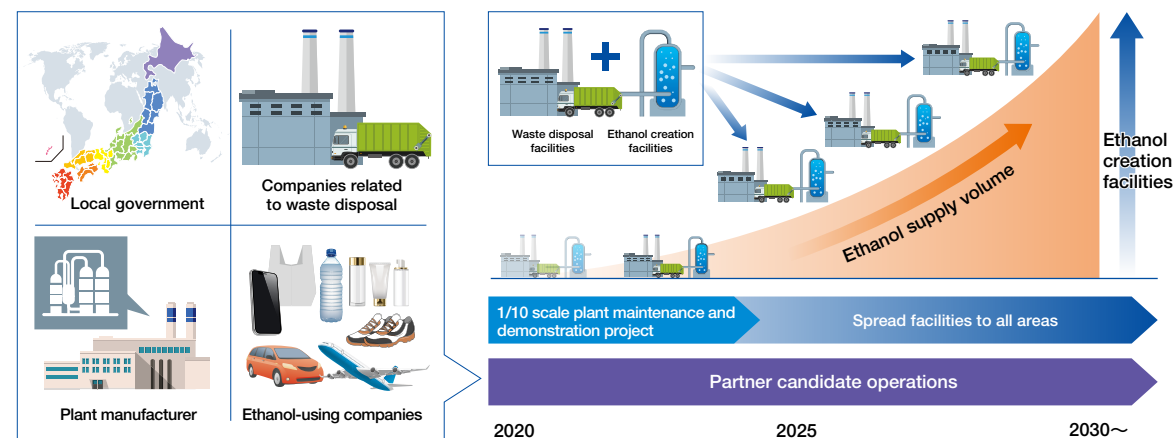
Fully fledged biorefinery development verification

SEKISUI CHEMICAL Group is accelerating efforts for social implementation of carbon recycling technology that circulates carbon derived from petroleum raw materials. More specifically, we developed technology (Bio-Refinery) that converts burnable waste, including maritime plastics, into gas and uses microorganisms to create ethanol, a raw material used in plastics, from this gas. In April 2020, upon receiving investment from INCJ (Innovation Network Corporation of Japan), we established SEKISUI BIO REFINERY CO., LTD. In addition to identifying issues with a view to social implementation, steps to scale up operations are currently being considered at the test plant in Yorii Town, Saitama Prefecture. Moreover, a 1/10 scale pilot plant is under construction in Kuji City, Iwate Prefecture, and is scheduled to be completed in March 2022.

Life Science: Secure the next pillar

The life science domain is an area in which we are focusing efforts on tripling growth by 2030, from current sales levels. In April 2021, we newly established our Life Science Strategy Group within Corporate, and we are formulating specific strategies toward aggressively expanding investment. In the Pharmaceutical Sciences field, which we anticipate will enjoy a high growth rate, we are looking into the prospects of utilizing Company technology for regenerative medicine and in other disciplines, and we will also enthusiastically leverage M&A and venture investments.

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



Basic Strategies

Business Base Drive ③ Strengthening the ESG management base

Return on invested capital (ROIC), a newly adopted key performance indicator in the Medium-term Management Plan, will be applied to reform the business portfolio. Moreover, we will monitor how effectively each initiative related to long-term sustainability, which was stipulated as a Key ESG issue (P. 57), is helping to control financial and non-financial capital costs. SEKISUI CHEMICAL Group defines the difference between ROIC and the cost of capital as the “SEKISUI Sustainable Spread,” which measures the improvement of the Group’s corporate value. We believe that if each employee is aware that his or her work contributes to reducing the cost of capital, this will ultimately lead to an increase in our corporate value and enhance our management ability to sustain business. When looking at capital costs in a financial and non-financial respect, the non-financial elements contained therein serve to control capital costs over the medium to long term and to enhance our management ability to sustain business. For example, this is achieved through the control of major incidents in the five domains of safety, quality, accounting, legal/ethical, and information management with the potential to cause significant damage to our corporate value, and through investments in the business foundation, including those for digital transformation (DX) intended to address climate change and encourage various work styles.

Strengthening Management Ability to Sustain Business

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

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

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

[Development of Measures]

- Expand marginal profit
- Improve productivity, reduce fixed costs

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

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

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

SEKISUI Sustainable Spread

Support long-term growth

Control financial and non-financial capital costs

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

[Development of Measures]

- Financial strategies / capital policies: Leverage debt to invest aggressively in growth
- Risk reduction / avoidance: Reduce risk by thoroughly implementing Safety, Quality, Accounting, Legal/Ethical, and Information Management
- ESG investment: Undertake upfront investments in digitization and contributions to the environment; reform the corporate culture (HR system reform, etc.)

▶ Please see Strengthening the ESG Management Base starting on P.57 for detailed initiatives.

Investment and Financial Strategies

In addition to the cash generated during the three years of the Medium-term Management Plan Drive 2022, the Company will establish an investment limit of ¥500 billion in order to procure funds in an appropriate and flexible manner. Strategic investment has been raised to ¥400 billion, more than doubling that under the previous medium-term management plan. Of this total, ¥300 billion has been set aside for M&A investment, which will be used to acquire a wide range of resources including technology, know-how, and global sales channels. Moreover, we set the new ESG investment limit at ¥40 billion. This ESG investment serves to control long-term capital costs and contribute to greater corporate value through reduced environmental impact, work-style reforms, and digital transformation (DX).

Investment Plan

(Billions of yen)	Medium-term Plan (FY2020-2022)
Strategic Investment	Limit 400.0
M&A, etc.	Limit 300.0
Capital Expenditures	100.0
ESG Investment (including strategic capital expenditures and normal investments)	40.0
Normal Investment	100.0
Investment Limit Totals	500.0
R&D Expenses	130.0

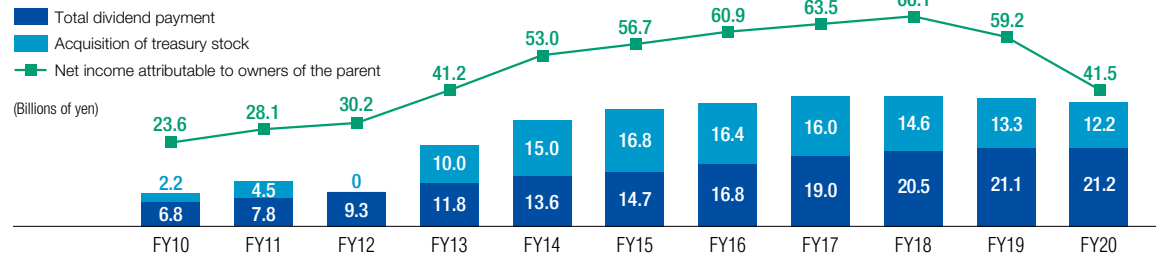
Primarily for investigating opportunities in the mobility and medical fields with an awareness of overseas growth. This limit was set to enable aggressive consideration of appropriate proposals.

The ESG investment limit will be used for investments in renewable energy procurement and in human resources, including the introduction of a telecommuting system and other DX promotion efforts intended to raise employee productivity.

Returns to Shareholders

Under the medium-term management plan, SEKISUI CHEMICAL Group will return profits to its shareholders more aggressively than ever before. The Company seeks to secure a dividend-on-equity (DOE) ratio of 3% or higher while targeting a dividend payout ratio of 35% or higher on a consolidated basis, as a part of efforts to implement stable dividend measures in line with its performance. In addition, SEKISUI CHEMICAL Group has set a target of 50% or higher for its total return ratio, which includes the buyback of shares, so long as its D/E ratio is less than 0.5. Moreover, the Company plans to retire treasury stock to no more than 5% of the total number of shares outstanding.

Returns to Shareholders Track Record

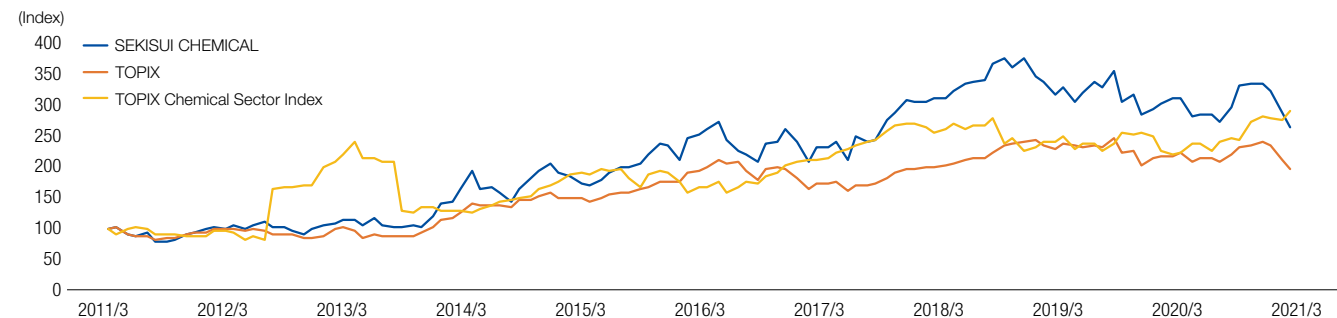


	Previous Medium-term Plan	Medium-term Plan
Dividend payout ratio	30% target	35% or higher
DOE	Around 3%	3% or higher
Total return ratio	—	50% or higher if the D/E ratio is less than 0.5
Retirement of treasury stock	—	Retire acquired treasury stock to a level equivalent to less than 5% of the total number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

Details of SEKISUI CHEMICAL Group's total shareholders' return, including dividend and stock price fluctuation trends, are presented at the right of the page. While return on investment, taking into account dividends and the share price as of the end of March 2021, for investments made as of the end of March 2011, has recently fallen below the Tokyo Stock Price Index (TOPIX), for the Chemical sector, a comparative indicator, data including dividends, the rate of return over the past 11 years has generally exceeded TOPIX.

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

SEKISUI CHEMICAL Group's Total Shareholders' Return (TSR)* over the Past 11 Years



Figures for SEKISUI CHEMICAL and TOPIX are indices with data as of March 31, 2011, as 100.

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net income attributable to owners of the parent per share (yen)	44.9	54.0	58.5	80.1	104.7	115.1	126.1	133.8	141.7	128.8	91.9
Cash dividend per share (yen)	13	15	18	23	27	30	35	40	44	46	47
Dividend payout ratio	28.9%	27.8%	30.8%	28.7%	25.8%	26.1%	27.7%	29.9%	31.0%	35.7%	51.1%
Acquisition of treasury stock (billions of yen)	2.2	4.5	0	10.0	15.0	16.8	16.4	16.0	14.6	13.3	12.2
Total return ratio*1	38.2%	43.7%	30.8%	52.9%	54.0%	55.5%	54.5%	55.1%	53.0%	58.1%	80.4%
DOE*2	2.0%	2.3%	2.4%	2.7%	2.8%	2.8%	3.1%	3.3%	3.4%	3.5%	3.3%
Retirement of treasury stock (thousands of shares)	—	—	7,000	—	12,000	10,000	—	10,000	8,000	8,000	8,000

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

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

Initiative Aimed at Strengthening the ESG Management Base

Interview with the Director in Charge

Steadily advancing Drive 2022 while strengthening our ESG management base

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

Futoshi Kamiwaki



Q SEKISUI CHEMICAL Group has identified strengthening the ESG management base as a basic policy under its Medium-term Management Plan Drive 2022, which began in fiscal 2020. As a company that has placed ESG management at the heart of its business activities, can you provide us with an overview of how the Group is promoting initiatives to further strengthen ESG?

There are three pillars that underpin SEKISUI CHEMICAL Group's efforts to practice ESG management: the ability to contribute to the resolution of social issues that allows us to make solid contributions through our products and services, the ability to create profit that is essential in continuously improving this ability to contribute, and the newly established management ability to sustain business. We have also newly adopted our own indicator, the SEKISUI Sustainable Spread, to measure our management ability to sustain business, which is an indication of our sustainability over the long term as a company. Going one step further than the cost of capital, which is generally used in calculating the ROIC spread, we now apply financial and non-financial capital costs, which incorporate new non-financial KPIs that can affect long-term corporate value to calculate the SEKISUI Sustainable Spread. For example, the SEKISUI Sustainable Spread allows us to quantify incidents that could damage corporate value over the long term and negatively affect financial and non-financial capital costs. Conversely, the SEKISUI Sustainable Spread can be used in lieu of non-financial KPIs that help enhance long-term corporate value, but for which it is difficult to measure the direct investment effects, such as investments in work-style reforms, environmental initiatives, employee productivity, and community reputation enhancement, while also positively affecting financial and non-financial capital costs. We encountered considerable difficulty in developing a quantification formula. Over and above the pursuit of accuracy, we recognized

the need to confirm changes in non-financial KPIs over time, and the importance of ensuring a proper evaluation in the event of an improvement in excess of plans. Looking also at the Group's employees, the aforementioned incidents and other non-financial KPIs are easier to link to their own work as opposed to the weighted average cost of capital alone. For this reason, we believe it is significant that we have been able to incorporate ROIC and non-financial KPIs, which are elements of the SEKISUI Sustainable Spread, into each division from fiscal 2021. Looking ahead, we recognize the critical need to implement the SEKISUI Sustainable Spread as a part of efforts to achieve planned value while ensuring that this indicator and approach is widely accepted among employees.

Q The Company has set an ESG investment limit of ¥40 billion to strengthen its ESG management base. Can you provide us with specific details and expected outputs?

The ESG investment limit is aimed at improving non-financial KPIs. From an environmental front as one example, SEKISUI CHEMICAL Group is making the switch to 100% renewable energy for its purchased electricity in a bid to reduce GHG emissions. To this end, we need to undertake forward-looking investments to cover the costs of procuring renewable energy and establishing a procurement scheme. Also included in the ESG investment limit are DX investments to improve employee productivity and promote work-style reforms as well as to curb and minimize serious incidents, and the investments necessary for marketing, hypothesis verification, research, etc., to activate the fusion of various business divisions. The main purpose of the investment is to control capital costs over the long term and contribute to an increase in corporate value.

Q Expansion of the Life Science business is stated in the New Business Drive section of Drive 2022. What is the current status of progress?

In the case of the Life Science business, we are putting a great deal of effort into a business in which we can expect a high growth rate of more than three times, from the current sales scale of about ¥70 billion to between ¥200 and ¥250 billion by 2030. In fiscal 2020, Sekisui Medical Co., Ltd., which engages in the Life Science business, and SEKISUI CHEMICAL jointly formulated a vision to reach this goal. Centered on the Vision Review Team within Sekisui Medical and the Life Science Strategy Group, which was newly established in April 2021 in SEKISUI CHEMICAL Group's corporate department, we have begun to formulate specific strategies toward aggressively expanding investment in the two pillars of diagnostics and Pharmaceutical Sciences while promoting the hiring of people with experience in the pharmaceutical industry. The Diagnostics Business is an area in which SEKISUI CHEMICAL Group possesses strengths, and the point is how to proceed with global expansion from here on in. In the Pharmaceutical Sciences field, which we want to grow the most in the years to come, we will utilize our strengths in plastic materials technologies and processing technologies while aggressively promoting investments in the fields of cell culture and medical materials required for regenerative medicine with a view to M&A and venture investment. In the Pharmaceutical Sciences field, although the market continues to expand with a high rate of growth every year, competition remains fierce, and we will specialize in fields where we can capitalize on our strengths and technologies.

Initiative Aimed at Strengthening the ESG Management Base

Interview with the Director in Charge

Q What progress is being made in the biorefinery business, which forms part of the New Business Drive?

A technology that gasifies general combustible waste without the need for garbage separation, biorefinery uses the power of microorganisms to produce ethanol from gas, which is the raw material for plastics. This represents, so to speak, the ultimate in chemical recycling and, as a chemical manufacturer, we recognize that the social significance of engaging in a business that brings this carbon cycle to fruition will be enormous. We have positioned biorefinery as a business that symbolizes SEKISUI CHEMICAL Group's ESG management and will bring about its major growth in the years to come. The technology accumulated in a 1/1,000-scale commercial pilot plant installed at a garbage incinerator in the town of Yorii Town, Saitama Prefecture, is already in place. Moving forward, we will build a 1/10-scale commercial test plant in Kuji City, Iwate Prefecture, by March 2022 and continue the demonstration. Established as a joint venture with INCJ, Ltd., in April 2020, SEKISUI BIO REFINERY CO., LTD., has received an R&D subsidy from the Ministry of the Environment and cooperation from Sumitomo Chemical Co., Ltd., and will develop plastics with raw materials made from waste-derived ethanol. Having already received interest from a variety of companies, such as manufacturers of cosmetics and daily necessities, we will promote this business with the aim of commercialization and business introduction from 2025 onward.

Q Please tell us about specific measures being taken to promote the fusion of a wide range of businesses.

As each of our businesses, from the housing and plastic materials to infrastructure and medical fields, can contribute to solving social issues, the main purpose of fusion is to combine the technologies and know-how from those businesses to create products and services that solve higher-level social issues. At the core of fusion are our 28 Technological Platforms, which represent our strengths. Serving as a good example of the fusion between the housing and infrastructure businesses, town and community development that is resilient to disasters allowing people to live with peace of mind and is unique to SEKISUI CHEMICAL Group has been realized in ASAKA Leadtown (Asaka City, Saitama Prefecture), and a culture that promotes fusion has been fostered within the Company. In the years to come, we will further accelerate these efforts and, as a developed form of fusion, build a Company-wide system not for each divisional company, but within the Corporate Strategy Department, to consider open innovation and M&A that incorporate external technologies. Last year, amid the impact of the COVID-19 pandemic, we considered how we could contribute to society by utilizing the management resources of our entire company and commenced operation of the ESG Task Force, which is composed primarily of the employees of each divisional company. In addition to the creation of products that apply the HPP's antiviral processing agent to the filter of a residential ventilation system making living spaces safe and comfortable, the development of highly sterilized building materials that incorporate this technology has begun, and the acceleration of their integration is being planned.

Q In fiscal 2020, environment-contributing products evolved into products to enhance sustainability. Please tell us about the differences from the past and the newly established Premium Framework for products to enhance sustainability.

Under the Environment-Contributing Product Program that was launched in 2006, we certified the relevant products as environmentally friendly products in line with assessment items that were formulated literally from environmental viewpoints, such as the volume of CO₂ emissions and waste reduction. This time, however, we have evolved the products to enhance sustainability by adding the new viewpoint of assessing whether they are sustainable. Specifically, high profitability, customer satisfaction, and the soundness of entire supply chains, including geopolitical risks and human rights issues, have been added to the new assessment parameters. As before, once a year, outside experts also participate in the screening of the assessment criteria. Among the products to enhance sustainability are those with a particularly high ability to solve social issues and achieve high profitability—defined in the Premium Framework as symbolizing “offensive ESG management”—and we have positioned these as a product lineup in which to invest management resources and on which to focus our sales expansion efforts. In fiscal 2020, products to enhance sustainability accounted for approximately 60% of total sales and the Premium Framework for approximately 30%, and both are on an expanding trend.

Q In terms of SEKISUI CHEMICAL's environmental initiatives, in addition to joining the RE100* international initiative in 2020, you have adopted as targets a renewable energy ratio of purchased electricity of 100% by 2030 and zero GHG emissions by 2050. Please tell us about your specific efforts and progress toward these targets.

The decisive factor in achieving a renewable energy ratio of purchased electricity of 100% by 2030 will be our SMART HEIM DENKI Power Trading Service business. Engaging in the sales of solar-powered homes, the Housing Company's cumulative sales total stands at about 200,000 units, which is the largest share among solar-powered homes in Japan, but on the customer side, 10 years after applying the feed-in tariff (FIT) fixed-price purchase system, it is necessary to find a purchaser for the surplus electricity. We therefore purchase surplus electricity ourselves and use the renewable energy as electric power for our factories and laboratories. This is a measure peculiar to SEKISUI CHEMICAL Group, and we will proceed with it in a thorough manner. Overseas meanwhile, where the SMART HEIM DENKI business is not deployed, the foundations for procuring renewable energy at a lower cost are being established primarily in Europe and the United States, and we will procure renewable energy in the optimal form in accordance with the local situation and achieve our target. Beyond that, toward the target of zero GHG emissions by 2050, we will invest in technological development for innovation to realize the electrification of steam and city gas, which are becoming an issue, and will enhance the technologies so that the target can be realized ahead of schedule.

* Operated by The Climate Group and CDP, RE100 is an international business initiative that promotes 100% renewable energy for companies. Based on visualizations of company declarations of 100% natural energy, RE100 calls for the spread and promotion of natural energy and its membership includes major influential companies from around the world.

Initiative Aimed at Strengthening the ESG Management Base

Interview with the Director in Charge

Q Next, please tell us your thoughts on internal control, which is one of the important issues for ESG.

From the viewpoint of enhancing management's capability to sustain business, a major incident is an event that seriously damages a company's corporate value once it has occurred. Including safety and quality, which are especially important as a manufacturer, at SEKISUI CHEMICAL Group we define accounting, legal/ethics, and information management in our five serious incident categories, while recognizing that internal control to control incidences of them is a particularly important issue. From the current fiscal year, the occurrence or non-occurrence of serious incidents will be linked to the bonuses of executives to further raise each individual's awareness. It is important to assess the issues, put countermeasures in place and conduct them thoroughly and earnestly to prevent any of these incidents from happening. Meanwhile, even for employees involved in management foundation business operations that prevent the occurrence of incidents, we are adding, for example, the ability to defend the Company against a serious incident so that this is assessed as a KPI for management's capability to sustain business and are thereby working to enhance our ESG management base.

Q Please tell us about the current status of your efforts and future prospects with regard to DX promotion.

In April 2020, we established the Digital Transformation Department, compiled a clear Group-wide road map and, having adopted three important themes, are promoting DX transformation. The first theme is the global standardization of business management infrastructure. This seamlessly presents all global management information in visual form and, at the same time, assists in the early detection of signs of an incident and its prevention. Second, we will work to unify our global purchasing bases and develop advantageous purchasing in, for example, materials purchasing. The third theme involves the construction of a sales base that utilizes DX. In sales activities that utilize DX, in which advances have been made due to the COVID-19 pandemic, we are working to build a foundation that enables efficient activities without sacrificing performance.

Q Finally, please tell us about specific initiatives to bring out the spirit to take on challenges from your human resources.

First of all, the president of our company, Keita Kato, attaches great importance to taking on challenges and possessing the spirit to face them. In addition to introducing President Kato's own challenges and thoughts on challenges via the intranet, the comments of employees who are taking on challenges nationwide are posted there. The idea that "challenges themselves are precious" is steadily being conveyed in a top-down manner, so I feel that the human resources are being encouraged to take on challenges. In line with such a policy, we will switch to a new personnel system from next fiscal year to create an assessment and compensation system that will properly reward



those who take on challenges. We are also enhancing in-house communications, such as case studies in which we have contributed to solving social issues and showcasing external evaluations, so that a wide range of employees can share their empathy with the vision. As the head of the Business Strategy Department, I am telling the members of the department that I want them to become a "group of instigators" as a general staff headquarters. Our avowed vision is to take a strong sense of purpose and work toward solutions while involving others in those issues that can be seen only because we are in a position to take a bird's-eye view of the entire company. I also believe that my greatest mission is to deeply establish this ESG management throughout the Company. We have already created plans, visions, and various organizations for that purpose. From now on, I would like to strongly put ESG management into practice while maintaining close communications with each divisional company to establish ESG management in the true sense of the term.

Board of Directors, Audit & Supervisory Board Members (As of June 23, 2021)



Chairman of the Board
and Representative
Director

**Teiji
Koge**

Number of Shares of the Company Owned: 130,641 shares

Apr. 1976: Joined the Company
Jun. 2005: Director of the Company
President of NAGOYA SEKISUI HEIM CO., LTD.
Oct. 2005: Director of the Company
Head of President's Office of Housing Company
Apr. 2006: Director of the Company
Head of Planning & Control Department of Housing Company
Apr. 2007: Director of the Company
Head of Housing Division and Planning & Control
Department of Housing Company
Jul. 2007: Director of the Company
Responsible for Sales Department, Head of Housing
Division of Housing Company
Feb. 2008: Director of the Company
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
Mar. 2020: Chairman of the Board and Representative Director 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 of the Group by implementing his strong leadership in demonstrating the new long-term vision which aims for ESG management and doubling of the business scale, with the aim of maintaining SEKISUI CHEMICAL Group's strong corporate presence for 100 years premised on the Group's management principles. Furthermore, since June 2018, he has presided over Board of Directors meetings, encouraged constructive discussions on management strategies by increasing the involvement of Outside Directors, executed governance reform, and endeavored to ensure the effectiveness of the Board of Directors. Since he was appointed as Chairman of the Board and Representative Director in March 2020, he has been properly supervising the Company's management as an Inside Director who is not concurrently responsible for business execution. Therefore, the Company has judged that he is expected to further contribute to the establishment of the basic management policy and the proper supervision of management by the Board of Directors of the Company and thus re-elected him as a Director.

Attendance rate at the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)

Attendance rate at the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2020: 100% (6 out of 6)

Chairperson of the Board of Directors



President and
Representative Director
Chief Executive Officer

**Keita
Kato**

Number of Shares of the Company Owned: 86,993 shares

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

Reasons for Election of the Director

Since Mr. Keita Kato was appointed as Director in 2014, he has implemented his leadership and made significant achievements as President of High Performance Plastics Company. In addition, as Head of Business Strategy Department since January 2019, he has overseen SEKISUI CHEMICAL Group's management in general as well as administrative supervision functions of overseas businesses and properly supervising business execution from a global perspective. Since he was appointed as President and Representative Director in March 2020, he has been engaged in formulation/deliberation and supervision of management strategies, etc. in the Board of Directors while also promoting the long-term vision, which aims for ESG management and doubling of the business scale. Therefore, the Company has re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)

Attendance rate of the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2020: 100% (6 out of 6)



Director
Senior Managing
Executive Officer

**Yoshiyuki
Hirai**

Number of Shares of the Company Owned: 44,568 shares

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

Reasons for Election of the Director

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

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)



Director
Senior Managing
Executive Officer

**Toshiyuki
Kamiyoshi**

Number of Shares of the Company Owned: 62,926 shares

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

Reasons for Election of the Director

Mr. Toshiyuki Kamiyoshi has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM TOHOKU CO., LTD., President of TOKYO SEKISUIHEIM CO., LTD., and Head of Housing Sales Management Division of the Housing Company. Since he was appointed as President of the Housing Company in January 2019, he has been performing his duties at Board of Directors meetings by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used these experiences to deliberate and oversee the Board's business strategy. Therefore, the Company has judged that he has the high capabilities necessary for further enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)



Director
Senior Managing
Executive Officer

**Futoshi
Kamiwaki**

Number of Shares of the Company Owned: 79,916 shares

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

Reasons for Election of the Director

Mr. Futoshi Kamiwaki has been engaged in the operations of product development, sales management, and administrative management and control as Head of Product Research & Development Department, Head of Housing Renovation Sales Management Division, and Head of Administrative Management & Control Department of the Housing Company, and has abundant experience in strategy planning and management. Leveraging the aforementioned experience, since he was appointed as Head of New Business Development Department within the Company's headquarters in January 2020 and Head of Business Strategy Department in March 2020, he has been performing his duties by applying his deep insight and advanced management capabilities. Therefore, the Company has judged that he has the high capabilities necessary for enhancing the corporate value of SEKISUI CHEMICAL Group especially in the area of ESG management promotion and digital transformation and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (13 out of 13)

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 23, 2021)

Director
Senior Managing
Executive Officer**Ikusuke
Shimizu**

Number of Shares of the Company Owned: 49,986 shares

Apr. 1987: Joined the Company
Apr. 2015: Executive Officer of the Company
Head of Foam Division of High Performance Plastics Company
Apr. 2016: Executive Officer of the Company
Responsible for Automobiles & Transportation field
Head of Foam Division of High Performance Plastics Company
Apr. 2018: Executive Officer of the Company
Responsible for Electronic Device Materials field
Head of Foam Division of High Performance Plastics Company
Jan. 2019: Managing Executive Officer of the Company
President of High Performance Plastics Company
Responsible for Electronic Device Materials field of
High Performance Plastics Company
Director of Sekisui Fuller Company, Ltd. [incumbent]
Apr. 2019: Managing Officer of the Company
President of High Performance Plastics Company
Jun. 2019: Director of the Company
Managing Executive Officer of the Company
President of High Performance Plastics Company
Apr. 2021: Director of the Company
Senior 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 the high capabilities necessary for enhancing the corporate value of SEKISUI CHEMICAL Group and thus re-elected him as a Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)

Director
Executive Officer**Kazuya
Murakami**

Number of Shares of the Company Owned: 11,405 shares

Apr. 1989: Joined the Company
Mar. 2014: Head of Human Resources Development Division of
High Performance Plastics Company
Apr. 2020: Executive Officer of the Company
Head of Human Resources Development Division of
High Performance Plastics Company
Oct. 2020: Executive Officer of the Company
Head of Human Resources Department
Jun. 2021: Director of the Company
Executive Officer of the Company
Head of Human Resources Department [incumbent]

Reasons for Election of the Director

Mr. Kazuya Murakami has been engaged in back-office operations mainly at the human resources department, including serving as Head of Human Resources Development Division of High Performance Plastics Company, and has abundant experience in global policy enforcement and management. Leveraging the aforementioned experience, since his appointment as Head of Human Resources Department in October 2020, he has exercised his strong leadership in the personnel system reform and in the promotion of diversity management, as well as working to create the Company's organizational culture and to improve employees' engagement. Mr. Murakami has performed his duties by applying his deep insight and advanced management capabilities. Therefore, the Company has judged that he has the high capabilities necessary for enhancing the corporate value of SEKISUI CHEMICAL Group and thus elected him as a Director.



Independent officer

Outside Director

**Yutaka
Kase**

Number of Shares of the Company Owned: —

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

Reasons for Election of the Director

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

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)
Attendance rate of the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2020: 100% (6 out of 6)

**Chairman of the Nomination and
Remuneration Advisory Committee**

Independent officer

Outside Director

**Hiroshi
Oeda**

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

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

Reasons for Election of the Director

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

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)
Attendance rate of the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2020: 100% (6 out of 6)



Independent officer

Outside Director

**Yoko
Ishikura**

Number of Shares of the Company Owned: —

Jul. 1985: Manager of Japanese branch of McKinsey & Company, Inc. [retired in 1992]
Apr. 1992: Professor of School of International Politics, Economics & Communication of Aoyama Gakuin University [resigned in 2000]
Apr. 2000: Professor of School of International Corporate Strategy of Hitotsubashi University Business School [resigned in 2011]
Apr. 2004: Outside Director of Japan Post (part-time) [resigned in 2007]
Oct. 2005: Vice President of Science Council of Japan [resigned in 2006]
Jun. 2006: Outside Director of Mitsui O.S.K. Lines, Ltd. [resigned in 2010]
Jun. 2010: Outside Director of NISSIN FOODS HOLDINGS CO., LTD. [resigned in 2019]
Outside Director of FUJITSU LIMITED [resigned in 2013]
Apr. 2011: Professor of Keio University Graduate School of Media Design [resigned in 2014]
Apr. 2012: Professor Emeritus of Hitotsubashi University [incumbent]
Jun. 2012: Outside Director of LIFENET INSURANCE COMPANY [resigned in 2016]
Jun. 2014: Outside Director of Sojitz Corporation [resigned in 2018]
Jun. 2015: Outside Director of Shiseido Company, Limited [incumbent]
Jun. 2019: Outside Director of the Company [incumbent]
May 2020: Outside Director of TSI HOLDINGS CO., LTD. [resigned in May 2021]

Reasons for Election of the Director

Since Ms. Yoko Ishikura was appointed as Outside Director in June 2019, she has advanced academic expertise in international politics/economics and international corporate strategy, and is well versed in corporate management through her experience as an 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 re-elected her as an Outside Director.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)
Attendance rate of the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2020: 100% (6 out of 6)

* Independent officers: defined by the Tokyo Stock Exchange.

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 23, 2021)

Full-time Audit &
Supervisory Board
Member**Hiroyuki
Taketomo**

Number of Shares of the Company Owned: 28,986 shares

Apr. 1985: Joined the Company
Apr. 2015: Executive Officer of the Company
Head of Human Resources Department
Apr. 2016: Executive Officer of the Company
Responsible for Legal Department
Head of Human Resources Department
Jun. 2016: Director of the Company
Executive Officer of the Company
Responsible for Legal Department
Head of Human Resources Department
Apr. 2017: Director of the Company
Managing Executive Officer of the Company
Responsible for Legal Department
Head of Human Resources Department
Oct. 2020: Director of the Company
Managing Executive Officer of the Company
Head of Legal Department
Apr. 2021: Director of the Company
Responsible for CEO's special mission
Jun. 2021: Audit & Supervisory Board Member of the Company
[incumbent]

Reasons for Election of the Audit & Supervisory Board Member

Since his appointment as Director in 2016, Mr. Hiroyuki Taketomo has performed his duties, including carrying out measures in accordance with corporate governance, as Head of Human Resources Department and Head of Legal Department by applying his deep insight and advanced management capabilities. He has also made sufficient achievements in supervising business execution status as Director, such as enhancing compliance from a global perspective as the executive in charge of company-wide compliance. Since he is expected to contribute to the improvement of the supervisory functions of the Audit & Supervisory Board and the Board of Directors by leveraging his abundant experience described above, SEKISUI CHEMICAL Group has elected him as an Audit & Supervisory Board Member.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)

Chair of the Audit & Supervisory BoardFull-time Audit &
Supervisory Board
Member**Toshitaka
Fukunaga**

Number of Shares of the Company Owned: 80,322 shares

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

Activities since assuming office in June 2020

Mr. Toshitaka Fukunaga undertakes daily auditing activities and provides useful opinions and suggestions during deliberations on agenda items as appropriate as a Full-time Audit & Supervisory Board Member by leveraging his abundant management experience with the Company and his knowledge of the manufacturing field, including capital investment, production technology, digitalization, and quality management.

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (13 out of 13)
Attendance rate of the Audit & Supervisory Board Meetings of the Company in FY2020: 100% (13 out of 13)



Independent officer

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

Number of Shares of the Company Owned: —

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

Activities since assuming office in June 2014

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

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)
Attendance rate of the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2019: 100% (19 out of 19)
Attendance rate of the Nomination and Remuneration Advisory Committee Meetings of the Company in FY2020: 100% (6 out of 6)



Independent officer

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

Number of Shares of the Company Owned: —

Apr. 2000: Professor of Graduate School of Information Systems of the University of Electro-Communications (currently Graduate School of Informatics and Engineering)
[resigned in 2016]
Oct. 2009: President of Japanese Society for Quality Control, Incorporated Association (Currently General Incorporated Association) [resigned in Oct. 2011]
Apr. 2010: Professor of Graduate School of Informatics and Engineering of the University of Electro-Communications [resigned in 2016]
Jun. 2012: President of Reliability Engineering Association of Japan [resigned in 2014]
Jun. 2015: Audit & Supervisory Board Member of the Company [incumbent]
Apr. 2016: Emeritus professor of the University of Electro Communications [incumbent]
Specially-appointed professor of Graduate School of Informatics and Engineering of the University of Electro-Communications [incumbent]
Jul. 2020: Visiting Professor of The Institute of Statistical Mathematics, Research Organization for Information and Systems [incumbent]

Activities since assuming office in June 2015

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

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)
Attendance rate of the Audit & Supervisory Board Meetings of the Company in FY2020: 100% (19 out of 19)



Independent officer

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

Number of Shares of the Company Owned: —

Apr. 1982: Joined Tokyo branch of Citibank, N.A. [retired in 1985]
Apr. 1989: Joined Chuo Shinko Audit Corporation [resigned in 2007]
Aug. 1992: Registered as Certified Public Accountant
Jan. 2004: Japanese representative member of International Public Sector Accounting Standards Board of International Federation of Accountants [resigned in 2005]
Apr. 2007: Full-time Professor, School of Accountancy, Graduate School, Kansai University
Jun. 2019: Audit & Supervisory Board Member of the Company [incumbent]
Apr. 2020: Full-time Professor, School of Accountancy, Graduate School, Faculty of Business and Commerce, Kansai University [incumbent]
Jun. 2020: Outside Director of Sumitomo Densetsu Co., Ltd. [incumbent]

Activities since assuming office in June 2019

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

Attendance rate of the Board of Directors Meetings of the Company in FY2020: 100% (17 out of 17)
Attendance rate of the Audit & Supervisory Board Meetings of the Company in FY2020: 100% (19 out of 19)

Executive Officers (As of June 23, 2021)

Keita Kato

Chief Executive Officer

Housing Company

Toshiyuki Kamiyoshi

Senior Managing Executive Officer
President of Housing Company

Kenji Yagi

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

Shinichiro Koga

Executive Officer
Head of Technology & CS Division

Masahide Yoshida

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

Hirokazu Hisamune

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

Akinori Kawase

Executive Officer
Head of Development Division

Shinichi Jose

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

Satoru Maruyama

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

Urban Infrastructure & Environmental Products Company

Yoshiyuki Hirai

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

Takeo Kishitani

Executive Officer
Head of Sheet Division and New Business Development
Division

Hiroki Okubo

Executive Officer
Head of Management Planning Department

Yoshiki Deguchi

Executive Officer
Head of Industrial Piping System Division

Toru Kurita

Executive Officer
Head of Technology & CS Promotion Department

High Performance Plastics Company

Ikusuke Shimizu

Senior Managing Executive Officer
President of High Performance Plastics Company

Toshio Konno

Executive Officer
Head of Corporate Planning Department

Takatsugu Arai

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

Akira Asano

Executive Officer
Chairman of the Board of SEKISUI AEROSPACE
CORPORATION

Masayuki Inoue

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

Takashi Muramatsu

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

Hiroyuki Yamashita

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

Headquarters

Futoshi Kamiwaki

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

Katsunori Mukai

Executive Officer
Head of R&D Center and Intellectual Property Group

Hitoshi Kobayashi

Executive Officer
Head of Manufacturing Infrastructure Enhancement
Center

Tatsuya Nishida

Executive Officer
Head of Corporate Finance & Accounting Department

Meiko Koga

Executive Officer
Head of Public Relations Department

Kazuya Murakami

Executive Officer
Head of Human Resources Department

Naoko Fukutomi

Executive Officer
Head of Legal Department

Corporate Governance Initiatives

Basic policy

SEKISUI CHEMICAL Group has put in place a basic philosophy regarding corporate governance that lays out efforts for securing sustainable growth and increasing corporate value over the medium 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.

Corporate Governance System

Board of Directors

The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies, handling upper-level management judgments and supervising the execution of business. The Board of Directors has in place a highly effective supervisory system for Directors by appointing sufficiently independent Outside Directors to ensure transparency in management and fairness in business decisions and operations.

In addition to Directors, Audit & Supervisory Board Members, including outside Audit & Supervisory Board members, shall attend the meetings of the Board of Directors. The Board of Directors is chaired by the Representative Director and Chairman, a non-executive director.

The Group ensures diversity among board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size.

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

Outside Directors

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

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

Organizational Structure

As an organizational structure under the Companies Act, the Company has chosen to be a company with an Audit & Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System to clearly distinguish the business execution function (executive officers) from the supervisory function (directors) in order to respond quickly to changes in the business environment of each divisional company.

Organizational Structure	A company with an Audit & Supervisory Board
Total number of directors	10 (In-house: 7; Outside: 3) including 1 female director
Ratio of outside (independent) directors	30.0%
Ratio of female directors	10.0%
Director's term of office	1 year
Executive officer system introduced	Yes
Organization to assist the president in making decision	Policy Committee
Voluntary advisory board to the Board of Directors	Nomination and Remuneration Advisory Committee established

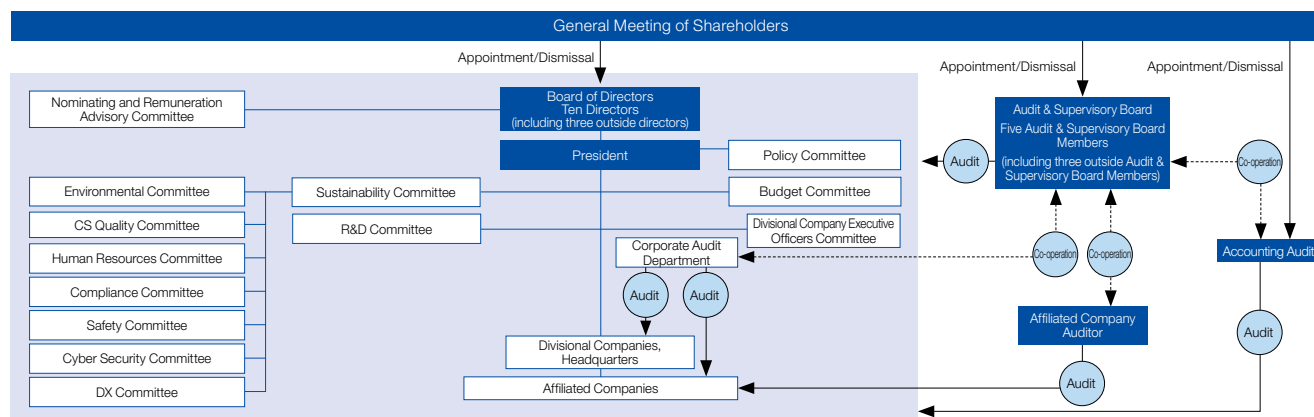
Initiatives Taken to Enhance Corporate Governance

2001	Divisional Company Organization System introduced
2003	Quality specialist selected as an Outside Audit & Supervisory Board Member
2007	The term of office of Directors shortened from 2 years to 1 year
2007	Legal, accounting, and quality specialist system implemented for Outside Audit & Supervisory Board Members
2008	Executive officer system introduced
2008	2 independent Outside Directors appointed
2015	Sekisui Corporate Governance Principles established
2016	Nomination and Remuneration Advisory Committee established
2018	Number of independent Outside Directors increased to 3

Group Principles

1959	Corporate Philosophy and 3S Principles established
1999	Corporate Principles established
2009	Group Vision established
2014	Corporate Principles incorporated into the Corporate Philosophy and the Group Vision

Corporate Governance System Chart (As of June 23, 2021)



Corporate Governance Initiatives

Composition of the Board of Directors (As of June 23, 2021)

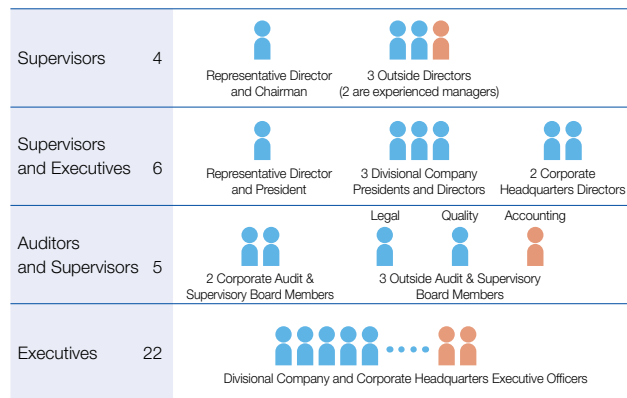
Name	Position in the Company	Number of Years	Board of Directors	Audit & Supervisory Board	Nomination and Remuneration Advisory Committee	Policy Committee	Sustainability Committee R&D Committee	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities							
								Corporate Management/ Management Strategy	Financial Affairs/ Accounting	Legal Affairs	Quality Control	Human and Labor Administration Human Resources Development	International Mindset	Research & Development	DX (Digital Transformation)
Teiji Koge	Chairman of the Board and Representative Director	16	● ^{*1}	–	○	○	–	✓				✓			
Keita Kato	President and Representative Director Chief Executive Officer	7	○	–	○	● ^{*1}	● ^{*1}	✓	✓		✓		✓	✓	
Yoshiyuki Hirai	Director Senior Managing Executive Officer	6	○	–	–	○	○	✓	✓				✓		
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	2	○	–	–	○	○	✓							
Futoshi Kamiwaki	Director Senior Managing Executive Officer	1	○	–	–	○	○	✓	✓					✓	✓
Ikusuke Shimizu	Director Senior Managing Executive Officer	2	○	–	–	○	○	✓			✓		✓	✓	
Kazuya Murakami	Director Executive Officer	–	○	–	–	○	–	✓				✓	✓		
Yutaka Kase	Independent Outside Director	5	○	–	● ^{*1}	–	–	✓					✓		
Hiroshi Oeda	Independent Outside Director	3	○	–	○	–	–	✓					✓		
Yoko Ishikura	Independent Outside Director	2	○	–	○	–	–	✓					✓		
Hiroyuki Taketomo	Full-time Audit & Supervisory Board Member	–	○	● ^{*1}	–	○	–	✓		✓		✓			
Toshitaka Fukunaga	Full-time Audit & Supervisory Board Member	1	○	○	–	○	–				✓			✓	✓
Tetsuo Ozawa	Independent Outside Audit & Supervisory Board Member	7	○	○	○	–	–			✓					
Kazuyuki Suzuki	Independent Outside Audit & Supervisory Board Member	6	○	○	–	–	–				✓		✓	✓	✓
Ryoko Shimizu	Independent Outside Audit & Supervisory Board Member	2	○	○	–	–	–		✓				✓		

*1 The solid blue circle indicates the chairman or committee chairman.

Note: The list above does not reflect the full range of expertise possessed by the Directors and Audit & Supervisory Board Members

Corporate Governance Initiatives

Management System (As of June 23, 2021)



Note: All Audit & Supervisory Board Members also attend meetings of the Board of Directors.

Reference: Number of Directors by Age

Under 30	30-39	40-49	50-59	60 or older
0	0	0	3	7

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

Other Major Corporate Meetings and Committees

Name	Overview
Policy Committee	This committee meets once a month in order to deliberate on important management policies, strategic items, and proposals to be presented to the Board of Directors.
Executive Committee	This Committee is the top decision-making body in each divisional company and the Corporate Headquarters. It meets at least once per month. The Board of Directors delegates a broad degree of authority to this Committee to enable a rapid response to changes in the business environment among divisional companies. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.
Sustainability Committee	This committee deliberates on basic policies and important matters for the purpose of advancing policies designed to increase the sustainability of society and the Group; deliberates, determines, and manages the progress of activity plans; and evaluates, identifies, and deliberates on Group-wide risk. This committee meets at least twice per year. ▶P.57
R&D Committee	This committee meets at least once per year for the purpose of deliberating and determining Group-wide R&D basic policies regarding next-generation business creation, important matters, themes, and action plans.

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

The Board of Directors met 17 times in fiscal 2020. In addition, discussions of important matters related to our management policies and strategies were carried out at meetings of the Policy Committee, which is made up of inside Director members. Policy decisions were made by the Board of Directors following these discussions.

Questionnaires for Evaluating Effectiveness

In fiscal 2020, we implemented questionnaires for Directors and Audit & Supervisory Board Members to evaluate the effectiveness of the Board of Directors. Based on the results, we confirmed that sufficient time for discussions was secured for the Board of Directors and that both Outside and Inside Directors, as well as Audit & Supervisory Board Members, actively exchanged their opinions with one another. With the goal of further improving the effectiveness of the Board of Directors, we are planning to add important management concerns identified in the questionnaire responses to the agenda for future meetings.

The important management issues taken up and deliberated by the Board of Directors in fiscal 2020

were its Long-term Vision, new Medium-term Management Plan, growth strategies (including R&D, large new businesses, and capital investment), and fundamental strategies (Sustainability Committee reports, digital transformation, safety and CS & quality), etc.

Support for and Collaboration with Outside Directors

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 widerange of businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites. In April 2021, we conducted an online inspection of the Shiga-Ritto Plant and the General Institute of the Urban Infrastructure & Environmental Products Company.

To further enhance the effectiveness of management supervision by Outside Directors, the Company is making improvements to the deliberations that take place at the Nomination and Remuneration Advisory Committee, where the majority of the members are Outside Directors, and facilitating their dialogue with Audit & 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 & Supervisory Board Members, and Executive Officers to meet when the new management system is inaugurated following the Annual General Meeting of Shareholders.

Audit System

At least one of the Audit & Supervisory Board Member candidates shall be nominated as an individual who has knowledge and expertise in corporate finance and accounting, and at least one other candidate shall be nominated as an individual who has knowledge and expertise in legal systems. Audit & Supervisory Board Members attend not only the Board of Directors meetings but also other important meetings, carrying out confirmation of the maintenance and operating conditions of the internal control system through operations such as investigation of related departments, including at Group companies, and confirmation of approval documents for major projects.

The Audit & Supervisory Board met 19 times in fiscal 2020, during which the members sufficiently shared information and exchanged opinions with each other, including outside Audit & Supervisory Board Members.

The Audit & Supervisory Board regularly holds meetings for exchange of opinions with the Internal Audit Department to understand the current internal issues, while the members personally visit various sites for audits as necessary. The results of the internal audit conducted by the Corporate Audit Department and the improvement status of audit findings are reported to the Audit & Supervisory Board Members on a timely basis. With the assistance of the dedicated support staff, Audit & Supervisory Board also collects information from internal departments and conducts any necessary interviews. Moreover, Audit & Supervisory Board Members confirm the audit plan with accounting

Corporate Governance Initiatives

auditor Ernst & Young Shin-Nihon LLC and exchange information and opinions periodically with the accounting auditor including receiving audit reports, with the aim of increasing the effectiveness and efficiency of audits through close collaboration. Liaison meetings were held with related corporate auditors to improve coordination with auditors and enhance the quality of auditing.

In addition, Audit & Supervisory Board Members hold a regular meeting with the Representative Directors, Directors, and executive officers to exchange opinions on the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make necessary requests to enhance mutual understanding.

Nomination and Remuneration Advisory Committee

The Company has established an optional advisory committee concerning nomination and remuneration to complement the functions of the Board of Directors and to further enhance the fairness and transparency of management. This Committee comprises six members, the majority of whom are independent outside directors. The Chairperson is elected from the independent outside directors. When nominating directors, deliberations are held by the Nomination and Remuneration Advisory Committee, with opinions then reported to the Board of Directors, where the decision on candidates will be made.

Roles of the Nomination and Remuneration Advisory Committee

- Appoints and dismisses Representative Directors, Directors, and other senior executives; appoints and dismisses Audit & Supervisory Board Member candidates; and appoints and dismisses advisors and executive advisors, including former Representative Directors and Presidents
- Deliberates on the adequacy of the Director remuneration system and remuneration levels, etc.
- Deliberates and makes recommendations to the Board of Directors on important management issues as necessary

Fiscal 2020 Activities

The Nomination and Remuneration Advisory Committee met six times and deliberated matters regarding the composition and effectiveness of the Board of Directors, initiatives to strengthen corporate governance, director remuneration, and policy regarding the determination of remuneration levels, etc.

Succession Planning for SEKISUI CHEMICAL Group's President

Supervision and planning for SEKISUI CHEMICAL Group President's successor is conducted in appropriate consideration of its management principles and strategies. To enhance the objectivity, timeliness, and transparency of the procedures, the Nomination and Remuneration Advisory Committee deliberates on the eligibility of a candidate for the office of President

over an appropriate period of time, and makes recommendations to the Board of Directors, which then makes a final decision regarding succession.

Internal Control System

In May 2006, the Board of Directors resolved to adopt a fundamental policy regarding the establishment of an internal control system for ensuring the appropriateness of the Group's business activities. Based on the Corporate Activity Guidelines set forth in accordance with the Group corporate philosophy, the Company seeks to realize collaborative interaction concerning the supervision, direction, and communication with Group companies, while providing guidance, advice, and evaluations to Group companies to ensure the appropriateness of business operations for the Group as a whole.

In regard to the business management of Group companies, monitoring is conducted by Audit & Supervisory Board Members, the Corporate Audit Department, etc., and enhancements are made to the system for Group companies to seek approval from and make reports to the Company based on the "Rules for handling affiliated companies" and "Guidelines for final decisions at affiliated companies." In addition, if a misconduct arises at the Company or a Group company, thoroughgoing efforts will be made to prevent it from occurring again by requiring that a report on the details of the incident be made to the divisional company in charge or the Compliance Promotion Subcommittee at the corporate headquarters without fail and that the Compliance Subcommittee be contacted by the Compliance Promotion Subcommittee so that all information will be collected and brought to the Director or executive officer appointed as the chairperson of the Compliance Subcommittee.

Compliance [▶ P.71](#)

The Sustainability Committee, chaired by the President, deliberates on Fundamental Compliance Policies that require the approval of the Board of Director and has established a designated Compliance Subcommittee to plan, consider, and decide on important compliance-related matters, with the aim of establishing and implementing a compliance system for the Company and its Group companies. The Company has also prepared the "SEKISUI CHEMICAL GROUP Compliance Manual," presenting the guidelines for acting in accordance with laws, regulations, the Articles of Incorporation, and corporate ethics. The Company also conducts training in regards to various laws and regulations and corporate ethics. As part of the whistleblower system, the Company has set up a reporting contact at an external law firm that is independent from the Company in addition to the internal reporting contact in Japan. In addition, the Company has set up points of contact for the employees of foreign affiliates in the United States, China, ASEAN, Europe, and South Korea. The protection of the whistleblower is

prescribed by the Corporate Whistleblower Rules to put in place an environment in which whistleblowers do not suffer any disadvantage. For example, the identity of the whistleblower is kept secret from anybody other than the reporting contact.

Risk Management [▶ P.68](#)

The Group has implemented a Group-wide risk management structure for integrated management of measures to prevent risk events from occurring (risk management) and to respond when risk events occur (crisis management). Through this unification of concepts, we are creating a system that can be brought to bear on ever-changing risks and crises. Ultimate responsibility has resided with the Managing Director of the ESG Management Department, who also acts as the Head of the Business Strategy Department, since April 2020. The ESG Management Department Risk Management Group serves as a dedicated office that publicizes and thoroughly instills the "SEKISUI CHEMICAL Group Risk Management Guidelines," which were established based on the "Basic Philosophy on Internal Corporate Governance Systems," and strives to identify significant risks and to prevent them from manifesting by centrally and comprehensively collecting and evaluating information about risks. In fiscal 2021, the Group implemented these risk management activities at 171 organizations, including affiliated subsidiaries in Japan and overseas, and continuously runs PDCA cycles in line with the ISO 31000 international standard for risk management. A dedicated office classifies and organizes any risks identified by these organizations, and reports to each subcommittee under the Sustainability Committee and deliberates on Group-wide countermeasures as necessary. Moreover, in the Medium-term Plan launched in fiscal 2020, we are deploying an enterprise risk management (ERM) system in a way that integrates our existing organization-specific risk management activities with our Group-wide risk management activities.

In the event that a significant risk does become manifest, the Crisis-management System establishes an Emergency Response Headquarters based on the "SEKISUI CHEMICAL Group Crisis Management Guidelines" and creates a framework capable of swiftly and appropriately handling the situation. The Group also periodically revises this system and holds drills, and has established a framework for appropriately reporting to the Board of Directors when a serious incident, or the risk thereof, occurs. Since fiscal 2021, the Group has been developing and revising an emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations as a new Group-wide initiative. In addition, the Group focuses on establishing BCM in line with the individual characteristics of each business in our diverse lineup of domestic and overseas operations.

Given that our overseas locations have increased in number and importance with each passing year, we established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. The Global Crisis Management Office cooperates with the Regional Headquarters and leads the response to any crises that occur overseas.

Corporate Governance Initiatives

Sustainability Initiatives

In order to achieve the Long-term Vision, "Vision 2030," the Group promotes "ESG management" in aims of realizing both a sustainable society and the sustainable growth of the Group itself. To this end, we are working together with stakeholders on the three steps described below.

- Development of "three prominences" (Environment, CS & quality, Human Resources) and "internal control"
- Accelerate the solution of social issues through three approaches (increasing quantity, improving quality, and providing sustainably)
- Create and expanding the value of "peace of mind for the future" in four business domains

Chaired by the President and served by the Director responsible for the ESG Management Department as deputy chairperson, when implementing these initiatives the Sustainability Committee deliberates on extracting risks and opportunities that the Group might face in the future, Group-wide policies, and strategies. Major items and Group-wide risks determined by the Committee are reported to and deliberated by the Policy Committee and the Board of Directors. These initiatives are then deployed Group-wide following discussions at each of the seven subcommittees and incorporated into the action plans of each organization.

Under the Medium-term Management Plan Drive 2022, which commenced in fiscal 2020, the Group has established the following key issues and advanced specific initiatives in order to build a corporate structure that is capable of practicing ESG management and sustainably enhancing corporate value. [▶ P.57](#)

Key issues	
Products to Enhance Sustainability and Premium Framework	
Internal Control (Reducing major incidents)	Prevent or minimize impact of major incidents on our corporate value
Internal Control (Business Continuity Plan (BCP))	Mitigate the impact of earthquakes, pandemics, and other incidents
DX	Become the Driver that Transforms Work Processes and Business Models
Environment	Addressing climate change
Human Resources	Aim to be an excellent and vibrant company where employees thrive on challenges
Fusion	Promote Technology and Business Opportunities through Internal and External Fusion

Promotion of Diversity [▶ P.64](#)

In addition to differences in outward appearance such as gender, age, and race, the Group focuses on differences based on careers, values, and personality in terms of diversity. In 2015, we formulated the Diversity Management Policy based on the concept of understanding, recognizing, and interpreting the differences between each and every employee as strengths. We have been advancing initiatives to empower women since 2007 in two stages: "established practice and active participation" and "creating managerial positions." In order to accelerate Diversity Management, we commenced work-style reforms in 2018 and health management activities in 2019. In addition to these, since fiscal 2020 we have worked to expand opportunities to undertake challenges, which enable a diverse range of human resources to play an active role, with the aim of transforming into a "Vibrant Company."

Addressing Climate Change Issues by Leveraging TCFD Scenario Analyses [▶ P.60](#)

In regard to climate change and other external environmental issues that pose a risk to management, the Group investigates and executes appropriate action policies upon identifying the degree of risk under the Board of Directors' supervisory system. In order to accelerate our problem-solving and understanding of risks, as well as related coping measures, in 2018 we adopted 2°C and 4°C warming scenarios and conducted risk assessments based on these analyses. Since this time, we have revised these risk assessments each year to reconfirm our position. Based on the results of these revisions, we have also investigated initiatives for businesses in which risks can be converted to opportunities since fiscal 2020 and have managed the progress of these initiatives based on the Medium-term Management Plan and the Environmental Medium-term Plan we formulated.

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

Basic policy on cross-shareholdings

SEKISUI CHEMICAL Group strategically holds shares of other companies, to a limited extent, that are important business partners provided that it made the judgment on such holdings to be beneficial for the purpose of maximizing its medium-to long-term enhancement of corporate value as well as that of business partners. Strategic rationale shall be reviewed in an appropriate and timely manner and SEKISUI CHEMICAL Group reduces those holdings without sufficient strategic benefits or that are inconsistent with its capital policies as necessary.

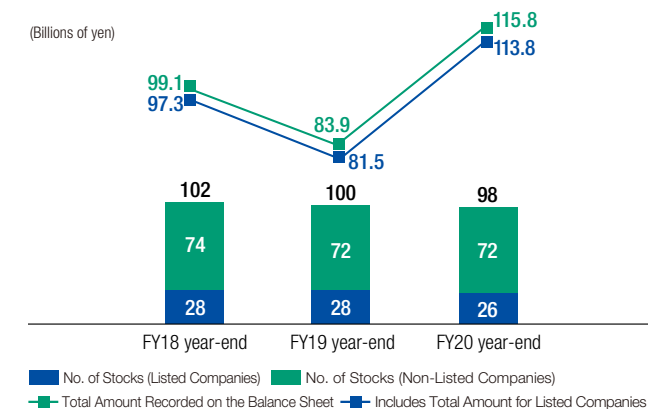
Verification of the necessity of cross-shareholdings

SEKISUI CHEMICAL conducted an assessment of the individual holdings in accordance with the basic policy to examine specific benefits by such shareholdings (listed companies) and consistency with the risk-benefit evaluation of such individual holdings over the cost-of-capital and other factors, and made a judgment for appropriateness of holding them at the Board meeting held on June 10, 2020. The total number of shareholdings of listed companies was 26 as of the end of March 2021, compared with 28 holdings as of the end of March 2020 as a result of the disposition of two holdings during fiscal 2020.

Criteria for the exercise of voting rights concerning cross-shareholdings

SEKISUI CHEMICAL performs its monitoring function as a shareholder by exercising voting rights at shareholder meetings of the shareholding companies in accordance with the specific standards with respect to its established voting rights to reflect perspectives of connecting the medium-to long-term enhancement of its corporate value with the corporate value enhancement of the above companies based on the strategic position of such holding and dialogue and so forth with them. As to the exercise of voting rights, SEKISUI CHEMICAL Group applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items, etc.), business performance (equity ratio, profit/loss condition, etc.) in their current fiscal year, and their business sustainability. SEKISUI CHEMICAL then makes the final comprehensive decision on proposals based in part on dialogue with those companies.

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



Corporate Governance Initiatives

Remuneration and Other Compensation for Officers

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 a diverse variety of management talent in order to increase the competitiveness of the Group

<Remuneration mindset>

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and share-based compensation. For Outside Directors and Audit & 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 medium- 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 medium- and long-term corporate value in the form of the Company's shares reflecting such enhancement in share value, thereby enhancing the link with medium- and long-term shareholders' value.

Officer Remuneration in Fiscal 2020

(Millions of yen)

Classification	Basic remuneration		Bonus		Share-based compensation		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	10	327	6	115	7	74	10	517
(Of which Outside Directors)	3	43	-	-	-	-	3	43
Audit & Supervisory Board Members	6	81	-	-	-	-	6	81
(Of which Outside Audit & Supervisory Board Members)	3	36	-	-	-	-	3	36

Note: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to ¥82 million for directors who concurrently serve as employees.

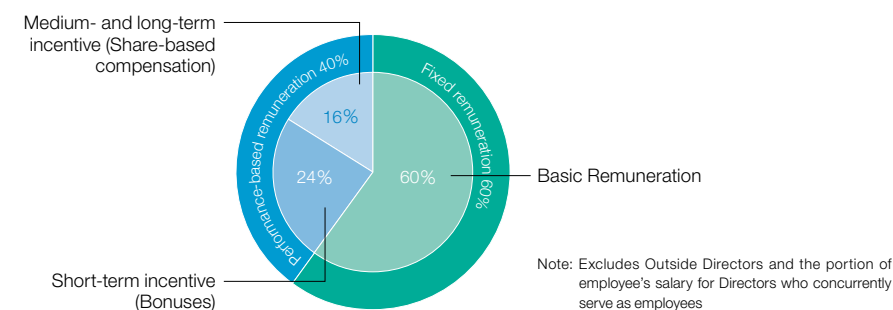
Process of determining officers' remuneration

In determining the amount of remunerations, etc., to the Company's Directors and the policy on determining calculation methods, the matter is deliberated by the Nomination and Remuneration Advisory Committee in advance and the results of the deliberation are recommended to the Board of Directors. The Board of Directors determines the policy based on the recommendation of the said advisory committee. The following is a summary of the procedures taken by the Nomination and Remuneration Advisory Committee.

<Method for Determining Remuneration Used by the Nomination and Remuneration Advisory Committee>

The chairman (Outside Director) convenes the committee, and the agenda items are proposed by each committee member and deliberated by the committee. The results of deliberation by the committee are recommended to the Board of Directors by the chairman. The members of the committee are required to determine these matters from the perspective of whether it contributes to the Company's corporate value and ultimately to the common interests of the shareholders, and are prohibited from making decisions that would solely benefit the personal interests of oneself or that of third parties, including the management team of the Company. In determining the amount of remuneration, the Nomination and Remuneration Advisory Committee deliberated the Directors' remuneration levels and other matters including the personnel evaluations and remuneration of each Director and the Board of Directors made a final decision. The specific amount, payment date, payment method, and other matters are left to the discretion of President and Representative Director.

Ratio of performance-based and fixed remuneration for directors* (fiscal 2020)

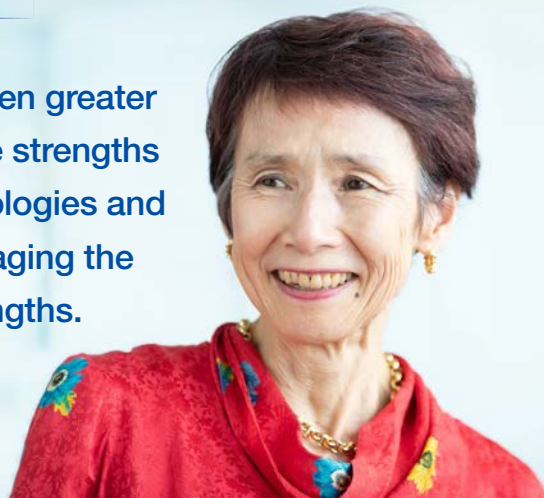


The amount of the officers' remuneration of the Company is determined based on the roles and responsibilities of the officer. The system has been designed so that the higher the rank of the officer the higher the ratio of the performance-based remuneration component. The responsibilities of each officer also reflect the business performance of the divisional company for which he or she is responsible. Since fiscal 2021, Director bonuses are determined on a performance basis. In addition to the Group's overall performance, the payment of bonuses reflects such non-financial indicators as the sales ratio of products to enhance sustainability as well as equity to total assets (ROE) trends. Moreover, we have introduced a share-based compensation plan. This incentive plan is designed to further raise the motivation of Directors and is linked closely to shareholders' value over the medium to long term.

Corporate Governance Initiatives

Message from an Outside Director

We expect to create even greater value by integrating the strengths of our individual technologies and businesses while leveraging the Group's collective strengths.



Outside Director

Yoko Ishikura

Ms. Ishikura has advanced academic expertise in international politics/economics and international corporate strategy, and has served as an outside director of several global companies. Since her appointment as an outside director of the Company in 2019 she has been actively involved in diversity management and the promotion of greater participation of women.

Q Ms. Ishikura, you were appointed to the post of outside director in June 2019. As an outside director, what do you recognize as the role that stakeholders expect of you?

Inside directors are thinking through their company's initiatives, the industries to which individual businesses belong, and the markets to develop. Under such circumstances, I recognize that confirming the areas where opinions and views are likely to be biased when solely from an internal perspective and, from the various perspectives of each outside director, verifying a company's strategy and the status of progress will contribute to improving management transparency and objectivity. For example, faced by the COVID-19 pandemic, the Company's Directors are still taking things seriously from the perspective of how to overcome this crisis. At the same time, from several perspectives—including how the world will have changed when the COVID-19 pandemic is over, what kind of transformations can occur in each of the industries to which SEKISUI CHEMICAL Group's businesses belong, and how we will respond as a company when the world looks completely different from what it did before—I am trying to find signs that could offer hints so that these points will be raised. People have said to me, "What you're saying is formidable," but I think that is exactly what my role is.

Q How do you evaluate the effectiveness of the Board of Directors?

Recently, institutional investors have become more interested in the effectiveness of boards of directors, and I have also had the opportunity to answer questions in surveys and during interviews as well as by talking directly to investors. I rate the effectiveness of SEKISUI CHEMICAL Group's Board of Directors as quite satisfactory. The Board of Directors' meetings have been held online due to the pandemic, but they are being managed in an appropriate manner, with the chairman giving each person an opportunity to speak by taking advantage of the merits of online communications. For example, although investment projects are generally discussed in detail prior to making the investment, it is said that there have been instances in which the post-investment reviews were neglected, but in SEKISUI CHEMICAL Group's case post-investment reviews of progress are rigorously followed up on the basis of KPIs, such as ROI and ROIC. Not limited to the content of the project, lively discussions are always held, and there is an atmosphere in which a range of questions can be freely raised. Prior to a Board of Directors' meeting, the secretariat explains each agenda item, including the backgrounds to them, and there is an opportunity to ask questions at that time as well. At Board of Directors' meetings, regardless of whether they are held on a face-to-face basis or online, there are opportunities to firmly ask questions and express opinions on matters that have arisen during the discussion. Although there are some companies where the superficial function of their boards of directors' meetings is presenting problems, in the case of SEKISUI CHEMICAL Group the chairman himself remains highly aware of the fact that he is being urged to invigorate discussion at the Board of Directors' meetings and is being highly assessed on that aspect.

Q For SEKISUI CHEMICAL Group to further promote the global expansion of its business, what should be done in particular to reinforce its global governance?

The Company's businesses are diverse and its global areas of development are extensive, too, so conducting global governance with a firm grip that works is definitely very difficult to begin with. Under those circumstances, I think that governance is conducted relatively well at the moment. Occasionally, overseas work-related accidents and negative information are reported, but the very fact that these are being reported is proof that even a little can be seen. To my mind, facing any issues that arise head on, which when a problem does arise will lead to the prompt prevention of a reoccurrence, will also lead to the reinforcing of global governance.

Q How do you evaluate the Long-term Vision, Vision 2030, and the Medium-term Management Plan Drive 2022, which were announced in fiscal 2020?

With regard to their content, after a series of discussions on a number of occasions at Board of Directors' meetings, I think we were able to put in both verbal and visual forms the direction we want to aim for as SEKISUI CHEMICAL Group in an easy-to-understand manner. The Long-term Vision is important, but because we do not know what will happen in the future, it is also necessary to review the Long-term Vision as appropriate by making use of the awareness and learning gained during the course of advancing Drive 2022. The most important thing is that each person working in SEKISUI CHEMICAL Group considers the Long-term Vision and Medium-term Management Plan as their own. Each person resolutely thinks about where the tasks in front of them will lead in terms of Drive 2022 and how those

Corporate Governance Initiatives

Message from an Outside Director

tasks will contribute to Vision 2030. In the case of the Long-term Vision and Medium-term Management Plan, I think it would be good if we could create the fertile ground in which awareness that they are playing a part in these plans firmly takes hold in everyone.

Q What are your thoughts on the HR policies?

As a matter of fact, even among HR policies, when it comes to performance evaluations, the impression that they are achievement-oriented remains strong, and there is a slight sense of incongruity. Achievements are of course important, but from a long-term perspective, I think that more recognition of the human resources who support the parts that are difficult to see in terms of achievements and the value of such work will lead to us demonstrating the real capabilities of the Company as a whole. Not only should the Company develop human resources in each business division and produce many specialists in those businesses, it should also introduce HR development training programs for their ability to create value and direction for the Company as a whole. In this regard, I hope that more appropriate evaluations will be made. Looking back on SEKISUI CHEMICAL Group's history, I feel a sense of pride at the Company having achieved results, even when confronted with various challenges, of having overcome them without becoming discouraged. In itself, that is all very well and good, but young people, such as the next generation who will be joining the Company from now on, attach more importance to purpose, the "For what am I working for at this company?" I think it would be even better if we were to consider adding HR programs and evaluation items that could be compatible with that.

Q The promotion of digital transformation (DX) is also an important issue.

What do you think will be the key to achieving results?

The key will be to give human resources from the younger generation more and more opportunities to play active roles. The other day, I had the opportunity to talk with Taiwan's Minister without Portfolio for Digital Affairs Ms. Audrey Tang. Rather than having such a young and talented person like her work as an assistant under a manager, I think that having one individual assume ultimate responsibility has brought about a further blossoming of her potential. In Taiwan, they elicit ideas from many people, and if this approach cannot be done or even if they have tried to do that, they will proceed with an iteration (repetition) method that approaches the optimum solution while turning over ideas. When that turns out to have been wrong, it is said to be important to apologize immediately and change the method, and I strongly empathized with that. With regard to the world that we would like to solve with DX, I hear that it is important not to pursue specifics from the beginning, but to first think of something that could be solved by a program from an abstract idea. The Company's businesses encompass a wide range. Even in DX promotion, rather than aiming to unify the whole from the specific objects of each business, it is possible to take a bird's-eye view from a higher level and I think it is important to solve it digitally from an abstract concept to promote digitalization in which humans cannot intervene.

Q In conclusion, could you please briefly sum up what you expect of the Company and what you consider as issues?

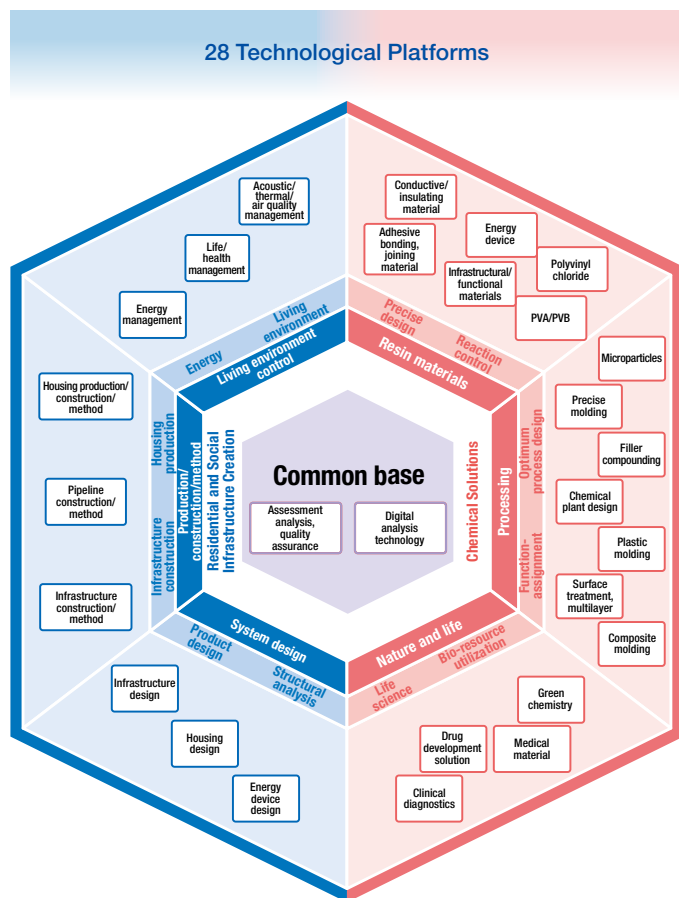
SEKISUI CHEMICAL Group is a company that has been steadily refining and accumulating its businesses and technologies. In contrast, because of that solidity, the Company does not convey the feeling that, for example, a big social contribution vision has been adopted, that unbelievable ideas will be born from it, and surprising products are being created. In each and every product or business there is innovation, and SEKISUI CHEMICAL Group provides wonderful products that make society better and show that consideration has been paid to the global environment. And the advanced technologies that led to the creation of each of those products is the Company's greatest strength. Even if you make them attractive individually, however, that does not convey the capabilities of SEKISUI CHEMICAL Group as a whole. What kind of new world can SEKISUI CHEMICAL Group as a whole create for society by bundling and combining into one the individual capabilities at its disposal? Would it not be better if we could adopt a bigger, broader vision for social contribution and showcase the dreams and aspirations that can be realized by concentrating SEKISUI CHEMICAL Group's capabilities?



Research & Development/Intellectual Property

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

Research & Development



28 Technological Platforms [▶ P.38](#)

Since 2014, SEKISUI CHEMICAL Group has enhanced each of the core technologies in our Technological Platforms (TPF) formulated as the Group-wide basis for technology development, engaged in new innovations that rely on TPF fusion, and advanced the development of engineering personnel. In aiming for sustainable growth amid the changing business environment that encompasses the Group, we periodically revise the TPF when we formulate the Medium-term Management Plan.

Research & Development System

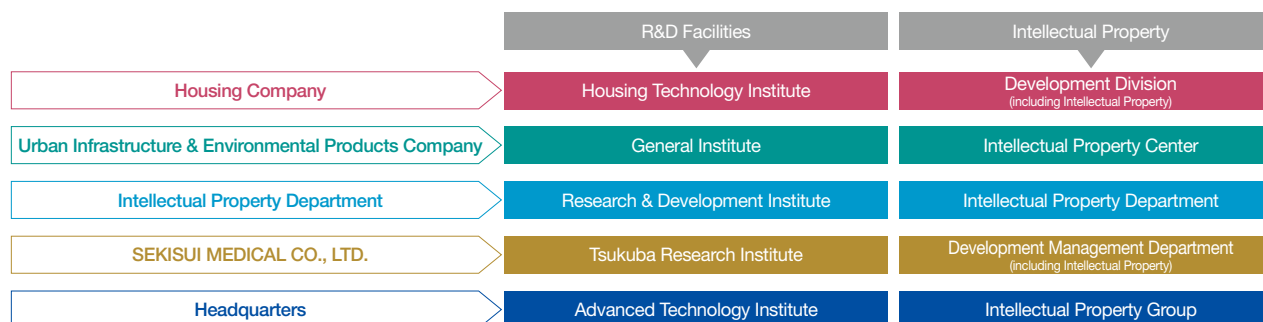
The Group’s Long-term Vision lays out the four domains of residential, advanced lifeline, innovative mobility, and life science, as well as new business domains and next-generation frontiers. In each domain, we undertake the challenge of innovations that leverage our core technologies in aims of expanding existing businesses and creating new businesses. Serving as the R&D system that supports these efforts are the primary R&D centers within the Housing Company, the UIEP

Company, the HPP Company, Sekisui Medical Co., Ltd., and the Corporate Headquarters. The three Divisional Companies and Sekisui Medical vigorously promote development while aggressively leveraging open innovation in the four domains related to each, while the Corporate Headquarters does the same with a focus on next-generation frontiers.

Treatment of Human Resources Engaged in R&D

As part of our system for the evaluation and appreciation of superb researchers and engineers, the Group has established the “Technology Award” and “Invention Grand Prize.” The Group has also established a specialist position system for researchers and engineers with highly specialized skills. The system selects exceptional individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the Company. As of July 2021, 32 people have been appointed to specialist positions, and we are promoting technology platform strengthening initiatives with a long-term perspective.

R&D and Intellectual Property Management System



Research & Development/Intellectual Property

Reference: 28 Technological Platforms

Category		Technological Platform	Overview
Residential and Social Infrastructure Creation	System design	1 Infrastructure design	Builds long-lasting, earthquake-resistant pipe systems and other infrastructure.
		2 Housing design	Provides safe, secure housing that is resistant to natural disasters for both new and renovated houses.
		3 Energy device design	Develops energy creation and energy storage systems to achieve a sustainable society.
	Production/construction/method	4 Housing production/construction/method	Further evolves the Unit Construction Method and provides high cost performance housing.
		5 Infrastructure construction/method	Develops simple construction methods and repair/reinforcement technologies that shorten onsite construction periods.
		6 Pipeline construction/method	Develops optimal pipe systems and develops pipeline rehabilitation methods for rehabilitating aging sewage pipes.
	Living environment control	7 Acoustic/thermal/air quality management	Provides quiet, comfortable living environments.
		8 Life/health management	Evaluates and designs products and environments that help increase the QOL of consumers.
		9 Energy management	Contributes to the environment through the effective use of solar panels and storage batteries, and protects daily life during natural disasters.
Chemical Solutions	Resin materials	10 Adhesive bonding, joining materials	Provides products with a good balance between tack, adhesion, and holding power according to the application.
		11 Conductive/insulating material	Provides sheets and adhesives with conductive and insulation properties.
		12 PVA/PVB	Grants sound insulation, heat insulation, and other functions to interlayer films for laminated glass, etc.
		13 Polyvinyl chloride	Improves the durability, impact-resistance, chemical resistance, and other properties of PVC resin.
		14 Energy device	Develops high-performance storage battery materials and solar cell materials.
		15 Infrastructural/functional materials	Further improves the functionality of products for the infrastructure that supports daily life and society.
	Processing	16 Microparticles	Provides microparticles with unique features through particle size control and functionalization.
		17 Precise molding	Extrusion, expanding, stretching, and other precision resin processing methods.
		18 Filler compounding	Expresses new functions by mixing resins with fillers of different sizes in an optimal manner.
		19 Chemical plant design	Develops agitation, separation, drying, and other process technologies that enable safe, consistent production of chemical products.
		20 Plastic molding	Develops extrusion, injection molding, and coating technologies for efficiently producing plastic products at low cost.
		21 Surface treatment, multilayer	Provides manufacturing methods, including optimal surface treatments and multilayers, that modify surfaces and grant functionality.
	Nature and life	22 Composite molding	Develops products with new functions realized by compounding different materials.
		23 Green chemistry	Aims to free resin raw materials from their dependence on petroleum to achieve a sustainable society.
24 Clinical diagnostics		Provides medical diagnostics reagents in the priority disease areas of lifestyle-related diseases and infectious diseases.	
25 Drug development solution		Supports drug development using sophisticated technical skills in everything from screening tests to molecular tests.	
Common base	26 Medical material	Provides pharmaceutical ingredients, medical amino acids, and other substances that serve as the active ingredients in pharmaceuticals.	
	27 Assessment analysis, quality assurance	Ensures quality through state-of-the-art assessment analysis for highly advanced materials and safe, secure product development.	
	28 Digital analysis technology	Engages in innovative material development by leveraging materials informatics.	

Research & Development/Intellectual Property

Intellectual Property

Fundamental Policy

Intellectual property is the source of competitiveness for companies and is an important management resource that underpins growth and revenue aimed at optimizing corporate value. At SEKISUI CHEMICAL Group, to utilize the prominence of our technology to its fullest potential and contribute to our business, we conduct competition environment analysis using information related to intellectual property, markets, and competition, and this serves as a starting point for our strategy development, intellectual property portfolio management, and other strategic intellectual property promotion activities.

In addition, we have been working on applications for digital transformation for some time and are now proactively branching out into new intellectual property trends such as materials informatics and AI.

Through the activities above, we are contributing to growth and creation for our business in the intellectual property field in the Medium-term Management Plan Drive 2022.

Energizing Intellectual Property Culture

With the goal of increasing employee awareness of intellectual property, we started a system in fiscal 2010 that grants "P-Badges" to those who submitted a certain number of patent applications. Currently, our corporate culture considers it a matter of course for all engineers to earn one. There are a variety of awards systems in place for intellectual property activity achievements, and in addition to awards for inventions that contribute to profits, there are others which use different criteria such as number of patent applications in a year, invention originality, and strength of the application network. We also give awards for actions utilizing licenses and rights, such as earning license revenue and blocking the entry of other companies. These awards systems are intended to increase employee motivation related to intellectual property. Within this awards framework, there is a special company president award called the "Invention Grand Prize", which recognizes the achievements of inventors whose inventions make major contributions to profit for the Group as a whole. The Invention Grand Prize is divided into four grades ranging from Special Class to 3rd Class, assigned depending on the extent of the invention's profit contribution, and there

are bonuses awarded to winners for each grade. The Special Class bonus has no upper limit and is instead defined as a ratio of the profit contribution amount. This system has been in place since fiscal 1999 and is now in its 21st year. In fiscal 2020, a 1st Class Invention Grand Prize was awarded for a patent related to an in vitro diagnostics product that measures HbA1c in blood and a 2nd Class Invention Grand Prize was awarded for a liquid crystal display element sealant patent.

Intellectual Property Training for Employees

We have established a training program for new engineers during their first three years that covers essential topics ranging from fundamentals of intellectual property to strategy development and is implemented at all companies. In fiscal 2020, lectures were implemented 20 times and roughly all of the target group, approximately 550 engineers, participated. In addition, we provide individual specialized education programs for each divisional company to cultivate practical skills in line with their business. For trademarks and branding issues, the target group for education programs is expanded to include marketing and sales staff as well.

Group-wide Intellectual Property Application (IP Landscaping)

SEKISUI CHEMICAL Group engages in analysis activities that combine markets and technology information with a focus on intellectual property (IP landscaping). This approach supports strategy planning and intellectual property portfolio enhancements in departments that work to strengthen the business competitiveness of existing products, as well as those that create new products and businesses. Meanwhile, it also aids decision-making when undertaking high-level management and business assessments, such as M&As, so we promote the use of this approach throughout the Group.

Performance Data

In the "Patent Asset Scope Ranking" and "Ability to Restrain Other Companies Ranking" released by Patent Result Co., Ltd., our company was ranked fourth in both in 2020, and we have maintained a position in the top 10 of both rankings for the past five years.

Patent Asset Scope 2020 Ranking

Ranking	Company name	Patent asset scope (pt)	Number of patents
1	Fujifilm	60,665.0	1,188
2	LG Chem	25,886.0	658
3	Sumitomo Chemical	25,202.7	464
4	SEKISUI CHEMICAL	19,694.4	508
5	Kao	18,503.7	588
6	DIC	17,854.4	325
7	Mitsubishi Chemical	14,404.1	490
8	Nitto Denko	13,332.0	359
9	Asahi Kasei	13,129.0	315
10	Hitachi Chemical*	12,612.4	353

Source: Patent Result Co., Ltd.

"Chemical Industry: Patent Asset Scope 2020 Ranking"

* Currently Showa Denko Materials Co., Ltd.

Ability to Restrain Other Companies 2020 Ranking

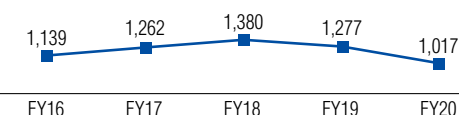
Ranking	Company name	Number of patents
1	Fujifilm	4,287
2	Mitsubishi Chemical	2,014
3	Kao	1,556
4	SEKISUI CHEMICAL	1,297
5	Nitto Denko	1,148
6	Asahi Kasei	1,027
7	Sumitomo Chemical	1,013
8	Showa Denko Materials	940
9	DIC	755
10	Shin-Etsu Chemical	708

Source: Patent Result Co., Ltd.

"Chemical Industry: Ability to Restrain Other Companies 2020 Ranking"

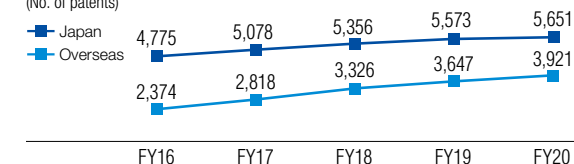
Number of patent applications (domestic)

(No. of patents)



Number of patents possessed (domestic and international)

(No. of patents)



Human Rights Initiatives

SEKISUI CHEMICAL Group recognizes that it is our responsibility to protect human rights of all individuals affected by our business activities and is promoting global-scale measures aimed at protecting the human rights of all stakeholders who are impacted by our business activities.

► SEKISUI CHEMICAL Group "Human Rights Policy"

https://www.sekisuichechemical.com/csr/csr_manage/humanrights/index.html

Actions in regard to the UK Modern Slavery Act

We released the SEKISUI CHEMICAL Group Modern Slavery Statement in September 2019 in recognition of the need of the Group as a whole to take action in regard to human rights issues. This statement is pursuant to section 54 (1) of the UK Modern Slavery Act 2015 and sets out the actions taken by SEKISUI CHEMICAL Group to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains. Going forward, the Group will take appropriate measures regarding human rights laws and regulations in countries and regions beyond the United Kingdom.

► SEKISUI CHEMICAL Group Modern Slavery Statement (PDF download)

https://www.sekisuichechemical.com/csr/assets/images/Modern_Slavery_Statement_for_FY2019.pdf

Initiatives to Build a Human Rights Due Diligence* Framework

In November 2018, we employed an external specialized agency, which conducted an assessment of human rights risks, with the aim of building a human rights due diligence framework. The results of this assessment confirmed that there was a high level of potential occupational health and safety as well as other human rights risks mainly overseas (China, India, Thailand, and Brazil). Since February 2019, interviews of Group employees with experience stationed in Thailand, China, and India, as well as internal staff of related departments, have been conducted. These interviews confirmed that there was no discrepancy with the assessment results.

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

10 Human Rights Issues in Primary Business Activities* Assessment Results (2018)

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

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

Interview Results: "Awareness of safety at overseas production companies is high and safety activities have taken hold," "Positive conditions such as a lack of discrimination toward immigrant laborers, foreigners, and women working there were identified at the Group companies involved in the interviews," "Although headquarters-led CSR procurement surveys are implemented for suppliers, no supplier checks were performed from the perspective of human rights at the site level," and "Some overseas production companies have factories that use a large number of temporary workers (fixed-term employees)." As per above, some of the findings indicated issues requiring further confirmation of onsite conditions, and in fiscal 2020 a third-party organization conducted employee interviews at the following sites in Japan in order to understand the severity of the impact.

Targets: Foreign nationality employees (including contract employees) working at Higashi Nihon Sekisui Industry Co., Ltd., an Urban Infrastructure & Environmental Products Company, as well as personnel and labor management supervisors for these foreign nationality employees.
Results: Although no serious human rights risks were identified, a feedback reporting session was implemented to share extracted issues for improvement such as the need for multilingual support for plant internal guidance and notices.

In addition to follow-up evaluations related to the handling of these issues, we will carry out similar human rights interviews at overseas locations in the future. In this way, we will develop a framework for human rights due diligence.

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. 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. We are currently focusing on confirming procurement policies with our direct business partners while also drafting procurement guidelines that incorporate specific content to ensure that SEKISUI CHEMICAL Group policies are being widely adhered to throughout the entire supply chain, including at secondary and tertiary suppliers from fiscal 2021. We are also considering endorsing and participating in accredited supply chain initiatives in order to further improve the quality of human rights due diligence. In addition, SEKISUI CHEMICAL 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.

► Material Procurement

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

Conducting Educational Programs that Include Preventing Harassment

In order to conduct human rights-conscious management, we provide training and education on human rights to our employees. In particular, we incorporate content that raises awareness of human rights-related issues such as forced labor, child labor, and harassment into training programs conducted at milestones such as being hired and promotions. In fiscal 2020, we launched the "Business and Human Rights E-Learning" program using the Company intranet to promote awareness of our stance to respect human rights of all people affected by our business activities. We also conduct annual harassment training to prevent harassment, with 367 employees participating in fiscal 2020.

Stakeholder Engagement

To build relationships of trust with its five stakeholders —customers, shareholders, employees, business partners as well as local communities and the environment—SEKISUI CHEMICAL Group considers that it is important to improve corporate value through constructive dialogue. Positioning its stakeholders as partners in improving corporate value, having constructive dialogue with them, and assessing their expectations and requests, as well as resolving society-wide issues together with them, leads to great opportunities for SEKISUI CHEMICAL Group. We will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.

Promoting Constructive Dialogue with Stakeholders

Dialogue with Stakeholders

Rallying to the catchphrase “we consider customer feedback as the beginning of our manufacturing,” we have worked diligently to realize quality that is always specified by customers. In this regard, SEKISUI CHEMICAL Group conducted Customer And Top (CAT) meetings (held for approximately 50 houses in fiscal 2020), which featured Housing Company executives listening to customer feedback directly.

Dialogue with Employees

Believing that dialogue between management and employees is essential in resolving the problems faced by the Company as well as work-related issues, SEKISUI CHEMICAL Group has been providing opportunities for direct dialogue between employees and top management since fiscal 2002.

In fiscal 2020, we held eight online Vision Caravan 2020 meetings in Japan and five overseas (East Asia, ASEAN, India, Australia, North America, and Europe) to promote awareness of our newly formulated



Vision Caravan 2020 event held online

Vision 2030 and ESG management, the key to realizing our Long-term Vision, among all employees throughout the Group. The president and directors outlined their personal thoughts on how to realize Vision 2030 while also explaining the Group's ESG management. In response, employees discussed among themselves and deepened their understanding toward how they should approach each business activity in order to realize Vision 2030. Taking into consideration a variety of factors, employees also looked into how they can link individual operations to the Group's ESG management. In response to questions and presentations that arose from deliberations among employees, the president and directors provided comments and feedback, while promoting lively interactive dialogue.

Dialogue with Shareholders and Investors

SEKISUI CHEMICAL Group believes it is important to actively disclose information in a timely and appropriate manner. On the SEKISUI CHEMICAL Group website, we established the Corporate Information Disclosure Regulations, which specify the content and system of disclosure as part of our effort to strengthen our internal information disclosure framework, based on the Principle of Corporate Information Disclosure. Taking full consideration of fair disclosure, SEKISUI CHEMICAL Group posts its financial statements and results briefings on its website in Japanese and English simultaneously and provides recordings of each briefing and a transcript of the question-and-answer sessions. In fiscal 2020, management held online presentations of the Long-term Vision and Medium-term Management Plan, as well as quarterly financial results briefings.

With its business domains so diverse, SEKISUI CHEMICAL Group believes it is important to give clear explanations of its actions to individuals to deepen understanding of the Group's overall business characteristics and ESG management initiatives. Among a host of initiatives, the Company actively conducts meetings with institutional investors and sell-side analysts. In fiscal 2020, we held a small meeting for sell-side analysts covering the HPP Company's growth strategy together with each business strategy.

We view active engagement between investors and management as one of our key points of focus, and are actively engaging in constructive dialogue with investors and shareholders, with the feedback reflected in our management efforts. We are also working to improve our IR materials, including the Integrated Report, based on the opinions and questions we receive. In fiscal 2020, we were ranked second in the chemicals and textiles industry in the annual Securities Analysts' selected companies performing excellent

disclosure conducted by the Securities Analysts Association of Japan (SAAJ). This is in recognition of the Company's proactive approach to the disclosure of ESG and other non-financial information.

We intend to continue focusing on the voice of the capital markets moving forward, and will promote measures aimed at bolstering corporate value and ensuring sustainable growth by providing clear and detailed explanations.

Local Communities and the Environment

SEKISUI CHEMICAL Group emphasizes a perspective that encompasses contributions to the development of communities through our business, coexistence with communities, and environmental conservation. We are collaborating with local communities and working to convey to the next generation the importance of conserving the natural environment. In addition to implementing career educational programs for elementary, middle, and high school students that leverage the characteristics of our business activities, we are promoting a wide range of activities including various environmental preservation activities in an effort to safeguard the natural environment conducted by Group business sites while providing support and assistance for research based on innovations inspired by nature.



Kyusyu Sekisui Children's Nature Academy

Distributing Value to Stakeholders (Fiscal 2020)

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

(Millions of yen)

Stakeholders	Method of Calculating Amounts	
Shareholders	Dividends	22,193
Business partners	Cost of Sales, Selling Costs / General Administrative Costs (Excluding Personnel Costs)	778,554
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	210,705
Local communities	Donations	218
Global environment	Environmental conservation costs	16,207
Government and administrative bodies	Corporate taxes, local taxes, business taxes	19,902
Creditors	Interest paid as part of costs apart from sales	861

High Performance Plastics Company

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

Utilizing original technologies, such as fine particle, adhesion, and precise molding technologies, we help bring about the further evolution of our customers' products and services for electronics, mobility, building, and infrastructure materials as well as various other industries, while providing advanced high-performance materials on a global basis.

History of the High Performance Plastics Company

History in Process Creation

Since SEKISUI CHEMICAL Group introduced its current three divisional company organization system in 2001, the High Performance Plastics (HPP) Company has been engaged in growth strategies centered on overseas business expansion, enhanced its management foundation, strengthened the Electronics field, such as fine particle products and high-performance resins, and the Automotive Materials field, including its interlayer film and foam businesses, and worked to expand profits. In the automotive interlayer film business, which is one of our main products, we have established a solid position globally through developments that have accurately captured social needs—for example, we added a sound insulation function that suppresses noise and a heat insulation function that significantly cuts ultraviolet rays and heat to the interlayer film's original functional role of making the windshield shatterproof—and established film manufacturing business bases overseas. In the Electronics field, we responded to the emergence and higher functionality of smartphones by launching a variety of products. Today, we are supporting the foundation of a digital society and contributing to people's prosperous lifestyles.

History of Adaptability

Up until now, the HPP Company has been able to capture changes in society and the business environment, respond proactively, and generate profits by focusing on areas where we can win. One example is the device materials-related business. By successfully perceiving the technological turning points in the emergence of smartphones, quickly building relationships with customers, and replacing product portfolios, we have achieved growth along with the expansion of the smartphone market. In addition, during the previous Medium-term Management Plan, we established a collaborative system and sales network in terms of R&D and production in future growth markets through M&A with companies that can be expected to have synergistic effects with our company, such as SoflanWiz Co., Ltd., which boasts high technological capabilities in the domestic market for rigid polyurethane stock solutions, and Polymatech Japan Co., Ltd., which possesses strengths in high-performance resin processing for automotive and electronics applications.



Ikusuke Shimizu

President of High Performance Plastics Company

Ready to face challenges and changes toward a better world

Our mission is to “improve people's quality of life” and “create a safer and more convenient world” by means of technology.

To realize our vision, we will boldly face the challenges of even difficult problems and create an organization and culture that will not apportion blame even in the event of failure.



Conductive fine particles



Component packaging materials for semiconductors



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



Moldings for automobile bumpers



Interlayer film for automotive laminated glass



Chlorinated polyvinyl chloride (CPVC) resin compound



Thermal expansion fire-resistant materials



Rainwater storage system

High Performance Plastics Company

High Performance Plastics Company Future Medium- to Long-term Strategies

Electronics Field

Expansion mainly in non-LCD products

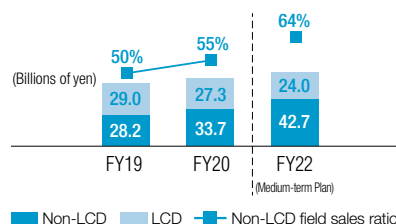
In the Electronics field, we do not anticipate a recovery in the liquid crystal display market conditions and will focus on expanding sales of products in the non-LCD field. In addition to providing process materials for making semiconductors lighter, thinner, and shorter, as well as heat-releasing materials for 5G base stations, which are becoming more widespread worldwide, we are aiming for further growth and the strengthening of our portfolio. These aims will be achieved through the development and launch of new products for next-generation displays that make use of the knowledge we have cultivated in the development and sale of products for liquid crystals.

Heat resistant Selfa (semiconductor processing material)

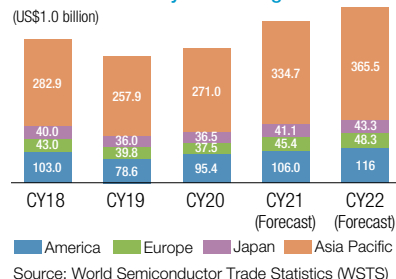
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components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



Non-LCD Field Sales/Sales Ratio



Volume of Semiconductor Shipments Market Forecast by Global Region

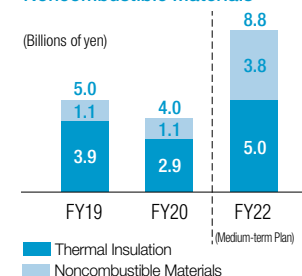


Building and Infrastructure Field

Expansion of Thermal Insulation/Noncombustible Material Sales Preparations for new (sensor) business

In the Building and Infrastructure field, we supply materials that contribute to the safety and security of buildings and infrastructure and to the resolution of social issues, such as resin raw materials for heat-resistant piping and rainwater storage materials, while striving to expand sales of the thermal insulation/noncombustible materials on which we are focusing. We will also promote marketing with the keyword "construction-saving" and focus on the development of new products that will drive growth, centering on sensors.

Net Sales of Thermal Insulation/Noncombustible Materials



Noncombustible certified material, thermal insulating urethane foam material for onsite use

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



Monitoring sensor ANSIEL

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

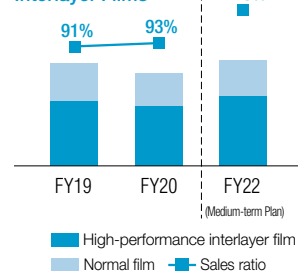


Mobility Field

Expand Sales of High-value-added Products Over the long term, foster aircraft-related components into a second pillar of profit

In the Mobility field, we will not factor in a significant recovery in the automobile market, but rather aim for growth centered on expanding sales of high-value-added products, primarily high-performance interlayer films, and will foster aircraft-related components into a second pillar of profit. In high-performance interlayer films, in addition to improving profitability with differentiating technology, such as heat and sound insulation performance, and wedge-shaped interlayer film for head-up displays (HUDs), in the long term we will focus on development aimed at further increasing added value by combining interlayer functions.

Sales Volume/Sales Ratio of High-performance Interlayer Films



Example of combined functions



Interlayer film for head-up displays

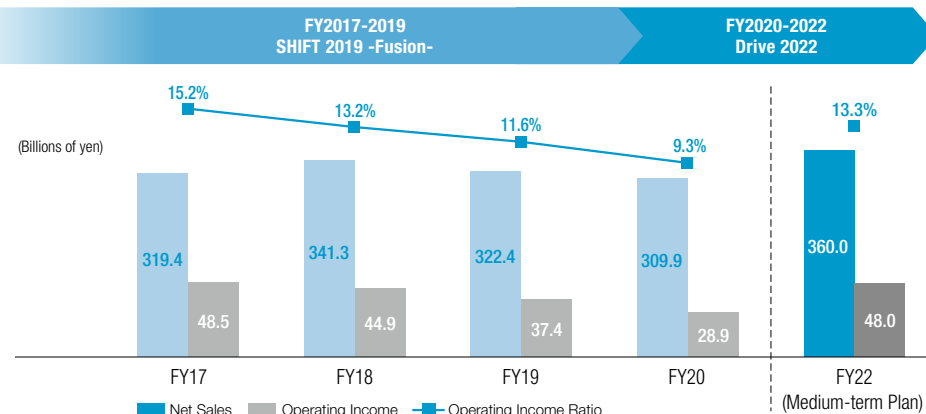
SEKISUI AEROSPACE CORPORATION

SEKISUI AEROSPACE manufactures interior and exterior aircraft parts, carbon fiber-reinforced plastic (CFRP), and other composite molded products. These products contribute to lighter weight aircraft parts and higher fuel efficiency for transport equipment. As demand for aircraft is expected to recover over the medium to long term, in the years to come the company will increase the ratio of high-value-added engine components, while advancing portfolio reform by deploying these materials for other uses, such as drones used to transport goods and medical equipment.



High Performance Plastics Company

Performance Highlights



	FY2017	FY2018	FY2019	FY2020	FY2022*
Forex Rate (Avg. rate for each term)	¥113/US\$ ¥121/€	¥111/US\$ ¥128/€	¥109/US\$ ¥121/€	¥106/US\$ ¥124/€	¥106/US\$ ¥118/€
Main M&As	09/2017 Polymatech Japan Co., Ltd.	12/2017 SofianWiz Co., Ltd.	2H 2019 AIM Aerospace		
Main Strategic Investments	12/2017 Started operations at a new interlayer film production line (Mexico)	04/2018 Operations commence at a new automotive exterior parts plant in Japan	2018-2019 Started operations at new foam plants in Thailand and China	2H FY2020 Started operations at a new interlayer production line (Europe)	

Note: FY2022 figures are assumptions

Fiscal 2020 Results

In fiscal 2020, net sales were ¥309.9 billion and operating income was ¥28.9 billion, and sales and income decreased due to the effects of COVID-19. Nevertheless, in the second half sales and income returned to higher levels, and the strengthening of the profit structure progressed faster than planned. In the Electronics field, demand related to tablet terminals and high-speed communications increased against the backdrop of the spread of telecommuting, and sales increased. In the Mobility field, the interlayer film business drove business performance as the demand for automobiles recovered from the second quarter onward. The Building and Infrastructure field also secured sales on par with the previous year due to the recovery in demand for CPVC from the second half of the year. For the full year, HPP achieved an improvement in profit of ¥5.6 billion through cost innovations, such as purchasing optimization, productivity improvements, and distribution cost reductions, almost offsetting the decreases in sales volumes and product mix, and minimized the extent of the profit decline.

Analysis of Operating Income

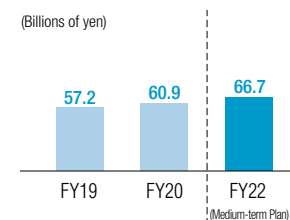
	FY19 ¥37.4 billion							FY20 ¥28.9 billion	
	Consolidated-basis Change	Foreign Exchange	Sales Volumes & Product Mix	Selling Price	Raw Materials	Cost Reduction, etc.	Fixed Costs	Total	
YoY Full FY	-5.6	-0.9	-5.1	-3.8	+2.8	+1.4	+2.8	-8.4	
1H YoY	-3.6	-0.2	-10.5	-2.2	+2.0	+0.1	+3.9	-10.6	
2H YoY	-1.9	-0.7	+5.4	-1.6	+0.8	+1.3	-1.1	+2.1	

Margin Profit -¥4.7 billion

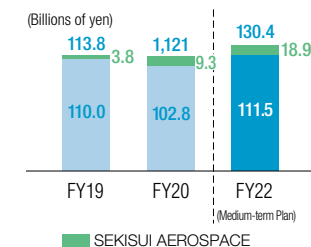
(Billions of yen)	FY17	FY18	FY19	FY20
Assets	447.5	343.8	376.5	422.9
ROIC			9.1%	6.7%
EBITDA	77.9	61.9	56.3	51.1
Depreciation and Amortization	18.0	16.1	17.7	19.3
Capital Expenditures	25.7	32.9	26.6	16.5
R&D Expenditures	18.9	16.2	15.3	13.9
Number of employees	9,735	7,795	8,078	7,541
Consolidated Subsidiaries (Overseas Companies)	67(55)	68(56)	65(54)	63(52)

Note: Including Medical Business data up to FY2017.

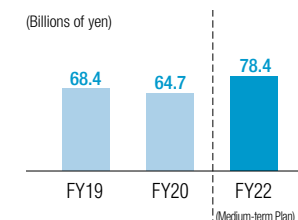
Electronics Field Net Sales



Mobility Field Net Sales



Building and Infrastructure Field Net Sales



Outlook for Fiscal 2021

In fiscal 2021, we will aim for growth mainly by increasing sales volumes and improving the product mix in the three strategic fields. Although there is a risk of stagnation in semiconductor production, in the Electronics and Mobility fields, we aim to expand business performance centered on expanding sales of high-performance products, such as non-LCD products and automotive interlayer films with multiple functions. SEKISUI AEROSPACE is struggling due to sluggish aircraft demand but will continue to promote rationalization measures and the development of other applications. In the Building and Infrastructure field, we will cover the delay in the recovery of domestic demand by increasing sales overseas. With regard to cost innovation, which is the most important issue, we expect to exceed the Medium-term Management Plan (fiscal 2022) in fiscal 2021.

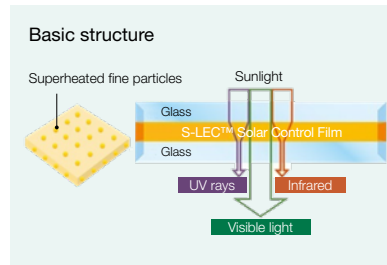
Grasping Changes in Society (HPP Company Sustainability)

Climate Change



Heat insulation interlayer films

In response to the increase in the amount of sunlight entering the interior of automobiles due to the expansion of front windshield areas and the introduction of glass tops that emphasize amenity, heat insulation interlayer films prevent any increase in the operating rates of air conditioners. In automobiles, our fine particle dispersion technology cuts not only ultraviolet (UV) rays but also infrared rays that can irritate the skin, while contributing to improved comfort and fuel efficiency by suppressing any rise in interior temperature. In the case of electric vehicles, this product also makes it possible to reduce air-conditioner usage and the load placed on the battery.



Conductive fine particles

These are conductive fine particles that conduct electricity by metal plating highly refined particles. This enables continuity between electronic parts and printed circuit boards, heat transmission, and gap formation. SEKISUI CHEMICAL's unique polymer design technology enables the control of particle hardness and reactivity and contributes to the need for even higher integration in the liquid crystal and mounting fields.



Heat release grease

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



Health and Welfare



Virus removal spray

A polymer with an ionic group similar to neuraminic acid captures enveloped viruses and prevents them from binding to the surface of receptors in the body. Spraying this product on objects with which people come into contact, such as doorknobs, handrails, toilet seats, and switches, bestows those objects with the virus removal effect.



Make Cities Sustainable



Wedge-shaped interlayer film for HUD systems

This head-up display (HUD)-compatible interlayer film displays essential information onto automotive glass. HUDs greatly improve safety by eliminating the driver's line of sight movements. By means of wedge bias control technology, which produces a wedge-shaped, HUD-compatible interlayer film, and multilayer extrusion, as well as nano-dispersion technologies, we were the first in the world to create an interlayer film that not only suppresses double HUD images but also has sound and heat insulation functions. These films improve visibility and contribute to greater driving comfort and safety.

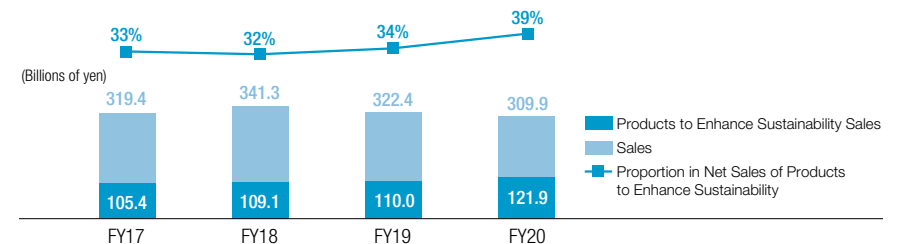


Fire-resistant thermal expansion materials

In the event of a fire, this material expands to form a heat insulating layer and shuts out the flames, thereby contributing to disaster mitigation. As the product is normally mounted as a thin sheet tape, the material is good for cutting and bending and ideal for effective use even in confined spaces.



Trends in HPP Company Products to Enhance Sustainability Sales



Housing Company

Providing more people with peace of mind, safety, and comfort through our prominence in high-performance housing and housing-related services

We conduct business based on the principle of providing environmentally friendly housing for safe and comfortable living for at least 60 years.

History of the Housing Company

History in Process Creation

This year marks the 50th anniversary of the launch of our first product SEKISUI HEIM M1 in 1971. From the outset, we have continued to develop a new housing construction business that specializes in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. To date, cumulative sales of such residences have exceeded 600,000 units. In 1997, the Company began full-scale sales of housing with solar-power generation systems, and in 2012, it introduced Smart Heim models with standard features such as built-in storage batteries and HEMS*, thereby advancing the development and increased use of energy self-sufficient housing. Utilizing its prominence in technologies to help solve social issues, the Company engages in a wide range of activities. This includes the launch of the Resilience 100 STAY & WORK model in July 2020 that features enhanced capabilities in addressing new lifestyles and resilience functions for an era in which living to the age of 100 is not uncommon.

*HEMS: Smart Heim Navi Home Energy Management System

History of Adaptability

As the number of new housing starts in Japan declined from the late 1990s due to the declining birthrate, aging population, and other social changes, the Housing Company worked to improve its competitiveness while restoring profitability by reorganizing its sales structure thereby strengthening its sales force and reducing costs. The Company has also worked diligently to bolster its Renovation and other Stock businesses and to expand its business overseas. Over the past few years, the Company has made an unwavering commitment to structural reforms in a bid to stay ahead of changes in the business environment. These reforms include investing in automation and integrating the operations of housing production plants in each region to further improve productivity.



Toshiyuki Kamiyoshi

President of Housing Company

A year of significant progress in taking on new challenges and securing a position at the forefront of the times

Amid the ongoing challenges presented by the COVID-19 pandemic, we will refrain from adopting a pessimistic approach while carefully monitoring risk, and work in unison to achieve sustainable growth with a strong resolve.



In-house production in progress inside the Housing production factory



Housing production factory (unit)



Housing production factory (exterior wall)



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



Town and community development for disaster prevention and mitigation



Living room, dining room, and kitchen renovation



The housing production factory in Thailand

Housing Company

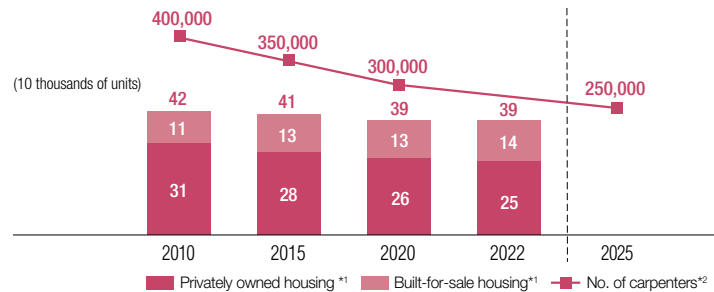
Housing Company Future Medium- to Long-term Strategies

Housing Business

Aiming for the top share in the detached housing market

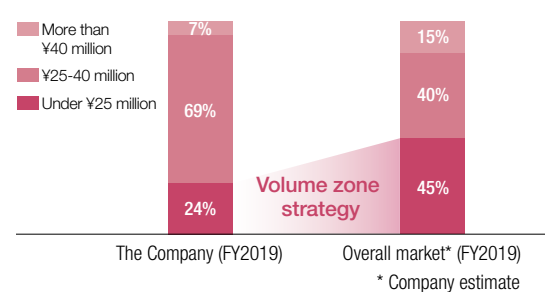
SEKISUI HEIM ensures the stable supply of high-quality (high earthquake resistance, airtightness, and heat insulation) housing through its revolutionary Unit Construction Method, where the vast majority of construction is conducted at the factory. The Unit Construction Method is becoming increasingly advantageous with the aging of craftsmen, labor shortages, and the ongoing upswing in construction labor costs. In addition to developing products that meet smart and resilient needs, as well as demands in line with the new normal, the Company is focusing its resources on subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers, to capture the volume zone in housing and achieve the top market share in detached houses.

Trends in the no. of detached house starts and the no. of carpenters

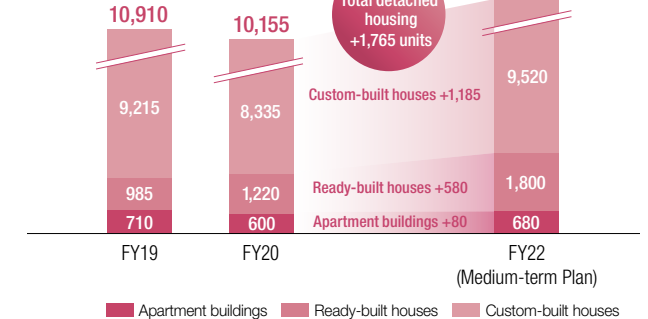


*1 FY2010–FY2020 figures are based on data from the Ministry of Land, Infrastructure, Transport, and Tourism's FY2020 Survey on Construction Starts ; FY2022 figures reflect the Company's estimates.
 *2 Source: Ministry of Land, Infrastructure, Transport, and Tourism Housing and Housing Land Subcommittee of the Social Infrastructure Development Council data

Number of detached housing starts by price range



Number of units sold



Stock Business (Renovation/Real Estate)

Increasing the value of the Company's prominence in factory-built housing products and passing this on to the next generation

Leveraging the collective strengths of the Group, including after-sales services, renovation, and real estate, the Company launched the purchase and resale BeHeim brand in earnest in fiscal 2020. Under the BeHeim brand, the Company will first visualize the status of housing health by utilizing the prominent high quality and durability of its factory-built housing products, as well as its history of production at the time of new construction, the provision of maintenance information, and others. On top of the Company's renovation endeavors to increase housing value (ensure comfortable living while maintaining and improving asset value), steps will be taken to clarify options for additional work in a bid to create benefits for both the seller and the buyer through resale. By passing on this value to the next generation, the Company will contribute to revitalization of the local community, reduce the number of vacant houses, and help build a sustainable, recycling-oriented society.



Town and Community Development Business

Nationwide rollout of smart and resilient town and community development

SEKISUI CHEMICAL Group's unique approach to town and community development brings together safe, secure, and environmentally-friendly SEKISUI HEIM smart technologies, its proprietary HEIM SUITE condominium brand, and the Group's prominence in disaster-resistant infrastructure materials. By taking full advantage of the know-how cultivated through ASAKA Leadtown, the Company will expand and develop the business nationwide in an effort to achieve Town and Community Development business sales of ¥12.5 billion in fiscal 2022 (¥3.9 billion in fiscal 2020).

Higashi Matsuyama Leadtown (planned)

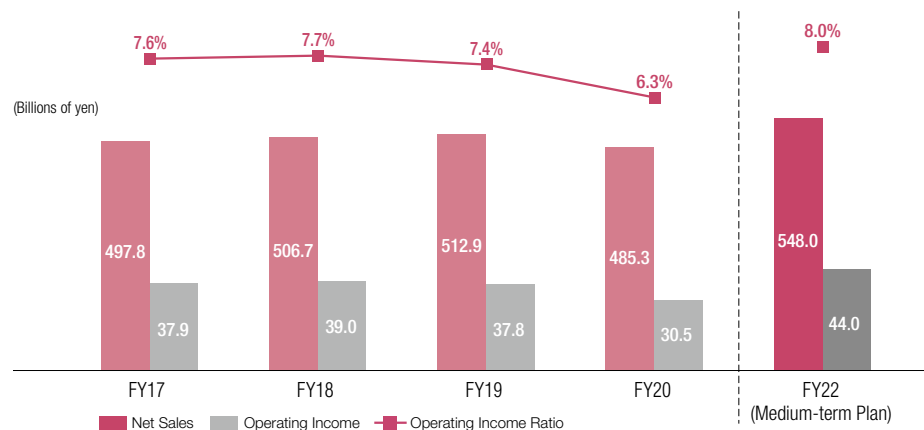


Sapporo-Hiragishi Leadtown (planned)



Housing Company

Performance Highlights

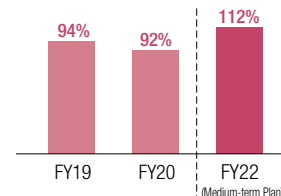


External environment

10/2019	02/2020
Consumption tax raised from 8% to 10%	Spread of COVID-19

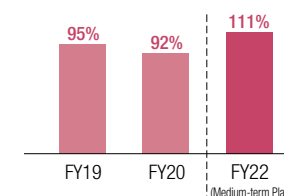
(Billions of yen)	FY16	FY17	FY18	FY19	FY20
Assets	277.8	283.3	315.2	331.8	324.8
ROIC				19.9%	14.0%
EBITDA	46.5	47.4	48.5	47.4	40.2
Depreciation and Amortization	8.9	9.3	9.4	9.4	9.7
Capital Expenditures	13.5	14.4	17.8	15.0	13.8
R&D Expenditures	4.5	4.6	4.2	3.9	3.5
Number of employees	10,447	10,698	10,891	10,937	11,182
Consolidated Subsidiaries (Overseas Companies)	41(1)	37(1)	37(1)	39(1)	39(1)

New Housing Orders



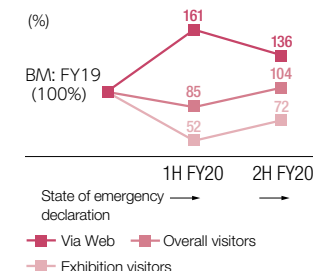
Note: YoY for FY2019 to FY2020; FY2022 compared with FY2019

Renovation Orders



Note: YoY for FY2019 to FY2020; FY2022 compared with FY2019

Visitors



Fiscal 2020 Results

In fiscal 2020, net sales and operating income declined substantially to ¥485.3 billion and ¥30.5 billion, respectively, due to a downturn in orders for housing and renovation caused mainly by COVID-19. Even under these circumstances, the Housing Company responded flexibly to the pandemic. In the Housing business, steps were taken to develop a sales style and products that meet the needs of the new normal in a timely fashion. In the Renovation business, energies were directed toward strengthening existing sales structures and systems through various measures including the appointment of dedicated staff to oversee periodic diagnosis. In the Real Estate business, the Company ramped up its collaboration with FAMI S (renovation) in a bid to bolster its apartment building renovation as well as purchase and resale. Thanks largely to these efforts, both net sales and operating income essentially recovered to the previous year's levels in the second half. Together with the full-fledged contributions to earnings from the Town and Community Development business, steady progress was also made in securing future projects, realizing the benefits of ongoing efforts to fortify the business structure and control fixed costs.

Analysis of Operating Income

	FY19 ¥37.8 billion							FY20 ¥30.5 billion								
(Billions of yen)	Sales Factors	Marginal Profit Factors	Fixed Costs	Renovation Marginal Profit	Renovation Fixed Costs	Other Marginal Profit	Other Fixed Costs	Total	Sales Factors	Marginal Profit Factors	Fixed Costs	Renovation Marginal Profit	Renovation Fixed Costs	Other Marginal Profit	Other Fixed Costs	Total
YoY Full FY	-8.7	-1.1	+4.1	-3.1	+0.8	+0.9	-0.2	-7.3								
	Housing			Renovation			Other*			Total						
1H YoY	-5.7	-0.2	+2.9	-3.3	+0.8	-0.1	0	-5.6								
2H YoY	-3.0	-0.9	+1.2	+0.2	0	+0.9	-0.2	-1.7								

* Other (Real Estate, Town and Community Development, Overseas, Residential Services)

Outlook for Fiscal 2021

Despite the lingering effects of COVID-19, the Housing Company is targeting a return to the profit levels recorded prior to the pandemic through efforts aimed at increasing net sales in the Housing and Renovation businesses and expanding the Town & Community Development business in fiscal 2021. In the Housing business, the Company will continue to use the Internet to attract visitors and promote proposals that integrate such virtual and real tools as remote negotiations and experience-based showrooms. In addition, the Company will work to increase orders by developing projects commemorating SEKISUI HEIM's 50th anniversary, promoting the appeal of smart and resilient as well as new normal products, and strengthening land strategies in such areas as subdivision and ready-built houses. In the Renovation business, every effort will be made to strengthen proposal capabilities by further increasing periodic diagnosis quantity and quality while expanding the FAMI S Museums and improve productivity.

Housing Company

Grasping Changes in Society (Housing Company Sustainability)

Clean Energy

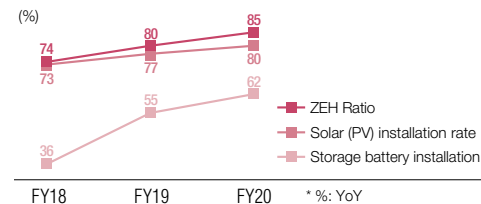
Smart Power Station: Housing equipped with the three key features of solar power, storage batteries, and HEMS for energy self-sufficiency

Housing equipped with large-capacity solar power, coupled with storage batteries, helps in reducing CO₂ emissions and is certified as products to enhance sustainability by SEKISUI CHEMICAL Group. With its integrated solar panel roof, Smart Power Station is capable of delivering large-capacity solar power even in a standard-sized house. Moreover, storage batteries can be installed to enhance the efficacy of renewable energy use. In fiscal 2020, the ZEH^{*1} ratio of the Group's new detached houses sold increased to 85%^{*2}. In addition to solar power generation systems and storage batteries, Smart Power Station can also be linked to electric vehicles while facilitating the installation of drinking water storage systems. In this manner, Smart Power Station enables users to maintain their lifestyles in the event of a lifeline disruption attributable to a natural disaster or other factors, making it an evacuation house that ensures people's safe and secure lives.

*1 ZEH: Net Zero Energy House *2 Excluding Hokkaido



Smart House-related Indicators



Climate Change

SMART HEIM DENKI Power Trading Service

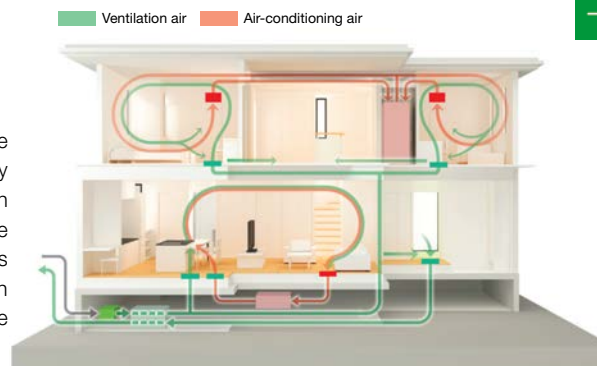
SEKISUI CHEMICAL Group has positioned climate change as a priority issue to be addressed. To accelerate society's efforts to help resolve this issue, the Group has joined the RE100 program and is working toward the shift to renewable energy. As a part of these endeavors, the Housing Company launched the SMART HEIM DENKI service in 2019. Under this service, surplus electricity is purchased from SEKISUI HEIM customers who live in SEKISUI HEIM houses equipped with solar panels, which is then utilized at the Group's domestic factories and offices. Energies are being directed toward providing an attractive surplus power purchasing service to customers whose electricity is no longer subject to the Feed-in Tariff (FIT) system, and promoting reduction of the Group's greenhouse gas emissions.



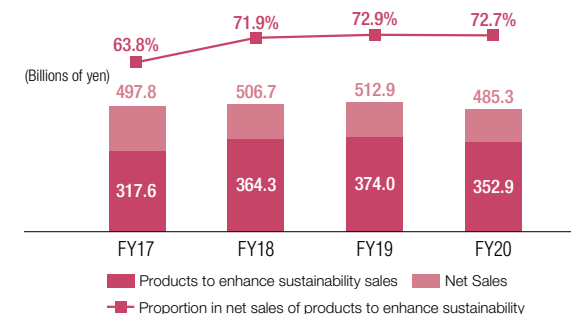
Health and Welfare

Comfortable Air Ventilation and Air-Conditioning Systems

The Housing Company is putting forward proposals that promote a comfortable life with less risk of temperature differences by maintaining a uniform thermal environment throughout the house. In June 2021, the Housing Company developed the new Comfortable Airy T-SAS, which is equipped with an air-conditioning filter that uses the HPP Company's antiviral agent and a ventilation filter with an enhanced dust removal function, to support a safe and comfortable stay at home even in the event of COVID-19 infection.



Trends in Housing Company products to enhance sustainability sales



Urban Infrastructure & Environmental Products Company

Solving infrastructure issues and supporting social infrastructure through a wide range of high-value-added products

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

History of the Urban Infrastructure & Environmental Products Company

History in Process Creation

Having in 1952 commenced the manufacture of ESLON pipe, the first rigid PVC pipe in Japan, the company subsequently promoted the explosive spread of ESLON water supply and drainage pipes by establishing injection molding technologies for those PVC pipe fittings, while establishing a solid position in the market. In anticipation of the needs for resource conservation and high functionality, from the latter half of the 1970s we utilized new materials and innovative technologies in releasing a series of pipework and related products that opened up new applications. To this day, we have been contributing to weight reduction and easy construction by replacing metal pipes and concrete pipes in a wide range of fields, such as water supply, sewage, housing, construction, agriculture, electric power, communications, gas, and plants. First developed in 1974, FFU synthetic wood has also been expanded to applications such as sleepers for railroads in Japan and overseas and tunnel excavation, and demand is growing due to the increasing need to reduce environmental impact.

In the years to come, we will continue to create products that help solve social issues and contribute to the maintenance of a resilient social infrastructure.

History of Adaptability

To address the problem of aging sewer pipes in urban areas and other locations, in 1986 we developed the sewer pipe renewal (SPR) method jointly with Tokyo Metropolitan Sewerage Service Corporation and Adachi Construction & Industry Co., Ltd. Requiring no excavation, this method achieved a significant shortening in construction times and a significant reduction in industrial waste, such as earth and sand. Having seen the damage to water pipes caused by the Great Hanshin-Awaji Earthquake in 1995, we rapidly developed ESLO Hyper, Japan's first polyethylene pipe for water distribution. Subsequently demonstrating its earthquake resistance in major tremors that occurred in quick succession, ESLO Hyper was stipulated as an earthquake-resistant pipe material in the Ministry of Health, Labour, and Welfare's Water Supply Vision in 2004 and the Japan Water Works Association Water Supply Business Guidelines of 2005. Today, ESLO Hyper is being widely used in the construction and building fields due to its durability, corrosion resistance, and light weight. Overseas, in 1990 we acquired the U.S. plastic sheet manufacturer Kleerdex Company, LLC (today SEKISUI KYDEX, LLC), and established a business foundation in interior materials for aircraft and vehicles. Later, the area was expanded to exterior materials, and we are currently promoting the development of a variety of applications, such as for medical equipment.



Yoshiyuki Hirai

President of Urban Infrastructure & Environmental Products Company

Toward becoming a professional group for solving social issues

There are many examples of SEKISUI CHEMICAL Group's products being used including in disaster prevention and mitigation. Confronting the range of issues that society is facing, we will promote product development that solves those issues to a high level and the development of human resources capable of making proposals while improving the quantity and quality of our social contributions.



Residential water supply and drainage system



Kucho Hyper CH



High-performance seismic polyethylene pipe



ESLON RCP



Pipeline renewal method (SPR method)



Plastic sheet for medical devices



High-performance resin tatami (MIGUSA)



SEW Work Method (Shield Earth Retaining Wall System)

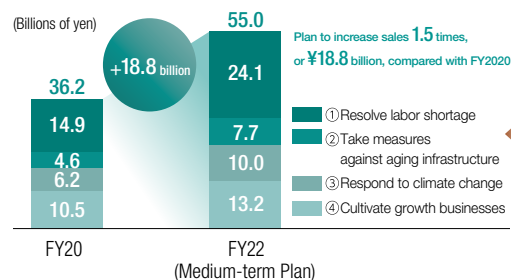
Urban Infrastructure & Environmental Products Company

Urban Infrastructure & Environmental Products Company Future Medium- to Long-term Strategies

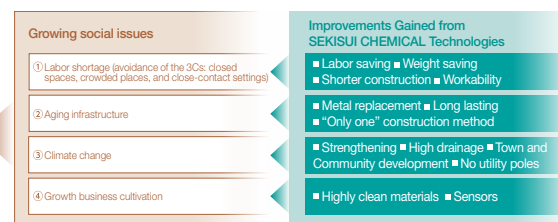
Expand sales of prioritized products

We will contribute to solving increasingly serious and complex social issues (labor shortage, aging infrastructure, and climate change) through prioritized products that combine SEKISUI CHEMICAL Group's technologies.

Prioritized Product Net Sales



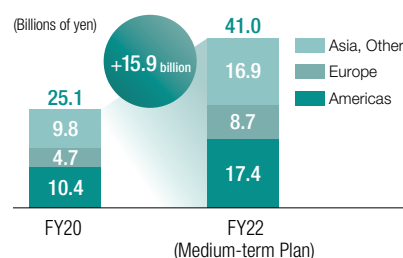
Social Issues and SEKISUI CHEMICAL Group Technologies



Expand Overseas Business

In addition to diversifying business and products, we develop examples of success in Japan mainly in high-value-added products while working to gain new customers and to expand and deepen our sales areas. We will steadily proceed with preparations for the start of FFU synthetic sleeper production in Europe in fiscal 2022.

Sales by Overseas Area



Businesses/Products	Strategies	Europe	Americas	Asia
Sheets	<ul style="list-style-type: none"> Promote of development for medical/railway applications (Europe/Americas) Continuation of production efficiency improvements 	○	○	—
Advanced materials (FFU)	<ul style="list-style-type: none"> Cultivate new customers (Americas/Asia) Establishment of European production base (scheduled to start operation in second half of fiscal 2022) 	●	●	●
Pipeline renewal	<ul style="list-style-type: none"> Promote the of introduction of new products that are easier to install Expand of construction partners and strengthen cooperation 	—	●	●
Plant piping	<ul style="list-style-type: none"> Acquire of Asian demand and semiconductor demand Expand synergies with Tien Phong Joint Stock Company in Vietnam 	—	—	●

●: Examples of domestic success that were expanded to other regions

Sales Innovation

In order to respond to the new normal in the future, in addition to raising product awareness through webinars, we will also make use of our Chiba Solution Center (which commenced operations in July 2021) to provide online information on the status of evaluation tests in a form close to the actual environment, thereby fusing the real and the virtual. In this manner, we will establish a new model for success that encompasses finding new customer to having them decide to adopt our products.

Growth Strategies by Three Strategic Fields

Piping and Infrastructure

The UIEP Company supplies a wide range of piping materials—from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants, and other pipes for such social infrastructure as water supply/sewerage systems in the public sector, as well as agricultural water, electricity, and gas supply systems that are easy to install and help shorten construction periods—in addition to pipeline renewal materials that serve as a countermeasure for aging infrastructure. In addition to conventional earthquake and corrosion resistance properties, we will enhance features, such as pressure resistance and high drainage, to accelerate and promote substitution from metal piping.

Product Example



SPR-NX method



Plant products with high corrosion and chemical resistance

Building and Living Environment

The UIEP Company provides materials for interior use, including prefabricated baths and functional (artificial) tatami, and construction materials for external use, such as rain gutters and downspouts, and exteriors. We will focus on expanding sales of prioritized products such as products to respond to serious disasters, including torrential rain (high flow rate drainage system), nursing care/independence support equipment (wells), and functional (artificial) tatami (MIGUSA).

Product Example



High flow rate drainage system



wells

Advanced Materials

The UIEP Company provides FFU synthetic wood sleepers for railroads, soundproofing materials, plastic molding sheets for interior materials, and liquid transportation containers. There is significant room for market growth in this field, including overseas expansion, and we will accelerate the development of other applications for high-value-added products for aircraft, railroads, and medical care.

Product Example



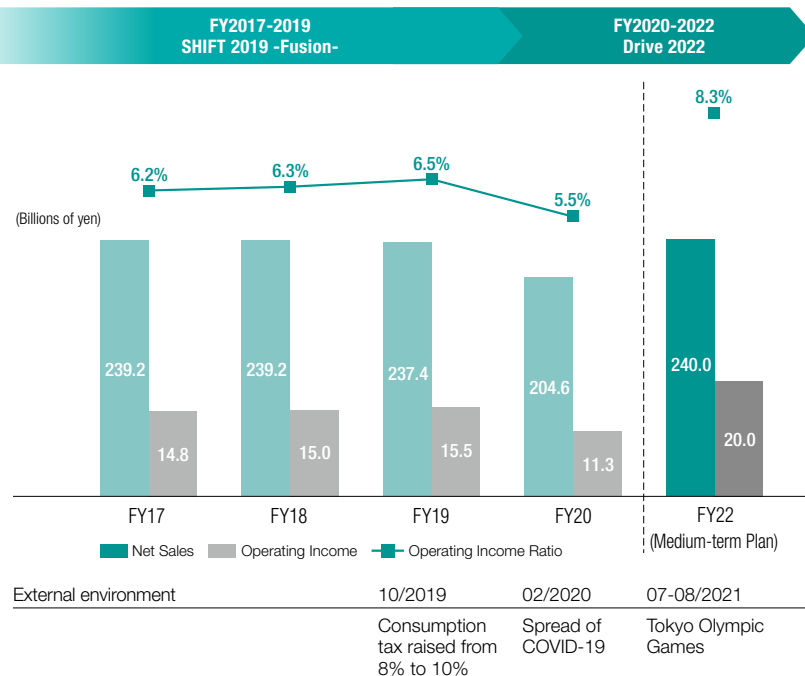
Plastic molding sheets for aircraft cabin interiors



FFU synthetic wood sleepers Europe factory

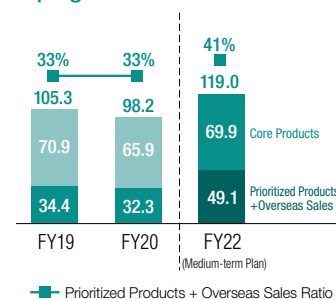
Urban Infrastructure & Environmental Products Company

Performance Highlights

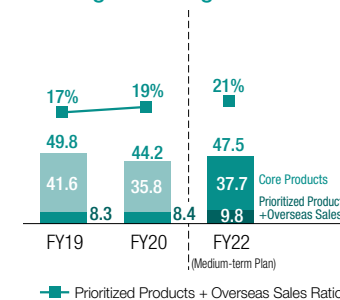


(Billions of yen)	FY17	FY18	FY19	FY20
Assets	207.1	216.7	216.9	210.4
ROIC			7.3%	5.3%
EBITDA	21.4	22.2	23.4	19.9
Depreciation and Amortization	6.4	7.0	7.8	8.7
Capital Expenditures	9.8	13.9	13.6	14.1
R&D Expenditures	6.1	5.9	6.2	6.4
Number of employees	4,945	5,139	5,242	4,959
Consolidated Subsidiaries (Overseas Companies)	38(15)	39(16)	41(16)	40(15)

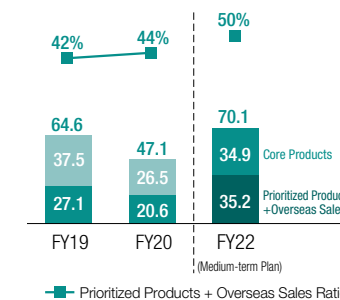
Piping and Infrastructure



Building and Living Environment



Advanced Materials



Fiscal 2020 Results

In fiscal 2020, the UIEP Company experienced decreases in sales volumes and product mix due to the effects of COVID-19, such as delays in domestic construction and lockdowns overseas, and worked to cover those decreases by reducing fixed costs and implementing cost-reduction measures, but profits have declined since fiscal 2014. We promoted structural reforms by improving operational efficiency and transferring businesses to improve our profit structure and achieve an early recovery.

Analysis of Operating Income

FY19 ¥15.5 billion **¥-4.2 billion** **FY20 ¥11.3 billion**

(Billions of yen)	Consolidated-basis Change	Foreign Exchange	Sales Volumes & Product Mix	Selling Price	Raw Materials	Cost Reduction, etc.	Fixed Costs	Total
YoY Full FY	-0.4	0	-8.7	-0.4	+1.5	+1.1	+2.8	-4.2
1H YoY	-0.1	0	-5.8	-0.2	+0.9	+0.6	+1.7	-2.9
2H YoY	-0.4	0	-3.0	-0.2	+0.6	+0.5	+1.2	-1.3

Outlook for Fiscal 2021

With regard to fiscal 2021, the effects of COVID-19 will still be felt in the first half, but in response to the preceding soaring prices of raw materials we will steadily pass them on in product prices. At the same time, we will focus on expanding sales of our prioritized products and new products as well as overseas business. In addition, we will work to improve ROIC through further structural reforms, including production restructuring, investment in production automation, and the improvement of operational efficiency through DX, while aiming for a profit level comparable to that of fiscal 2019.

Urban Infrastructure & Environmental Products Company

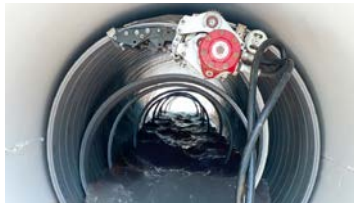
Grasping Changes in Society (UIEP Company Sustainability)

Robust Infrastructure Improvements



Pipeline Renewal (SPR Method)

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



ESLON RCP Reinforced Plastic Composite Pipe

Reinforced plastic composite pipe with high durability and earthquake resistance as well as excellent watertight and hydraulic properties. Possessing high strength under heavy loads, this product is also used as a rainwater drainage pipe at major airports in Japan. It is possible to store rainwater in the pipe, which thus also contributes to measures against torrential rain in cities and buildings.



ESLON Drop Shaft Deep Fall Treatment System

ESLON Drop Shaft is a sewage/rainwater deep fall treatment system developed through joint research with the Organization for the Promotion of New Sewerage Technologies (now the Japan Institute of Wastewater Engineering and Technology) since 1994. Higher performance can be expected not only in durability but also in terms of the maintenance environment and economy. Displaying high downward flow and reduced air entrainment in rainwater applications, the system thus also contributes to measures against torrential rain.

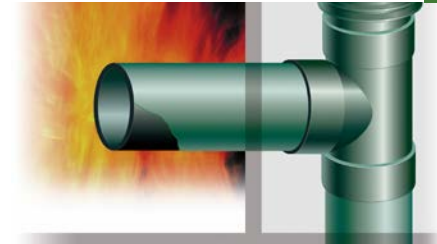


Climate Change



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

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



Synthetic Sleepers for Railroads (FFU)

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



ESLON Hyper Polyethylene Water Supply Pipe

With excellent flexibility and tough joints, ESLON Hyper helps prevent damage and water leakages due to earthquakes and land subsidence, while continuing to supply safe water. Lightweight, labor-saving construction, corrosion resistant.



Health and Welfare

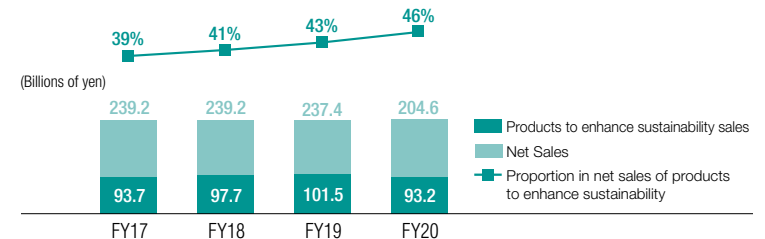


wells Large-size Prefabricated Bath

Part of a range of ergonomically designed nursing care and independence support equipment, this bath also features high heat insulation and earthquake resistance. Enabling arrangement in accordance with the interior of the bathroom, in addition to its quick assembly and ease of maintenance, this bath can also accommodate changes in physical characteristics that change over time.



Trends in UIEP Company products to enhance sustainability sales



Medical Business

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

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.

History of the Medical Business

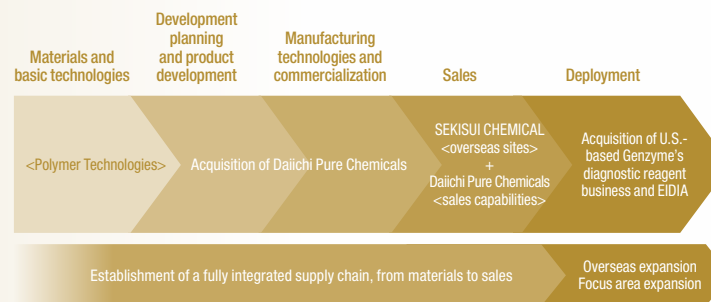
SEKISUI MEDICAL was formed through the merger of SEKISUI CHEMICAL Group's Medical Business Division and Daiichi Pure Chemicals Co., Ltd., in 2008. This merger established a fully integrated supply chain from materials to sales. With the diagnostic reagent business as its foundation, the Medical Business has worked to build its business while successfully expanding its sales routes and product lineups through M&As. The Medical Business operates globally. The ratio of net sales accounted for by overseas business has grown from the 21% recorded in fiscal 2008 to 50% in fiscal 2015, since which time overseas sales have continued to grow steadily. The Medical Business will continue to accelerate business expansion in North America, Europe, China, and Asia, and will work to enhance its development systems as it targets the expansion of business domains by actively introducing new products.

Note: The main areas of the Life Science field, which were previously included in the High Performance Plastics segment, have been presented separately as the Medical Business segment since fiscal 2019 in an effort to grow these areas as a new divisional company candidate.

Business expansion history

October 2006	Acquired Daiichi Pure Chemicals from Daiichi Pharmaceutical
April 2008	SEKISUI MEDICAL established. Established the business's core competencies.
August 2008	Acquired U.S.-based XenoTech. Overseas expansion in the pharmacokinetic business
March 2009	Acquired U.S.-based ADI. Obtained a U.S. location for the Diagnostics Business
February 2010	Established Sekisui Medical Technology. Strengthened the business in China
February 2011	Acquired U.S.-based Genzyme's diagnostic reagent business. Full-scale start of overseas deployment
December 2015	Acquired EIDIA from Eisai. Expanded the focus area of diagnostics
September 2017	Capital investment in PeptiStar. Full-scale start of the specialty peptide drug business
March 2018	Acquired Singapore-based Veredus Laboratories
September 2020	Commenced operations at the new diagnostic reagents plant in Suzhou, China

Supply chain expansion



Grasping changes in society

The Medical Business's Products to Enhance Sustainability

Health and Welfare



Diagnostics Business

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



CP3000



Nanopia P-FDP

Pharmaceutical Sciences Business

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

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



Active Pharmaceutical Ingredients (APIs)



Drug development solution testing

Medical Business

Medical Business Future Medium- to Long-term Strategies

Diagnostics Business

Targeting accelerated overseas deployment by enhancing focus areas and expanding the global pipeline

In Japan, the Medical Business will actively introduce new products. Meanwhile, overseas we will expand alliances with major companies and strengthen POC in North America and Europe. We will also continue to expand our blood coagulation activities and enter new domains in China. In Asia management, we will work to position Veredus Laboratories, acquired under the previous medium-term plan, as the segment's ASEAN base.

Focus Areas

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

* POC: Acronym for Point of Care; refers to timely onsite (clinics, etc.) diagnostics

Development and New Products

High-sensitive immunoassay (Japan and China)	Molecular POC (U.S.)	New markers
Enter the immunization market in earnest through the introduction of new equipment	Aim to cultivate markets by establishing a molecular diagnostics (MDx) development center	Expand business domains by acquiring new biomarkers,* mainly in the oncology domain

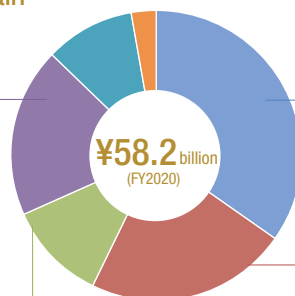
* Biomarker: Physiological indicators used to identify the presence and progression of a disease

Net sales composition by domain



RapidTesta RSV-Adeno NEXT

This is a rapid antigen test kit for respiratory syncytial virus (RSV) and adenovirus, both of which are causes of respiratory tract infections with a high risk of becoming severe in infants and children. This test is also able to detect both viruses at once.



Inflammatory bowel disease reagent (Nanopia LRG)

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



NORUDIA@N HbA1c



Blood Coagulation (Nanopia P-FDP)

Pharmaceutical Sciences Business (pharmaceutical and fine chemicals, enzymes)

Expanding business by bolstering production equipment

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

Boosting production capacity of pharmaceutical raw materials

As the focus of therapeutic drug development shifts from conventional small molecule drugs to peptide drugs (middle-molecule), protein drugs (macromolecule), cellular medicine, and regenerative medicine, the Medical Business set out to bolster production equipment at a total of two major plants in Japan and overseas in August 2020 as a means of establishing a pharmaceutical ingredients supply system for a wide range of domains.

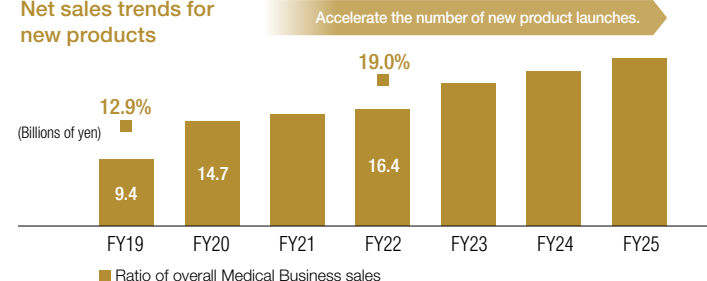
- Boost production capacity of pharmaceutical ingredients and intermediates for small molecule drugs by 25% (Iwate Plant: from March 2023)
- Establish a CDMO system for protein drug raw materials (UK Plant: from September 2022)

©Capital investment-based enhancements

	Small molecule drugs	Peptide drugs (middle-molecule drugs)	Therapeutic proteins (biopharma)	Cell therapies and Regenerative medicine
Development	○	○	○	
Production	◎	○	◎	
Sales	○	○	○	○

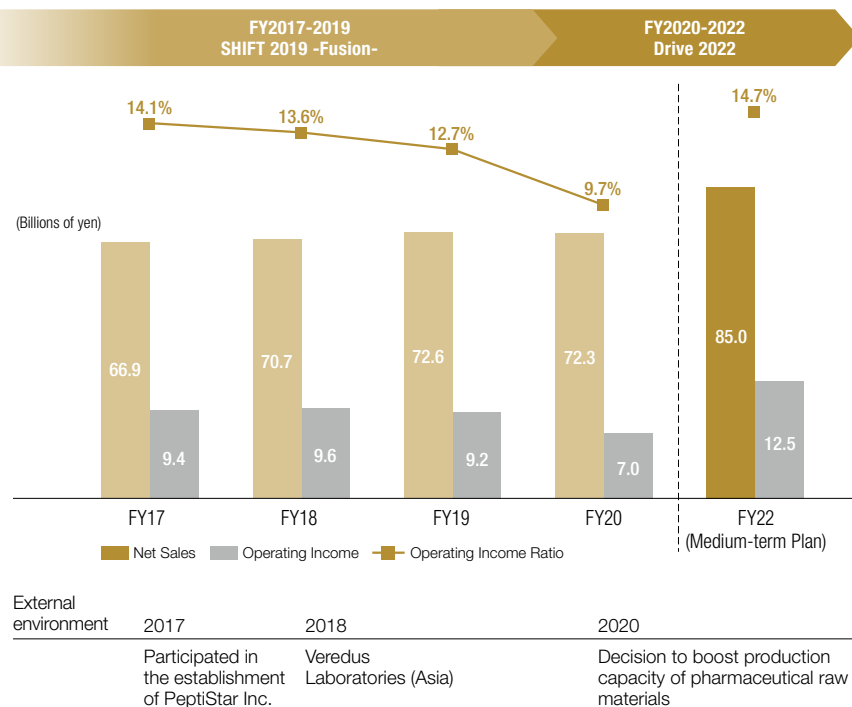
* Acronym for Contract Development and Manufacturing Organization: A business format that provides comprehensive services that extend from the development of formulations to the manufacture and commercial production of investigational new drugs

Net sales trends for new products



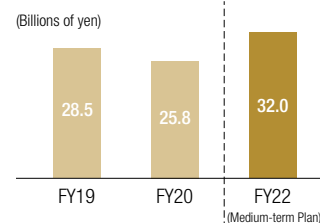
Medical Business

Performance Highlights

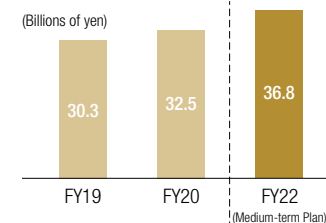


(Billions of yen)	FY18	FY19	FY20
Assets	116.7	120.4	123.7
ROIC		8.4%	6.4%
EBITDA	14.5	14.7	12.7
Depreciation and Amortization	3.1	3.7	4.1
Capital Expenditures	4.4	4.6	4.6
R&D Expenditures	51	52	53
Number of employees	1,907	2,050	2,160
Consolidated Subsidiaries (Overseas Companies)	9(8)	9(8)	9(8)

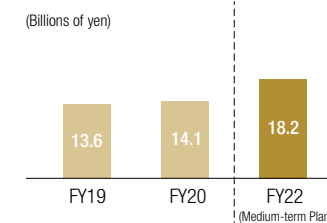
Diagnostics Business Net Sales (domestic)



Diagnostics Business Net Sales (overseas)



Pharmaceutical Sciences Business Net Sales



Fiscal 2020 Results

In fiscal 2020, the Medical Business recorded a full-year decline in sales and profit due to the impact of fewer outpatient lifestyle disease diagnostics as a result of the COVID-19 pandemic, primarily during the first half. Despite the slowdown in reagents sales due to the low incidence of influenza, however, during the second half the Medical Business recovered to a point at which operating income essentially reached the same level as the previous year. This recovery was due to a certain degree of improvement in the market, sales of COVID-19 reagents, and reductions in fixed costs. Meanwhile, despite this harsh environment, increased sales of new pharmaceutical ingredients helped the Pharmaceutical Sciences Business secure higher earnings.

Analysis of Operating Income

FY19 ¥9.2 billion **¥-2.2 billion** **FY20 ¥7.0 billion**

(Billions of yen)	Foreign Exchange	Newly consolidated subsidiaries, etc.	Diagnostics (Japan)	Diagnostics (overseas)	Pharmaceutical Sciences and Other	Fixed Costs	Total
YoY Full FY	-0.2	0	-1.8	-0.9	+0.2	+0.5	-2.2
1H YoY	-0.2	0	-1.3	-1.0	+0.1	+0.5	-1.9
2 YoY	0	0	-0.6	+0.1	+0.1	0	-0.3

Outlook for Fiscal 2021

Under the assumption that market conditions will recover from the impact of the COVID-19 pandemic, the Medical Business will return to a growth trajectory by promoting increased sales of new products for which preparations were advanced during fiscal 2020. The Diagnostics Business holds an outlook for growth in the blood coagulation domain in China. The Pharmaceutical Sciences Business will work to increase sales of new pharmaceutical ingredients and accelerate growth of the CDMO business. Moreover, we will steadily drive enhancements to development as a focus item of the Medium-term Plan.

Strengthening the ESG Management Base (Business Base Drive)

To realize its Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group has identified internal control, digital transformation, environment, human resources, and fusion as key issues from the perspective of its ability to create profit, contribute to solving social problems, and achieve sustainable management, and is promoting ESG management under the fiscal 2020 to fiscal 2022 Medium-term Management Plan Drive 2022.

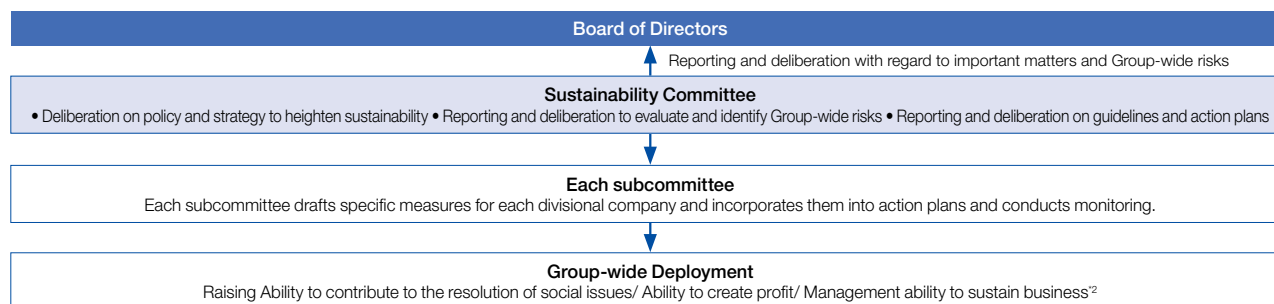
Key ESG Management Issues (Materiality), KPIs, and Target Values (FY2020-FY2022)

				KPI	Fiscal 2020 Results	Fiscal 2022 Targets			
Output		Products to Enhance Sustainability and Premium Framework		Drive the ability to create profit, contribute to solving social problems, and achieve sustainable management	Products to Enhance Sustainability and Premium Framework Net Sales	¥640.3 billion* Includes Premium Framework ¥329 billion*	¥800 billion Includes Premium Framework ¥440 billion	▶P.58	
Key Issues (Materiality)	Risk reduction/avoidance	Internal control	Reducing major incidents in the 5 fields		Prevent or minimize impact of major incidents on our corporate value	Number of major incidents in the 5 fields	0	0	▶P.69
			Safety	Quality					
			Business Continuity Planning (BCP)		Mitigate the impact of earthquakes, pandemics, and other incidents	BCP operating rate*	Selection of 143 target organizations in Japan and overseas	BCP operating rate 100%* (Establishment of PDCA)	▶P.68
	Investment for the future (Raising sustainability KPI)	DX		Become the Driver that Transforms Work Processes and Business Models	Direct/indirect net sales per employee	N/A	FY2030: Indirect productivity 40% increase Direct productivity 15% increase (from FY2019)	▶P.66	
		Environment		Addressing climate change	Renewable Energy as a Percentage of Purchased Power	7.2%	20%	▶P.60	
		Human Resources		Aim to be an excellent and vibrant company where employees thrive on challenges	Degree of challenging behavior expression	N/A	Managing initiative progress*	▶P.64	
Fusion		Promote Technology and Business Opportunities through Internal and External Fusion	Increasing net sales through fusion	+¥12.4 billion (from FY2019)	+¥50.0 billion (from FY2019)	▶P.67			

* Partially revised from financial results briefing materials disclosed on April 27, 2021

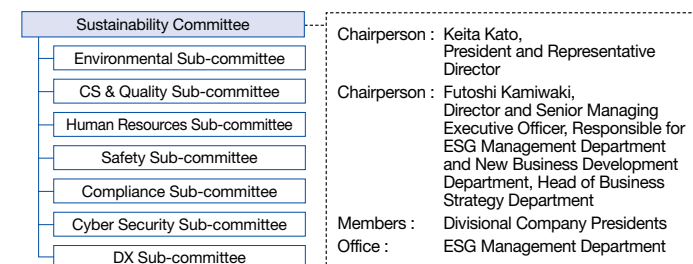
ESG Management Promotion Flow and Group-wide Expansion

The structure for the promotion of ESG management in the Group comprises the Sustainability Committee and seven subcommittees (“Environment,” “CS & Quality,” “Human Resources,” “Safety,” “Compliance,” “Cyber Security,” and “DX”). The Sustainability Committee seeks out the risks and opportunities that the Group might in the future be directly confronted with, and deliberates on Group-wide policy and strategy. The important matters and Group-wide risks that have been determined are reported and deliberated upon by the Board of Directors, and then provided to the entire Group through each subcommittee.



*2 Management ability to sustain business KPI: SEKISUI Sustainable spread

Sustainability Committee / Sub-committee Structure



Strengthening the ESG Management Base (Business Base Drive)

Products to Enhance Sustainability and Premium Framework to Realize Vision 2030

SEKISUI CHEMICAL Group aims to grow as a company by making a greater contribution to solving social issues, particularly SDGs, through its core products and by working to create and expand Products to Enhance Sustainability in order to increase the sustainability of the Earth, society, the Group, its products, and the customers who use them.

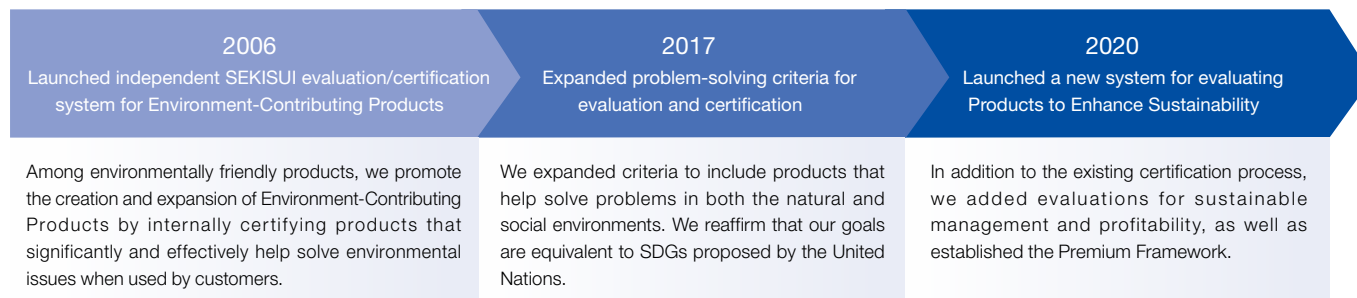
Launch System for Evaluating Products to Enhance Sustainability

Vision 2030 aims to realize a sustainable society and sustainable corporate growth. To this end, we launched from fiscal 2020 the Products to Enhance Sustainability system, an evolution from the

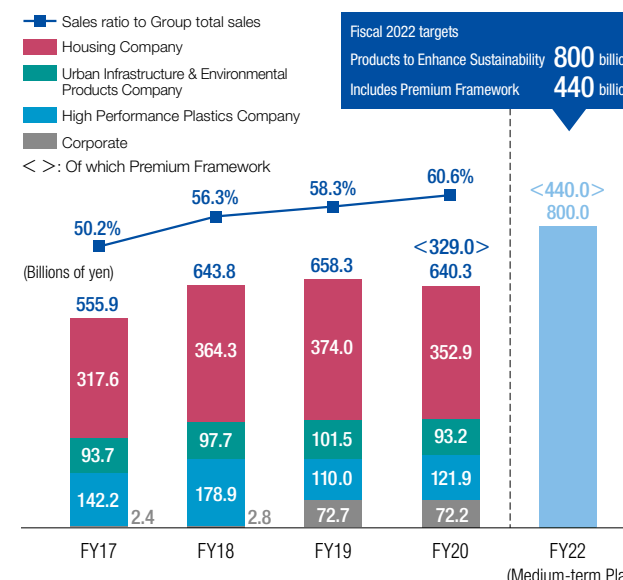
existing Environment-Contributing Products system. Under the new system, we conduct additional sustainability confirmation assessments from the perspectives of internal control, supply chain management, customer satisfaction, and profitability in order to improve our sustainable management capabilities. In addition, we have newly established the Premium Framework for strategic growth in line with our business portfolio in order to increase profitability.

Products to Enhance Sustainability are certified and registered based on internal criteria. We accept the opinions and advice of outside advisors with various backgrounds in industry, government, and academia regarding these criteria, approaches, and the validity of results in order to ensure high standards and transparency.

Evolution of System for Evaluating Products to Enhance Sustainability

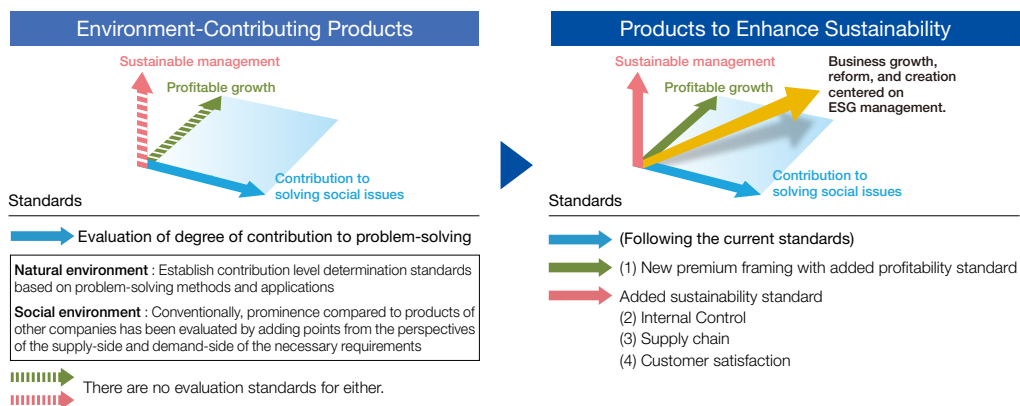


Products to Enhance Sustainability Net sales/Sales Ratio



Typical Premium Framework products
 ZEH-specification housing (Housing), FFU (UIEP), HUD+ insulation interlayer films (HPP), blood coagulation/POC/pharmaceutical ingredients (Medical)

Changes in Evaluation Criteria for Contributing Products



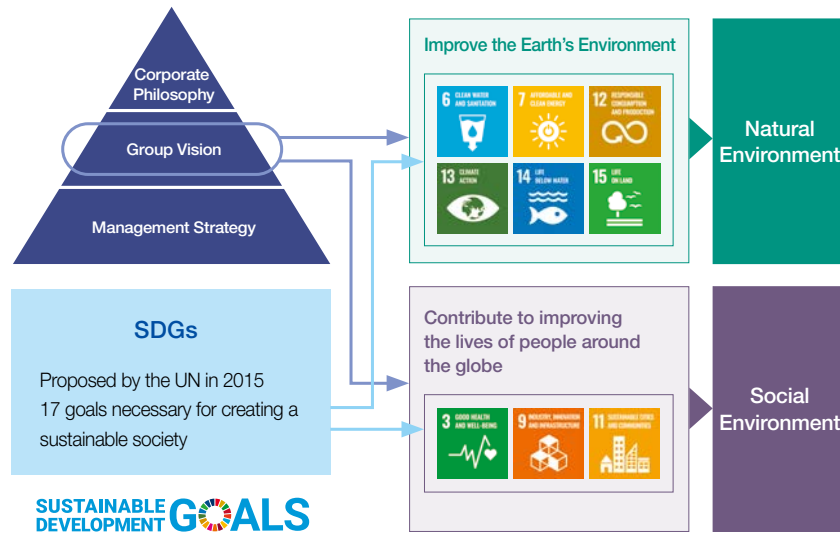
Evaluations to Verify Sustainability

<p>Internal Control Is there a business plan or framework in place for handling accidents or disasters which have serious business impacts that also considers issues such as safety, the environment, quality, compliance, and human rights?</p>	<p>Customer Satisfaction In what ways do quality or service appeal to the customers who use Company products, how satisfied are they, and what kind of requests do they have?</p>
<p>Supply Chain Management Are there structures or frameworks in place to prevent accidents or disasters which have serious business impacts on both this Company and the product-related supply chain?</p>	<p>Profitability How much room is there to grow and what potential does the business have?</p>

Strengthening the ESG Management Base (Business Base Drive)

Reference Products to Enhance Sustainability Certification

Products to Enhance Sustainability Definition



Social Environment Contribution Certification Criteria (Excerpt)

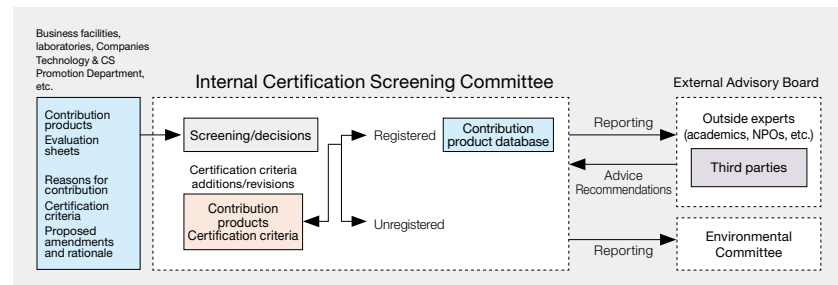
Judgement criteria*	Social environment contribution impact
Promote health and well-being	Prevent the spread of disease (illness detection/prevention)
	Support the independence of the elderly and those in need of care
	Support the independence of people with disabilities
	Minimize burdens on caregivers
	Improve comfort/hygiene
	Raise awareness of healthy habits
Build resilient infrastructure	Mitigate natural disaster risks
	Improve working conditions, including in supply chains
	Develop and provide infrastructure
	Enhance responses to disasters and emergencies
Promote sustainable cities and residences	Enhance resilience to disasters and emergencies
	Support low-income countries
	Improve sustainability of residences and livelihoods
	Improve livelihood safety
	Make residences and livelihoods more comfortable
	Invigorate local communities

Note: Social environment contribution products are those that significantly contribute to the above three criteria, while other products are judged based on internal judgment criteria that reflect the 17 SDGs as necessary.

Natural Environment Contribution Certification Criteria (Excerpt)

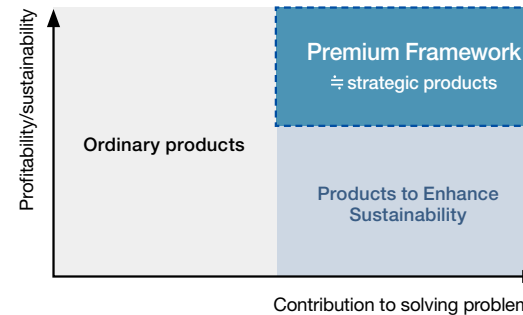
Judgement criteria	Natural environment contribution impact
Reduce GHG emissions	Increase energy conservation performance
	Use unutilized energy
	Find alternatives to freon gas
	Reduce use in product lifecycles
	Reduce the use of fossil resource-derived plastics
	Develop energy creation/storage functions
Reduce waste	Implement energy management in urban spaces
	Conserve energy in customer production processes
	Increase durability (extend service life, etc.)
Reduce raw materials use	Adopt low volume waste methods
	Reduce scrap, defects, and unnecessary materials
	Conserve raw materials
Conserve water/aquatic environments	Use recycled resources (waste from other products)
	Horizontal recycling of materials collected internally
	Reduce clean water usage volume
	Reduce water usage volume
Prevent pollution	Reduce water leakage
	Circulate water through rainwater filtration
	Prevent pollution via purification
Preserve biodiversity	Shift to low VOC
	Use certified forest timber
	Use thinned timber
	Use of biodegradable materials
	Prevent topsoil erosion
	Prevent desertification
	Conserve wetlands
Promote tree planting	
Prevent/mitigate disasters	Prevent marine/river pollution
	Conserve species/genes
Intermediate materials, raw materials	Disaster-resistant materials
	Help lower environmental burdens via raw materials, components, materials

Products to Enhance Sustainability System Operation/Certification Method



Internal Certification Screening Committee: comprises Corporate HQ centered on ESG Management Department

Products to Enhance Sustainability Concept



Conduct Product Environmental Impact Assessments

SEKISUI CHEMICAL Group conducts environmental impact assessments during product planning, development, and all life-cycle stages. Based on this, the Group determines the degree of contribution to solving social issues based on internal standards when certifying Products to Enhance Sustainability after release.

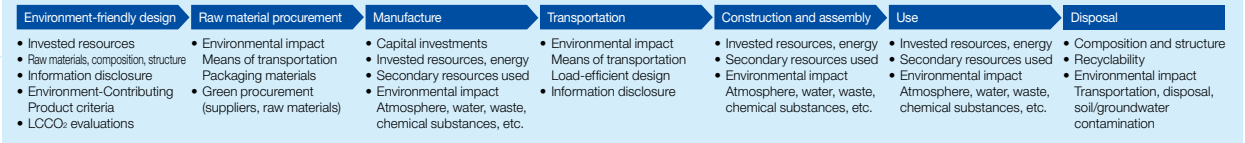
Compliance evaluation

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

Chemical substance assessment

- Laws and regulations
- Prohibited substances
- Restricted substances

Product Life-cycle Environmental Impact Assessment



Strengthening the ESG Management Base (Business Base Drive)

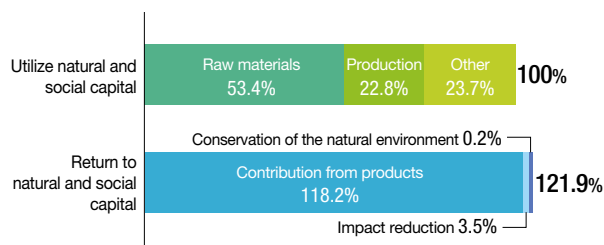
Environment – Addressing Climate Change

SEKISUI CHEMICAL Group utilizes natural capital while conducting its business activities. In addition to the analyses of risks and opportunities in response to climate change, the reduction of greenhouse gases (GHGs), and the introduction of renewable energy to balance global environmental conservation and sustainable business, we are promoting initiatives aimed at reducing environmental impact, such as resource recycling and the protection of water resources.

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

SEKISUI CHEMICAL Group is working on environmental issues from a long-term viewpoint toward the realization of a sustainable society. Toward the realization of earth with maintained biodiversity, we drew up the long-term environmental management vision Sekisui Environment Sustainability Vision 2050, which envisions the ideal for 2050, and from that ideal are setting the goals for each environmental medium-term plan by backcasting and implementing each measure. In the medium-term environmental plan SEKISUI Environmental Sustainable Plan Accelerate II, which runs from fiscal 2020 to fiscal 2022, climate change, water risk, and resource recycling were defined as priority environmental issues. To accelerate efforts to resolve these issues, we are enhancing supply chain management over product life cycles and deploying measures. To maintain awareness of improvements in ROIC, we also utilize environmental accounting to invest in the environment, control costs, and improve productivity.

Integrated Index SEKISUI Environmental Sustainability Index



Note: The SEKISUI Environmental Sustainability Index represents the impact on the environment caused by the activities of SEKISUI CHEMICAL Group (the use of natural capital) and their degree of contribution to the environment (returns to natural capital) as a single indicator. The Ratio of return to natural capital indicated by this index is used as an index by which to monitor the progress of environmental management.

	FY2020 (Result)	FY2022 (Medium-term Plan)
Ratio of Return to Natural and Social Capital	121.9%	Maintain 100% or more

Efforts to Address Climate Change

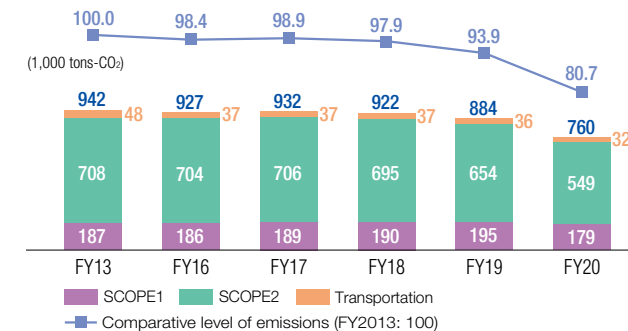
To accelerate climate change mitigation and adaptation measures, as well as to strengthen risk assessment from a long-term perspective, in information disclosure based on the recommendations of the TCFD (disclosure of weather-related financial information), to which SEKISUI CHEMICAL Group gave its approval in 2019, we assumed four scenarios centered on climate change of 2°C and 4°C, as well as centralization versus diversification of company-wide businesses, while analyzing the risks and opportunities in each scenario. In aiming for zero GHG emissions, we have been accelerating our efforts since fiscal 2020 to reduce risks by converting the purchased electricity used in production activities to renewable energy, and converting risks into opportunities by strengthening sales of low-carbon products such as net-zero energy house (ZEH) specification housing. Having set the long-term goal of reducing GHG emissions from our business activities to zero in 2050, we conducted further backcasting and placed the milestone for making the switch to 100% renewable energy for purchased electricity in 2030. To this end, we will utilize the SMART HEIM DENKI power trading service and the ESG investment limit newly established in fiscal 2020 to promote the conversion to renewable energy.

Medium- to long-term targets for GHG reduction

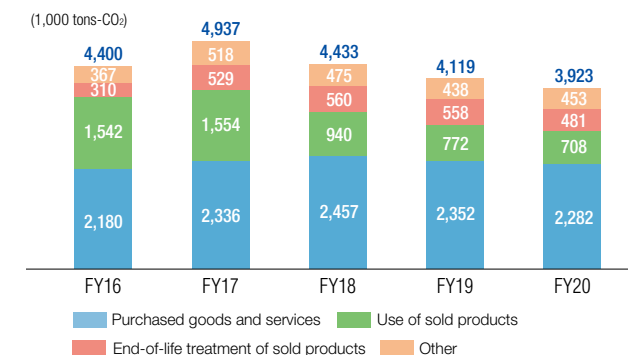
Item	Index	Fiscal 2020 Results	Medium-term Target (FY2022)	2030	2050	Notes
Reduction of GHG Emissions	Rate of renewable energy of purchased electricity	7.2%	20%	100%	(Convert all energy used to renewable energy)	Join RE100
	Reduction in GHG emissions generated by business activities	19.3% reduction (vs. FY2013)	Reduction of 9% or more (vs. FY2013)	Reduction of 26% or more (vs. FY2013)	Zero GHG emissions	Acquisition of certification from Science-Based Targets (SBT) Initiative (until 2030)
	Reduction in GHG emissions in supply chain	Reduction of 10.8% (vs. FY2016)	—	Reduction of 27% or more (vs. FY2016)	—	
Energy Savings	Energy use per unit of production	Reduction of 0.4% (vs. FY2019)	Reduction of 3% or more (vs. FY2019)	—	—	

▶ Please see TCFD Report 2021 for detailed information on our efforts to addressing climate change.

Greenhouse Gas (GHG) Emissions That Arise from Business Activities



Supply Chain Greenhouse Gas (GHG) Emissions (SCOPE3)



Strengthening the ESG Management Base (Business Base Drive)

Environment

Effect of Issues Related to Climate Change on Businesses and Strategies

Climate change risks can also offer opportunities. In response to medium- to long-term climate change risks, we reduce risk with respect to products and services, supply or value chains, R&D investments, and operations while planning strategies and plans so that we can turn them into opportunities.

Case Study: SMART HEIM DENKI Power Trading Service

<Risks>

Impeding the spread of solar panel installation due to the end of the feed-in tariff (FIT) system

<Measure to turn risk into opportunity>

Launch of SMART HEIM DENKI power trading service

SEKISUI CHEMICAL Group purchases surplus energy produced by its customers with solar-equipped housing via its SEKISUI HEIM DENKI power trade service, which is then used in the Group's domestic factories and business sites, as well as sold to other SEKISUI HEIM customers. As of the end of December 2019, the number of applications for the surplus electricity purchase service exceeded 13,000. In addition, from March 2020, we started supplying power from equipment that has graduated from the FIT system to Hokkaido Sekisui Heim Industry Co., Ltd., and Sekisui Heim Industry Co., Ltd.'s Chubu Office.



Case Study: Raw Materials Suppliers

<Risks>

Fluctuations in raw material costs due to tightening of climate change-related regulations. Supply risk due to natural disasters and other factors.

<Measure to turn risk into opportunity>

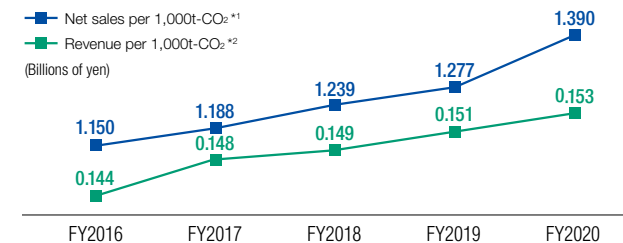
From fiscal 2018, encouraged raw materials suppliers to promote reduction of GHG emissions. In giving consideration to disaster risk, we are building a purchasing system from multiple raw materials suppliers and also examining relocating production bases in areas where risks such as serious natural disasters are expected.

Effects of Climate Change Efforts on Management

We compared carbon efficiency (environmental) and economic efficiency to see how efforts that contribute to climate change mitigation and adaptation are affecting management. First, the relationship between GHG emissions, sales, and EBITDA is shown by changes in net sales per 1,000t-CO₂ and revenue per 1,000t-CO₂. As a result, both sales per GHG emissions and EBITDA from business activities are on the rise, confirming that management based on an ambitious carbon-neutral strategy is heading in the right direction. For the years to come, we are also starting to consider bringing forward the 2030 milestone toward zero GHG emissions in 2050. In fiscal 2020, a slight decline in carbon efficiency in the entire supply chain was confirmed due to the influence of the COVID-19 infection. Although the rate of increase was small compared to the carbon efficiency due to business activities, while reducing the environmental load (GHG emissions) on the entire supply chain we were able to confirm an increasing trend in profits. To reduce GHG emissions under SCOPE3, we acquired SBT certification for sales and set long-term targets and believe that continuing this will be effective in improving carbon efficiency.

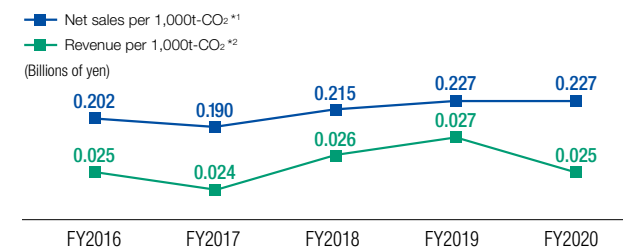
When we took the correlation between EBITDA/sales (economy) and sales/GHG emissions (environment), we were able to confirm that we would improve net sales per 1,000t-CO₂ while maintaining profit stability until fiscal 2020. Amid physical and regulatory risks that are expected to increase, if we could develop a strategy that reflects this improvement in net sales per 1,000t-CO₂ in economic profitability, it would be possible to turn risks into even greater opportunities. We were able to reconfirm that the potential for future profitability is increasing in comparison with current profitability. Looking toward the goals based on the long-term vision for fiscal 2030, it has also been suggested that there is a need to accelerate improvement in carbon profitability by further innovations and initiatives. We are working to convert purchased electricity to 100% renewable energy in 2030 and believe that improving carbon profitability by accelerating our efforts will be important for the realization of carbon-neutral management.

Carbon Efficiency due to Business Activities



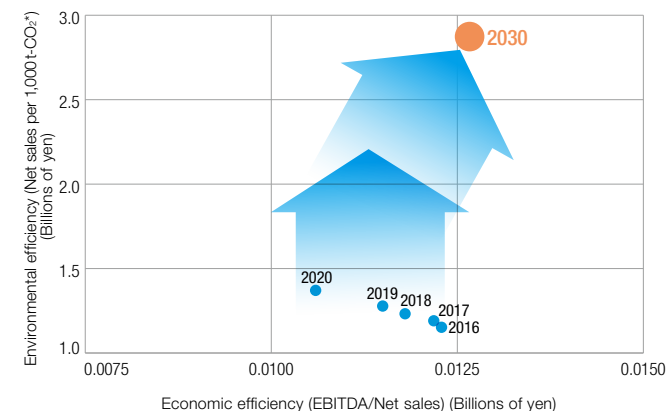
*1 Net sales per 1,000t-CO₂: Net sales (Billions of yen) / GHG emissions (Thousands of tons-CO₂)
 *2 Revenue per 1,000t-CO₂: EBITDA (Billions of yen) / GHG emissions (Thousands of tons-CO₂)

Carbon Efficiency throughout Supply Chain



*1 Net sales per 1,000t-CO₂: Net sales (Billions of yen) / GHG emissions (Thousands of tons-CO₂)
 *2 Revenue per 1,000t-CO₂: EBITDA (Billions of yen) / GHG emissions (Thousands of tons-CO₂)

Correlation between Economic Efficiency and Environmental Efficiency

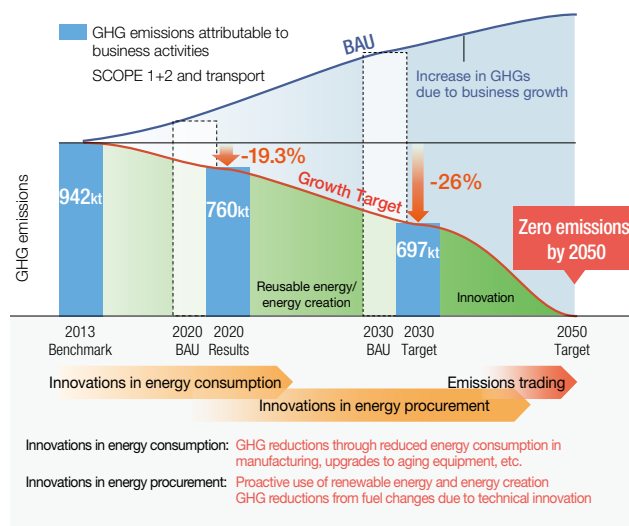


* Revenue per 1,000t-CO₂: GHG emissions (Thousands of tons-CO₂) due to net sales/business activities

Strengthening the ESG Management Base (Business Base Drive)

Environment

Roadmap to Reducing GHG Emissions and Initiatives



Under the previous Medium-Term Environmental Plan (2017–2019), we promoted initiatives that focused on manufacturing and the renewal of aging production equipment as innovations in energy consumption. From 2020, we are in the innovations in energy procurement stage. By making purchased electricity 100% renewable energy in 2030, we aim to achieve a 26% reduction compared with 2013. In fiscal 2020, solar power generation equipment was installed at 10 offices in Japan and overseas, and the total power generation output reached 6.3 megawatts.

In addition, the power purchased from outside has been switched to 100% renewable energy at eight domestic and overseas offices, and in fiscal 2020 the renewable energy ratio of purchased electricity was 7.2%, including private power consumption from solar power generation. We also strategically set an environmental investment limit for three years from 2017 and in particular have established and promoted Environment-Contributing Investments Incentive Program relating to reductions in GHG emissions. A form of internal carbon pricing, this is a program by which SEKISUI headquarters provides financial support to investing departments at ¥30,000 for each CO₂ ton equivalent of GHGs reduced through investment. The CO₂ reductions from these investment projects are increasing year by year as equipment upgrades are completed, and are continuously contributing to the reduction of GHG emissions from SEKISUI CHEMICAL Group's manufacturing.

We are aiming to reduce GHG emissions in the supply chain (SCOPE3) by 27% in 2030 compared with fiscal 2016. Our GHG emissions that fall under the SCOPE3 category are highest at the raw materials procurement as well as purchased products and services stages, and we recognize that the procurement of raw materials stage is due to the characteristics of our business as a chemicals manufacturer. To address this issue, in 2018 we began reviewing our procurement standards to ask raw material suppliers to set GHG emission reduction targets and make progress on these targets, as well as to monitor the GHG emissions of raw material suppliers through the CDP Supply Chain Program to provide opportunities for dialogue and collaboration on reduction. In addition to calculating GHG emissions and disclosing data, we actively exchange practical information with raw materials suppliers regarding long-term targets and reduction measures and have built relationships to promote mutual reductions. We are also aiming for a 20% reduction in 2030 by switching to biomaterials and recycled materials. Moreover, we intend to reduce emissions of purchased products and services, which account for more than 50% of SCOPE3, by 50% in 2030 by expanding sales of ZEH-specification houses.

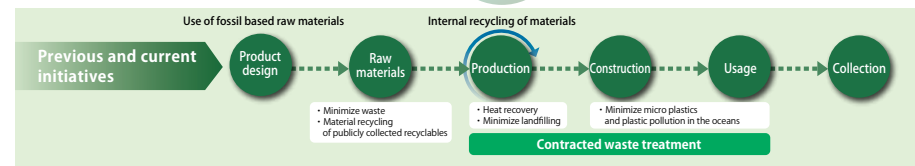
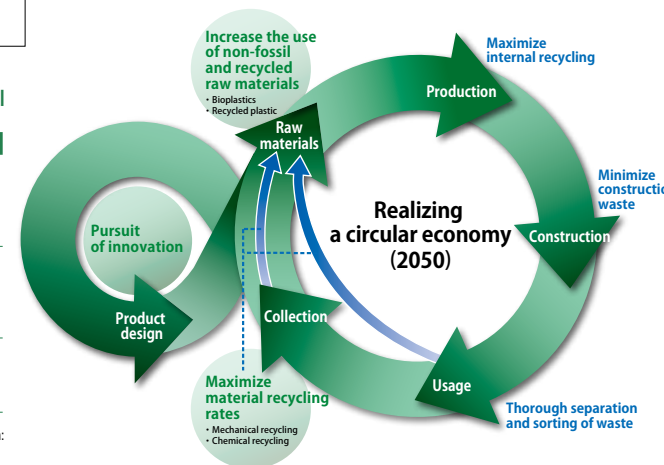
Roadmap for Achievement of Long-Term Resource Recycling Goal

		FY2022 Targets	By 2025	By 2030
Business Strategy	Net sales of Products to Enhance Sustainability that contribute to resource circulation*	1.1 times	1.3 times	Double or more
Raw material resource conversion	Net sales of products not derived from fossil fuels and those for which recycled materials were used	¥3.0 billion	¥10.0 billion	¥100.0 billion
Recycling of waste products	Rate/ratio of waste plastic recycled into new materials	Grasping current conditions and setting benchmarks	Double	100%

* Benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation: ¥296.0 billion (FY2020)

Initiatives for Resource Recycling

In fiscal 2020, we formulated a resource recycling policy and, for the realization of a circular economy in 2050, a resource recycling strategy and roadmap. We also consider this an important strategy to shift to low-carbon products that will boost climate change mitigation in their life cycles. Since products that contribute to resource recycling are low-carbon products, we consider this a core strategy for products that will assist in resolving climate change issues. As an indicator, we have set a goal of increasing sales by 10% in fiscal 2022, against the fiscal 2020 benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation of ¥296.0 billion, and more than doubling that figure by 2030. Considered as an aspect that should be accelerated in product innovation that contributes to resource recycling is the conversion of plastic raw materials to non-fossil-derived and recycled materials, and sales of these are set to increase by 10% in 2022 from ¥3.0 billion in 2020, and we have also set a goal of 30 times by 2030.



Environment

Addressing Water Risk Issues

With regard to water risk issues, we have established two goals—minimizing the water risk at SEKISUI CHEMICAL Group and contributing to the resolution of water-related issues in local communities—while reducing the water intake volume of the entire group. In addition to promoting recycling, we are also focusing on improving the chemical oxygen demand (COD) index for the quality of water discharged into rivers. As a specific measure, we will select locations/suppliers where the business impact is substantial as well as locations where the water risks are substantial and minimize the environmental impact by 2030.

The situation and challenges of water resources are highly localized and contradictory to working toward a uniform global goal. Understanding the risk that our ongoing business will have on water resources located in close proximity to our business sites, we are engaging in business activities while being conscious that we utilize water in a sustainable manner as a shared regional resource.

Water intake volume at production sites in fiscal 2020 decreased by 3.7%, relative to results in the base year of fiscal 2016, while the COD volume of water discharged into rivers decreased 11.8% on the same basis. This was due to the decrease in production brought about by the COVID-19 pandemic, but taking into consideration the reduction measures targeting the three SEKISUI CHEMICAL Group production sites with the highest discharged wastewater COD volumes and the highest water intake, which include the Shiga-Mizuguchi Plant that accounts for about 30% of all domestic business sites, the effects of capital investments using the environmental contribution investment framework have been realized since fiscal 2019.

Examples of capex using the environmental contribution investment framework

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

Reference: SEKISUI CHEMICAL Group's Water-related Businesses

SEKISUI CHEMICAL Group develops a range of businesses related to water infrastructure, such as the supply, storage, and drainage of water, contributing to society not only by technologies and products that help to improve the quality of drainage, such as water treatment systems and drain pipes, but also by creating strong water infrastructure made to withstand natural disasters.

ESLON HYPER AW Polyethylene Piping for Building Pipework



Featuring excellent flexibility, ESLON HYPER AW prevents damage and water leakage due to earthquakes and land subsidence, thereby providing a stable supply of water.

High Flowrate Drainage System



A siphon-type rainwater drainage system. This product secures a sufficient amount of drainage to cope with torrential rain without increasing the pipe diameter.

ESLON RCP Reinforced Composite Plastic Pipe



This product is lightweight and can be installed even in places where the ground is loose. Widely utilized in, for example, agriculture, airport facilities and hydroelectric power generation. Rainwater can be stored in the pipe, thereby contributing to measures against torrential rain in towns and buildings.

SPR Sewerage Pipeline Rehabilitation Method



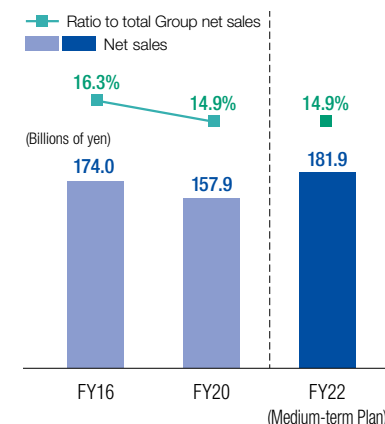
A method for renewing aging sewerage pipes through work on the inner-layer of existing pipes without the need to dig up the road. The method also enables construction by small numbers of people and in a short period of time while greatly reducing waste outflow.

Cross-Wave Rainwater Storage System



This product regulates the rain volume flowing into sewer systems during torrential rains. The system assists measures to prevent chronic water shortages in Asian countries, the recycling of rainwater for the greening of urban areas, and disaster prevention, as well as a disaster countermeasures in floods.

Water-related Business Net Sales Trends



Human Resources – Aim to be an excellent and vibrant company where employees thrive on challenges

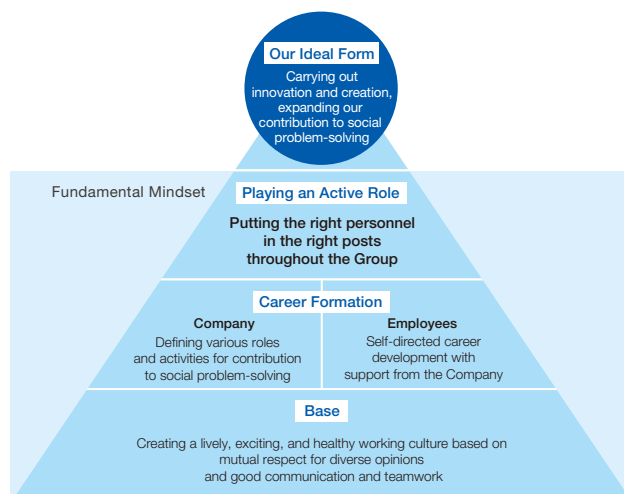
SEKISUI CHEMICAL Group aims to be an entity that gives rise to innovation and creativity, brings employees and the Company together in the drive to tackle social issues, and contributes to finding solutions to those issues. We share this commitment Group-wide while promoting the creation of workplaces that are full of energy and enthusiasm.

▶ Please see **Vision Management** in the Human Resources section of our CSR Report 2021.

Stance toward Human Resources

Based on our belief that “employees are precious assets bestowed on us by society,” we offer various opportunities through which we help individual employees to pursue their own careers and enhance their “unique skills” while taking on the challenge of working together with employees to help solve social problems by creating opportunities to pursue various socially significant missions and challenges. At the same time, we are striving to ensure that our workplaces are vibrant and enable diverse personnel to take on challenges and play active roles.

Human Resources Management Principles



Human Resource Promotion System

Reporting to the Sustainability Committee, the Human Resources Subcommittee is chaired by the managing executive officer who heads the Human Resources Department and composed of executive officers and the heads of human resources departments selected from each divisional company. In fiscal 2020, the Human Resources Subcommittee carried out deliberating, determination, and monitoring measures with regard to diversity, work-style reforms, and health management.

Vision Management and KPIs

To realize our Long-term Vision, we are working on the measures shown below toward becoming a vibrant company that encourages employees to take on challenges and the “realization of a challenge-oriented corporate culture” under the ESG Medium-term Plan (fiscal 2020 – fiscal 2022).

- Implement the Long-Term Vision, deepen ESG management
- Transform to a challenge-oriented corporate culture
- Shift to human resources management based on having the right person in the right place

To realize our Long-term Vision, it is important for each and every employee to demonstrate their abilities and break free from convention while continuously taking on challenges. We will therefore regard the degree of challenging behavior expression as a KPI in terms of human resources and measure the level by questionnaires and other means while aiming for improvements. In addition, in order to rollout the Long-term Vision, managers essential to workplace operations drew up a vision for their own organizations, engaged in dialogue with members in the form of a “workplace workshop,” and incorporated this vision into the vision of each department and in business plans for the fiscal year. SEKISUI CHEMICAL Group will engage in two-way communications based on a three-year roadmap that communicates new messages from executive management based on feedback from this discussion, in the form of team member impressions and opinions.

Efforts to Deepen Engagement

SEKISUI CHEMICAL Group periodically conducts an engagement survey targeting all employees. The results of the survey conducted in fiscal 2019, which were analyzed and examined by the Business Strategy Department and the Human Resources Department, served as the basis for formulating the current Long-term Vision and Medium-term Management Plan. For the express purpose of deepening engagement in fiscal 2020 we launched the Engagement Drive Project, in which the human resource departments of each organization served as members and worked on themes that included productivity improvement and institutional reform.

Clarification of missions and roles and a shift to a role-based system for human resources (to be revised in fiscal 2022)

Through backcasting, we are clarifying the various missions and roles that are necessary to achieve the ideal forms. We are also supporting and assigning employees who will take on challenges and improve themselves regardless of their age or year of employment. At the same time, we are advancing preparations for a system revision in fiscal 2022 to shift to a system for human resources that ensures that the right person is in the right place. In line with the purpose of the human resource system revision, we will extend the retirement age from 60 to 65 from October 2021 to increase opportunities for active participation regardless of age.

SEKISUI CHEMICAL (Non-consolidated) Human Resources System Revision Roadmap

Measure	FY2020	FY2021	FY2022
Shifting to right person in the right place human resources management	Consideration of a new human resources system	Trial of a new human resources system	Implementation of a new human resources system

Development Initiatives

We are working to foster diverse human resources throughout the Group based on the two pillars of training business leaders, those who will power SEKISUI CHEMICAL Group into the future, and the human resources who will support the workplace. The new personnel system will require each employee to make positive contributions and take on challenges in their respective roles. Career education will shift from the traditional age basis to a role/job-based framework. We will also support “career autonomy,” whereby employees take the lead in building their careers.

* Career Autonomy: An approach to independent employee career development whereby employees aim to work with vitality in a location to which they are uniquely suited as they prepare to play the roles expected of them by the company.

Strengthening the ESG Management Base (Business Base Drive)

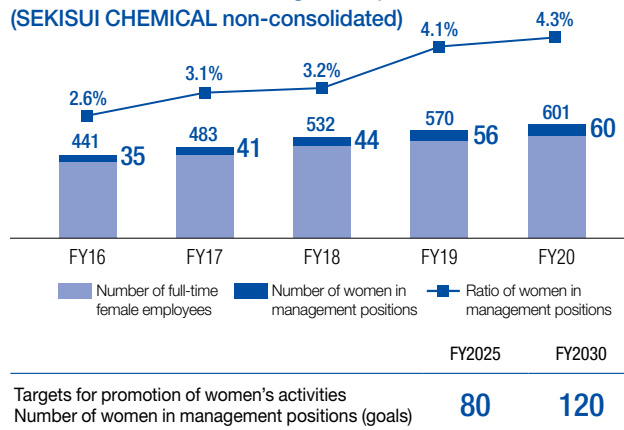
Human Resources

Diversity Initiatives

SEKISUI CHEMICAL Group remains constantly aware of the critical need to make the most of the diverse orientations to work and life 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, which includes the empowerment of women, both within and outside the Group. With regard to diversity, we focus not only on, for example, gender, age, and race but also on differences that include background, values, and personality. In 2015, we formulated the Diversity Management Policy based on the idea that we will understand and recognize the differences of each and every employee and use them to our advantage. With the aim of transforming into a “vibrant company,” from fiscal 2020 we are working on work-style reforms and expanding opportunities to take on challenges that will allow diverse human resources to excel.

Allowing Diverse Human Resources to Excel (Gender)

Since 2007, we have been advancing initiatives to empower women in two stages: “established practice and active participation” and “creating managerial positions.” We offer training programs, including hands-on training cycles and career building, for females in their first through their fourth years of employment. This training fosters greater awareness while enabling women to take on leadership roles from an early stage, as well as to learn and take on challenges on their own. In addition, as a result of practical training targeted at female candidates

Number of women in management positions
(SEKISUI CHEMICAL non-consolidated)

for managerial positions and their immediate superiors while working to expand the areas in which women can participate, the retention rate of female employees and the number of females in managerial positions are increasing. In recognition of these efforts, we were selected as a [Nadeshiko Brand in fiscal 2020](#). This is the fourth time we have been selected, following on fiscal 2016, fiscal 2017, and fiscal 2019.

Going forward, we will also focus on “enhancing the employment of women” and “training following promotion to managerial positions.”



Allowing Diverse Human Resources to Excel (Global)

Expanding our business overseas is key to realizing our Long-term Vision. To do so, it is not only important to globalize employees in Japan but also for us to hire foreign national employees and have them play active roles and, above all, for employees working throughout the world to demonstrate their distinctive characteristics in providing products and services that meet the needs of each country and region. Based on this idea, we have introduced and started operation of our Learning Management System, which will serve as one of the foundations for the fostering of human resources, in four areas around the world (United States, Europe, China, and ASEAN). As the first fiscal year on the way to achieving our Long-Term Vision, in fiscal 2020 we conducted “vision caravans” in each area and focused on disseminating and instilling the vision among our employees around the world.

Promotion of Work-style Reforms

In the pursuit of highly productive work styles that maximize results in a limited time, SEKISUI CHEMICAL Group put in place its Statement of Work Style Reforms in 2018 and has been working on three reforms, specifically relating to business operations, the HR system, and the work environment. For those reforms, we invested ¥7 billion in the three years up to and including 2020 and were able to reduce the total number of working hours for the Group as a whole by approximately 170,000 hours by, for example, automation and labor saving for production lines, sales innovation through the Sekisui Heim Museum, and the introduction of production management, remote work, and other systems. Since fiscal 2018, we have been promoting improvements in working environments to realize flexible work styles in which there is little or no distinction between work undertaken within or outside the Company. It was under this situation that we confronted the COVID-19 pandemic and rapidly expanded and instilled use of

the remote work and web conferencing systems, that had already been partially deployed. Advances were also made in paperless offices, and significant reductions in travel time and preparation man-hours realized. As a result of putting this infrastructure into place and of the employees of each workplace exercising their wisdom to review how standard operations are performed, we were able to continue operations without significant impact even under the various restrictions of the State of Emergency.

Promotion of Health Management

Based on the belief that “employees are precious assets bestowed on us by society,” SEKISUI CHEMICAL Group is promoting the creation of healthy, invigorating workplaces that allow diverse human resources to excel. In 2019, we formulated our Declaration on Health and Basic Policy for Health and Productivity Management that summarize the philosophy and ideals of health management for which SEKISUI CHEMICAL Group is aiming. In-house awareness of the Declaration of Health in fiscal 2020 was 64.3% (a rise of 12.1% compared with the previous fiscal year), and health management is steadily being instilled throughout SEKISUI CHEMICAL Group as a whole.

To realize our Long-term Vision, we are encouraging the putting in place of the structures and systems required to support our most important assets, our people, from the aspect of health, while setting medium- to long-term KPIs and encouraging health promotion. Since fiscal 2020, we have been deploying seven health habit support programs as measures against lifestyle-related diseases. We have also introduced a health promotion app and started to support independent health promotion. In fiscal 2020, 59% of the people in SEKISUI CHEMICAL Group were practicing four or more of the seven health habits. We are aiming to achieve 100% awareness by fiscal 2022.

Recognized for its Company-wide efforts to resolve issues relating to the health of its employees, including those at Group companies, SEKISUI CHEMICAL Group was certified as a [2021 Health and Productivity Stock](#). Along with 30 affiliated companies in Japan, SEKISUI CHEMICAL Group was also certified as a [2021 Health and Productivity Management Organization in the large-enterprise category \(“White 500”\)](#) for the fifth year in a row.



Strengthening the ESG Management Base (Business Base Drive)

Digital Transformation (DX) – Become the Driver that Transforms Work Processes and Business Models

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

* "visualization and standardization": Standardized operations, introduction of ERP, renewed infrastructure and networks

Initiatives to Promote DX

		Fiscal 2020 Results	FY22	FY25
Global Management Foundation Reform	Renovation of the core system (global ERP*) We are aiming to improve the productivity of indirect business operations—by the visualization and analysis of the data necessary for decision-making, business standardization, and efficiency improvements—while increasing standardization, enhancing internal control and minimizing risk on a global basis.	We defined the requirements for more sophisticated and standardized business management controls and implemented global ERP introduction contracts.	Complete the transfer of accounting operations at major sites in Japan	Complete overseas site rollout preparations
Purchasing	Standardization of purchasing operations and the visualization of transaction data on a global basis Enables deterrence and early detection of fraudulent activities. In addition, steps will be taken to establish mechanisms and infrastructure for continuous cost reduction, including improved purchasing power, procurement cost reduction, and improved purchasing operational efficiency through the realization of overall optimal purchasing.	We decided to introduce an indirect purchasing system.	Conclude rollout at major sites in Japan	Expand rollout to overseas sites
Sales and Marketing	Standardization of efficient business models and visualization of business processes We aim to solve problems relating to sales and marketing operations, such as the different systems used by each divisional company and many individualized parts, and will work on business standardization and automation to thoroughly streamline and raise productivity.	We are enhancing the order expansion process by utilizing marketing automation, the visualization of the status of customer transactions, and data analysis. We are promoting the introduction of a system that reduces the man-hours required for internal reporting while also putting in place information security measures that are essential to DX initiatives.		
Remote Work	Promotion of remote work SEKISUI CHEMICAL Group is promoting "remote work" in a bid to realize various working styles. In this manner, employees are able to carry out their duties using the Company's in-house operating system from locations other than the office including the home, outside, and satellite offices.	We put in place MobileNET, IT infrastructure that enables safe and secure access to in-house operating systems anywhere in the world		

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

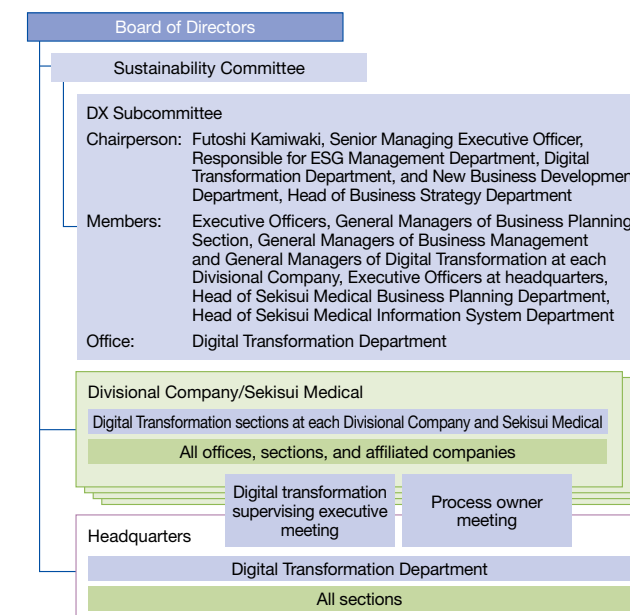
Systems to Promote DX

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

In SEKISUI CHEMICAL Group, which is engaged in a variety of different businesses, it is not easy to make business operations standardized and more sophisticated, and in some cases this process might actually lead to reduced efficiency. To prevent this and promote optimal solutions throughout the Company, we have established a promotion system headed by our CEO and senior managing executive officer. The Digital Transformation Department functions as the project leader in this system.

In addition, the DX Subcommittee, chaired by the executive officer of the Digital Transformation Department, has been newly established under the Sustainability Committee and has been in operation from fiscal 2021. In addition to deliberating on fundamental policies related to digital strategy and confirming the progress and effectiveness of digital transformation, the DX Subcommittee carries out deliberation and decision-making on important measures such as standardization of Company-wide operating processes and renewal of Company-wide core systems from a management perspective.

DX Promotion System (from FY2021)



Fusion – Promote Technology and Business Opportunities through Internal and External Fusion

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

We will not limit ourselves to the inter-group initiatives conducted until now in cooperation with divisional companies, instead aiming to achieve wider-ranging and more effective fusion, including technological development, personnel cultivation, cooperation with external organizations, and open innovation.

Technological Development Fusion

Technological development is the source from which new businesses are created, and it is extremely important for fusion as well. At the SEKISUI CHEMICAL R&D Center, the mission of the organization is “strengthening fusion with divisional companies,” and this facility promotes fusion with each divisional company from three perspectives: core technology fusion, planning fusion, and development fusion. More specifically, the R&D Center carries out unified verification of fundamental technologies that was previously carried out at divisional companies, and the personnel involved in planning are rotated around. This is a measure for promoting the formation of cross-organizational planning in coordination with divisional companies.

ESG Task Force

Creating Products to Enhance Sustainability through Internal Fusion

Today’s companies are hearing growing demands to offer solutions in a timely manner to address issues such as the COVID-19 pandemic. In such times, innovations must be considered quickly and turned rapidly into action. However, we believe it is also important to accelerate the proposal and consideration of innovations aimed at solving social issues with a long-term view and to implement those innovations in a timely manner. By taking such quick and prompt action, SEKISUI CHEMICAL Group was able to fuse its 28 technological platforms for promoting the creation of products to enhance sustainability. The result was the launch of the ESG Task Force, a forum for considering social issues in ways that transcend organizational boundaries. In the future, we will take steps to normalize internal cross-sectional systems that enable the development of business proposals aimed at addressing social issues, while at the same time putting in place a system that can accelerate innovation in case of emergencies such as the COVID-19 pandemic.

Example of Product to Enhance Sustainability through Internal Fusion

Building smart & resilient residential housing communities

In addition to communities where all residences are equipped with storage batteries and built to zero energy house (ZEH) specifications, there are communities that none other than SEKISUI CHEMICAL Group can provide. We bring to bear the unparalleled infrastructure materials of the Group that stand strong against disasters, including rainwater storage systems that provide countermeasures to torrential downpours and drinking water systems capable of securing days of potable water, even when water services are suspended. We bring sustainable town and community development to every corner of Japan so residents can continue to live in safety.

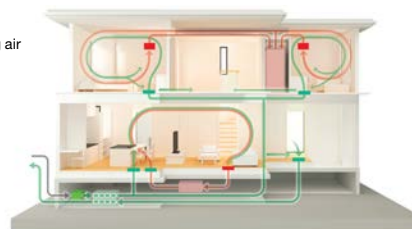


Artist's impression of "Asaka Lead Town" after completion

Homes equipped with the comfortable ventilation and air-conditioning system “T-SAS”

This is a ventilation and air-conditioning system that uses “Virutaker™,” an anti-viral processing agent that is a product of a high-performance plastics divisional company. System benefits are reduced daily life concerns and a comfortable interior environment.

■ Ventilation air
■ Air-conditioning air



External Fusion

In 2019, we established the New Business Development Department as an organization that would accelerate the commercialization of products, services, and technologies developed by SEKISUI CHEMICAL Group’s R&D Center. In addition to considerations on bringing to market in-house developed technologies such as the technology to make ethanol from waste products (Bio-Refinery), in 2021 we set up a new entity to with the goal of spurring on innovation and have been working toward fusion with external partners. We are seeking opportunities outside the company, such as CIC Tokyo, the Tokyo site of the Cambridge Innovation Center, the largest focal point of innovation in the United States, through company’s established corporate business unit as well as promising start-up companies to create new businesses. By skillfully leveraging such relationships as “trading posts” with the outside world, we use fusion to bring into the Company the technology, ideas, and innovative culture that would be difficult to obtain just on our own, and use those things we incorporate to speed the creation of value that works to solve societal issues.

Moreover, through the New Business Development Department we participate in the accelerator program* for the “New Materials” domain operated by Plug and Play Japan, and while searching the world over for start-ups in the materials field, push forth on business creation through collaborations with start-ups that possess technology such as follows.

- Bio-materials
- Battery/semiconductor materials
- Meta-materials
- Materials/Informatics
- Carbon dioxide Capture, Utilization and Storage (CCUS)

* This three-month business creation acceleration support program brings together major corporations searching for new technologies and start-ups working in the new materials-related field, giving rise to new innovation.

Internal Control – Prevent or minimize impact of major incidents on our corporate value

In aiming to improve its management ability to sustain business, SEKISUI CHEMICAL Group has defined five major incident fields (safety, quality, accounting, legal/ethical, information management) that strengthen risk management and hold the potential for major Group-wide impacts and has established the medium- to long-term priority of each. While investing resources in a focused manner, we have been advancing measures from the two approaches of reducing the frequency of incidence and of mitigating the degree of impact following an incident.

Business Continuity Planning (BCP)

Risk Management (ERM, BCP, and BCM)

Maintaining a risk management structure for the integrated management of measures to prevent risks from occurring (risk management) and to respond when serious crisis events occur (crisis management), SEKISUI CHEMICAL Group is building a system that can adapt to constantly changing risks and crisis events according to the situation of the organization.

In their risk management activities, each organization analyzes and evaluates Company-wide risks and risks identified based on the SEKISUI CHEMICAL Group Risk Management Guidelines. After undertaking this analysis and evaluation, each organization adopts measures and implements a risk management cycle (PDCA) that repeats corrections while reviewing them as needed. Since fiscal 2020, we have been promoting ERM (Company-wide risk management), which integrates these organizational activities with an all-company perspective of risk management activities. We will accelerate the development of organizational activities in Japan and overseas, newly carry out critical risk assessments and regional risk assessments on an all-company basis as ERM, thereby strengthening our response to critical risks from a Company-wide perspective.

In the event of a major incident occurring, we will carry out crisis management activities based on the SEKISUI CHEMICAL Group Crisis Management Guidelines. To always implement prompt and accurate responses, we regularly hold crisis management liaison meetings, consisting of corporate specialized departments and company personnel, and carry out case studies and training.

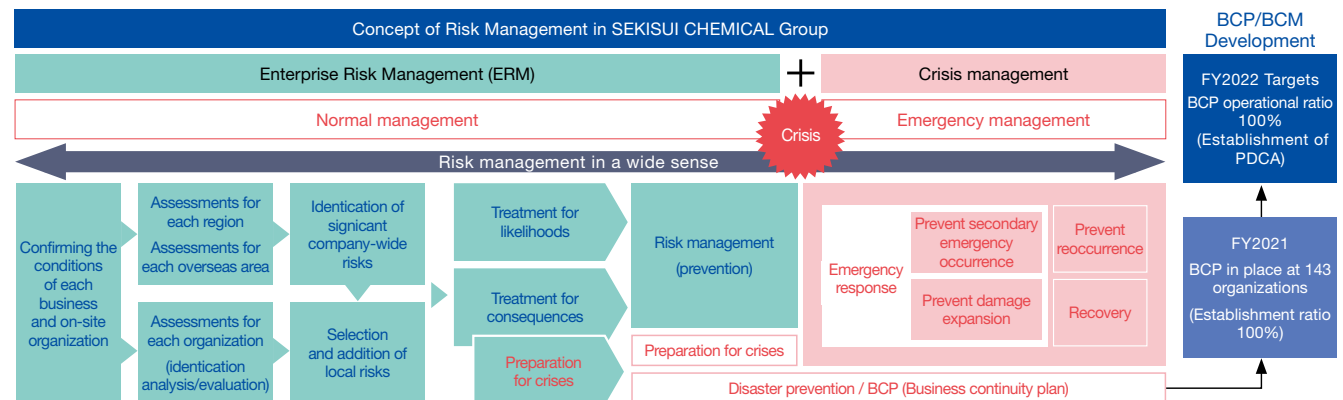
From fiscal 2020, we have intensified our initiatives for the drafting of business continuity plans (BCPs) with the goal of establishing a BCP-based business continuity management (BCM) cycle (PDCA) to minimize the impact on corporate value in the event of an incident. In fiscal 2020, we determined that 143 organizations needed to formulate initial response plans and disaster response/management plans, revised BCP (BCM) guidelines, and created standard templates for the Group. In the current fiscal year, the 143 organizations will formulate BCPs (100% establishment rate) and work to increase awareness of risks among employees through their BCP formulation activities.

each line of business (the heads of business units, the presidents of subsidiaries and affiliates, etc.) determine the necessity of BCP individually, based on the particulars of the businesses in which they are engaged, and is promoting the formulation of BCPs and the implementation of BCM in conformity with ISO 22301, the standard for methods of implementing BCM. In light of the recent increase in the number of threats, as well as the growing need to determine how to continue operations in the event of a medium- to long-term loss of key management resources, and to prepare for such an event, from the current fiscal year the Group is developing an initial emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations as a Company-wide initiative. In addition, the Group will also focus on establishing BCM for each of its domestic and overseas businesses in line with the individual characteristics of each business in our diverse lineup of operations. Even in an emergency situation that could threaten the continuance of operations, we will minimize losses to our organization and our customers while continuing to fulfill our social responsibilities as a company by responding quickly and restoring important functions as soon as possible.

Basic Philosophy Toward BCP

Engaging in a wide range of businesses, SEKISUI CHEMICAL Group has decided on a basic posture of having those in charge of

Status of Risk Management Activities by Organization



Internal Control

Reducing Major Incidents in Five Fields

As the business environment surrounding companies becomes more uncertain and complex, the Group comprehensively identifies various risks related to the business objectives of each organization. Having quantified those risks from the viewpoints of probability (frequency) and impact (result), we identified the fields that possess the potential to lead to major incidents in fiscal 2019 and defined safety, quality, accounting, legal/ethical, and information management as the five major incident fields in fiscal 2020. After deciding the medium- to long-term priorities from a Company-wide perspective, we are promoting measures to reduce the frequency of occurrence and reduce the impact of any occurrence while investing management resources in a focused manner. The policies and activity guidelines for incident control are formulated and promoted by four sub-committees, covering safety, CS & quality, compliance, and cyber security.

Major incidents in the five fields

Fields	Example incidents	
Safety	Fire, explosion, fatality, and serious injury incidents	Safety Sub-committee
Quality	Disguising or falsifying quality, quality defects which put lives at risk, quality problems causing external losses (or expected losses) of ¥1 billion or more	CS & Quality Sub-committee
Accounting	Fraudulent or inappropriate accounting	Compliance Sub-committee
Legal/ethical	Anti-Monopoly Act violations, bribery violations	
Information management	Data exploitation or destruction, information system infiltration, leakage of personal or confidential information	Cyber Security Sub-committee

Fiscal 2022 Targets

Number of major incidents in the five fields

0

Safety

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. For this reason, we are making concerted efforts at safety education and raising sensitivity to risks while following rules and creating a corporate culture that emphasizes compliance while also 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. In the event of an actual occupational injury, information including the form of employment of the injured party is collected, and improvements are sought when there is a problem with the management of a business site. From fiscal 2020, we are working on reforms in three areas—mechanisms, equipment, and people—to build safe and secure factories and sites globally.

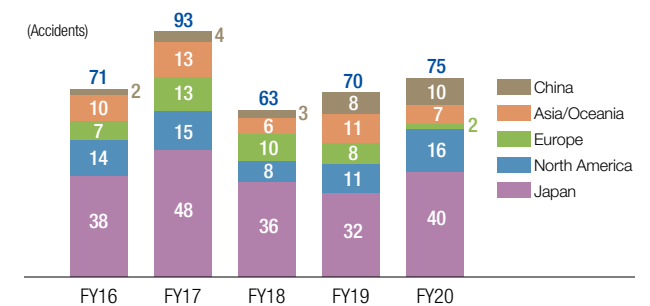
Five Themes and Major Initiatives

1. Intrinsic safety of equipment

- Formulating equipment safety design guidelines and implementing their monitoring
- Encourage employees to obtain safety assessor and safety sub-assessor qualifications for equipment safety and improve equipment safety by sharing information between business sites



Number of Occupational Accidents



2. Safety management using OHSMS

3. Safety education of employees

- Set leading example in safety activities
- Fostering key safety leaders who lead safety activities and promoting their placement at each base
- Standardizing safety education within the Group
- Sharing safety policies with the supply chain and providing occupational safety training (Housing Company)

4. Risk prevention through risk detection activities and other initiatives

- Implementing emergency response skill improvement training (passing on of safety know-how)
- Identifying and improving risks through training to enhance the ability to identify risks

5. Auditing of health, safety, and accident prevention

- Conducting audits based on the Occupational Health and Safety Management Systems (OHSMS) audit evaluation report (evaluation items revised annually and include incorporating ISO 45001 requirements)
- Having disaster prevention audits conducted by outside experts to prevent disasters involving fires and explosions

Internal Control

Quality

SEKISUI CHEMICAL Group emphasizes quality compliance. Assuming that high-risk cases of quality irregularities and data falsification in particular can occur as a result of insufficient investment related to quality improvement and pressure from the supply chain, from 2020 we have been working on building a new quality management system, as well as digitalizing and reinforcing quality data to eradicate the root causes of such risks.

The Group has built a quality assurance system that covers the entire process, from the product development stage to design, production, and sales. At the same time as establishing a quality assurance system in each process and promoting standards-based controls on a daily basis, we recognize that it is onsite monozukuri (manufacturing) that supports quality and are focusing on innovation in production activities. In developing products or making improvements in quality, we conduct strict design screening from a variety of perspectives, such as those of quality assurance and safety. In addition, we have established a system that enables maintenance and control of after-sales services for customers. To rebuild our quality management system, when certification shifted to the ISO 9001:2015 standard we developed an original management sheet, the SEKISUI Process Management Chart (SPMC), to strengthen our process approach. Monitoring daily management checks and promoting

corrective actions, internal audits as well as quality education, the SPMC provides an at-a-glance overview of the management flow of these processes. From fiscal 2020 onward, we are working to improve operational levels by, for example, conducting training to utilize SPMC and improve the quality of internal audits.

Fiscal 2020 Status

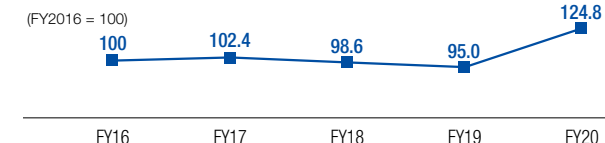
In fiscal 2020, two major quality issues¹ occurred. As a result, external failure costs² increased 25% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will promote the application of development risk prevention methods (such as FMEA and DRBFM)³ to reduce external failure costs. The rate of application of development risk prevention methods in fiscal 2020 was 94%.

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

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

³ FMEA: Failure Mode and Effects Analysis; DRBFM: Design Review Based on Failure Mode (a preventive approach in which problems in new designs are discovered and solved by focusing on points of modification and change)

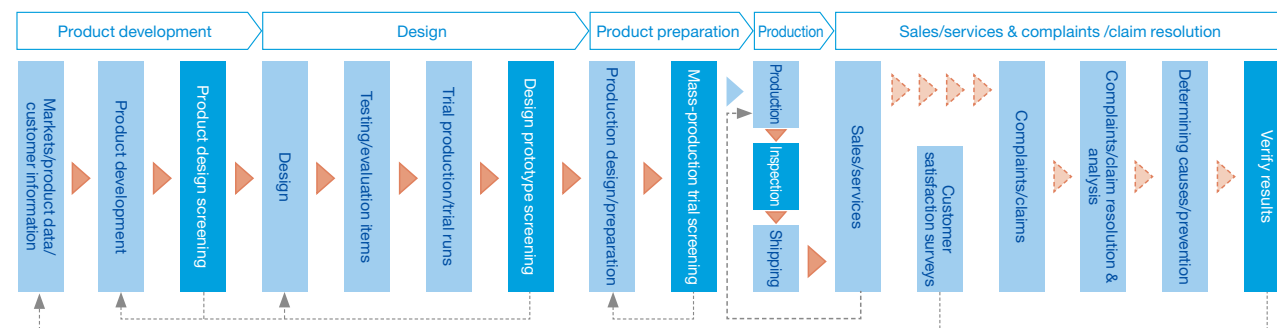
External Failure Costs



Initiatives to Prevent Data Quality Irregularities and Falsification

SEKISUI CHEMICAL Group put in place a system and framework for the thorough prevention of data irregularities and falsification based on the CS & Quality Medium-term Plan, which was launched in the fiscal year under review. In fiscal 2020, SEKISUI CHEMICAL Group took steps to ensure the reliability and transparency of data particularly with regard to product inspections and the drafting of reports to ensure that the specifications agreed upon with our customers are observed. In addition, we are developing systems and revamping daily management work to make data input errors and falsification impossible, while focusing our efforts on digitalizing and using inspection data. To improve our quality assurance capabilities, we will reinforce compliance awareness and strengthen in-house quality control on an ongoing basis.

Quality Assurance System



Preventing Quality-related Problems

SEKISUI CHEMICAL Group holds a number of seminars on the theme of preventing quality problems. Development Risk Prevention Seminars aim to teach efficient and effective prevention methods. The DR Reviewer Training Seminars are held to improve the skills of employees who conduct design reviews (DRs), while the Quality Function Deployment Seminars are conducted to teach methods of organizing information on product development. Having also clarified the discussion points during design screenings when new businesses are launched, we created a mechanism for performing strict design reviews called a Gate Review (GR) platform and started its operation on a trial basis in fiscal 2020.

Internal Control

Compliance (Legal/Ethical and Accounting)

Based on principles such as “contributing to society,” “being a trusted company,” and “adherence to the letter and spirit of the law,” SEKISUI CHEMICAL Group established its Compliance Declaration in 2003. 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. From fiscal 2020, we are working to strengthen our compliance management foundation by controlling critical compliance risks and strengthening internal controls on a global scale. To promote compliance management by instilling compliance awareness in each and every employee, we distribute the Compliance Manual and provide education on an ongoing basis. The Compliance Manual includes information on topics such as the prohibitions on corruption and bribery, respect for human rights and the prohibition of discrimination, data management and protection, compliance with antitrust legislation, prohibitions on insider trading, conservation of the global environment, and compliance with labor-related laws and regulations. We are also promoting content localization for global local employees and thereby encouraging thorough adherence with these requirements among all employees.

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

Established in 2002, the S.C.A.N. (Sekisui Compliance Assist Network) in-house reporting system is available for use by all SEKISUI CHEMICAL Group employees and business partners and also plays a role as a point of contact for consultations, such as whether a specific act would be classed as a compliance violation. Enabling reports to be made directly to an outside law firm in addition to an in-house point of contact, the system also prescribes the protection of the whistleblower and stipulates the protection of whistleblowers, such as the confidentiality of whistleblower information and prohibition of disadvantageous treatment. With regard to the content of reports, we work to resolve organizational issues from a fair standpoint after having first confirmed the claims and facts of the informer and informed. In fiscal 2020, we worked to expand the scope of application of the internal reporting system overseas in cooperation with our regional headquarters in the United States, China, Europe, and Thailand.

Accounting and Tax Compliance Initiatives

SEKISUI CHEMICAL Group is promoting efforts to strengthen monitoring and improve the efficiency of accounting operations toward a solid accounting compliance system. Also providing education on accounting skills and financial knowledge through accounting training and e-learning, in addition to preventing the occurrence of incorrect accounting treatment and accounting fraud, we are working to raise awareness of compliance among the departments and employees involved in accounting operations.

Not using tax havens for tax avoidance purposes, SEKISUI CHEMICAL Group pays taxes appropriately in the countries and regions where it operates, thereby contributing to the economic development of those countries and regions while aiming for harmony and stable development together with them. Transactions with tax risk are checked with external experts as necessary to ensure proper processing and the reduction of tax risk. In regard to transfer pricing risks, transactions within the Group are conducted in accordance with arm's length prices based on the local laws and regulations of each country and region and Organization for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we use the Advance Pricing Arrangement (APA) confirmation system according to the size of the transaction and the degree of tax risk, while working to maintain good relationships with the tax authorities in each country.

Fiscal 2020 Number of Whistleblowing Cases and Consultations

Power harassment	39	Working conditions	29
Sexual harassment	2	Workplace environmental concerns	11
Misuse of expenses	3	Sales methods related	2
Misrepresentation of work performance	3	Collusive relationship with business partners	0
Others	22	Total number of complaints	111

Efforts to Prevent Corruption and Bribery

Based on the spirit of the UN Global Compact, signed and approved by the Group, we promote efforts to prevent acts of bribery and corruption before they occur. Along with introducing Group-wide internal regulations to prevent bribery and corruption, SEKISUI CHEMICAL Group formulated anti-bribery guidelines, which summarize matters concerning bribery and corruption, and that employees should adhere to when doing business in Japan, the United States, and China, and has worked to make these known. We anticipate risks and set and operate rules to prevent violations. For example, a form needs to be submitted in advance to obtain approval when a government official is to be entertained or presented with a gift. In the event of consultancy fees being incurred in connection with business transactions, including those involving public officials from other countries, we stipulate that these can only be undertaken once we have confirmed that there are no reasonable grounds to suspect that payments could constitute bribes. We also provide training to sales and purchasing departments, which are especially at risk from bribery and corruption.

Handling Measures for Anti-Trust Laws

Having 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, SEKISUI CHEMICAL Group audits its operational status every year and reviews the program as appropriate.

Reinforcement of Global Legal Affairs Structure

We are reinforcing our global legal affairs structure by expanding legal functions and coordinating between legal departments. The Compliance Reinforcement Month that we hold every year in Japan is deployed in North America, China, Southeast Asia, Europe, and other areas. In those months, the themes to be taken up are those selected by the regional headquarters from the risks that are judged to be high in each region.

Internal Control

Information Management

To strengthen our efforts in cybersecurity measures, we have formulated an information security policy and are taking measures against information leakage risk and natural disaster risk. We established a CSIRT^{*1} as a cybersecurity response system and set up a Cyber Security Center as a working unit. Acting in partnership with an SOC^{*2}, the Cyber Security Center monitors the security of networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents. In the years to come, we will enhance domestic operations and advance the development of CSIRTs at Group companies overseas.

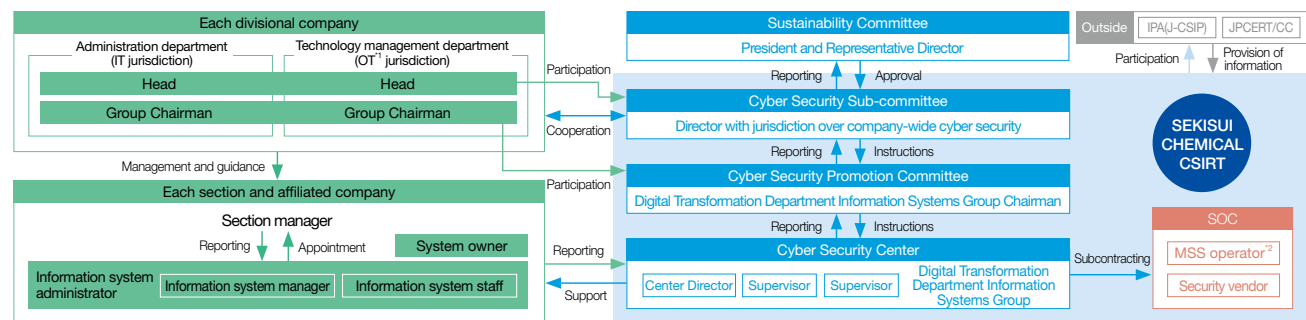
*1 Computer Security Incident Response Team, or CSIRT, is the title given to specialized teams that receive reports, conduct surveys, and enact response measures related to computer security incidents at companies and other organizations.

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

Measures to Address Natural Disaster-related Risks

We have dispersed earthquake-resistant, seismically isolated data centers among multiple locations, so that business operations can be continued even in the event that backbone systems are damaged by a major earthquake or other disaster. By taking steps to completely duplicate mission-critical systems, the Company is working to shorten the leadtime needed up to the completion of repairs and recovery of business operations.

Cyber Security Structure



*1 Operational Technology *2 Managed Security Service

Measures to Address Information Leakage Risks

The Company takes both system measures, such as the strengthening of data center fortifications and enhanced monitoring, and human measures, such as regular e-learning courses for all employees, to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the SOC plays a primary role in consistently identifying new threats, such as viral infections, and in swiftly taking action to implement appropriate countermeasures. With regard to personal information, we have formulated "Guidelines for Web Server Construction and Management" and endeavor to protect the servers managed at each company and work site.

Measures to Prevent Recurrence after Leakage of Conductive Fine Particle Technical Information (Excerpt)

- Thorough information management by importance
- Limitation of contactable persons by confidential information, access log recording
- Organizational risk management activities in R&D Department
- Enhancement of moral education and training for technology development workers
- Thorough confidentiality obligations for retirees and hires

Identifying Risks That SEKISUI CHEMICAL Group Should Manage

To make clear which risks the Group as a whole should prepare itself for, in terms of both organization-specific risk management and Group-wide risk management, we have broadly categorized these as business environmental, strategic, and operational risk, and have further subdivided each category to comprehensively identify risk. We then quantify by means of a risk matrix of probability (frequency) and impact (result) and, with regard to risks that are likely to lead to Company-wide major incidents, regularly check for uncertainties and verify the effectiveness of our Enterprise Risk Management (ERM).

In fiscal 2020, we reviewed the revisions and corrections made to the serious risks identified in fiscal 2019 and considered changes in the risk matrix in light of geopolitical risks, new social demands, and other changes. The results of the deliberations and the various measures for risk reduction are reported to the Board of Directors after deliberation by the Sustainability Committee and are taken into consideration when making management decisions.

Fields	Risk	Examples of incidents
Business environmental risks	Major market trends	
	Fluctuations in exchange rates, interest rates, and asset value	
	Raw material price volatility and procurement	
	Large earthquakes, natural disasters, industrial accidents	
	Climate Change and environmental issues	Resource depletion, water risk, marine plastics
	Politics and society	Political change / terrorism
Strategic risk	M&A / New Business / R&D	
Operational risk	Information-management	Information leaks / technical information outflow
	Quality	Responsibility for manufactured goods / Major Quality Issues
	Safety	Fire and explosions / major workplace accidents / hazardous substance leakage
	Laws / Compliance / Human Rights	Unethical or criminal behavior / violations of the Monopolies Act or fraudulent transactions / unauthorized overwriting of data / bribery / harassment / environmental regulations, etc.
	Intellectual property	IP disputes

Review and Analysis of Consolidated Results for Fiscal 2020

Fiscal year ended March 31, 2021

Business Environment

In fiscal 2020, conditions throughout the global economy were generally severe. This was largely due to the worldwide spread of COVID-19, which placed considerable downward pressure on corporate as well as socioeconomic activity including people's movements in general. Starting in the second half of the period, however, the economy began to show signs of a recovery, primarily in the United States and China. The domestic economy also faced harsh conditions as it experienced a widespread downturn in corporate earnings and business sentiment due to the impact of the COVID-19 pandemic. In addition to postponements in and downscaling of capital investments, the domestic economy also saw a decline in consumer spending and a prolonged loss of inbound demand. Starting in the second half, however, Japan did show signs of a moderate recovery, primarily in the manufacturing industry. Despite signals of a gradual movement toward restarting economic activity in Japan and overseas, an outlook for an end to the pandemic has yet to be established and prospects for the future remain clouded.

As far as the market environments for each of the Group's individual business segments are concerned, new housing starts in the domestic housing field came to 810,000 units in fiscal 2020, a decrease of 9.9% compared with the previous fiscal year. This decline largely reflected decreases in privately-owned homes, rental housing, and condominiums. Among detached houses, privately-owned homes declined 9.6% year on year to 261,088 units, while built-for-sale detached housing fell 11.4% compared with the previous fiscal year to 130,753 units. In the Water Infrastructure field, PVC pipe shipment volumes fell below the levels recorded in the previous fiscal year in line with the downturn in condominium construction starts. Private-sector construction investment also declined year on year despite robust government construction investment. In the Electronics field, smartphone shipments continued to weaken, but a recovery in demand was observed in the second half of the period. The Automobiles field experienced a year-on-year decline in automobile sales in all regions. However, China and the United States saw a faster-paced recovery in demand than expected during the second half of the period. From a foreign currency exchange rate perspective, the yen edged higher against the U.S. dollar after starting out the period at ¥107 in April 2020. Although the yen appreciated to ¥102 at one point during the start of 2021, it trended weaker later on and finished the period in March 2021 in the upper ¥110 range. In fiscal 2020, the annual average foreign currency exchange rate against the U.S. dollar was ¥106 and ¥124 against the euro. Compared with the previous

period, the yen appreciated against the U.S. dollar and weakened against the euro, whereas the exchange rate impact on operating income for the period under review was a loss of ¥1.1 billion.

Overview of Business Results and Financial Position

1. Analysis of Business Results for Fiscal 2020

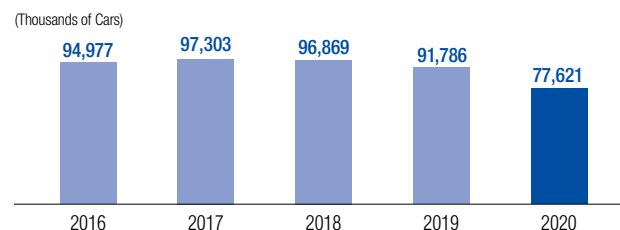
1) Net sales and operating income

As the first year of the new Medium-term Management Plan Drive 2022, which was formulated based on the SEKISUI CHEMICAL Group Long-term Vision, Vision 2030, fiscal 2020 was affected by a variety of factors stemming from the COVID-19 pandemic, namely sluggish demand for automobiles and aircraft from Japan and overseas, suspensions or delays of construction projects, a decline in the number of new housing starts in Japan, and restrictions imposed on sales activities. Starting in the third quarter, in addition to a gradual recovery in the automobile

and smartphone market conditions, accelerated efforts to reduce fixed costs and achieve structural reform helped second-half operating income reach the same level as the previous consolidated fiscal year.

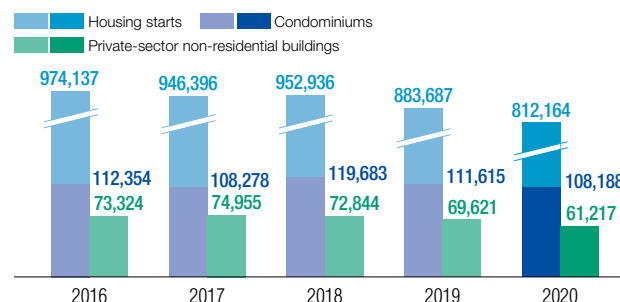
As a result, the Company reported declines in both sales and profit on a year-on-year basis. In specific terms, net sales for the consolidated fiscal year under review declined 6.4% to ¥1,056,560 million, operating income declined 23.5% to ¥67,300 million, and ordinary income declined 28.2% to ¥62,649 million. Similarly, net income attributable to owners of the parent fell 29.8% year on year, to ¥41,544 million, due to a decline in gains on the sale of investment securities and other factors compared with the previous period. Meanwhile, in preparation for the future, the Company opened a new research-and-development building at the Urban Infrastructure & Environmental Products Company's General Institute and an innovation center for the High Performance Plastics Company in an effort to strengthen the R&D system. In preparation for overseas business expansion, in Europe the Company resolved to commence operations at a production site for heat release materials and to construct a production plant for synthetic railway sleepers (FFU). Moreover, the Company formed

World Motor Vehicle Production Volume



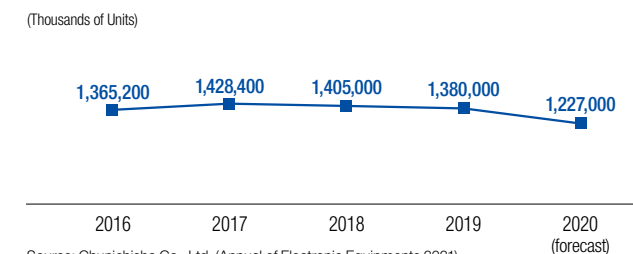
* Source: OICA correspondents' survey
Note: Calendar year base

Number of New Housing Starts and Private-sector



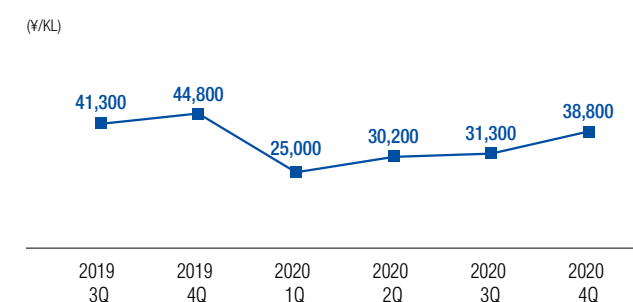
Source: New construction starts of dwellings, Ministry of Land, Infrastructure, Transport, and Tourism

Smartphone Shipments



Source: Chunichisha Co., Ltd. (Annual of Electronic Equipments 2021)

Domestic Naphtha Price Assumptions



Source: Ministry of Finance (Trade Statistics of Japan)

Review and Analysis of Consolidated Results for Fiscal 2020 Fiscal year ended March 31, 2021

the ESG Taskforce to address new social issues, including life during and after the COVID-19 pandemic, using the full capabilities of the entire Group.

Of these totals, the Housing Company posted net sales of ¥485,265 million, down 5.4% compared with the previous fiscal year. On a year-on-year basis, operating income came to ¥30,546 million, a decrease of 19.2%. In fiscal 2020, in addition to a smaller year-start backlog, orders decreased due to effects of COVID-19, and as a result, sales and income were down. On the other hand, progress was made on efforts to strengthen profit foundations, including optimizing production and reducing fixed costs. Regarding the Housing business, orders were down year on year for the fiscal year as a whole due to the spread of COVID-19, but starting in the third quarter, the market began to recover, and orders in the second half of the fiscal year were at the same level as the previous year. Sales of subdivision and ready-built houses were strong. Measures such as Web platforms to attract visitors and online negotiations were conducted, and we emphasized energy self-sufficiency proposals with the Smart Power Station FR GREEN MODEL, which was launched in October. We also took measures to increase and enhance stocks of land and ready-built houses to expand already strong sales. In the Housing Renovation business, contacts with customers decreased, resulting in net sales lower than the previous year, but cost-cutting measures proceeded even more than planned, and profits turned upward in the second half of the fiscal year. Measures included development of systems through placement of periodic diagnosis specialists and leveling construction and sales by reinforcing backlog management. In the Town and Community Development business, contributions to profits from sales at Asaka Lead Town and Higashi Matsuyama Lead Town became well-established, and steady progress was made on securing future projects.

In the fiscal year under review, net sales in the UIEP Company came in at ¥204,586 million. This was a decrease of 13.8% compared with the previous fiscal year. Operating income fell 27.3% year on year to ¥11,251 million. In fiscal 2020, sales and income were down due to effects from delayed and postponed construction projects as a result of COVID-19 in Japan and overseas, as well as sluggishness in construction-related (non-residential facilities) markets in Japan. However, structural reforms, higher work efficiency, and fixed cost reductions progressed ahead of the plan. In Piping and Infrastructure, sales to public-sector projects in Japan and overseas plants (semiconductors and liquid crystals) were solid, but demand in construction-related (non-residential facilities) markets in Japan slumped, and net sales were lower than the previous year. With regard to Building and Living Environment, demand for detached houses and renovation recovered, but non-residential

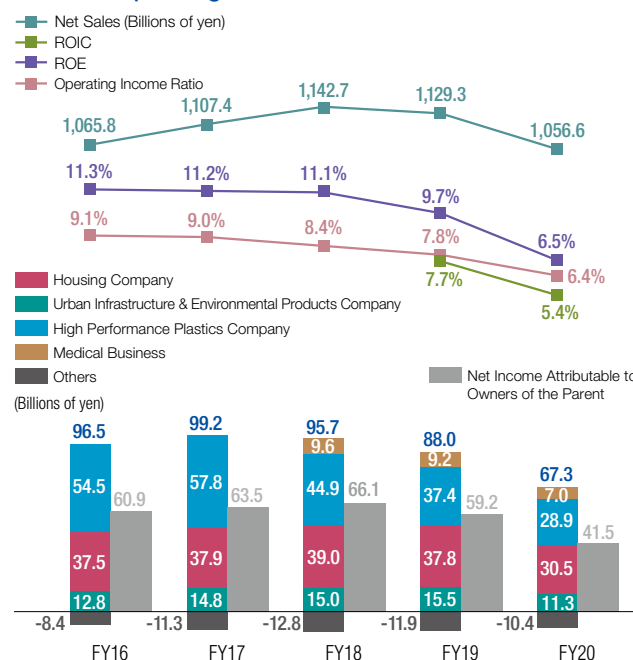
demand was sluggish and there were also effects from structural reforms. As a result, net sales were lower than the previous year.

In Advanced Materials, deployment for new applications progressed, primarily for thermo plastic sheets for medical equipment in the United States, but demand for aircraft sank and there were also effects from structural reforms due to business transfers. As a result, net sales were lower than the previous year. Domestic demand for synthetic lumber (railway sleepers, water treatment related applications, etc.) progressed steadily. Net sales in the HPP Company amounted to ¥309,867 million in fiscal 2020, down 3.9% compared with the previous fiscal year. On the earnings front, operating income fell 22.6% year on year to ¥28,935 million. In fiscal 2020, demand in the Mobility domain and Building and Infrastructure was down sharply due to effects of COVID-19, and as a result, sales and income were down. However, thorough measures were implemented to reinforce profit structures through cost innovations and structural reforms throughout the supply chain, leading to year on year increases in sales and income in the second half, when demand recovered.

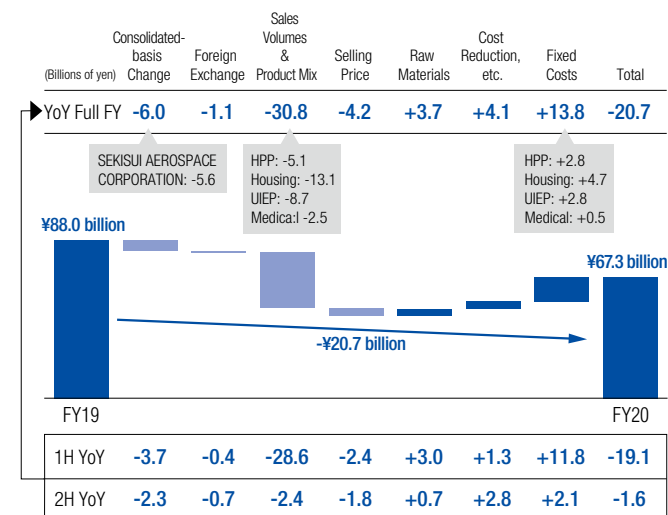
In Electronics, net sales were up year on year substantially in both the first and second halves of the year due to higher demand for

mobile devices and steady efforts to increase sales of non-liquid-crystal-related products such as substrates and semiconductors, joint parts, and heat release products. In Mobility, net sales were lower than the previous year due to a downturn in the automobile market and an extreme slump in demand for aircraft-related components in the first half, but the automobile market largely recovered starting in the third quarter, thereby allowing efforts to increase sales of high-performance products to make progress, and in the second half, net sales were substantially higher than the previous year. In Building and Infrastructure, although global demand for chlorinated polyvinyl chloride (CPVC) recovered starting in the third quarter, the impacts of lockdowns in the first quarter and ongoing sluggishness in domestic market conditions led to lower net sales than in the previous year. In the Medical business, net sales declined 0.3% compared with the previous fiscal year, to ¥72,342 million. Operating income fell 23.8% year on year, to ¥7,010 million. In fiscal 2020, although there was an impact from the decrease in outpatient tests for lifestyle-related diseases due to the spread of COVID-19, net sales were essentially at the same level as the previous year due to increased sales of COVID-19 test kits in the United States and higher sales of new active pharmaceutical ingredients. Meanwhile, operating profit was down due to a lower profit rate in conjunction with falling demand for diagnostic reagents.

Trends in Operating Income



Analysis of Operating Income



Review and Analysis of Consolidated Results for Fiscal 2020 Fiscal year ended March 31, 2021

2) Non-operating income and expenses

Non-operating income declined ¥772 million year on year due in part to a decrease in interest income of ¥472 million. Taking into account such factors as the increase in expenses for exterior wall inspections and maintenance of ¥2,317 million, non-operating expenses grew ¥3,105 million year on year.

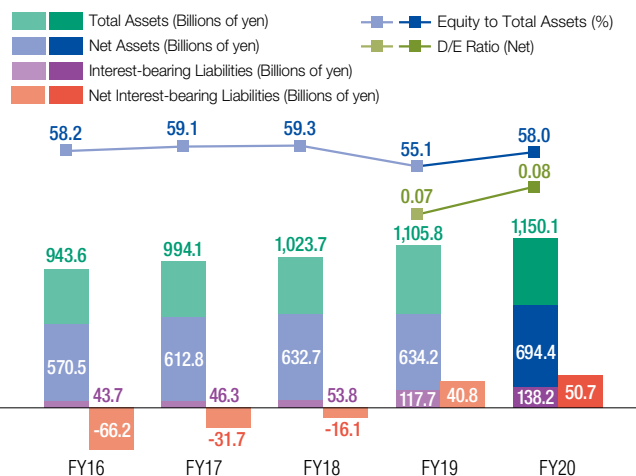
3) Extraordinary income and loss

The Company posted total extraordinary income of ¥5,387 million, including a gain on sales of fixed property, plant, and equipment of ¥3,128 million and sales of investments in securities of ¥2,258 million. Meanwhile, the Company posted a total extraordinary loss of ¥4,857 million, including a loss on impairment of fixed assets of ¥2,428 million and a loss on sales or disposal of property, plant, and equipment of ¥1,700 million.

4) Net income attributable to owners of the parent

Accounting for each of the aforementioned factors, income before income taxes and minority interests totaled ¥63,179 million, a decrease of ¥20,607 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owners of the parent amounted to ¥41,544 million.

Total Assets, Net Assets, Equity to Total Assets, Net Interest-bearing Liabilities, and D/E Ratio



Equity to Total Assets = Equity/Total Assets

5) Primary management indicators

In addition to ROE (return on equity), the Group introduced ROIC (return on invested capital) as a primary management indicator for enhancing the management's ability to sustain business. Under the Medium-term Management Plan, the Group proposed to achieve an ROE of 10.6% and an ROIC of 8.6% as the business targets for fiscal 2022, the final year of the Plan. In fiscal 2020, ROE fell 3.2 percentage points year on year to 6.5%. Moreover, ROIC also declined 2.3 percentage points year on year to 5.4%.

2. Financial Position

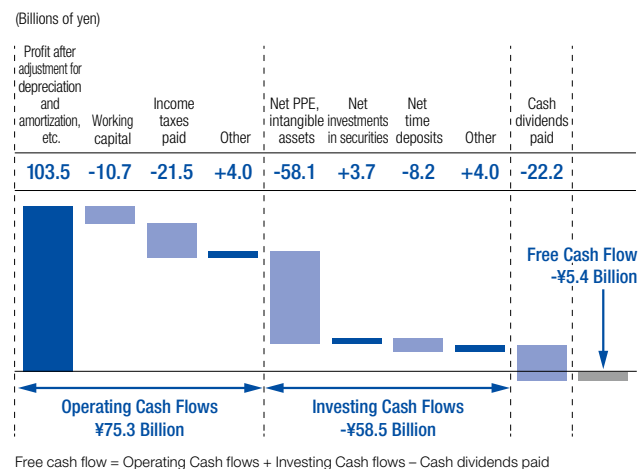
1) Assets, liabilities, and net assets

Total asset as of March 31, 2021, stood at ¥1,150,143 million, an increase of ¥44,361 million compared with the end of the previous fiscal year.

(Assets)

Current assets stood at ¥505,571 million as of the end of fiscal 2020, ¥13,688 million higher than the balance as of the previous fiscal year-end. While the balance of notes receivable, trade, and accounts receivable, trade declined ¥3,493 million during the fiscal year under review, the balances of cash and deposits as well as total inventories climbed ¥10,635 million and ¥5,719 million, respectively. In addition, non-current assets grew ¥30,673 million year on year to ¥64,571 million.

Free Cash Flow



(Liabilities)

Liabilities decreased ¥15,811 million compared with the end of the previous fiscal year to ¥455,751 million. Despite an increase in interest-bearing debt of ¥20,502 million, this downturn in liabilities was largely attributable to decreases in liability for retirement benefits of ¥16,767 million and a combined drop of ¥11,367 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses.

(Net assets)

Net assets stood at ¥694,392 million as of the end of the fiscal year under review, an increase of ¥60,173 million compared with the end of the previous fiscal year. This mainly reflected the posting of net income attributable to owners of the parent of ¥41,544 million and increases in unrealized gain on holding securities and translation adjustments of ¥23,318 million and ¥15,146 million, respectively.

2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥76,649 million as of the end of fiscal 2020, an increase of ¥1,927 million compared with the end of the previous fiscal year. Factors influencing fiscal 2020 cash flow accounts were as follows.

(Operating activities)

Net cash provided by operating activities came to ¥75,271 million, down from ¥92,647 million in the previous fiscal year. In the fiscal year under review, major cash inflows, which included income before income taxes and minority interest of ¥63,179 million, depreciation and amortization of ¥44,926 million, and a decrease in notes and accounts receivable of ¥4,629 million, exceeded such cash outflows given income taxes paid of ¥21,497 million, a decrease in notes and accounts payable of ¥11,246, and an increase in inventories of ¥4,165 million.

(Investing activities)

Net cash used in investing activities amounted to ¥58,495 million, down from ¥100,562 million in the previous fiscal year. This decrease was primarily due to purchases of property, plant, and equipment worth ¥55,359 million focusing mainly on priority and growth fields, and to a net increase in time deposits of ¥8,156 million.

Review and Analysis of Consolidated Results for Fiscal 2020 Fiscal year ended March 31, 2021

(Financing activities)

Net cash used in financing activities was ¥19,157 million in the fiscal year under review, compared with net cash provided by financing activities of ¥15,450 million in the previous fiscal year. Principal cash outflows came from cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries of ¥22,193 million and the purchase of treasury stock of ¥12,201 million, whereas the net increase in interest-bearing debt was ¥14,484 million.

Business Risks

The following factors related to our business and accounting practices could 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 2020.

1) Major market trends

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

2) Raw material price volatility and procurement

The market prices of steel, timber, polyvinyl chloride, olefin, and other petroleum-related raw materials used in the Group's

production activities are affected by a variety of factors including trends in the global economy, the balance between demand and supply, and fluctuations in foreign currency exchange rates. In addition, some of the raw materials used in the Group's products comprise scarce resources, which pose a risk regarding stable procurement. A sharp rise in the price of raw materials could lead to higher production costs, while demand trends for scarce resources and problems at suppliers could interfere with the Group's ability to supply products. As a result, the Group's business results and financial position could be affected. In response to rising raw material prices, the Group is implementing cost-reduction measures. At the same time, energies are being directed toward maintaining a sufficient margin between selling and raw material prices, mainly in the UIEP and HPP companies.

3) Products and quality

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

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

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

5) Overseas business activities

Engaging in manufacturing and sales activities through an overseas network that currently spans 22 countries, the Group is promoting the development of its global business as a key growth strategy. In addition to trends in the overall global economy, the Group's overseas business activities are subject to the risk of social and political disruption due to political turmoil such as terrorism and war, tariff retaliation measures, unexpected changes in policies, laws and regulations, tax changes, industrial base fragility, natural disasters, infectious diseases, racial discrimination, product boycotts, and other factors. In the event that these risks materialize, the Group's overseas business activities could be impeded and its performance and future plans affected. SEKISUI CHEMICAL Group has established four regional headquarters in the United States, Europe, China, and ASEAN regions to gather information on the economic, social, and political conditions and trends in the laws and regulations of each country in which it has a base of operations. Should an event that requires a response occur, the Group company, regional headquarters, and specialized department at the Company's head office in Japan work together to respond as appropriate.

Review and Analysis of Consolidated Results for Fiscal 2020 Fiscal year ended March 31, 2021

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

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

7) Information security

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

system-based incidents. In addition, we have developed a system to take appropriate action and prevent recurrence in the event that an incident should arise, and are working to prevent the leakage of human-related information through employee training. To counter the risk of backbone system stoppages due to such natural disasters as a major earthquake, we have taken a wide range of measures including the decentralization of data centers to multiple locations and the complete duplication of critical business operations.

8) Legal and other compliance

The Group is subject to a variety of statutory and regulatory requirements in the conduct of its business. In the event that the Group should seriously violate any of these laws following an amendment or unexpected introduction of a law or regulation, or undertake an action or carry out an injustice that violates societal norms caused by pressure to achieve performance targets, it could suffer a loss of customer confidence and incur costs in order to address the infraction thereby impacting its business results and financial position. The Group established its "Compliance Declaration" in 2003 based on principles such as "contributing to society," "being a trusted company," and "adherence to the letter and spirit of the law." In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In October 2020, under the leadership of president Kato, the Group declared that it regards compliance as the foundation for growth, and that each and every director and employee must act with a high sense of ethics and responsibility and behave in ways that conform to community expectations. In addition, the Sustainability Committee, chaired by the President, deliberates on "Fundamental Compliance Policies" that require the approval of the Board of Directors, and has established a designated Compliance Subcommittee, which reports to the Sustainability Committee, to plan, consider, and decide on important compliance-related matters, with the aim of establishing and implementing a compliance system for the Company and its Group companies. In order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.

9) Climate change and environmental issues

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

to improve social and global environmental sustainability through solutions to social issues, as well as its own sustainable growth, in a bid to realize its Long-term Vision "Vision 2030" and the Sekisui Environment Sustainability Vision 2050. In the event that efforts aimed at addressing these issues prove inadequate, the Group could suffer a loss of public trust and a deterioration of its reputation and competitiveness, thereby impacting sales. We are working to create, certify, and expand the market for products to enhance sustainability that contribute to the sustainability of the global environment and society by helping to resolve environmental and social issues. As a measure to combat global warming, we have set the target of increasing our utilization ratio for renewable energy from electricity purchased to 100% by 2030, and to promote various other measures including collaboration with suppliers to procure raw materials with low environmental impact. Among a host of other initiatives, we are also undertaking activities to promote solutions to the marine plastic problem through industry-government-academia collaboration. This includes participation in the CLOMA¹ and JalME² corporate initiatives.

¹ CLOMA: Japan Clean Ocean Material Alliance.

² JalME: Japan Initiative for Marine Environment.

10) Impact of COVID-19

The global spread of COVID-19 could threaten the safety of our employees, restrict the activities of our Group's businesses domestically and internationally, and impact our profit and loss, including market stagnation. We assume that these concerns will linger to a certain degree in fiscal 2021. In addition to setting up a Groupwide Emergency Response Headquarters, and with the safety of employees our primary concern, we are minimizing the use of group meetings, training, and business trips, while applying online tools, and are promoting telecommuting, among other measures. From a customer service perspective, we are trying to reduce the number of face-to-face meetings while emphasizing online communication and telephone negotiations to ensure that we address customers' needs in a timely manner. In similar fashion, we are promoting telecommuting and shortened work hours at our overseas offices while accommodating conditions in each country. We will continue to enhance safety measures for our stakeholders while monitoring future progress and prepare for unforeseen circumstances, including the need to secure stable working capital to deal with prolonged risks.

External Evaluations Conducted in Fiscal 2020

ESG Index

- Earned selection to the “World Index” category of the DJSI
- Earned selection to the FTSE4Good Index series
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the MSCI ESG Leaders Indexes
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the MSCI Japan Empowering Women (WIN) Select Index
- Earned selection to Ethibel PIONEER and Ethibel EXCELLENCE
- Earned selection to the S&P / JPX Carbon Efficient Index Composite
- SNAM Sustainability Index

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA



FTSE4Good

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



FTSE Blossom
Japan

<https://www.ftserussell.com/products/indices/blossom-japan>

**2021 MSCI ESG Leaders
Indexes Constituent**

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

2021 CONSTITUENT MSCIジャパン
ESGセレクト・リーダーズ指数

2021 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)



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



2020
Somo Sustainability Index

ESG- and IR-related Rankings and Other Awards

CSR in General

- Earned S&P Global sustainability rating of “Bronze Class”
- Earned selection as one of the “2021 Global 100 Most Sustainable Corporations in the World index,” ranking 51st
Ranked 61st in Toyo Keizai CSR Ranking
- Earned selection for the “Golden Peacock Global Award for Sustainability”
- Earned selection as one of the top 30 for overall sustainability and top 10 for community and social capital in the “Sustainable Ones Award”

IR-related

- Ranked second in the chemicals and textiles industry in the Securities Analysts' selected companies performing excellent disclosure
- GPIF's asset managers entrusted with domestic equity investment select one organization each for "Excellent Integrated Report" and "Highly Improved Integrated Report."

**Sustainability Award
Bronze Class 2021**

S&P Global



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



<https://terrast.org/corporation/4204>



<https://terrast.org/corporation/4204>

External Evaluations Conducted in Fiscal 2020

Environment

- Earned selection to the 2020 “CDP Climate Change A-List,” “CDP Water Security A-List,” and “CDP Supplier Engagement Leader” rankings
- Acquired certification from the “SBT (Science-Based Targets) Initiative” (June 2018)
- Acquired the “DBJ Environment Rating” from the Development Bank of Japan, the highest ranking



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



<Recognized organizations: SEKISUI CHEMICAL CO., LTD. Taga Plant, SEKISUI TAGA CHEMICAL INDUSTRY CO., LTD. >

Received the grand prize (education dissemination division) in the 2021 Nature Conservation Society of Japan Awards*

* This award was received by the Biodiversity Biwako Network (BBN), an organization with the goal of preserving biodiversity in Shiga Prefecture. The SEKISUI CHEMICAL CO., LTD. Taga Plant and SEKISUI TAGA CHEMICAL INDUSTRY CO., LTD., are members.

Human Resources

- Earned selection as a “Nadeshiko Brand” by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange in 2020
- Earned selection as a 2021 Health and Productivity Management Brand by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange
- Certified as a 2021 Health and Productivity Management Organization by both the Ministry of Economy, Trade, and Industry and the Nippon Kenko Kaigi in the large enterprise category (“White 500”)
- Received the 2nd Grand Prize Platinum Career Award
- Kofu Sekisui Sangyo Co., Ltd.: Received the Ministry of Economy, Trade, and Industry’s New Diversity Management Selection 100 in fiscal 2016
- Earned selection to the Ministry of Economy, Trade, and Industry’s Diversity Management Selection 100 for fiscal 2013



Key Financial and Non-financial Data

	FY2016	FY2017	FY2018	FY2019	FY2020
Financial Data					
Net Sales	1,065,776 mil. yen	1,107,429 mil. yen	1,142,713 mil. yen	1,129,254 mil. yen	1,056,560 mil. yen
Housing	484,975 mil. yen	497,782 mil. yen	506,729 mil. yen	512,937 mil. yen	485,265 mil. yen
Urban Infrastructure & Environmental Products	240,332 mil. yen	239,241 mil. yen	239,193 mil. yen	237,380 mil. yen	204,586 mil. yen
High Performance Plastics	357,526 mil. yen	386,154 mil. yen	341,290 mil. yen	322,421 mil. yen	309,867 mil. yen
Medical*1	—	—	70,721 mil. yen	72,588 mil. yen	72,342 mil. yen
Operating Income (Operating Income Ratio)	96,476 mil. yen (9.1 %)	99,231 mil. yen (9.0 %)	95,686 mil. yen (8.4 %)	87,974 mil. yen (7.8 %)	67,300 mil. yen (6.4 %)
Housing	37,549 mil. yen	37,935 mil. yen	39,002 mil. yen	37,792 mil. yen	30,546 mil. yen
Urban Infrastructure & Environmental Products	12,827 mil. yen	14,791 mil. yen	15,007 mil. yen	15,480 mil. yen	11,251 mil. yen
High Performance Plastics	54,537 mil. yen	57,821 mil. yen	44,855 mil. yen	37,374 mil. yen	28,935 mil. yen
Medical*1	—	—	9,623 mil. yen	9,204 mil. yen	7,010 mil. yen
Ordinary Income	91,513 mil. yen	93,929 mil. yen	93,146 mil. yen	87,202 mil. yen	62,649 mil. yen
Net Income Attributable to Owners of the Parent	60,850 mil. yen	63,459 mil. yen	66,093 mil. yen	59,181 mil. yen	41,544 mil. yen
Comprehensive Income	57,638 mil. yen	73,898 mil. yen	55,648 mil. yen	36,364 mil. yen	93,956 mil. yen
Total Assets	943,640 mil. yen	994,137 mil. yen	1,023,706 mil. yen	1,105,781 mil. yen	1,150,143 mil. yen
Net Assets	570,549 mil. yen	612,757 mil. yen	632,746 mil. yen	634,219 mil. yen	694,392 mil. yen
R&D Expenditures	34,169 mil. yen	36,974 mil. yen	38,838 mil. yen	37,146 mil. yen	35,110 mil. yen
Capital Expenditures	43,868 mil. yen	53,518 mil. yen	73,595 mil. yen	66,667 mil. yen	55,326 mil. yen
Depreciation and Amortization	34,843 mil. yen	36,016 mil. yen	38,789 mil. yen	42,018 mil. yen	44,926 mil. yen
Amortization of Goodwill	2,118 mil. yen	2,416 mil. yen	2,848 mil. yen	3,238 mil. yen	4,419 mil. yen
Net Cash Provided by Operating Activities	108,229 mil. yen	82,272 mil. yen	85,213 mil. yen	92,647 mil. yen	75,271 mil. yen
Net Cash Used in Investing Activities	-44,057 mil. yen	-60,881 mil. yen	-62,553 mil. yen	-100,562 mil. yen	-58,495 mil. yen
Net Cash Used in (Provided by) Financing Activities	-39,633 mil. yen	-35,981 mil. yen	-31,539 mil. yen	15,450 mil. yen	-19,157 mil. yen
Free Cash Flow	48,107 mil. yen	2,325 mil. yen	2,043 mil. yen	-30,317 mil. yen	-5,417 mil. yen
Net Assets per Share	1,147.91 yen	1,245.91 yen	1,307.75 yen	1,333.76 yen	1,485.89 yen
Net Income Attributable to Owners of the Parent per Share	126.13 yen	133.80 yen	141.74 yen	128.80 yen	91.92 yen
Dividend per Share (Dividend Payout Ratio)	35 yen (27.7 %)	40 yen (29.9 %)	44 yen (31.0 %)	46 yen (35.7 %)	47 yen (51.1 %)

*1 The Medical Business was separated from the High Performance Plastics Company from fiscal 2019. (Prior to fiscal 2017 the Medical Business was included in the High Performance Plastics Company)

*2 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28 issued on Feb. 16, 2018) have been applied from the beginning of the fiscal year ended March 31, 2019 (FY2018). Major management indicators, etc., for the previous fiscal year have been calculated by retrospectively applying the accounting standard.

*3 For the year ended March 31, 2021, the Companies completed the provisional accounting treatment related to a business combination. As a result, certain amounts as of and for the year ended March 31, 2020, includes items that were adjusted retroactively to reflect the revision of the initial allocated amounts of the acquisition price as the Companies finalized the provisional accounting treatment for the business combination.

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

*Please refer to the Financial Highlights (11 years) of the FACT BOOK for detailed financial data.

<https://www.sekisuichemical.com/ir/financial/factbook/>

Key Financial and Non-financial Data

	FY2016	FY2017	FY2018	FY2019	FY2020
Financial Index					
Dividend on Equity Ratio	3.1 %	3.3 %	3.4 %	3.5 %	3.3 %
Equity to Total Assets	58.2 %	59.1 %	59.3 %	55.1 %	58.0 %
Current Ratio	160.7 %	153.6 %	151.0 %	147.2 %	179.1 %
Fixed Ratio	86.9 %	91.0 %	91.2 %	100.8 %	96.6 %
Interest-Bearing Debt	43,734 mil. yen	46,326 mil. yen	53,848 mil. yen	117,665 mil. yen	138,168 mil. yen
Debt/Equity Ratio	8.0 %	7.9 %	8.9 %	19.3 %	20.7 %
Interest Coverage Ratio	100.4 times	109.9 times	113.5 times	85.3 times	58.2 times
Total Assets Turnover	1.13 times	1.14 times	1.13 times	1.06 times	0.94 times
Inventory Turnover	7.00 times	6.84 times	6.30 times	5.52 times	4.80 times
Tangible Fixed Assets Turnover	4.01 times	4.09 times	3.88 times	3.49 times	3.07 times
R&D Expenditures to Revenues	3.21 %	3.34 %	3.40 %	3.29 %	3.32 %
Return on Equity (ROE)	11.3 %	11.2 %	11.1 %	9.7 %	6.5 %
Return on Total Assets (ROA)	9.7 %	9.7 %	9.2 %	8.2 %	5.6 %
Return on Invested Capital (ROIC)	—	—	—	7.7 %	5.4 %
EBITDA	133,437 mil. yen	137,665 mil. yen	137,324 mil. yen	133,231 mil. yen	116,647 mil. yen
PER	14.83 times	13.87 times	12.55 times	11.17 times	23.12 times
Net Sales per Employee	45.44 mil. yen	45.12 mil. yen	43.47 mil. yen	42.22 mil. yen	39.43 mil. yen
Operating Income per Employee	4.11 mil. yen	4.04 mil. yen	3.64 mil. yen	3.28 mil. yen	2.51 mil. yen

*1 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28 issued on February 16, 2018) have been applied from the beginning of the fiscal year ended March 31, 2019 (FY2018). Major management indicators, etc., for the previous fiscal year have been calculated by retrospectively applying the accounting standard.

*2 For the year ended March 31, 2021, the Companies completed the provisional accounting treatment related to a business combination. As a result, certain amounts as of and for the year ended March 31, 2020, include items that were adjusted retroactively to reflect the revision of the initial allocated amounts of the acquisition price as the Companies finalized the provisional accounting treatment for the business combination.

Equity = Shareholders' Equity including Accumulated Other Comprehensive Income

Equity to Total Assets = Equity/Total Assets

Current Ratio = Current Assets/Current Liabilities

Fixed Ratio = Fixed Assets/Equity

Debt/Equity Ratio = Interest-bearing Debt/Equity

Interest Coverage Ratio = (Operating Income + Interest and Dividends)/Interest Expense

Total Assets Turnover = Net Sales/Average Total Assets

Inventory Turnover = Net Sales/Average Inventory

Tangible Fixed Assets Turnover = Net Sales/Average Tangible Fixed Assets

R&D Expenditures to Revenues = R&D Expenditures/Net Sales

Return on Equity (ROE) = Net Income Attributable to Owners of the Parent/Average Equity

Return on Total Assets (ROA) = Ordinary Income/Average Total Assets

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

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

PER = Stock Prices at the End of Fiscal Year/Net Income Attributable to Owners of the Parent per Share

Net Sales per Employee = Net Sales/Average Number of Employees

Operating Income per Employee = Operating Income/Average Number of Employees

Key Financial and Non-financial Data

	FY2016	FY2017	FY2018	FY2019	FY2020
Human Resources					
Number of Employees	23,006	26,080	26,486	27,003	26,577
By Divisional Company					
Housing	10,447	10,698	10,891	10,937	11,182
Urban Infrastructure & Environmental Products	4,789	4,945	5,139	5,242	4,959
High Performance Plastics	7,269	9,735	7,795	8,078	7,541
Medical*1	—	—	1,907	2,050	2,160
By Region					
Japan	17,928	18,935	19,464	19,727	19,800
The Americas	1,403	1,482	1,494	1,970	1,744
Europe	973	961	958	977	1,014
Asia/Pacific (including China)	2,702	4,702	4,570	4,329	4,019
Diversity					
Ratio of Women among New Graduate Hires (SEKISUI CHEMICAL Group in Japan)*2	31.3 %	29.8 %	29.7 %	31.4 %	29.5 %
Ratio of Women in Management Positions (SEKISUI CHEMICAL in Japan)	2.6 %	3.1 %	3.2 %	4.1 %	4.3 %
Employment Ratio of People with Disabilities (SEKISUI CHEMICAL)*3	2.29 %	2.29 %	2.81 %	2.84 %	2.75 %
Number of Elderly Employees Reemployed (SEKISUI CHEMICAL)	65	21	49	46	77
Global Talent Employees*4	341	340	326	335	340
Work-Life Balance					
Number of People Using Work-Life Balance Related Programs*5 (SEKISUI CHEMICAL)/ Including the Number of Male Users	196 / 95	253 / 132	330 / 186	427 / 254	357 / 182
Fostering Personnel					
Average Hours per FTE of Training and Development (SEKISUI CHEMICAL)	—	9.9 hours	9.4 hours	9.4 hours	6.3 hours
Employee Turnover Rate (SEKISUI CHEMICAL)*6	1.3 %	1.3 %	1.5 %	2.0 %	2.0 %

*1 The Medical Business was separated from the High Performance Plastics Company from fiscal 2019. (Prior to fiscal 2017 the Medical Business was included in the High Performance Plastics Company.)

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

*3 Including special provision subsidiary

*4 Japanese employees with overseas assignment experience (including Global Trainees)

*5 Programs for promoting diverse work styles including childcare leave, shorter working hours, use of flexible working hours, nursing care leave, and family leave

*6 (Annual Employee turnover (number of people) / Number of employees as of April of the subject year) x 100

Please refer to the CSR Report for detailed non-financial data.
<https://www.sekisuicheimical.com/csr/report/index.html>

Key Financial and Non-financial Data

	FY2016	FY2017	FY2018	FY2019	FY2020
Environment					
GHG Emissions Throughout Supply Chain (SCOPE1,2,3) *1	5,289 kilotons-CO ₂	5,831 kilotons-CO ₂	5,318 kilotons-CO ₂	4,968 kilotons-CO ₂	4,651 kilotons-CO ₂
GHG Emissions That Arise from Business Activities*1	927 kilotons-CO ₂	932 kilotons-CO ₂	922 kilotons-CO ₂	884 kilotons-CO ₂	760 kilotons-CO ₂
GHG Emissions during Manufacturing (Japan)	329 kilotons-CO ₂	326 kilotons-CO ₂	316 kilotons-CO ₂	306 kilotons-CO ₂	273 kilotons-CO ₂
GHG Emissions during Manufacturing (Overseas)	513 kilotons-CO ₂	525 kilotons-CO ₂	527 kilotons-CO ₂	497 kilotons-CO ₂	417 kilotons-CO ₂
Energy Usage during Manufacturing (Japan)*1	3,612 TJ	3,663 TJ	3,653 TJ	3,629 TJ	3,405 TJ
Energy Usage during Manufacturing (Overseas)*1	6,376 TJ	6,559 TJ	6,456 TJ	6,229 TJ	5,243 TJ
Waste Generated by Production Sites (Japan)	36.8 kilotons	38.3 kilotons	40.5 kilotons	37.5 kilotons	34.7 kilotons
Waste Generated by Production Sites (Overseas)	30.1 kilotons	30.5 kilotons	32.8 kilotons	32.3 kilotons	26.6 kilotons
Waste Generated on Construction Site of New Housing (Japan)	2.41 tons per unit	2.41 tons per unit	2.45 tons per unit	2.38 tons per unit	2.49 tons per unit
NOx Emissions (Japan)	167 tons	166 tons	199 tons	180 tons	154 tons
SOx Emissions (Japan)*1	10.4 tons	8.6 tons	7.2 tons	7.3 tons	4.2 tons
Soot and Dust Emissions (Japan)*1	18.2 tons	17.3 tons	17.4 tons	16.4 tons	16.3 tons
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,066 tons	1,174 tons	1,142 tons	1,108 tons	1,193 tons
COD Emission Volume (Japan)	70.3 tons	90.2 tons	84.9 tons	73.9 tons	62.1 tons
Water Intake Volume at Production Sites (Japan)	15,386 thousands of m ³	15,679 thousands of m ³	15,218 thousands of m ³	14,146 thousands of m ³	13,719 thousands of m ³
Water Intake Volume at Production Sites (Overseas)*1	5,260 thousands of m ³	5,607 thousands of m ³	6,032 thousands of m ³	6,522 thousands of m ³	6,167 thousands of m ³
Products to Enhance Sustainability					
Ratio of Sales of Products to Enhance Sustainability	45.2 %	50.2 %	56.3 %	58.3 %	60.6 %
Net Sales	481.2 bil. yen	555.9 bil. yen	643.8 bil. yen	658.3 bil. yen	640.3 bil. yen
Housing	290.9 bil. yen	317.6 bil. yen	364.3 bil. yen	374.0 bil. yen	352.9 bil. yen
Urban Infrastructure & Environmental Products	90.3 bil. yen	93.7 bil. yen	97.7 bil. yen	101.5 bil. yen	93.2 bil. yen
High Performance Plastics	99.4 bil. yen	142.2 bil. yen	178.9 bil. yen	110.0 bil. yen	121.9 bil. yen
Headquarters*2	0.6 bil. yen	2.4 bil. yen	2.8 bil. yen	72.7 bil. yen	72.2 bil. yen

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

*2 Medical Business transferred from the High Performance Plastics Company to the Company's headquarters from fiscal 2019.

Internal Control

Safety					
Loss Costs*3	375.1 mil. yen	478.3 mil. yen	468.9 mil. yen	468.6 mil. yen	482.9 mil. yen
Compliance					
Number of Employees Participating in e-Learning*4	20,618	20,934	20,896	22,429	23,291
Quality					
External Failure Costs (Costs responding to product-related claims)*5	100	102.4	98.6	95.0	124.8
Risk Management					
Number of Organizations Engaged in Risk-management Activities	148	165	174	175	175
Donations					
	186 mil. yen	150 mil. yen	165 mil. yen	158 mil. yen	218 mil. yen

*3 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

*4 Average for the sessions conducted four times during the year. However, as the third and fourth sessions were under way during fiscal 2020, data is the average of the results from the first and second sessions.

*5 FY2016 = 100

Corporate Information and Stock Information

As of March 31, 2021

SEKISUI CHEMICAL CO., LTD.

Head Office: 4-4, Nishitenma 2-Chome,
Kita-ku, Osaka
530-8565

Tokyo Head Office: 10-4, Toranomon 2-Chome,
Minato-ku, Tokyo
105-8566

Founded: March 3, 1947

Employees: 26,577

Consolidated Subsidiaries: 161

Affiliates (Equity Method): 8

Paid-in Capital: ¥100,002,375,657

Fiscal Year: Ended March 31

Authorized: 1,187,540,000 shares

Issued: 476,507,285 shares

Listings: Common stock listed on
the Tokyo Stock Exchange

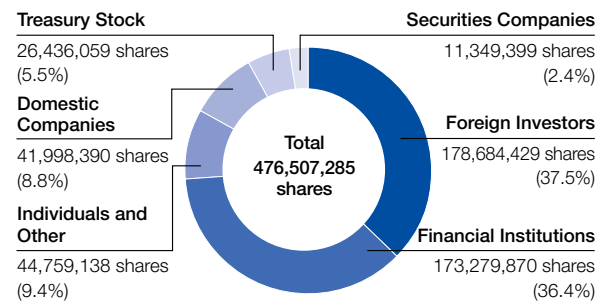
Stock Ticker Number: 4204

Number of Shareholders: 19,941

**Manager of the
Register of Shareholders:** Mitsubishi UFJ Trust and
Banking Corporation

Accounting Auditor: Ernst & Young ShinNihon LLC

Breakdown of Shareholders



Major Shareholders

Name/Company Name	Number of Shares Owned (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,325	7.62
Custody Bank of Japan, Ltd. (Trust Account)	23,689	5.26
The Dai-ichi Life Insurance Company, Limited	19,681	4.37
Asahi Kasei Corporation	18,153	4.03
THE BANK OF NEW YORK MELLON 140042	10,960	2.43
Employees Stock Ownership Plan	9,845	2.18
Sekisui House, Ltd.	7,998	1.77
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	7,880	1.75
Custody Bank of Japan, Ltd. (Trust Account 7)	7,797	1.73
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	7,676	1.70

Notes:

- The Company maintains 26,436,059 shares of treasury stock, which does not include the holdings of the major shareholders.
- The treasury stocks excludes 220 thousand shares held by entrusted Employee Stock Ownership Plan and 575 thousand shares held by Board Incentive Plan as officer remuneration system.
- The percentage of ownership is calculated after subtracting the treasury stock from the total number of outstanding shares.

Regarding the Publication of the Integrated Report 2021 (Year Ended March 31, 2021)

As the entire world was drastically affected by the COVID-19 pandemic, SEKISUI CHEMICAL Group announced in fiscal 2020 its long-term vision for 2030 and a new three-year Medium-term Management Plan ending in fiscal 2022. In addition to the ongoing pandemic, we are also facing other social issues head-on, including the climate change problem and aging of societal infrastructure, both of which are increasingly severe and complex year after year.

In this Integrated Report, we explain how we will contribute to solving social issues and create corporate value while showing specific KPIs with the aim of realizing a sustainable society and sustainable growth for the Group despite business conditions becoming increasingly uncertain. In addition, the Group made every possible effort to reflect the questions and opinions received from institutional investors during discussions between President Keita Kato and investors.

The editing of this Integrated Report was carried out using the international integrated report framework recommended by IIRC (International Integrated Reporting Council) and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade, and Industry (METI) as references.

We hope this Integrated Report will serve as a tool for understanding SEKISUI CHEMICAL Group and contribute to constructive dialogue. In the future, we will continue to strive for careful and easy-to-understand explanations alongside thorough disclosure. Please feel free to share any comments or requests you may have.

August 2021

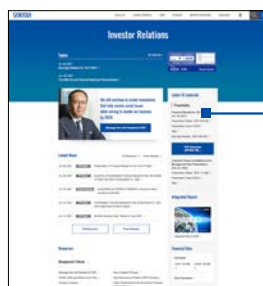


Director, Senior Managing Executive Officer,
Responsible for ESG Management,
Digital Transformation,
and New Business Development Departments,
Head of Business Strategy Department

Futoshi Kamiwaki

Introduction of Tools Related to Integrated Report

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



IR Briefing Materials

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

Fact Book, Financial Analysis Tools

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



This report is available in a PDF and online version. Please see the following website.

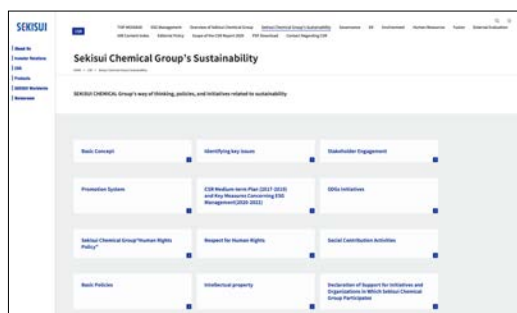
► Integrated Report (PDF version)

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

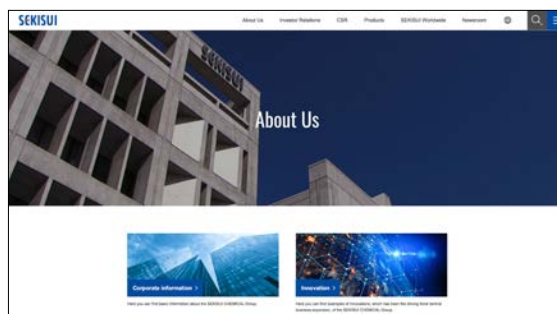
► SEKISUI Overview (Online version)

https://www.sekisuichemical.com/ir_manage/

CSR https://www.sekisuichemical.com/csr/csr_manage/



Corporate Information <https://www.sekisuichemical.com/about/>



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Investor Relations Group, Business Strategy Department

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(Ticker code:4204)