

Long-term Vision, Vision 2030

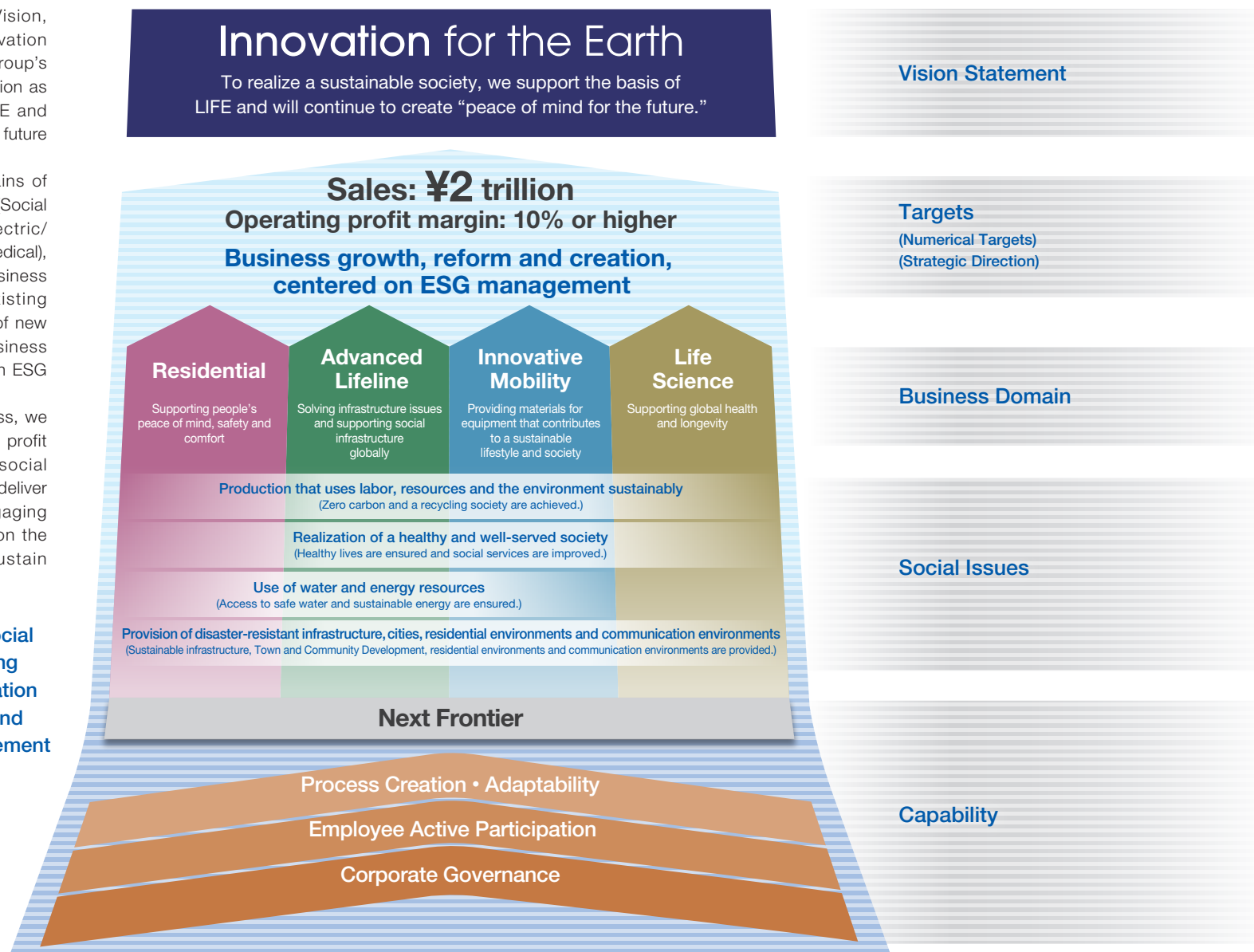
Aiming to Double the Group's Business by 2030 Centered on ESG Management

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 to realize a sustainable society.

This Vision lays down the four domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double the scale of our 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.

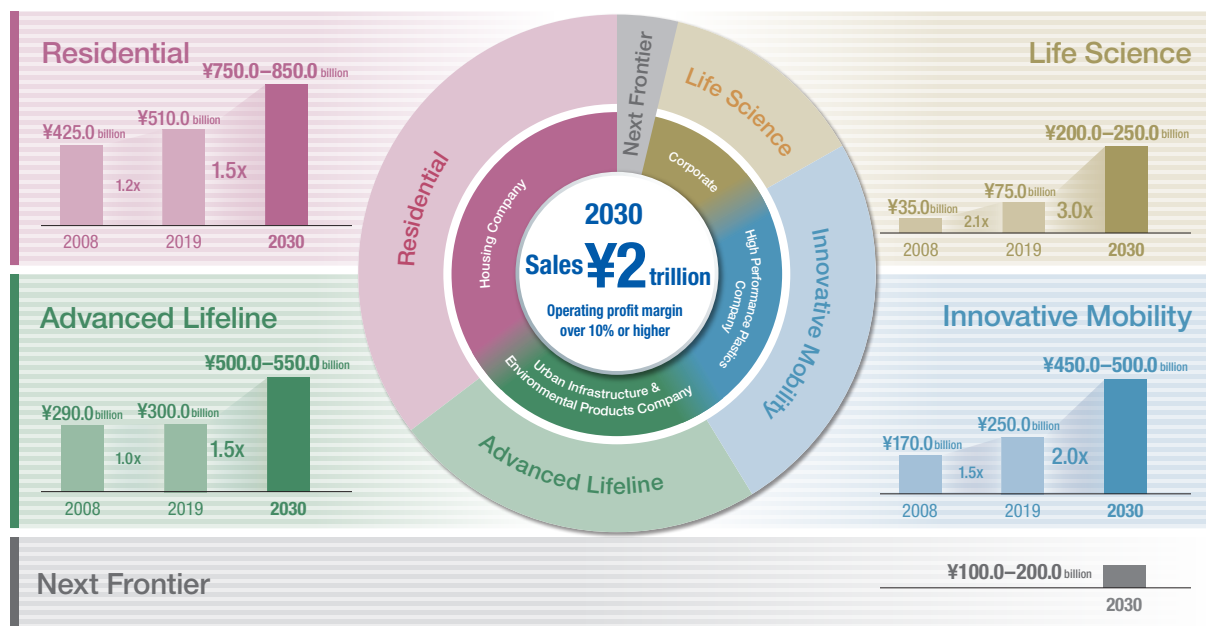
Working to double the Group's business, we will seek to increase sales and operating profit based on our contribution to solving social issues in each domain, and endeavor to deliver more sustainable contributions by engaging in operations that take into consideration the Group's management capability to sustain business.

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



Long-term Vision, Vision 2030

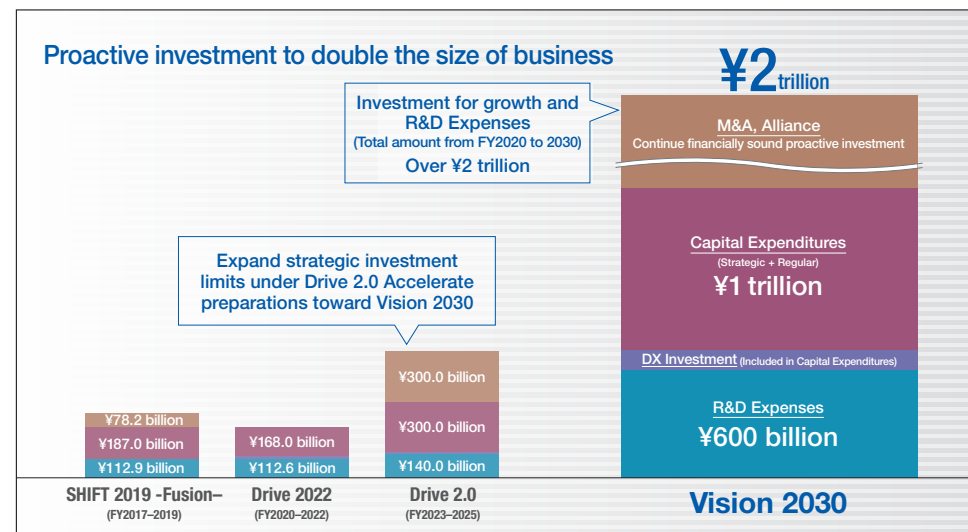
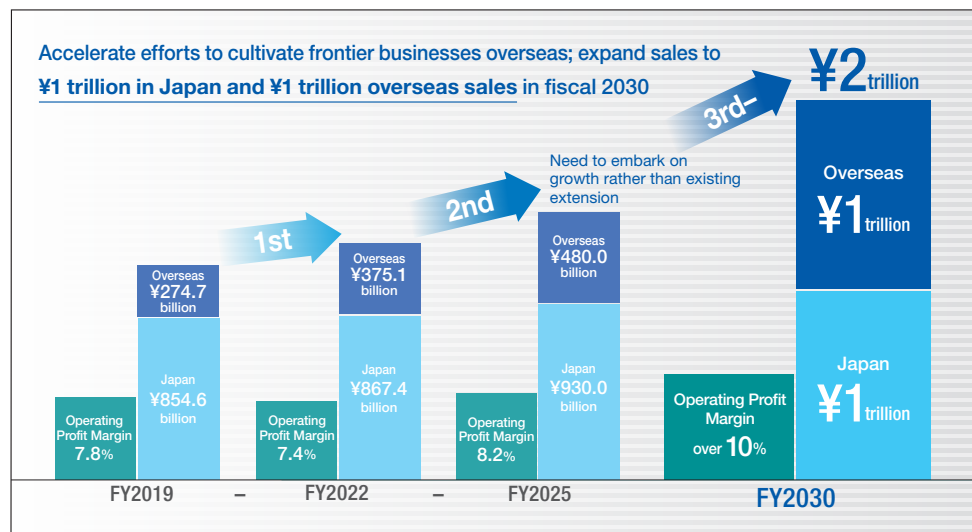
Growth Image and Strategic Investment



The expansion of business for which the Long-term Vision, Vision 2030, aims can only be achieved through substantial growth rather than the extension of existing businesses. Working to double its business and achieve net sales of ¥2 trillion by 2030, the Group will grow sales by 1.5 to 3 times in each domain 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. 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 double that of today. When executing new investments including capital expenditures aimed at growth, 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.

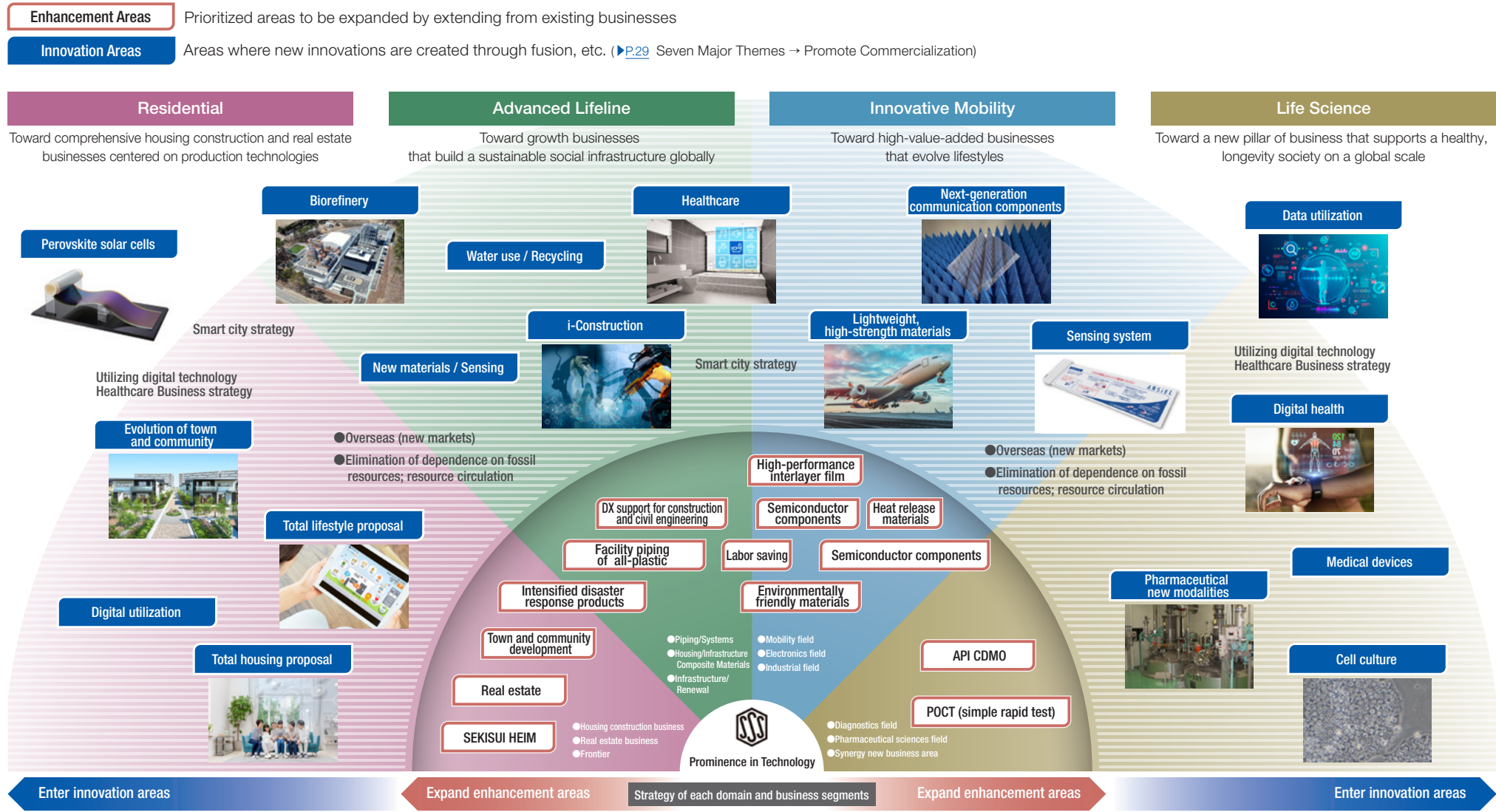
Under the fiscal 2020 to fiscal 2022 Drive 2022 Medium-term Management Plan, which the Group put in place as the first phase of its Vision 2030, energies were directed toward implementing structural reforms and strengthening profitability in the face of the prolonged impact of COVID-19. While trends in net sales surpassed plans over this period, growth investments were held to a certain level. Under the Drive 2.0 Medium-term Management Plan, a crucial second phase toward further growth, we will proactively expand strategic investments.



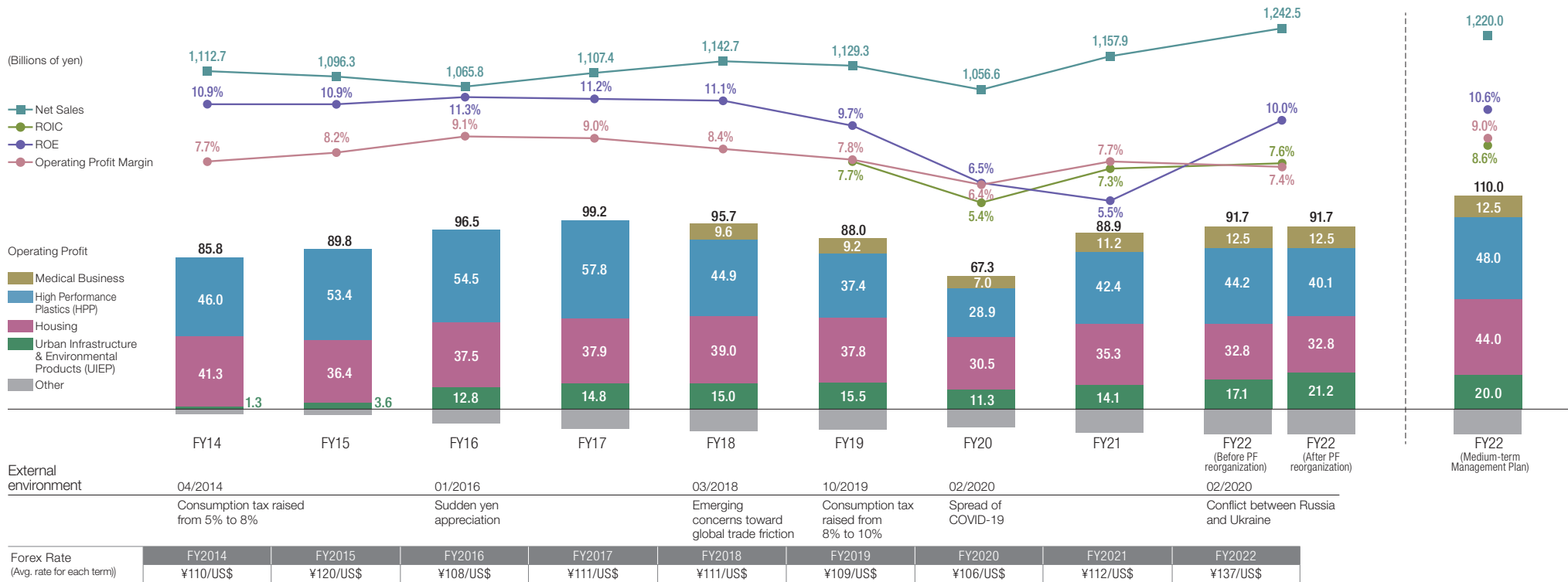
Long-term Vision, Vision 2030

Formulating a Strategic Area Map as a compass for realizing the Long-term Vision, Vision 2030

SEKISUI CHEMICAL Group will employ its Group-wide Strategic Area Map as a compass for realizing its Long-term Vision, expanding enhancement areas, and entering innovation areas. Every effort will be made to transform the portfolio of each business in four domains starting with the Group's prominence in technology. We have identified prioritized areas to be expanded by extending from existing businesses as enhancement areas. Moving forward, we will drive the Group's sustainable growth by concentrating funds in these areas.



Review of the Medium-term Management Plan



	SHINKAI-Advance 2016 (FY2014-2016)	SHIFT 2019 -Fusion- (FY2017-2019)	Drive 2022 (FY2020-2022)		
Measures and Results	By specializing in strategic businesses and products and implementing structural reforms we were able to achieve growth in profit. We pioneered new markets and new fields through internal and external alliances. Over the period we commenced penetration of CSR management, initiated efforts to enhance governance, and established the Nomination and Remuneration Advisory Committee, etc.	Fusion accelerated over the period during which we targeted a balance between quantitative and qualitative growth. We made aggressive Investments to achieve growth, and net sales attributable to M&As rose. Strengthening ESG initiatives aimed at building a sustainable business base, we continuously earned high evaluations from GLOBAL100 and others.	Net sales, net income, and EBITDA all hit record highs on the back of structural reforms and thoroughgoing efforts to improve selling prices aimed at strengthening profitability. Took steps to introduce and instill ROIC management within the Group.		
Challenges	<ul style="list-style-type: none"> Return to sales growth Commercialization and building of frontier domains CSR management rollout and further penetration among employees 	<ul style="list-style-type: none"> Delays in securing returns on growth investments The speed of structural reform Strengthening ESG management 	<ul style="list-style-type: none"> Stagnant growth investments Carry over of business contributions through the use of M&As Target for the human resource KPI, employee challenge action rate, not achieved 		
Major M&As	<p>June 2015 Operations commence at a CPVC plant in Thailand</p> <p>December 2015 Acquired EIDIA Co., Ltd.</p>	<p>August 2017 Acquired management rights to Polymatech Japan Co., Ltd.</p> <p>October 2017 Capital investment in Tien Phong Plastic JSC</p> <p>December 2017 Operations commence at a new interlayer film production line in Mexico</p> <p>December 2017 Acquired SoflanWiz Co., Ltd.</p>	<p>April 2018 Operations commence at a new automotive exterior parts plant in Japan</p> <p>December 2018 Acquired Veredus Laboratories Pte. Ltd.</p> <p>November 2019 Acquired AIM Aerospace, Inc.</p> <p>2018-2019 Operations commence at new foam plants in Thailand and China</p>	<p>August 2020 Decision to increase pharmaceutical raw material production in Japan and the U.K.</p> <p>October 2020 Operations commence in earnest at a new interlayer film production line in Europe</p> <p>October 2020 Decision to increase production of FFU sleepers for railroads in the Netherlands</p>	<p>September 2022 Transfer of Xenotech shares</p> <p>November 2022 Decision to increase production of foam materials in the U.S.</p> <p>January 2023 Decision to increase production of heat release materials in the U.S.</p>

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies

Amid an uncertain business environment, including trends in the prices of raw materials and fuels as well as fluctuations in foreign currency exchange rates, SEKISUI CHEMICAL Group launched the Drive 2.0 Medium-term Management Plan in a bid to make a further leap forward, drawing on the earning power built up under the Drive 2022 Medium-term Management Plan. Our policy is to realize our Long-term Vision through sustainable growth and by enhancing preparations. We aim to increase our corporate value through three strategies: Strategic Innovation, Organic Growth, and Strengthening Sustainability.

Three initiatives to enhance corporate value

Strategic Innovation (1) -Accelerated Growth-	Create & acquire new businesses through material preparations <ul style="list-style-type: none"> • Enter innovation areas in the “Strategic Area Map” • Establish new business bases for the seven major themes • Establish a new bridgehead in the life science domain
Organic Growth (2) -Profitability-	Achieve steady growth of organic businesses and refine portfolio <ul style="list-style-type: none"> • Expand enhancement areas in the “Strategic Area Map” • Strengthen portfolio management (Optimal resource allocation) • Expand growth drivers and pursue consistent structural reforms
Strengthening Sustainability (3) -Reliability-	Strengthen the ESG management that contributes to sustainable growth and enhanced preparations <ul style="list-style-type: none"> • Strengthen Group-wide KPI for ESG management initiatives based on materiality • Strengthen corporate governance to support the corporate value creation, including the elimination of major incidents • Respond to social demands including initiatives for Human Rights and supply chain



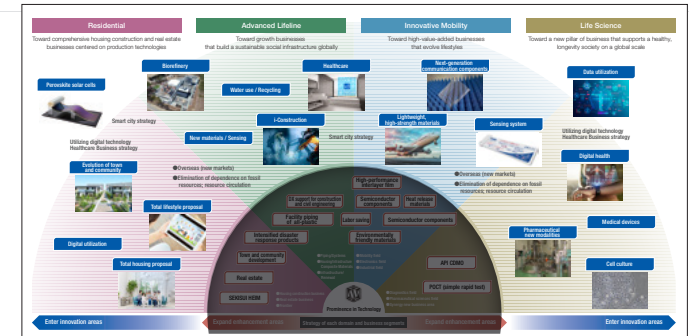
Fiscal 2025 SEKISUI CHEMICAL Group's target values	
* Data in parentheses are compared with fiscal 2022.	
• Net sales	: ¥1,410.0 billion (+¥167.5 billion)
• Operating profit	: ¥115.0 billion (+¥23.3 billion)
• Operating profit margin	: 8.2% (+0.8%)
• Net income	: ¥82.0 billion (+¥12.7 billion)
• ROIC	: 8.5%(+0.9%)
• ROE	: 11.0%(+1.0%)
• Overseas sales	: ¥480.0 billion (+¥104.9 billion)
• EBITDA	: ¥175.0 billion (+¥32.9 billion)
• Sales of Products to Enhance Sustainability	: Over 1 trillion yen (+¥100.0 billion)
• Employee challenge action rate	: 60% (+13%)

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 1 Strategic Innovation -Accelerated growth-

Aiming to enter innovation areas, placing considerable emphasis on enhancing preparations. Steps taken to set seven major themes (▶P.45) to accelerate progress toward the commercialization phase through internal and external collaboration and other fusion initiatives, including M&As based on core technologies. Our goals are to expand and ensure that domain growth contributes to the Group's business performance through the prompt establishment of a business base in a bid to realize our Long-term Vision.

Innovative Mobility Residential Advanced Lifeline Life Science Innovation areas



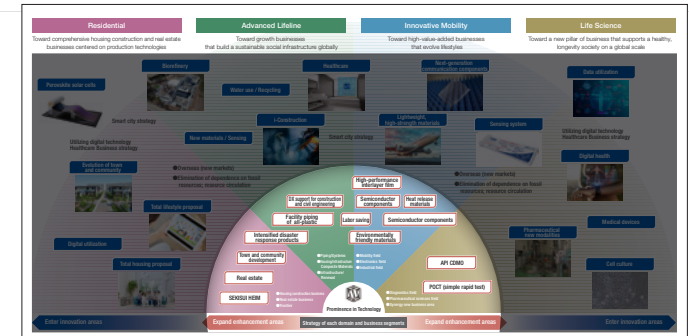
Growth-potential businesses	Key themes	Core technologies	Investment benefit realization schedule			
			2023	2024	2025	2026-
Entry into aeronautical fields	<ul style="list-style-type: none"> Development of new applications Entry into the air mobility market 	Molding technology				
Next-generation communication components	<ul style="list-style-type: none"> Collaboration with telecommunications companies Development of radio wave environment business 	Film processing technology				
Smart city strategy	<ul style="list-style-type: none"> Fusion of town and community development as well as AI digital technologies 	Advanced housing, town and community development				
Overseas development of infrastructure materials	<ul style="list-style-type: none"> Strengthening of overseas marketing 	Infrastructure materials				
New area of pharmaceutical CDMO	<ul style="list-style-type: none"> Conversion of base CMO business to CDMO with new modality support 	Synthesis of low molecular compounds, microbial cultivation				
Perovskite solar cells	<ul style="list-style-type: none"> Development of 1 m width production technology Promotion of demonstration through external collaboration 	Sealing, deposition, processing technology, etc.				
Biorefinery	<ul style="list-style-type: none"> Promotion of demonstration through external collaboration Establishment of resource circulation model 	Microbial catalyst technology				

Begin realizing benefits Realize benefits in earnest

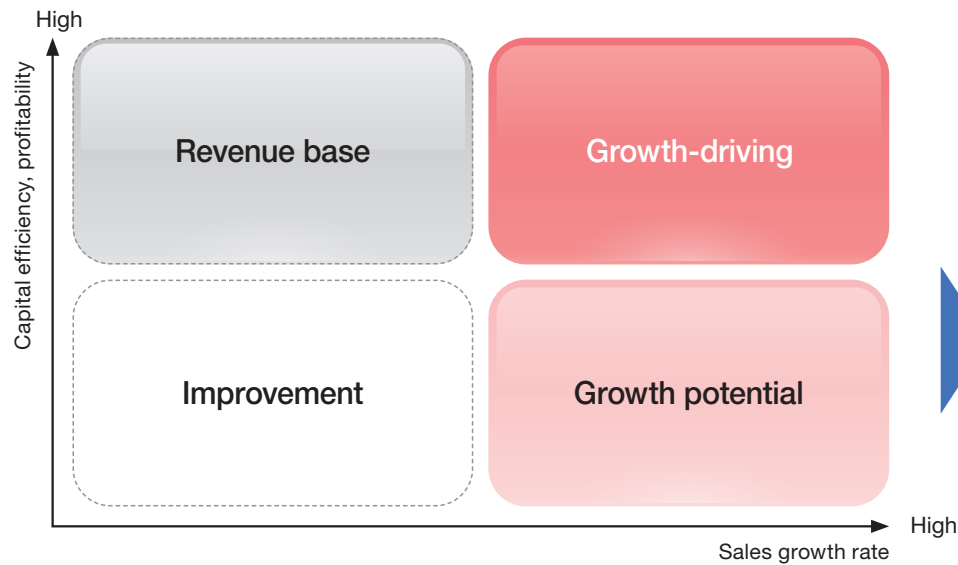
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 2 Organic Growth -Profitability-

Under the Drive 2.0 Medium-term Management Plan, every effort will be made to further strengthen business portfolio management. Taking steps to classify all 33 businesses into four quadrants, including growth-driving and growth-potential businesses, while clarifying roles on a strategic basis to ensure steady profit growth. Energies will be directed toward allocating resources with a priority on growth areas. The aim is to generate over 90% of the increase in profits (EBITDA) from these growth-driving and growth-potential businesses.



New portfolio management: Clarify the role of each business unit



Portfolio	Business Segment			
	High Performance Plastics Company	Medical Business	Urban Infrastructure & Environmental Products Company	Housing Company
Growth-driving businesses	Mobility (high-performance interlayer film, release materials, etc.) Electronics (semiconductor and display materials)	Overseas testing system	Pipe renewal Fire resistant and non-flammable materials Construction and industrial piping Performance materials (railroad sleepers, etc.)	
Growth-driving businesses	Molding products, sensing	Pharmaceutical science (CDMO)		Town and community development Real estate (purchase and resale, etc.)
Revenue base (Example)			Piping business	Housing business Renovation business
Improvement				

1. Analyze and evaluate existing businesses from multiple perspectives

- Profitability (OPI margin), capital efficiency (ROIC), growth potential (sales growth rate)
- Strategic positioning, position in the industry, future prospects, competitiveness from an ESG perspective

2. Clarify the role of each business → Appropriately allocate management resources

Achieve more than 90% of incremental profit (EBITDA) from growth-driving and growth-potential businesses

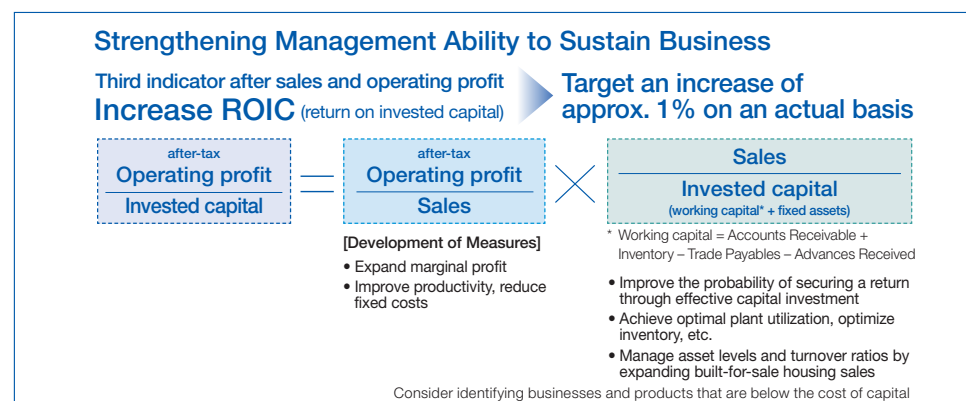
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 3 Strengthen the ESG Management Platform -Reliability-

Strengthening the management base to support accelerated growth, profitability, and reliability. The table below sets out the materialities that are of significant importance to the Group's management and stakeholders. We will also strengthen our human capital initiatives by fostering a culture of challenge and increasing the number of business leaders who drive growth. Under the previous Medium-term Management Plan, we adopted return in invested capital (ROIC) as a new KPI. We utilize ROIC as a key indicator in efforts to reform the business portfolio in addition to capital efficiency improvement. Moreover, we will monitor how effectively each initiative related to long-term sustainability, which was stipulated as a key ESG issue, is helping to control the cost of capital.

SEKISUI CHEMICAL Group defines the difference between ROIC and the cost of capital as the SEKISUI Sustainable Spread (ROIC 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.

Key issues	The Medium-term Plan policy	Proactive approach
Products to Enhance Sustainability	<ul style="list-style-type: none"> Achieve sales growth through each Company and business expansion strategy Create and expand products that solve issues by utilizing support programs and taskforce 	Expand sales of products that drive improvement of social sustainability and our sustainable growth
Internal control	<p>Safety, quality, accounting, legal/ethical, information management</p> <ul style="list-style-type: none"> Improve risk foresight and prediction ability Strengthening the organizational self-purification ability (culture, and people) 	Reduce and control operational risks to support business risk-taking
DX	<ul style="list-style-type: none"> Innovate global management base Accelerate DX in core areas Secure human resources for DX promotion 	Secure and develop human resources for DX to drive business transformation leveraging digital technology
Environment	<ul style="list-style-type: none"> Contribute to solve climate change issues Promote resource recycling Minimize water risk and maintain water resources 	Focus on creating carbon-free and low-carbon products as well as products using converted raw materials by viewing environmental issues as opportunities
Human capital	<ul style="list-style-type: none"> Realize assignment the right person to the right Foster a culture of taking on challenges Promote diversity 	Develop and select business leaders and strategically reinforce specialized human resources (reskilling, etc.)



Expansion of the SEKISUI Sustainable Spread (ROIC Spread)



Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Investment and Financial Strategies

With aspirations for continued growth, SEKISUI CHEMICAL Group will leverage debt as necessary while actively expanding strategic investments.

Although investments in growth diminished in part due to the prioritization of structural reforms in the wake of the lingering impact of the COVID-19 pandemic, during the previous Medium-term Management Plan the Group made steady progress with investment into growth areas, including increasing production capacity for heat release materials and active pharmaceutical ingredients.

Under Drive 2.0, the Group expanded the upper limit for strategic investments, including M&A investment, to ¥450 billion. The Group will also allocate 70% or more of investments, including those for research and development, with a focus on the High Performance Plastics Company, Medical Business, and new businesses.

Investment plan and capital allocation

(Billions of yen)

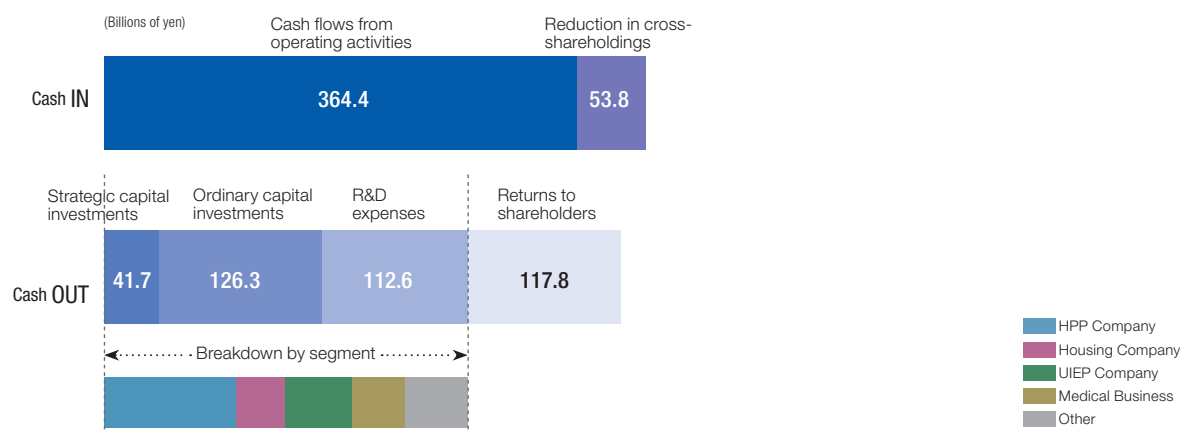
	FY20-22 Plan	FY20-22 Results	FY23-25 Plan
Strategic investment	Investment limit 400.0	41.7	Investment limit 450.0
M&A, etc.	Investment limit 300.0	0	Investment limit 300.0
Capital expenditure	100.0	41.7	150.0
ESG investment (Included within the strategic investment and normal investment categories)	40.0	31.4	30.0
Normal investment	100.0	126.3	150.0
Total investment	500.0	168.0	600.0

R&D expenses	130.0	112.6	140.0
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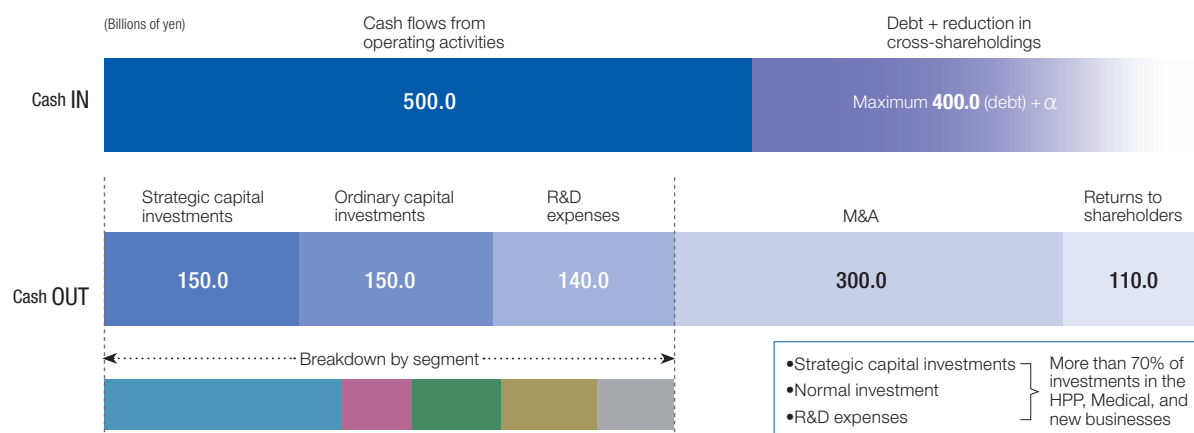
Major strategic capital investments (FY2020-2022)

- Increase in heat release materials production (U.S.)
- Increase in pharmaceutical raw material production (Japan, U.K.)
- Increase in foam material production (U.S.)
- Increase in FFU production for railway sleepers (the Netherlands)

Drive 2022 (FY2020-2022)



Drive 2.0 (FY2023-2025)

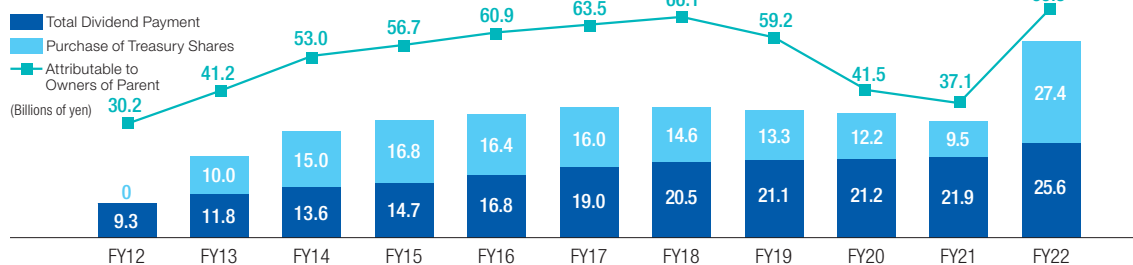


Medium-term Management Plan, Drive 2.0 (FY2023-2025)

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 payout ratio of 40% 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 0.5 or less. For this reason, the Company will implement additional returns as appropriate, taking into account the investment progress under the Medium-term Management Plan, cash position, and stock price. Moreover, the Company plans to retire treasury shares to no more than 5% of the total number of shares outstanding.

Returns to Shareholders Track Record



	Previous Medium-term Management Plan	Medium-term Management Plan (FY2023-2025)
Payout ratio	35% or higher	40% or higher
DOE	3% or higher	3% or higher
Total return ratio	50% or higher if the D/E ratio is 0.5 or less	50% or higher if the D/E ratio is 0.5 or less Implement additional returns as appropriate, taking into account the investment progress under the Medium-term Management Plan, cash position, and stock price
Cancellation of treasury shares	Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares	Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Profit attributable to owners of parent per share (yen)	58.5	80.1	104.7	115.1	126.1	133.8	141.7	128.8	91.9	83.2	159.2
Dividend per share (yen)	18	23	27	30	35	40	44	46	47	49	59
Payout ratio	30.8%	28.7%	25.8%	26.1%	27.7%	29.9%	31.0%	35.7%	51.1%	58.9%	37.0%
Purchase of treasury shares (billions of yen)	0	10.0	15.0	16.8	16.4	16.0	14.6	13.3	12.2	9.5	27.4
Total return ratio*1	30.8%	52.9%	54.0%	55.5%	54.5%	55.1%	53.0%	58.1%	80.4%	84.6%	76.5%
DOE*2	2.4%	2.7%	2.8%	2.8%	3.1%	3.3%	3.4%	3.5%	3.3%	3.3%	3.7%
Cancellation of treasury shares (thousands of shares)	7,000	—	12,000	10,000	—	10,000	8,000	8,000	8,000	5,000	15,000

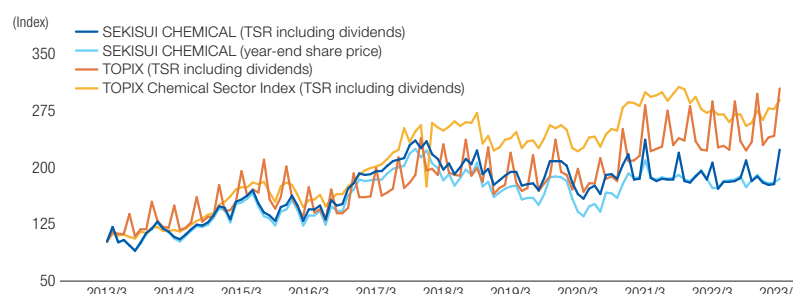
*1 Total return ratio = (Amount of treasury shares acquired + Total dividends) / Net income attributable to owners of parent *2 DOE = Total dividend payment (full year) / Average equity

Details of SEKISUI CHEMICAL Group's total shareholders' return (TSR), including dividend and stock price fluctuation trends, are presented as follows. SEKISUI CHEMICAL Group raised the consolidated payout ratio to 40% in its return policy from fiscal 2023. We will continue to strive to maintain a stable dividend for shareholders and to increase corporate value.

Total Shareholders' Return (TSR including dividends)

	Past 1 year		Past 3 years		Past 5 years		Past 10 years	
	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative
SEKISUI CHEMICAL	+10.0%	+41.7%	+12.3%	+14.3%	+2.7%	+120.5%	+8.2%	
TOPIX	+5.8%	+53.4%	+15.3%	+31.8%	+5.7%	+142.1%	+9.2%	
TOPIX Chemical Sector Index	+4.8%	+30.4%	+9.3%	+16.2%	+3.1%	+184.9%	+11.0%	

TSR and Share Price Performance over the Past 10 Years*



* Figures are indexed to data as of March 31, 2013, as 100.

Share Price Trends

	High (yen)	Low (yen)	Closing (yen)
FY12	1,042	590	1,032
FY13	1,448	900	1,073
FY14	1,619	1,002	1,559
FY15	1,752	1,193	1,386
FY16	1,983	1,215	1,871
FY17	2,350	1,732	1,856
FY18	2,114	1,532	1,779
FY19	1,986	1,142	1,433
FY20	2,243	1,267	2,125
FY21	2,187	1,648	1,759
FY22	2,019	1,613	1,876

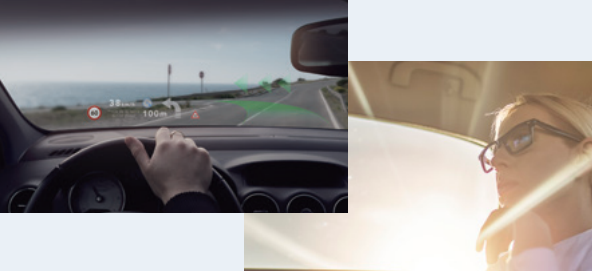
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Mobility Field

Growth-driving

There are clear indications of a growth trajectory against the backdrop of a pickup in interest toward the electrification of automobiles and automated driving. In our mainstay interlayer film business, we are working to improve profitability by shifting to high-value-added products such as heat and sound insulation films and wedge-shaped interlayer films for head-up displays (HUDs), while further increasing added value by combining interlayer film functions.

HUD + insulation functionality



Heat insulation interlayer films reduce the rise in temperature inside vehicles attributable to direct sunlight while reducing air-conditioning load. Practical EV evaluations carried out by the Company confirm a reduction in power consumption of approximately 20%. This in turn provides energy savings for and helps extend the cruising range of EVs.

Heat release materials



Heat release materials contribute to longer battery life in response to requirements following the shift to EVs, and have characteristics including high thermal conductivity and low outgassing performance.

Aircraft components



The Company manufactures interior and exterior aircraft parts, carbon fiber-reinforced plastic (CFRP), and other composite molded products. These products contribute to lighter weight aircraft parts and higher fuel efficiency for transport equipment. Along with improving the product mix, such as by increasing the ratio of high-value-added engine components, the Company will employ existing technologies to expand deployment of these products to non-aircraft related sectors, including drones and the medical field.

Business Strategies

Interlayer film

Increase the ratio of high-performance interlayer films (HUD-use / thermal- / and design-related)
 HUD-use film growth* of 130% (2022→2025)
 * On a sales volume basis

Heat release materials

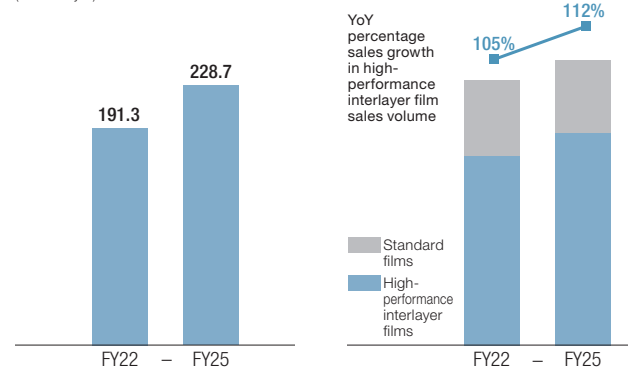
Accelerate EV-related sales growth mainly in Europe and the U.S. Heat release materials net sales growth of 200% (2022→2025)

SEKISUI AEROSPACE CORPORATION

Expand the lineup of engine components and deploy products to non-aircraft sectors (drones, flying cars)

Mobility Field Net Sales

(Billions of yen)



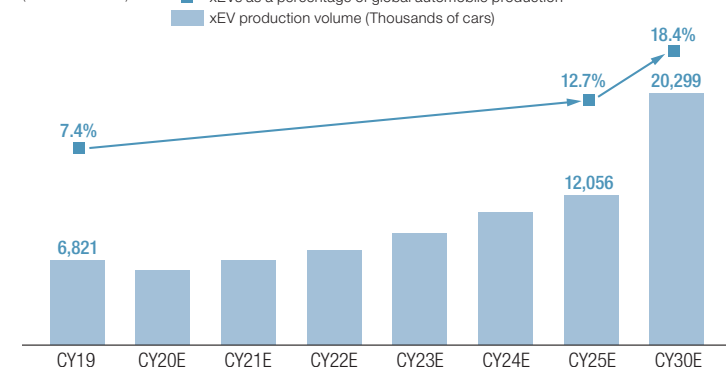
* FY2022 figures are YoY changes; FY2025 is compared with FY2022

KPI: High-performance Interlayer Film Sales Growth

YoY percentage sales growth in high-performance interlayer film sales volume

Trends in xEV Production Volume

(Thousands of cars)



Source: Prepared by the Company drawing from market-based forecast data in the xEV Market 2020 Report issued by Yano Research Institute Ltd.

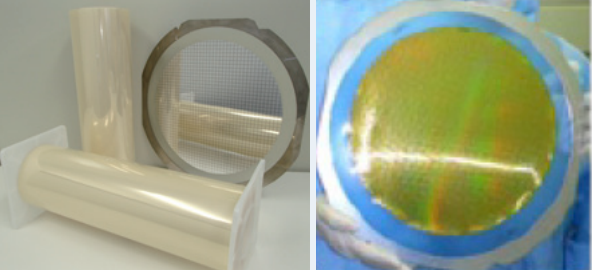
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Electronics Field

Growth-driving


With the upswing in global semiconductor demand, the Electronics field is also performing well, especially for semiconductor-related products. In particular, the application of heat resistant Selfa®, a processing material that addresses the further miniaturization of semiconductors and Build-up (BU) dielectric film that boast high transmission performance (low dielectric properties) as well as strengths in suppressing substrate warpage required for multi-layered CPUs, is steadily increasing. In addition, we are aiming for further growth and the strengthening of our portfolio through the development of new products and entry into the market for next-generation displays that make use of the knowledge we have cultivated in the development and sale of liquid crystal products.

Heat resistant Selfa®(semiconductor processing material)



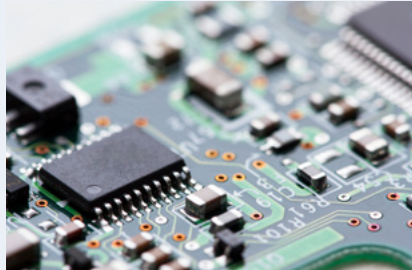
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components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

Build-up (BU) dielectric film



With strengths including superior transmission performance and warpage suppression, BU dielectric films have a track record for use in the multi-layer, large-area high-end IC package substrates that require these features.

Binder resins for electronic components (for MLCCs)

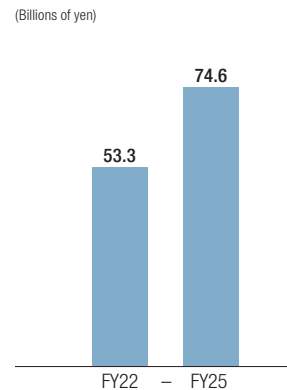


Based on the technical capabilities acquired through binders for interlayer films as the primary application for PVB, the Company's product design capabilities and technical service capabilities have received a highly positive response.

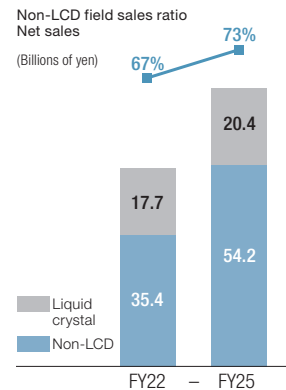
Business Strategies

- Semiconductors / electronic parts**
Tapes for semiconductor processing use, binder resins for MLCCs, Build-up (BU) dielectric film sales growth
- Exterior parts / mechanism components**
Biomass-type bonding materials (tape, foam), elastic adhesive resin sales growth
- Next-generation displays**
OLED sealant sales growth

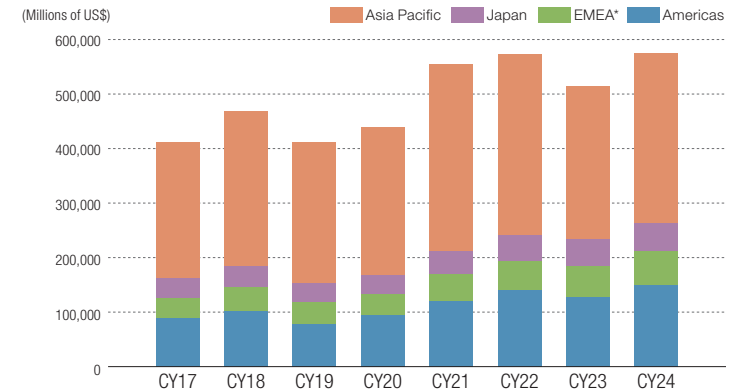
Electronics Field Net Sales



KPI: Focus on the Non-LCD Field



Global Semiconductor Market Forecasts by Region



Source: In-house estimates based on various materials

* EMEA: Europe, Middle East & Africa

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Overseas Testing Systems and Pharmaceutical Sciences (CDMO)

Growth-driving

Growth potential

The Company will focus on expanding the diagnostics area and on increasing sales of new products as part of the Diagnostics Business in Japan and overseas. Overseas, in particular, the Company will enter the OTC*1 market and steadily launch MDx*2 products in the US. In China, the Company will continue to expand the coagulation area through a transition to domestic production, and enter the immunology area. In Asia, the Company will accelerate growth by concentrating on areas of strength and encouraging Group synergy. In the Pharmaceutical Sciences Business, the Company will capture new large-scale projects by strengthening the marketing and D*3 functions in the pharmaceuticals area, and will expand the CDMO business in the enzymes area by commencing full-fledged operations at a GMP*4-compliant facility at a U.K. plant. Similarly, the Company aims to capture projects and expand business in the drug development solutions area by strengthening proposal capabilities.

*1 Standard pharmaceuticals that can be purchased without a prescription. *2 Diagnoses that include the use of genetic testing *3 Optimization of clinical trial drug production and synthesis methods *4 A standard for pharmaceutical manufacturing and quality

Molecular Diagnostics (MDx) Development Center



At the Molecular Diagnostics Development Center in San Diego, USA, the Company is working to develop a genetic POC diagnostic reagent (μ -Chip) for respiratory infections, for example, and measuring devices. The Company will capture demand for genetic POC diagnostics, which is dramatically expanding across the globe.

CDMO



Based on the existing small molecular API CDMO business, the Company will also leverage M&As to establish a proposal-type CDMO business platform. By also expanding this platform to the medium and large molecule fields, the Company aims to strengthen relationships with pharmaceutical companies.

Chemosynthetic scaffolding materials



The scaffolding used to support regenerative medicine consists of affinitive materials designed to adhere cells in culture solutions to their containers. These utilize the same PVB resin of which the Company's interlayer films for laminated glass are made. The Company aims to launch these to the market in 2024.

Business Strategies

• Europe and the Americas

Enter the OTC market and expand genetic testing and other areas

• China

Promote domestic production; strengthen alliances

• Asia

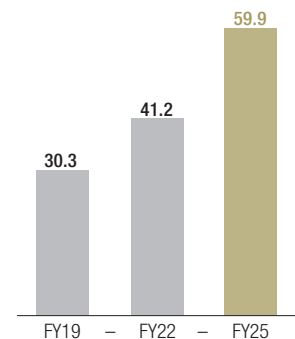
Bring new PCR products to the market; enter POC and coagulation markets

• CDMO

Expand the CDMO Business through the start of full-fledged operations at a U.K. GMP-compliant facility

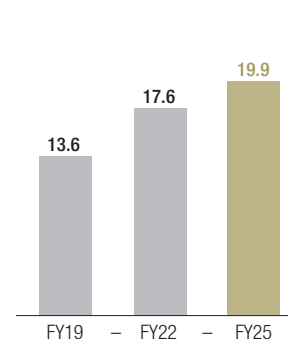
Overseas Diagnostics Field Net Sales

(Billions of yen)



Pharmaceutical Sciences Field Net Sales

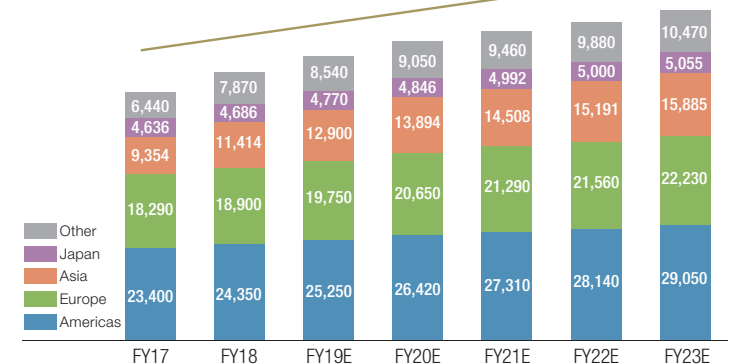
(Billions of yen)



Clinical Testing Market by Region

(Millions of US\$)

CAGR: 4.2%



Source: Fuji Keizai, Worldwide Clinical Reagent Market in 2019 (in Japanese)
Fuji Keizai, Clinical Reagent Market in 2019 No. 4: General Analysis and Corporate Strategy (in Japanese)

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Construction and Industrial Piping, Performance Materials, Fire Resistant and Non-flammable Materials, and Pipe Renewal

Growth-driving

Construction and Industrial Piping, Performance Materials, Fire Resistant and Non-flammable Materials, and Pipe Renewal are all growth-driving businesses belonging to the Urban Infrastructure & Environmental Products (UIEP) Company. Together, net sales from these four businesses account for nearly 33% of the UIEP Company's total sales. Therefore, the Company aims to achieve growth by expanding sales of prioritized products that help solve labor shortages, infrastructure aging, climate change, and other social issues, as well as by increasing overseas net sales. As an example, FFU for railway sleepers, a mainstay product of the Performance Materials Business, has a sales track record in 33 countries around the world, including the U.S., Australia, China, and countries in Europe. In addition to the recent difficulty of procuring high-quality wood given environmental considerations, this business has also seen the EU ban the use of creosote oil, employed as a preservative for wood, due to the risk of it being carcinogenic (banned since 2023 in the railway sector). As a result, the introduction of resin sleepers as a substitute for wood sleepers has accelerated. In response to this intensifying demand, the Company is constructing a new production plant in the Netherlands. Scheduled to commence operations during the second half of fiscal 2023, this move will increase production capacity 1.8 times compared with today.

Construction and Industrial Piping

Ultra-pure water piping



Smooth surface roughness on the inner surface of the pipe inhibits the growth of organisms and the risk of contamination. Orders are expanding for cutting-edge industries that require ultrapure water, especially in the semiconductor field, where miniaturization is advancing.

Performance Materials

Railway sleepers



Fiber-reinforced foamed urethane (FFU) railway sleepers boast excellent water-resistance, durability, and require no preservatives, thereby contributing to reductions in environmental impact. The Company is building a production base in Europe, where demand is strong, with the intent of commencing operations during the second half of fiscal 2023 as part of its efforts to accelerate overseas deployment.

Fire-protection and nonflammable materials

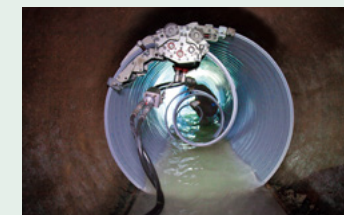
Noncombustible urethane



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

Pipe Renewal

SPR method



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

Business Strategies

• Construction and Industrial Piping

Leverage the lightweight, chemical resistance, corrosion resistance, and other characteristics of resin to accelerate the replacement of metal. Enhance production capacity to capture demand for investments in plants and facilities (semiconductor-related).

• Advanced Materials

Accelerate the overseas rollout of railway sleepers

• Fire resistant and nonflammable materials

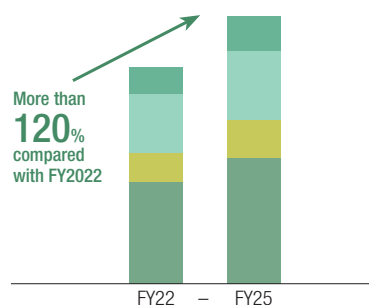
Create new markets through new products (fire control compartment penetration treating materials and sprayed foam thermal insulation materials)

• Pipe Renewal

Introduce new methods that help shorten construction times and reduce impacts on surrounding environments. Capture new overseas customers

Net Sales for the Four Businesses

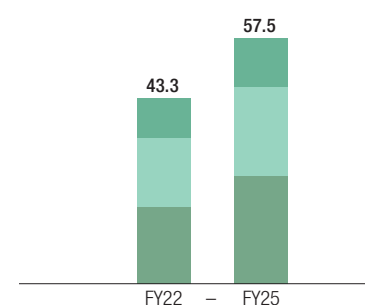
■ Pipe Renewal
■ Fire resistant and nonflammable materials
■ Advanced Materials
■ Construction and Industrial Piping



Prioritized Products Sales

(Billions of yen)

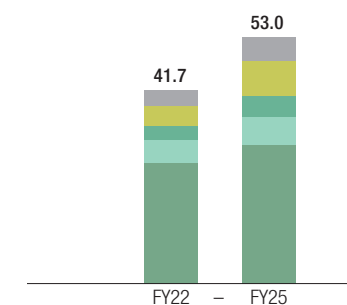
■ Infrastructure Renovation
■ Building and Infrastructures Composite Material
■ Pipe Systems



Overseas Sales

(Billions of yen)

■ Renewal
■ Plant
■ PVC
■ Performance materials
■ Others



Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Town and Community Development, Real Estate (purchase and resale, etc.), and Molding Products and Sensing

Growth potential

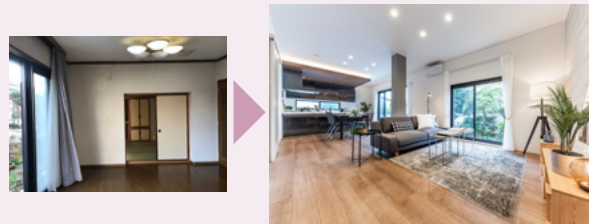
Initially launched in fiscal 2019, the Town and Community Development Business has come to fruition as a business that symbolizes the fusion between the Divisional Companies and the Group, thereby achieving significant outcomes. The Company has already completed the purchase of all properties scheduled for sale through fiscal 2025, and is now engaged in appropriate project progress management. At the same time, it is focusing on preparations for the next Medium-term Management Plan and brand evolution towards further business growth. The Real Estate Business will work to invigorate purchases and resale of properties through a capital and business alliance with Renoveru, Inc., which engages in the condominium renovation business. The Molding Products and Sensing Business, which belongs to the High Performance Plastics Company, develops high-sensitivity piezoelectric sensors used in applications ranging widely from mobile devices to automobiles and healthcare. The Company will expand the scope of this business to the nursing care and clinical fields.

Town and community development



The Town and Community Development Business brings together the Group's infrastructure materials to differentiate itself from its competitors by creating disaster-resistant and sustainable communities. With the number of projects steadily increasing, the Company will work to further expand the business.

Purchase and resale BeHeim brand



BeHeim purchases SEKISUI HEIM houses from customers at an appropriate price, at which point the Group renovates them to enhance quality and performance before reselling them. By passing on the value of real estate to the next generation, the Company generates benefits to both buyers and sellers while contributing to the development of a sustainable, recycling-oriented society by breaking away from the concept of scrap and build.

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 help to prevent accidents and to reduce the burden on nursing care staff.

Business Strategies

• Town and community development

Strengthen land purchases and expand projects by increasing the number of full-time staff
Total sales projects 9→18 (2022→2025)

• Real Estate

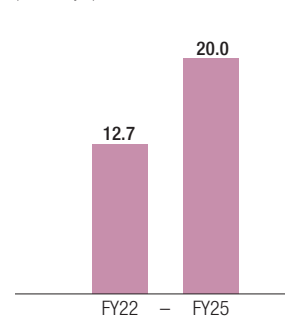
Expand the number of BeHeim houses sold through closer collaboration with the renovation business
89→270 (2022→2025)

• Sensing devices

Expansion into nursing care and clinical fields

Sales of Town and Community Development Business

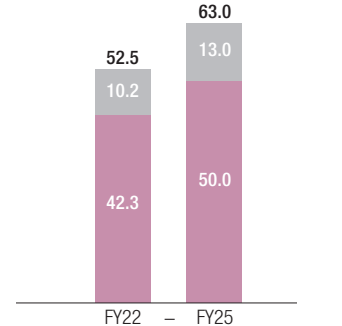
(Billions of yen)



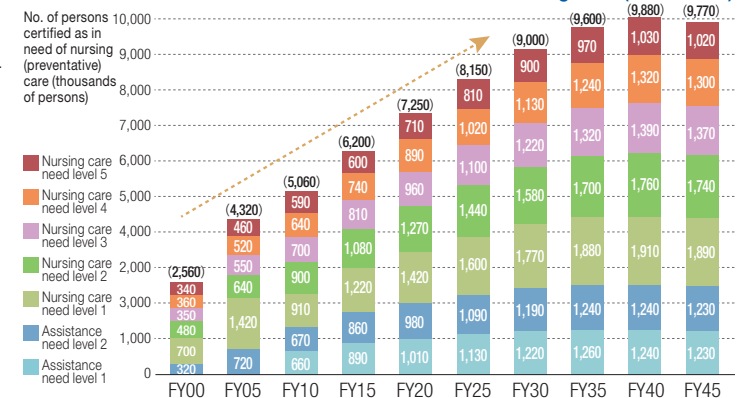
Sales of Real Estate Business

(Billions of yen)

■ Purchase and resale, etc.
■ Rental management, general brokerage, etc.



Future Estimates for Persons Certified as in Need of Nursing Care (Assistance)



Source: Ministry of Economy, Trade and Industry Report by the Study Group on Elderly Care Systems for Addressing the Future Supply-Demand Balance of Nursing Care April 2018

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Revenue Base Business Strategies (example): Housing Business, Renovation Business, Piping Business

Revenue base

Revenue base businesses reliably generate profits through business operations that pursue capital efficiency. The cash acquired through these businesses will be allocated mainly to growth-driving businesses and growth potential businesses.

Housing business (SEKISUI HEIM)



The Company 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 Company will focus on expanding sales of subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers.

Renovation business



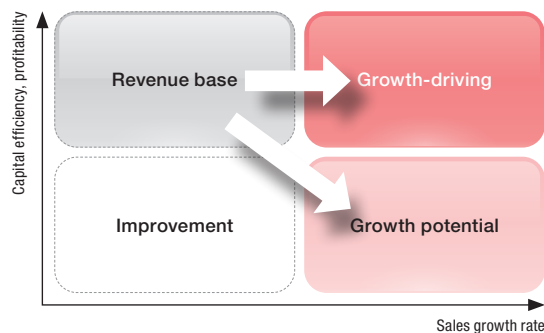
The Company proposes house repairs and renovations. Although efforts have concentrated on customers living in SEKISUI HEIM houses thus far, the Company will also focus its energies on renovations for non-Heim owners in order to further expand the business.

Piping business

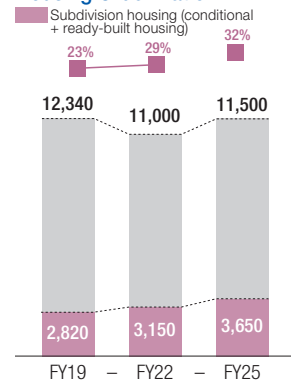


The Company supplies a wide range of piping materials from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants as well as other pipes for such social infrastructure as water supply/sewerage and gas supply systems that help shorten installation and construction periods. In addition to existing strengths in earthquake and corrosion resistance, the Company will enhance features, such as pressure resistance and high drainage, to accelerate substitution from metal piping.

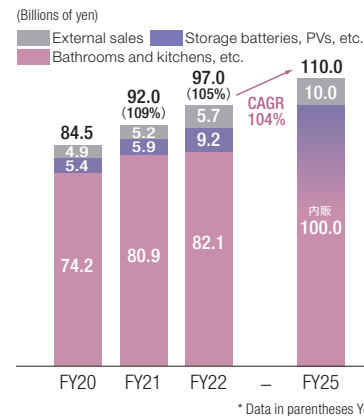
Allocate Cash Acquired through the Revenue Base



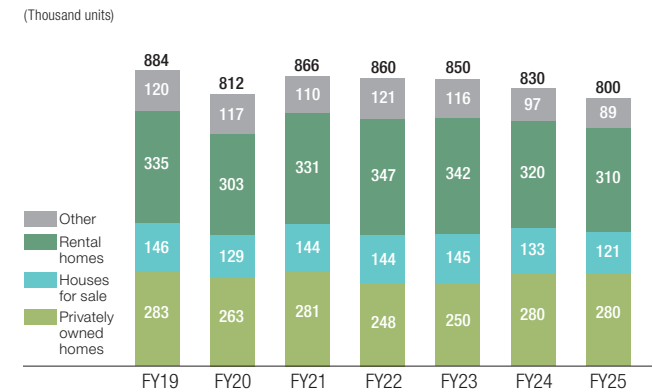
Number of Orders, Subdivision Housing Order Ratio



Orders by Renovation Product



New Housing Starts (By Type)



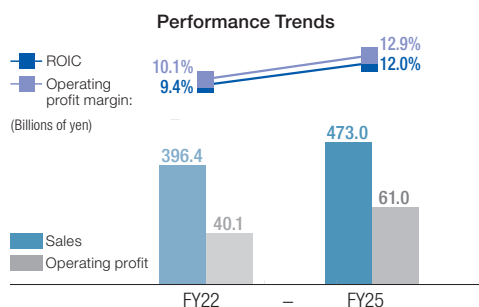
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Segment Information (Business Activities and Review of Fiscal 2022)

High Performance Plastics Company

Leveraging our proprietary fine particle, adhesion, precise molding, and other technologies, we provide advanced high-performance materials on a global basis that help bring about the further evolution of our customers' products and services for application in the Electronics, Mobility, and various other industries.

In fiscal 2022, automobile production declined across the globe, while the electronics market stagnated due to smartphone inventory adjustments starting in the second quarter. Despite working to offset these factors by improving selling prices, expanding sales of high-performance products, and reducing costs, the Company reported higher sales and lower profit.



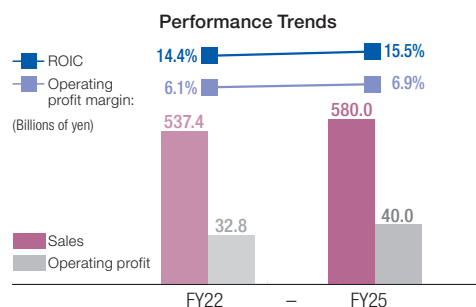
Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Further strengthen earnings power through a shift to high-performance products

Housing Company

The Housing Company is engaged in new housing construction activities as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. To date, the cumulative total of houses sold has exceeded 650,000. Drawing on SEKISUI CHEMICAL Group's prominence in infrastructure materials, the Housing Company is engaged in the nationwide development of smart and resilient cities in its Town and Community Development Business.

In fiscal 2022, the Housing, Housing Renovation, Real Estate, and Town and Community Development businesses all saw improved sales, resulting in a new record high for the Divisional Company's net sales. On the other hand, profit declined due to the impact of soaring component prices, especially in the Housing Business.



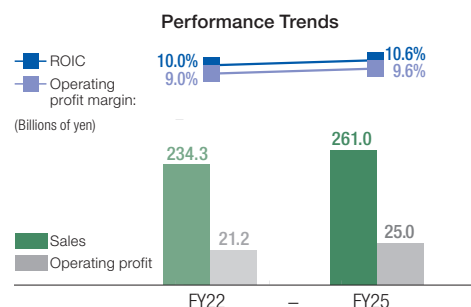
Main ROIC Improvement Measures

- Improve the land and stock of ready-built houses turnover rate
- Promote the automation and leveling of production and construction

Urban Infrastructure & Environmental Products Company

The 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.

In fiscal 2022, the domestic non-housing market was sluggish and there was an impact from a decline in housing demand starting in the third quarter. As a result of securing profit through selling price improvements, solid capital investment demand in plants and facilities (semiconductor-related) in Japan and overseas, and other factors, the Divisional Company recorded higher sales and achieved a new record high for operating profit.



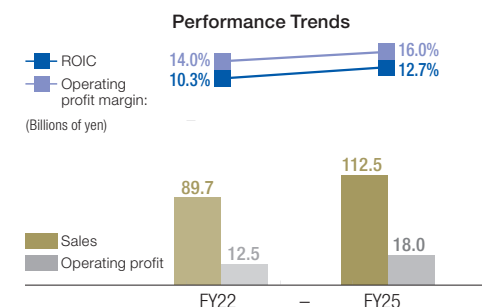
Main ROIC Improvement Measures

- Maintain raw materials and selling price margins
- Improve productivity by accelerating DX investment

Medical Business

Consisting of the Diagnostics Business, which manufactures and sells diagnostic reagents, automated analysis devices, and blood collection tubes, and the Pharmaceutical Sciences Business, which is composed of three sub-businesses, namely the Pharmaceuticals and Enzymes Business, the Drug Development Solution Business, and the SMCL Center, the Medical Business is expanding its business globally.

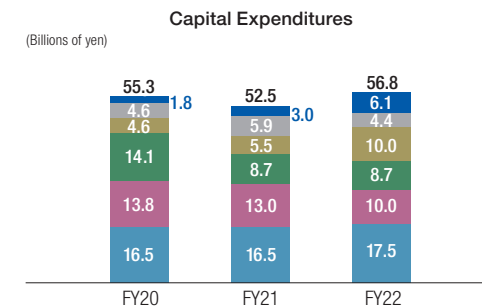
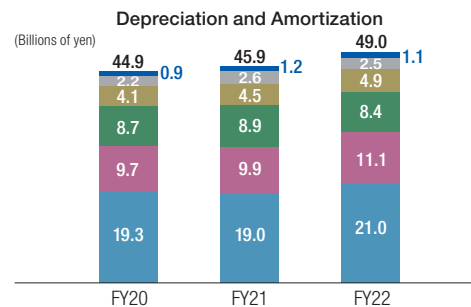
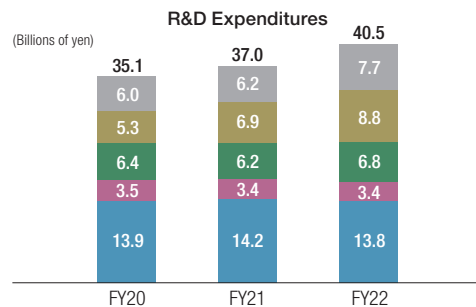
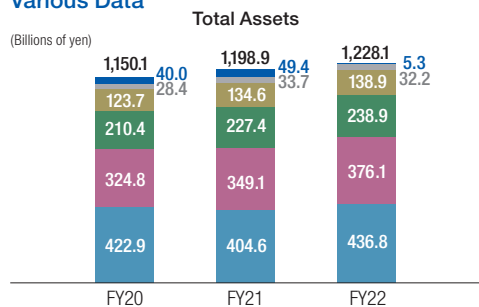
In fiscal 2022, diagnostics demand from outpatients suffering from lifestyle-related diseases recovered in Japan and overseas, sales of influenza test kits increased in the United States, and sales of new pharmaceutical ingredients in the Pharmaceutical Sciences business were firm. As a result, sales increased and the Divisional Company achieved a new record high for operating profit.



Main ROIC Improvement Measures

- Accelerate returns on growth investments
- Maintain appropriate inventory levels by product

Various Data



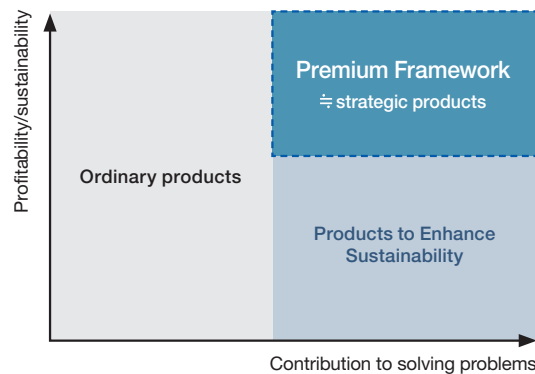
High Performance Plastics Company Housing Company Urban Infrastructure & Environmental Products Company Medical Business Other 全社・消去

Products to Enhance Sustainability

Basic Concept

SEKISUI CHEMICAL Group has positioned Products to Enhance Sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself. Through the creation and expansion of Products to Enhance Sustainability, the Group aims to help achieve the SDGs while improving its contributions and ability to solve social issues as well as grow as a company. The majority of our product lineups in the enhancement areas of the strategic area map (▶P.26) are Products to Enhance Sustainability, and therefore indicate product lineups that will drive growth for the Group.

Products to Enhance Sustainability Concept



Typical Premium Framework products

ZEH-specification housing (Housing), FFU (UIEP)
HUD+ insulation interlayer films (HPP), blood coagulation/
POCT/pharmaceutical ingredients (Medical)

SEKISUI CHEMICAL Group has established the Premium Framework as a strategic framework for strategically expanding products that contribute to solving social issues and is committed to expanding this framework with medium-term targets. Our goal is to accelerate contributions to solving social issues by implementing strategies that balance the solving of social issues and profitability.

Evolution of System for Evaluating Products to Enhance Sustainability



Conduct Product Environmental Impact Assessments

SEKISUI CHEMICAL Group conducts environmental impact assessments during product planning, development, and all life-cycle stages. During the certification process, the Group determines the degree of contribution to solving social issues intended to be achieved by Products to Enhance Sustainability after their release based on internal standards and subject to these environmental impact assessments.

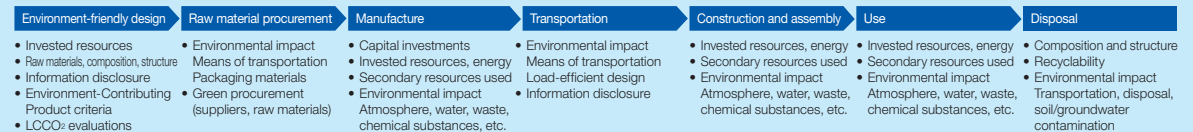
Compliance Evaluation

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

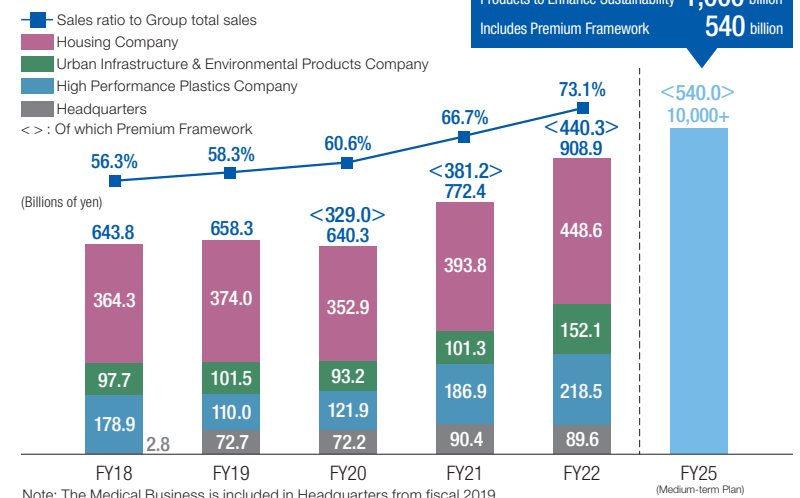
Chemical Substance Assessment

- Laws and regulations
- Prohibited substances
- Restricted substances

Product Life-cycle Environmental Impact Assessment



Products to Enhance Sustainability Net Sales/Sales Ratio



Number of Products to Enhance Sustainability Newly Registered

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

Evaluations to Verify Sustainability

* After confirming the sustainability and potential risks of products through sustainability assessments, progress was made regarding Group-wide measures to update the risk management and supply chain management systems. In response, the implementation of sustainability assessments was concluded in fiscal 2022.

Internal Control

Is there a business plan or framework in place for handling accidents or disasters with serious business impacts that also considers issues such as safety, the environment, quality, compliance, and human rights?

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?

Supply Chain Management

Are there structures or frameworks in place to prevent accidents or disasters that have serious business impacts on both this Company and the product-related supply chain?

Profitability

How much room is there to grow and what potential does the business have?

Products to Enhance Sustainability

Products to Enhance Sustainability Certification

Products to Enhance Sustainability are products that make a significant contribution to solving social issues in the natural and social environments and are certified 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 to ensure high standards and transparency.

We received advice on the significance of contributions made to the natural and social environments by newly registered products and how best to convey that significance. Advice was also received on the evolution and direction of the product system based on various inputs including confirmation of the need for consideration of multiple issues, which is also required by the EU Taxonomy.



Natural Environment Products to Enhance Sustainability Certification Criteria

Certification decisions are made based on certification criteria established for each issue category and response method that contributes to solutions.

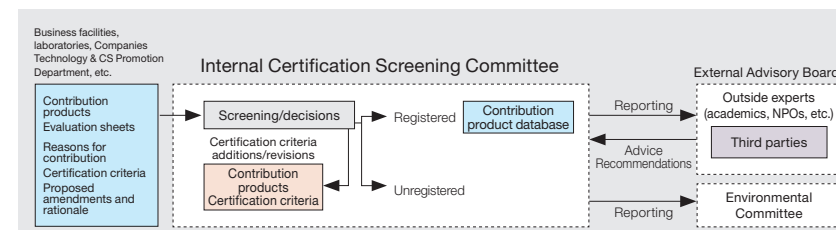
Category	Response Method (Example)
Reduce GHG emissions	Increase energy conservation performance
	Use unutilized energy
	Find alternatives to freon gas
	Reduce use in product life cycles
	Use of non-fossil resource-derived plastics
	Develop energy creation/storage functions
Reduce waste	Implement energy management in urban spaces
	Reduce 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
	Use recycled resources (waste from other products)
Conserve water/aquatic environments	Deploy horizontal recycling
	Build a recycling system
	Reduce clean water usage volume
Prevent pollution	Reduce water usage volume
	Reduce water leakage
	Circulate water through rainwater filtration
Preserve biodiversity	Prevent pollution via purification
	Shift to low VOC
	Use certified forest timber
	Use thinned timber
	Use biodegradable materials
	Prevent topsoil erosion
Prevent/mitigate disasters	Prevent desertification
	Conserve wetlands
	Promote tree planting
	Prevent marine/river pollution
Intermediate materials, raw materials	Conserve species/genes
	Use disaster-resistant materials
Intermediate materials, raw materials	Help lower environmental burdens via raw materials, components, materials

Social Environment Products to Enhance Sustainability Certification Criteria

Steps taken to consider scoring factors that contribute to the prominence of each item with certification based on the level of contribution.

Category	Response Method (Example)
Longer healthy life spans	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
Resilience of social infrastructure	Mitigate natural disaster risks
	Improve working conditions, including in supply chains
	Develop and provide infrastructure
Strengthening the safety and disaster-preparedness of communities	Enhance responses to disasters and emergencies
	Enhance resilience to disasters and emergencies
	Support low-income countries
Strengthening the safety and disaster-preparedness of communities	Improve sustainability of residences and livelihoods
	Improve livelihood safety
	Make residences and livelihoods more comfortable
Strengthening the safety and disaster-preparedness of communities	Invigorate local communities

Products to Enhance Sustainability System Operation/Certification Method



Internal Certification Screening Committee: Chaired by the Head of the ESG Management Department, this committee is composed of those responsible for related departments at the Corporate Headquarters, as well as for technology and business at the Divisional Companies

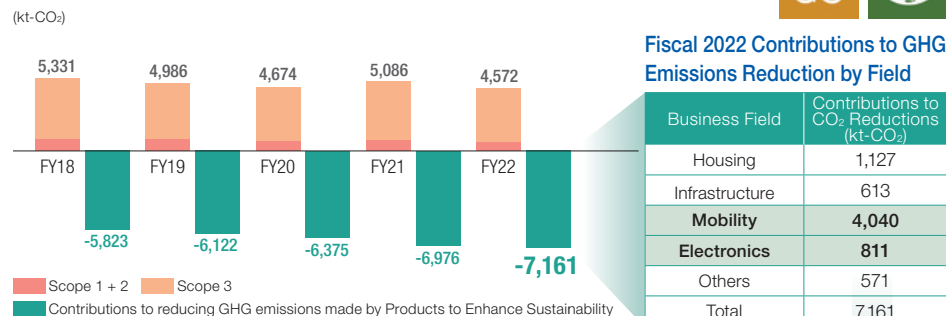
Outside Expert Members * Honorifics omitted

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Masatsugu Taniguchi	Representative of the Resource and Environment Strategic Planning Office	<ul style="list-style-type: none"> Experience as a company manager Well versed in resource-centered environmental strategies, a leading figure who advocated natural capital management from an early stage 	The giving of opinions/advice on management including natural capital and the product portfolio
Juichi Shibusawa	President Network for Coexistence with Nature (a specified nonprofit corporation)	<ul style="list-style-type: none"> Experience in business with a Ph.D. in agriculture As president of an NPO, implements activities for forest, community, and human resource development with environmental NPOs in Japan and other countries 	The giving of opinions/advice on business related to the solving of social issues based on the spirit of three-way benefits (the buyer, seller, and society as a whole) The giving of opinions from a nature-positive perspective
Takehisa Kabeya	Senior Managing Director Sustainable Management Promotion Organization (SuMPO)	<ul style="list-style-type: none"> Experience as a government official at Japan's Ministry of Economy, Trade and Industry Promotes social change activities through environmental values, such as LCAs and support for regional revitalization 	The giving of opinions from a life cycle perspective, the giving of opinions/advice based on regulations regarding environmental value and global trends
Minako Oishi	Nippon Association of Consumer Specialists (public corporation) ・コンサルタント・相談員協会	<ul style="list-style-type: none"> Knowledge and experience concerning consumers and their demands Promotes activities that connect consumers, businesses, and government 	From the standpoint of using products, the giving of opinions/advice based on requests, expectations, and matters of concern
Shoichi Saito	Executive Director, ESG Management Forum Nikkei Business Publications, Inc.	<ul style="list-style-type: none"> Experience with regard to ESG investment in financial institutions Leading figure in SDGs, green business, and climate change finance 	Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/ green business
Mari Yoshitaka	Representative Director, Virtue Design Principal Sustainability Strategist, Research and Development Division, Mitsubishi UFJ Research and Consulting Co., Ltd.	<ul style="list-style-type: none"> Experience with regard to ESG investment in financial institutions Leading figure in SDGs 	Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/ green business

Products to Enhance Sustainability

Products that Reduce GHG Emissions and Contribute to Climate Change Mitigation

GHG Emissions from Corporate Activities and Contributions to Reducing GHG Emissions Made by Products to Enhance Sustainability



* Contributions to reducing GHG emissions made by Products to Enhance Sustainability are calculated using general-purpose products as a comparison, where the calculation indicates the contribution to reduction as the difference from comparison products given by MILCA (Japan Environmental Management Association for Industry), a calculation system based on the concept of LIME2.

For details on the calculation methods used for Scope 1, 2, and 3, see the [Sustainability Report](#).



Fiscal 2022 Contributions to GHG Emissions Reduction by Field

Business Field	Contributions to CO ₂ Reductions (kt-CO ₂)
Housing	1,127
Infrastructure	613
Mobility	4,040
Electronics	811
Others	571
Total	7,161

Mobility Field, Electronics Field

In these fields, we contribute to reducing GHG emissions at the production and usage stages of our customers' products. We are further expanding the degree to which we contribute by working to convert the electricity consumed at our production plants to renewable energy and by switching to alternative resources for our raw materials.

Mobility Field

Reduce fuel consumption and CO₂ by decreasing vehicle weights and through heat insulation

- Sound and heat insulation interlayer films
- Alveosoft vehicle floor material, etc.



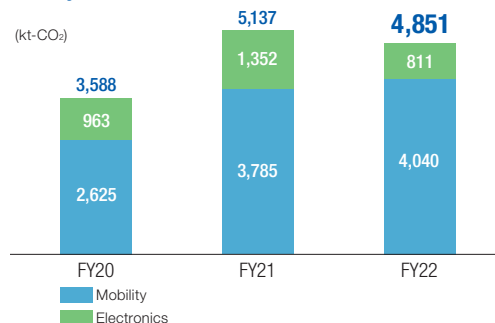
Electronics Field

Contribute to the performance of energy-efficient products and reduce CO₂

- Micropearl
- Conductive fine particles
- White solder resist
- UV sealants
- Heat-release materials



Contributions to GHG Emissions Reduction in the Mobility and Electronics Fields Account for Nearly 70% of the Total



Improve product durability and reduce CO₂ over the life cycle

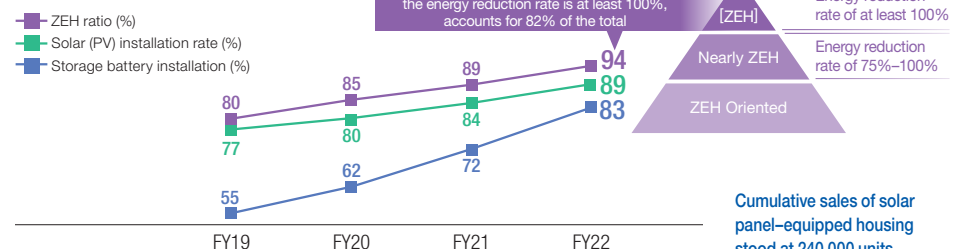
- Foam tape
- Double-faced adhesive tape for fixing of LCD components etc.



Housing

As one of the first companies to tackle environmental issues, we began selling houses equipped with solar panels in 1997. In 2012, we began contributing to energy creation, conservation, and storage through solar panels, HEMS (Home energy management system), and storage battery-equipped housing. By utilizing high-capacity storage batteries and large-capacity solar panels, we propose advanced lifestyles that eliminate electricity purchases wherever possible.

Smart House-related Indicators*1



*1 Rate of installation for detached housing orders

Reference: Company data*	FY19	FY20	FY21	FY22
Installed solar panel area	374,000m ²	360,000m ²	400,000m ²	428,000m ²
Total installed solar panel capacity*2	50MW	50MW	60MW	60MW

*2 Cumulative installed solar panel capacity now exceeds 1,300 MW. As a result, total annual electricity generation is equivalent to the electricity consumed by a city with a population of 500,000 people.

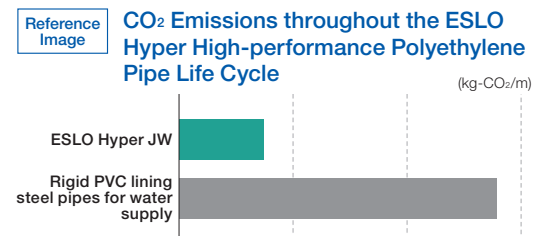
Cumulative sales of solar panel-equipped housing stood at 240,000 units (approx.) as of March 31, 2023



We also promote the effective use of renewable energy through the SMART HEIM DENKI Power Trading Service business and manage the BeHeim brand, through which we purchase and resell homes in a way that circulates upcycled housing, in order to contribute to building a sustainable, recycling-oriented society.

Infrastructure

In this field, we contribute to mitigating environmental impact by reducing CO₂ throughout life cycles, from raw materials to production, by replacing conventional materials with plastic and by reducing waste, for example, through the SPR pipeline renewal method that eliminates the need to excavate roads during construction.



Notes: 1 Figures for metal pipes are inferred from publicly available information. These figures are for reference purposes only, and are not collected as data from the production process. 2 CO₂ emissions by material and product are calculated using impact assessment coefficients (GHG emissions per unit production) cited from IDEAv2 of the National Institute of Advanced Industrial Science and Technology and the Sustainable Management Promotion Organization

Products to Enhance Sustainability

Promoting Resilient Infrastructure, Cities as well as Living and Communications Environments

Spreading and Promoting Resilient Social Infrastructure and Safe, Secure Lifelines

We provide products and construction methods that contribute to solutions for social issues, including aging structures, disaster prevention and mitigation, and labor shortage countermeasures, as part of water supply and sewage lines, agriculture, electric power, and other aspects of social infrastructure. We also provide lightweight, highly durable, high-strength materials in the aircraft, railway, and other transportation infrastructure fields in order to contribute to building safe, secure lifelines.



Polyethylene pipes for earthquake resistant water supply



SPR Method contributes to aging infrastructure, including sewage pipes



Reinforced plastic composite pipes are also used as rainwater storage pipes



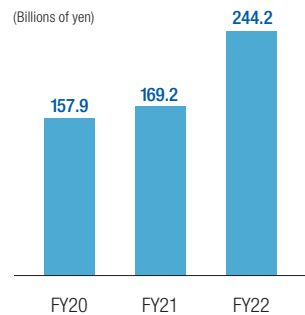
Rainwater storage systems contribute to torrential rain countermeasures



Synthetic sleepers for railroads have exceptional water resistance and durability

Water-related Business Net Sales Trends

(Billions of yen)



* The water-related business was redefined in fiscal 2022.



High flowrate drainage systems contribute to torrential rain countermeasures, etc.



Fire-resistant VP Rigid PVC pipes for buildings



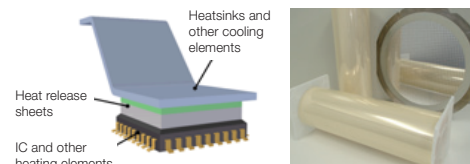
Drinking water storage system



Non-combustible certified material, thermal insulating urethane foam material for onsite use

Resilient Communications Infrastructure

Products that contribute to improving the durability and performance of related parts, which are becoming increasingly important with the development of 5G connectivity, also contribute to more sophisticated ICT.



MANION high thermal conductivity heat release sheet
Contributes to exercising the performance of high-speed communications and high-density semiconductors

Selfa semiconductor processing material
Contributes to realizing high-density, ultra-thin wafers

Providing Smart, Resilient Living Environments, and Town and Community Development



SEKISUI HEIM are made from high-durability structures that are resistant to natural disasters as the result of a highly industrialized unit construction method



New e-PocketGREEN high-capacity storage battery
A high-capacity, compact storage battery that can be installed indoors

In addition to communities where all residences are equipped with storage batteries and built to zero energy house (ZEH) specifications, we are deploying smart, resilient town and community development throughout Japan by bringing to bear the 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.

SEKISUI CHEMICAL Group Infrastructure Technologies



Support for Health and Longevity

Contributing to the Early Detection of Diseases



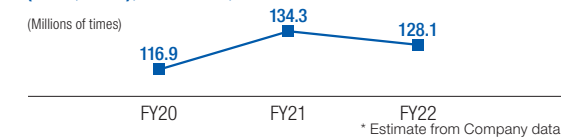
We support healthy lifestyles by detecting illness and infectious diseases early on through our product lineups of clinical reagents for diabetes and infectious diseases, analysis equipment, and plastic blood collection tubes.



Reference Image

Number of tests made using SEKISUI CHEMICAL Group diagnostic reagents in the clinical chemistry (HDL, LDL), diabetes, and POCT fields*

(Millions of times)



Lightens the Burden on Those Receiving and Providing Elderly Care

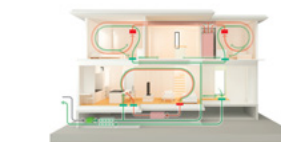


Large-scale prefabricated bath for independence support and nursing care



Monitoring Sensor ANSIEL

Proposing Lifestyles with Little Temperature Difference Risk



Comfortable air ventilation and air-conditioning systems

Addressing the New Normal



Virus removal spray with a virus removal effect that lasts approximately one month

Innovation

Interview with the Director Responsible for the New Business Development Department

As a means of charting the rapid establishment of a new business foundation and contributions to business results, we will magnify our core technologies with fusion and promote commercialization along the axis of the [seven major themes](#)



Futoshi Kamiwaki

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

Q The Group has conceived of many products over its history. Please tell us about the source of the seeds for creating these products, and the process up to commercialization.

When looking at the source of outstanding seeds, we see that these necessarily arise from our [Technological Platforms](#). Yet nurturing business to any significant degree is difficult without taking a seeds-out approach based on an awareness of markets. We therefore create products of value through the process of first selecting seeds from among our Technological Platforms, and then advancing commercialization with an awareness of markets. For example, although our perovskite solar cells are based on the sealing and coating technologies from our Technological Platforms, we are advancing their commercialization through an approach in which we first fully work out the potential for commercialization internally, and then move on to emphasizing the unique durability and productivity offered by the Group as a form of added value.

Q How do you allocate the different functions and roles between the [New Business Development Department](#) and the [R&D Center](#)?

To begin with, the R&D Center plays the roles of initially exploring and planning themes, and of establishing the basic technologies. In numerical terms, the R&D Center is responsible for moving a theme from a state of 0 to 1. In contrast, the New Business Development Department undertakes the role of business development, in other words of moving a theme from 1 to 10. After achieving 10 through business development, each divisional company takes responsibility for advancing the theme up to 100. The biorefinery business, for example, is only just now in the business development phase of moving from 1 to 10.

Before the establishment of the New Business Development Department in fiscal 2019, the R&D Department was entirely responsible for moving themes from 0 to 10. Because the required skills and given missions of R&D and business development differ, however, I feel that the current promotion system now allows the respective organizations to more reliably carry out their functions under a clearly defined division of labor.

Q When it comes to internal and external fusion, what kinds of initiatives are you taking in terms of technology exploration and new business development?

Under the previous Medium-term Management Plan, we prepared a Strategic Area Map that serves as a compass for exploring new businesses in specific areas. Based on this Strategic Area Map, we have formed teams within the Business Strategy Department that engage in open innovation and execute investments in venture companies in an effort to actively access external technologies and knowledge. Moreover, in regard to research themes, we are ramping up efforts that transfer research team members between divisional companies or between the divisional companies and the Headquarters. For example, material informatics, cell culture materials, and other themes that had been under the purview of the High Performance Plastics Company have been transferred to the R&D Center, which now allows us to advance R&D from a Group-wide perspective. Along with enhancing our ability to judge external technologies and knowledge, as well as the venture companies that possess these, I believe that further refining the outstanding R&D capabilities held by the Group is the key to initiatives for accelerating fusion.

Q In advancing commercialization, how do you select promising themes and manage their progress?

In terms of selecting themes, we apply a score along a market axis for judging the potential of the market and a strategic axis for judging how the technologies, patents, and human resources possessed by the Group can be effectively employed. We then focus our resources on themes that have received high scores along both of these axes. Once we have selected a theme, we continue to manage it by periodically analyzing the potential of the market and the competitive environment, and screen it to determine if our aggressiveness has abated. At the same time, we take the option of terminating any theme for which the score has fallen. In terms of actual progress management, we proceed towards commercialization upon implementing a five-stage Gate Review.

Innovation

Interview with the Director Responsible for the New Business Development Department

Q Please tell us about the ideal promotion system for new business creation, commercialization, and achieving profitability. In addition, what types of human resources do you see as important for this system?

By breaking down the phases following theme creation from 0 to 1, 1 to 10, and 10 to 100, I believe the current promotion system functions extremely well, whereas the one element that I feel is similarly central to each phase is human resources with a business perspective. Business perspective here refers to the sense that allows individuals to approach themes from both a technology axis and a market axis. Which is why we intend to apply the challenge of commercialization as a means of fostering a business perspective among those of the Group's human resources who are responsible for our diverse range of technologies. In fiscal 2023 we launched the in-house entrepreneurial system as a mechanism for assisting in the commercialization of business concepts presented by employees. Since this time, we have received nearly 200 submissions, far above the initial target of 100 submissions. I therefore feel we are on the right path since so many of our human resources possess an awareness of and think about commercialization. A business perspective can also be fostered through the process of attempting to manifest ideas into businesses, which is why this type of human resources platform is also important for creating new businesses in the future. And even if an idea fails to commercialize, I believe the very fact that more and more of our human resources are seriously considering and engaging in commercialization will also serve to strengthen the foundation for creating new businesses.

Q What kinds of discussions have the Board of Directors held in regard to creating new businesses?

The Board of Directors holds discussions on R&D at least twice a year, and receives progress reports on and confirms the direction of perovskite, biorefineries, and other critical themes undertaken across the Group once a year. Although the Board debates the potential for business from a highly critical perspective, it generally takes a supportive stance in regard to new challenges, which I feel has helped arrange a system that provides cross-the-board support for new business creation.

Q We would next like to ask you about the seven major themes targeting commercialization over the medium term on an individual basis.

As far as **entry into the aircraft field** is concerned, the Group acquired AIM Aerospace Corporation in 2019, at which point we determined to fully enter the aeronautical fields. Despite a dramatic decline in aircraft demand during the COVID-19 pandemic, the market is currently showing signs of a gradual recovery. So, we will move full-ahead to realize the initial goals of this M&A under the Medium-term Management Plan. Based on our processing technologies, a strength of the Group, we will apply our lightweight **CFRP (a lightweight, high-strength material)** in an effort to expand the aircraft, drone, and other flight vehicle businesses. As a new foothold for entering air mobility



markets, in March 2023 we also invested in **Volocopter GmbH of Germany**, an eVTOL (electric vertical take-off and landing) aircraft company. We will continue to develop this business so that we can serve as a reliable partner in the aeronautical fields.

From a **next-generation communication components field** perspective, we will evolve towards 5G, 6G, and other forms of high-capacity, high-speed communications. When properly installed in enclosed, indoor spaces, our **Transparent and Flexible Radio Wave Reflection Film**, which emerged from the Group's corporate venture capital efforts, is useful in fully exploiting the performance of communications with high directional stability within that space. With radio wave environment design services in our sights, we are leveraging the competitive strength possessed by our reflection films to promote business expansion, as well as to solve problems involved in establishing 5G and 6G environments, as a reliable partner for communications-related companies.

Turning to **smart city strategies**, in recent years we have employed our strengths in the Housing Business to promote **town and community development** that brings together knowledge from the Group and beyond. Currently, we are engaged in more than 20 town and community development projects around Japan. The energy self-sufficiency, SMART & RESILIENCE (safe, secure, sustainable), and other town and community development efforts that we have promoted to date have been well received for the sense of security they provide customers who have purchased them. Based on the concept of cities in which people can live with peace of mind, we will leverage the full power of SEKISUI CHEMICAL Group and combine our various businesses to deploy smart city strategies that further enhance security, health, comfort, and convenience as a means of further developing cities. Through fusion with the Innovative Mobility domain, for example, we will further improve convenience via the fusion of cars and homes. Similarly, by strengthening fusion with the Life Science domain, we will promote town and community development that considers health, in addition to convenience and peace of mind, so as to make living easier for the elderly.

In the Advanced Lifeline domain, we will engage in **Overseas development of infrastructure materials**. We will employ our **SPR pipeline renewal system, FFU synthetic railway sleepers**, polyethylene pipes, and other products that we have promoted in Japan to date in an effort to contribute to more resilient infrastructure around the globe, all while capturing renewal demand for

Innovation

Interview with the Director Responsible for the New Business Development Department

infrastructure on overseas markets into the future. Already, we are starting to establish a business based on renewal demand for railway sleepers with a focus on Europe and the US, and are capturing renewal demand for sewage pipes overseas in regard to SPR. We have also discovered many business opportunities for industrial piping materials relating to semiconductor plants scheduled to begin construction overseas. And we have brought M&As with local overseas companies into our sights while working to increase the share of the Advanced Lifeline domain accounted for by overseas sales. Regulations and characteristics differ by country, however, so we plan to compete on the strength of our materials rather than expanding into construction and engineering projects.

In the [new area of pharmaceutical CDMO domain](#), based on the relationships of trust we have built with pharmaceutical companies through our existing CMO (API Contract Manufacturing Organization) business, we will work to shift to a business approach in which we enter as a partner from the initial stages of new drug development by pharmaceutical companies as we establish the foundation for D (development). We will arrange the foundation for D through the synthesis of low molecular compounds, for example, and combine this technology with our strengths to form a foothold for entering high-value-added pharmaceuticals fields, such as medium molecular compounds and high molecular compounds. In fact, we already possess the synthesis technologies for peptides in the field of medium molecular compounds. Meanwhile, in the field of high molecular compounds, UK-based Sekisui Diagnostics possesses protein synthesis technologies. With these technologies as a strength, we will increase production capacity for APIs and intermediates for small molecule drugs as we advance our conversion to a CDMO for materials used in protein drugs. Moreover, in the regenerative medicine field beyond, we will leverage our technologies in an effort to promote regenerative medicine and to reduce costs. Specifically, we will enter the regenerative medicine field by enabling the development of cell culture materials from conventional animal sources as well as from chemical materials. Our first approach will be based on materials such as chemically synthesized scaffolding, and will rely on their ability to help reduce costs and stabilize quality.

Our efforts to develop [perovskite solar cells](#) have currently achieved a power generation efficiency



of 15%, which is approaching the 18 to 20% level of silicon solar cells. The features of our solar cells are a durability of approximately 10 years when installed outdoors and high-productivity based on a roll-to-roll production process that is currently applicable to 30 cm widths. Our preparations for commercialization will be nearly complete, however, once we achieve a power generation efficiency on the level of silicon solar cells, a durability of approximately 15 years, and ultimately a roll-to-roll production process for one-meter-wide cells. Our greatest area of skill is our ability to reliably produce perovskite materials and supply them to our partners. Certain placements also require unique construction and installation methods, however, so along with enhancing the performance of perovskite, we also feel it is important to find partners who are highly skilled in power generation related construction and installation to develop the necessary construction and installation methods.

As far as [biorefineries](#) are concerned, we are currently advancing initiatives for stable operations, cost reductions, and efficient production at a 1/10th scale demonstration plant. After completing the verification test phase during the current Medium-term Management Plan, we will enter the commercial operations phase during the next Medium-term Management Plan. The business model that we are currently considering takes a joint partnership approach with companies that manage waste disposal facilities and industrial waste treatment facilities, and constructs an ethanol facility next to the waste disposal facility of the partner to convert the waste from the waste disposal facility into ethanol. As a concept that replaces the existing approach of incinerating waste and releasing greenhouse gases with one that circulates resources by converting waste in its entirety into ethanol, we believe this process also offers significant value from an environmental perspective. Which is why we plan to sell the ethanol under a brand name. Like perovskite solar cells, biorefineries also rely on cooperation and fusion with external partners.

Q Please tell us about your roles as the Managing Director of the New Business Development Department, and about the challenges you face as Senior Managing Executive Officer.

My role as the Managing Director of the New Business Development Department is clear. Specifically, it is my duty to engage in business development that steadily commercializes biorefineries, perovskite, and the other major themes.

Despite being promising from both a strategic axis and a market axis, during the business development process for these themes we have often struggled with challenging issues. So, I believe a system in which the Board of Directors and management offers up the entire Group in support of our efforts is a critical factor in growing these themes into major businesses. On the other hand, that business development will not always proceed smoothly is only natural, which is why we must also foster a culture in which failures are not condemned and bad news is the first to be reported so that inconvenient information does not lie dormant below the surface. And a major challenge for myself is ensuring an organizational structure that seamlessly cycles through a process whereby all team members make every effort to find solutions in order to overcome issues as they are discovered. My most important mission is commercializing these seven major themes. Just as the so-called Seven Samurai innovators played a major role at the time of the Group's founding, I intend to foster a culture of innovation within the Group that revives this heritage through the in-house entrepreneurial system.

Innovation

New Products and Businesses

SEKISUI CHEMICAL Group is committed to innovation that contributes to solving such social issues as decarbonization and resource recycling to achieve our Long-term Vision "Vision 2030" and the realization of a sustainable society. We have positioned fusion as a driver to accelerate innovation. We will work to accelerate innovation at an unprecedented pace by focusing more than ever on the fusion of various internal and external stakeholders as well as such entities as universities, research institutes, and companies from the perspectives of technology and business opportunities.

We are endeavoring to shift away from a self-reliant culture and approach by promoting projects that extend horizontally across internal companies, collaborating with external institutions and other outside parties, and engaging in open innovation.

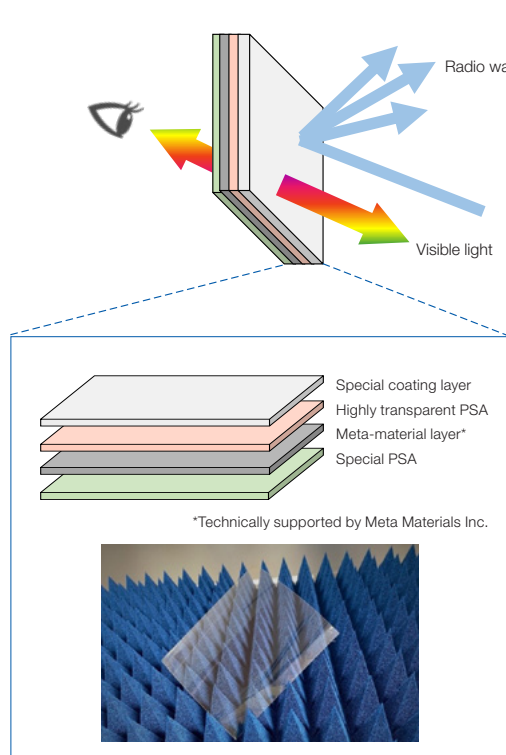
Internal and External Open Innovation

In addition to generating exchanges that transcend internal divisional companies, MINASE INNOVATION CENTER (MIC), a research facility established in 2020, is engaging in various activities to accelerate internal and external fusion as well as open innovation including actively promoting technological exchanges with start-up companies that possess low-carbon technologies together with materials and technologies that contribute to resource conversion.

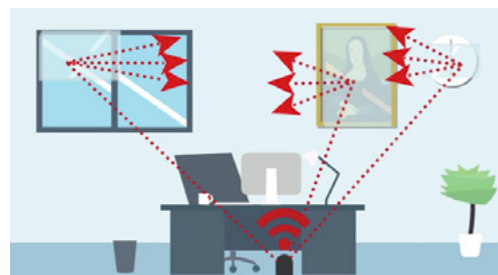
Similarly, we are accelerating value creation by promoting efforts to ramp up fusion with external partners, by promoting the fusion of technologies, ideas, and innovative cultures that are difficult to acquire solely in-house with those of the Company, and by incorporating them into the Company.

External Collaboration (Example)

Transparent and Flexible Radio Wave Reflection Film



Optical Adhesive Film Technology X META[®] Go Beyond.



Positioning electromagnetic wave management as a business domain, we entered the Electromagnetic Wave Control business as a first step through fusion with the technologies of Metamaterial Inc. (headquartered in Canada).

Realizing diffuse reflection characteristics equivalent to or in excess of aluminum plates, our transparent flexible radio wave reflective films are highly effective for such high frequencies as 5G and 6G and also play a role in delivering radio waves to blind spots in rooms.

Looking ahead, we aim to expand into the next-generation components and equipment business and enter the electromagnetic wave.

Entry into aeronautical fields

Lightweight, high-strength materials



We entered a capital and business partnership agreement with Volocopter GmbH, which develops and manufactures Advanced Air Mobility (AAM) systems.

In addition to applying the materials and technologies we have acquired in the aircraft, automobile, and electronics fields to eVTOL airframes and engaging in joint research, this move is intended to coordinate with Volocopter's business expansion in Japan.

These efforts will help develop new transportation infrastructure and improve sustainability.

Water use / Recycling

Water Treatment Devices (pipes, rotating disc systems, etc.)



We underwrote a third-party allotment capital increase for FRD JAPAN CO., LTD., which engages in the land-based aquaculture business.

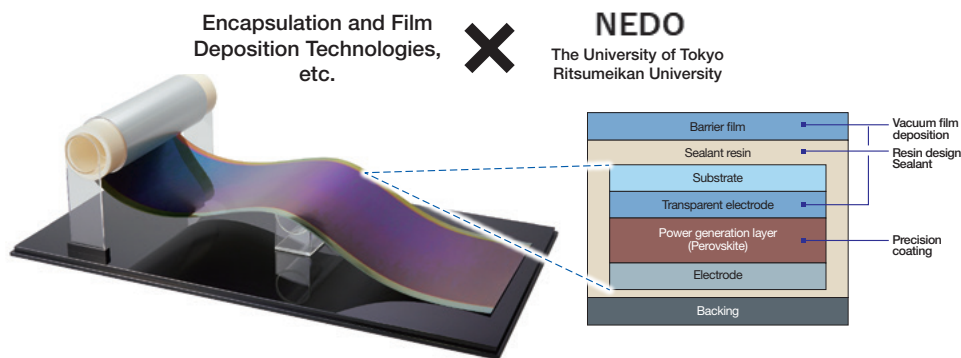
Through this capital participation, we will promote the fusion of our respective technologies and businesses in aims of contributing to the solutions for a range of social issues, including water resource, food, and energy conservation problems, as well as of realizing a sustainable society.

In particular, we will focus on the global roll-out of an advanced water treatment system through the deployment of SEKISUI CHEMICAL Group water treatment devices to FRD's land-based aquaculture business, and through the synergy of our respective technologies and businesses.

Innovation

New Products and Businesses

Perovskite Solar Cells



Next-generation solar cells, which are said to be the key to realizing a decarbonized society, use semiconductors with a perovskite crystal structure as materials for power generation. Unlike conventional silicon-based solar cells, materials can be applied to the film as if it were printed. In manufacturing these solar cells, the Company leverages its proprietary encapsulation, process, material, and film deposition technologies. To date, we have conducted accelerated tests according to the standards for solar cell reliability and confirmed durability equivalent to 10 years of outdoor exposure.

Ultra-lightweight and flexible, perovskite solar cells can be installed on the walls of buildings and on roofs with weight restrictions.

Working in collaboration with the University of Tokyo and Ritsumeikan University, our technology has been adopted for a New Energy and Industrial Technology Development Organization (NEDO) project. SEKISUI CHEMICAL Group has also initiated steps to develop a general-purpose width roll-to-roll manufacturing line. Moving forward, the goal is to achieve commercialization, after conducting verification tests, around 2025 while continuing to engage in research to further improve durability.



Scheduled for installation at the Umekita (Osaka) Station plaza area when it fully opens in 2025
* Subject to change in the future by agreement between the related parties. Image provided by West Japan Railway Company

Biorefinery Technology

Microorganism Culture Control Technology × LanzaTech



Demonstration plant in Kuji City, Iwate Prefecture

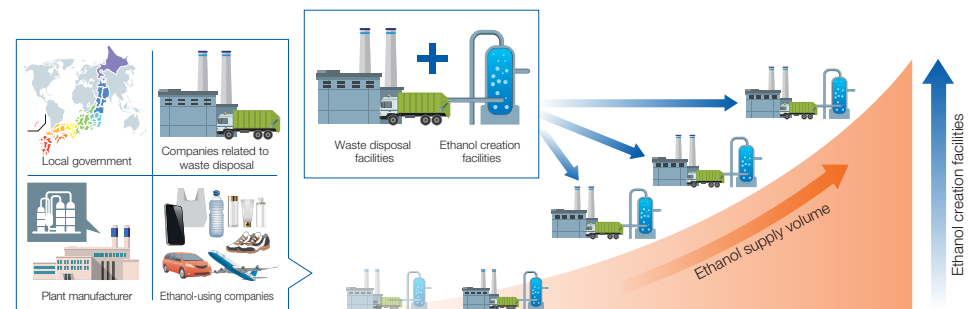
SEKISUI CHEMICAL Group is accelerating efforts toward the social implementation of carbon cycle technologies that recycle the carbon contained in raw materials. In specific terms, we jointly developed a biorefinery (BR) technology that converts combustible waste, including marine plastics, without separation into gas and then converts that gas into ethanol as a raw material for plastic using a microbial catalyst in collaboration with U.S.-based venture company LanzaTech NZ, Inc.

Upon receiving investment from INCJ, Inc. (Innovation Network Corporation of Japan), SEKISUI CHEMICAL Group established SEKISUI BIO REFINERY CO., LTD., in April 2020. Steps are currently being taken to conduct a demonstration at a plant completed in April 2022 in Kuji City, Iwata Prefecture, which is 1/10th the size of a commercial plant, as the final stage in verifying the technology for practical application and commercialization.

The first commercial-scale facility is targeted to begin production in 2025.

Plans are in place for the ethanol produced at the plant to be recycled as a plastic raw material in collaboration with entities as chemical manufacturers beginning with SUMITOMO CHEMICAL CO., LTD., which is already under way.

Ethanol is converted to ethylene and then to plastic, and the products from the plastic are used and disposed of, collected as combustible waste, and returned to the BR plant. The aim is to create a resource recycling system that can be repeated over and over.



Innovation

Research & Development/Intellectual Property

R&D activities along with the intellectual property as the outcome of these activities are the source of competitiveness and an important management resource that underpins SEKISUI CHEMICAL Group's growth and revenue aimed at optimizing corporate value. SEKISUI CHEMICAL Group recognizes that maintaining prominence in technology is the bedrock for creating value. In particular, the technological platforms (TPF) with their strengths in the Residential and Social Infrastructure Creation and Chemical Solutions business fields form the foundations of our value creation.

Technological Platforms

In 2014, SEKISUI CHEMICAL Group identified the TPF as the Group-wide basis for technology development. While refining our prominence in each of these technologies, we are developing products and services that reflect the collective strengths of multiple TPFs while anticipating changes in society and demand and are engaging in various activities including the development of technical human resources. Together with changes in strategies aiming for sustainable growth, we periodically revise the TPF when formulating each Medium-term Management Plan.

Achieving Peace of Mind Even during Disasters without Purchasing Electricity as far as Possible

Energy self-sufficient homes* Smart Power station FX GREENMODEL

High-capacity solar power systems, film-type storage batteries, and home energy management systems (HEMS) are installed on modular frames with high earthquake resistance, high heat insulation, and high airtightness. Lifestyles that use natural energy as far as possible contribute to the global environment, and at the same time, allow evacuation to housing with peace of mind during disasters.

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



TPF	
Housing design & construction	X
Industrial housing production	X
Energy management	
Etc.	

Contributing to the Rehabilitation of Aging Pipeline Infrastructure

SPR-SE method, the only independent pipe renewal method that can rehabilitate aging pipelines while water is flowing

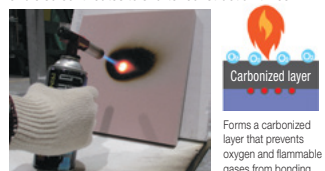
Although the aging of all manner of infrastructure facilities has become an existential challenge, solutions have failed to keep pace, allowing for accidents caused by aging to occur frequently. Sewage pipes and other pipelines buried underground, in particular, impart a significant social impact on nearby residents during construction that digs these up before burying new pipes. The SPR-SE method is the only method for rehabilitating buried pipelines to a high level of performance that does not require surface excavation or stop the flow of sewage, for example. As such, this method contributes to safe, secure social life.

TPF	
Functional resin materials	X
Extrusion molding	X
Infrastructure design & construction	
Etc.	

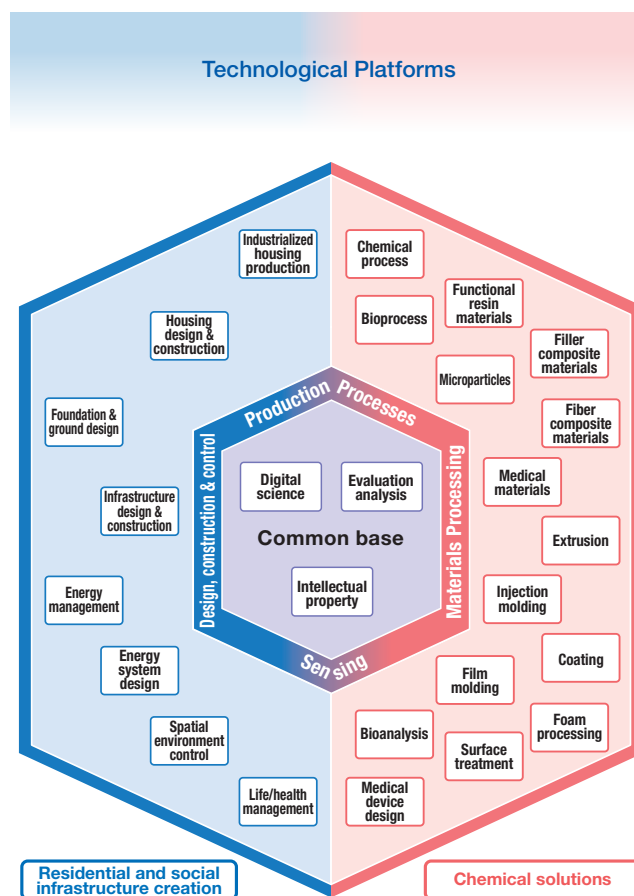
Preventing the Spread of Fire During and After Construction

Non-combustible certified material, thermal insulating urethane foam material for onsite use PUXFLAME

Using proprietary resin synthesis technologies, thermal insulating urethane foam material for onsite use is the first organic material to receive inflammable certification in Japan. In addition to providing benefits after construction, this material prevents the occurrence and spread of fires caused by ignition during construction, and also contributes to shorter construction times.



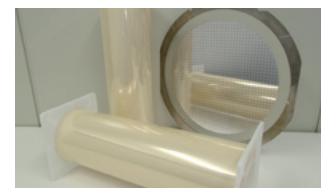
TPF	
Filler composite materials	X
Infrastructure design & construction	
Etc.	



Contributing to Greater Performance and Power Savings for Semiconductors

High adhesion releasable UV Tape, SELFA

With the ability to adhere sufficiently during use yet release easily and cleanly when exposed to UV, SELFA is employed for advanced semiconductor fabrication processes. SELFA contributes to realizing cutting edge semiconductor chips that offer high performance and energy savings.



TPF	
Functional resin materials	X
Coating	

Contributing to Higher Quality Medicine through Faster, More Accurate Testing

Nanopia LRG leucine-rich α 2-glycoprotein (LRG) blood level test reagent

As Japan's first blood test reagent for inflammatory bowel disease, high precision microparticles (latex) and antibody acquisition and purification technologies enable appropriate diagnoses and follow-up observations, as well as simpler, faster testing.



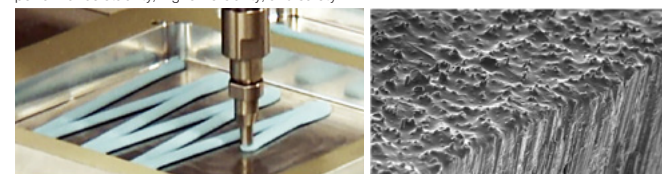
TPF	
Bioanalysis	X
Microparticles	

Contributing to Greater Performance Stability and Reliability for EV Batteries and ADAS Devices through Heat Release Functions

CGW® Series 2-part room-temperature curing heat release greases MANION Series high thermal conductivity heat release sheets

The CGW Series of heat release grease made from low siloxane materials that can be cured at room temperature and the MANION Series of heat release sheets for which high thermal conductivity was realized using the Group's unique magnetic orientation technology enable the Group to propose heat release options suited to specific applications.

As electric vehicles (EV) and advanced driver-assistance systems (ADAS) have evolved, batteries and electronic components have come to demand higher performance and more compact designs. In response, these two series serve as heat release countermeasures that contribute to performance stability, higher reliability, and safety.



CGW® Series

MANION Series

TPF	
Filler composite materials	X
Fiber composite materials	

Innovation

Research & Development/Intellectual Property

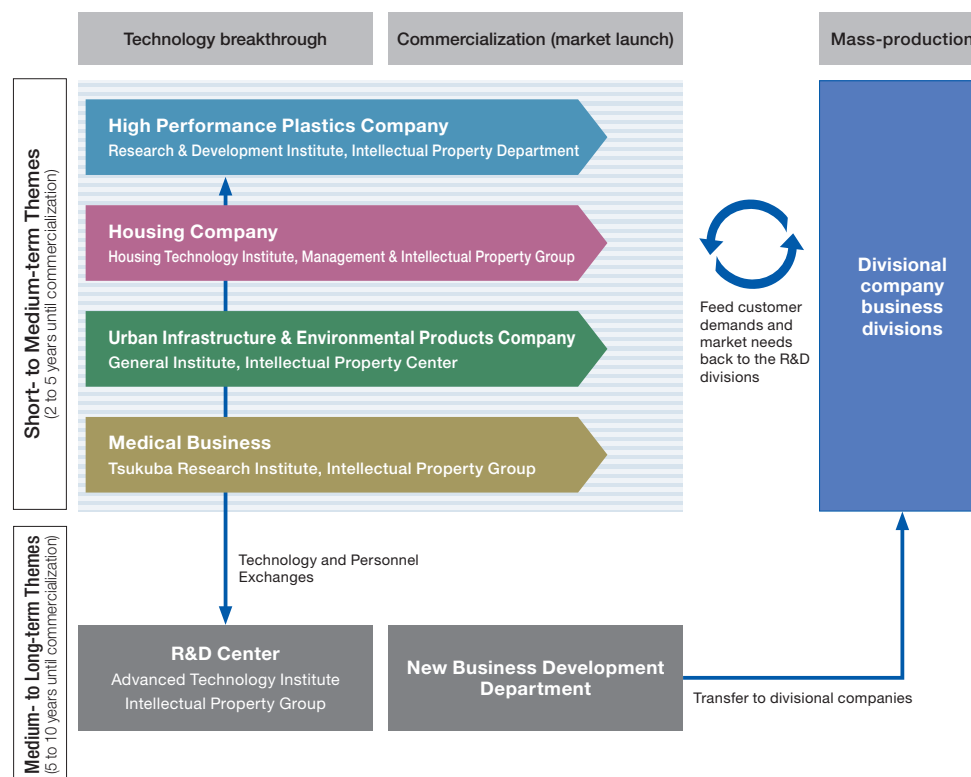
Reference Technological Platforms

Category	Technological Platform	Overview
Design, construction & control	Housing design/construction	Provides secure, safe housing that is resistant to natural disasters for both new and renovated houses.
	Foundation & ground design	Contributes to disaster mitigation and faster recovery through ground survey, rating, and countermeasure technologies.
	Infrastructure design & construction	Provides high-durability, high-quality infrastructure pipeline systems that offer construction labor savings, and develops technologies that express fireproof properties.
	Energy management	Contributes to the environment through the effective use of solar panels and storage batteries, and protects daily life during natural disasters.
	Energy system design	Develops energy creation and energy storage systems to achieve a sustainable society.
	Spatial environment control	Provides quiet, comfortable living environments through product and spatial design technologies.
Production Processes	Industrial housing production	Further evolves the Unit Construction Method and provides high cost performance housing.
	Chemical process	Develops agitation, separation, drying, and other process technologies that enable safe, consistent, and efficient production of chemical products.
	Bioprocess	Provides resin raw materials made using microorganisms instead of relying on fossil resources to achieve a sustainable society.
Sensing	Life/health management	Evaluates and designs products and environments that help increase the QOL of consumers.
	Bioanalysis	Provides medical diagnostic reagents targeting diabetes, infectious diseases, and various other ailments.
	Medical device design	Provides medical device systems that can accurately and rapidly perform tests.
Materials	Functional resin materials	Provides various types of high-performance plastics through resin design, denaturation, and synthesis.
	Microparticles	Provides microparticles with unique features through particle size control and functionalization.
	Filler composite materials	Expresses new functions by mixing resins with fillers of different sizes in an optimal manner.
	Fiber composite materials	Provides lightweight, high-strength products by combining oriented fibers with resins.
	Medical materials	Provides pharmaceutical ingredients, medical amino acids, cell culture materials, and other substances that serve as the active ingredients in pharmaceuticals.
Processing	Extrusion molding	Provides various resin products through approaches to extrusion process engineering and simulation that enable high-quality, high-efficiency production.
	Injection molding	Conducts process engineering that leverages advanced simulation technologies to enable production of high-performance, high-quality injection molded products.
	Coating	Grants new functionality by coating and drying functional materials uniformly over surfaces.
	Film molding	Provides various high-performance film products by leveraging film forming technologies and multi-layering technologies.
	Foam processing	Produces foam molded products with thermal insulation, flexibility, and other functions
	Surface treatment	Provides the ideal treatment technology to modify and functionalize surfaces.
	Common base	Digital science
Assessment analysis		Ensures quality through state-of-the-art assessment analysis for highly advanced materials and safe, secure product development.
Intellectual property		Establishes strategies and secures rights in order to support business through intellectual property.

R&D and Intellectual Property Management System

SEKISUI CHEMICAL Group is undertaking the challenge of innovations that leverage our core technologies with the aim of expanding existing businesses and creating new businesses. The R&D management system that supports this effort is split into two areas depending on the timeframe of the theme. R&D themes arising from the acquisition of customer needs are undertaken by the R&D institutes from each segment, which enables timely activities in line with the segments' respective business environments. This approach to R&D also incorporates the perspective of solving social issues, where each institute handles every step up to the creation of products and services. Corporate Headquarters is now in charge of medium- to long-term themes, the R&D Center specializes in technological breakthroughs, and the New Business Development Department is in charge of promoting commercialization. After launching each theme as a business, a system is in place that facilitates the prompt transfer of control to a divisional company. In addition, each segment's R&D institute and the R&D Center exchange technologies and personnel.

Each segment and the Corporate Headquarters also maintain independent Intellectual Property Divisions. The Intellectual Property, Business, and R&D divisions for each segment are in constant cooperation, striving to achieve prominence over our competitors based on the distinctive characteristics of their respective areas, thereby linking to the expansion and growth of our business.



Innovation

Research & Development/Intellectual Property

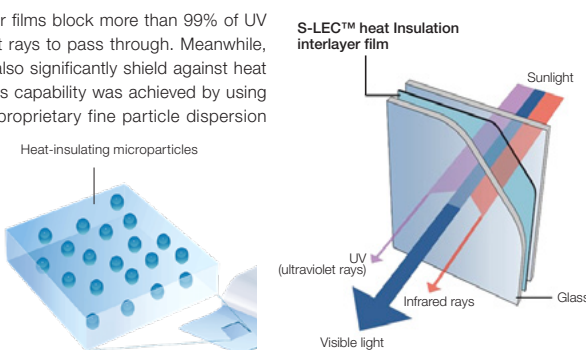
Treatment of Human Resources Engaged in R&D and Intellectual Property Activities

As part of our effort to assess and reward researchers and engineers, the Group has established the Invention Grand Prize as an award from the President & CEO to recognize inventions that have made particularly large contributions to the Group's profits along with the achievements of their inventors. 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 business contribution amount, 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 business contribution amount.

The Group has also established a specialist position system for researchers and engineers with highly specialized skills. We appoint prominent human resources with a high level of expertise that is competitive both within and outside the Company to specialist positions. In deepening their skills and developing future employees, these human resources serve as the main source of added value that will become the wellspring of our competitiveness. As of July 2023, 39 people have been appointed. Moving forward, we are promoting technology platform strengthening initiatives with a long-term perspective.

Invention Grand Prize Example: Heat Insulation Interlayer Film (1st Class)

Although conventional interlayer films block more than 99% of UV rays, they allow almost all heat rays to pass through. Meanwhile, heat insulation interlayer films also significantly shield against heat rays in addition to UV rays. This capability was achieved by using SEKISUI CHEMICAL Group's proprietary fine particle dispersion technologies to disperse heat-insulating microparticles within ordinary film layers. The technologies for the dispersant and dispersion stabilizer with which the nanoparticles are coated are protected by patents, which is why the invention of these nanoparticles was recognized.



S-LEC™ heat insulation interlayer film

Heat-insulating microparticles

Sunlight

UV (ultraviolet rays)

Infrared rays

Glass

Visible light

Invention details

Initially developed product

Microparticles (nanometer particle diameter)

Coagulates in the film due to poor affinity with resin → **Low transparency**

Coagulation

Invented product

Nanoparticle

Dispersant + Dispersion Stabilizer

Nanoparticles are coated with a dispersant (affinity with resin) and a dispersion stabilizer (prevents coagulation between particles)

Improved affinity with resin and uniform dispersion in the film → **Improved transparency**

Transparency of the invented product

Haze (%)

Initially developed product	1.2
Invented product	0.4

Quality requirement

* Haze = light diffusion (transparency increases as haze decreases)

Achieves a transparency exceeding the quality requirement.

Specialist Positions Supporting Technology



Film molding Extrusion molding

Kenichi Shirai

(High Performance Plastics Company, Facility and Process Engineering Division)

As the Process Engineering Group Leader, I am in charge of duties related to solving problems raised mainly by the manufacturing departments at our plants. So, I am involved in a variety of issues, including increasing production capacity, making quality improvements, reducing manufacturing costs, improving upon chronic problems, and engaging in research for new product development. In some cases, I will travel to the plant to identify causes or in others I will conduct actual experiments in laboratories in order to pinpoint the cause of issues. I am also involved in developing simulation technologies to support up-scaling from laboratory equipment to production equipment. The only problems that tend to reach the Process Engineering Group are those that are too complex to be solved at the plant itself. Although it is rare for an experiment to be successful on the first try, I combine experiments and simulations in order to reduce the number of trials, and acquire skills and capabilities to increase the rate of success. My challenge going forward is to create an environment in which young employees can work with a fresh spirit and experience growth. We are currently engaged in issues that would be considered difficult anywhere in the world. Failures are therefore unavoidable, and there are things we can only learn from failures, too. So, I will convey to young employees that failures are not something to be avoided, but something to be applied in the future by considering them as a way to accumulate new data.

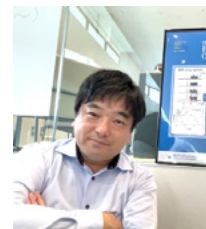


Energy management

Masato Oota

(Housing Company, Business Strategy Department, Marketing Section, Smart Promotion Office)

Along with promoting the planning and development of advanced technologies together with our R&D divisions and partner companies, I engage in leading research into smart houses through joint research with universities and the government of Japan. In fact, I was the first to envision the concept of energy self-sufficient homes, which I submitted to an in-house call for contributions 15 years ago. My concept was not based on technologies that were available at the time, but on the consideration of potential needs of home owners and on environmental and energy problems anticipated to occur 10 and 20 years in the future. Taking this approach of considering how to solve social issues was probably what allowed me to envision such a big picture. Three years after I presented my ideas, we launched sales of Smart Heim houses that came equipped standard with HEMS for solar power generation. Unfortunately, the Great East Japan Earthquake occurred at nearly the same timing, which brought Japan as a whole face-to-face with the challenge of an energy crisis. I was shocked that the future I had envisioned had arrived all at once. My challenge for the future is to drive new innovations and realize houses that exceed the imaginations of others. And I intend to realize this together with talented young engineers and to also make a reality of their dreams.



Digital science

Yasunari Kusaka

(R&D Center, Advanced Technology Institute, Information Science & Technology Promotion Center)

As the director of the Information Science & Technology Promotion Center, I am involved in work promoting the use of information science and technology with a focus on materials informatics (MI). By combining the intuitive judgments made by researchers thus far with past data accumulated at the site of development and external data, I engage in efforts to help propose new materials and to shorten development cycles. By leveraging MI, we can potentially accelerate the development cycle by a factor of 100, conceive of materials that humans had never dreamed of before, and enable those with little experience to make new discoveries. Through the efforts of our members and cocreation with outside parties, we have also made contributions to business. To ensure a broader scope of materials development themes and increased involvement in other themes that utilize digital technologies in an effort to contribute to the Long-term Vision, it is my role to comprehensively manage technology as a whole. My challenge for the future is to increase the number of researchers who enjoy producing results. And I believe that if we provide an environment that allows researchers to feel excited about their own growth and progress in developments, the Company will continue to prosper as a natural outcome.

Innovation

Research & Development/Intellectual Property

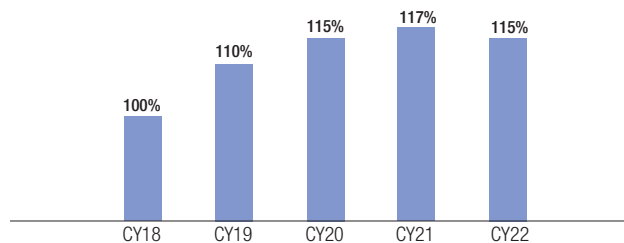
Fundamental Policy on Intellectual Property

SEKISUI CHEMICAL Group endeavors to secure strategic IP that supports its business activities, as well as to maintain and manage any acquired IP. Meanwhile, we conduct periodic investigations to avoid infringing upon the IP rights of others, and take appropriate measures to avoid and prevent others from infringing upon the IP rights of SEKISUI CHEMICAL Group. 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. We have adopted the Patent Asset Index™ (PAI), which benchmarks the strengths of patent evaluation and innovation, as an index, and are bolstering our focus on improving the quality of patents, under the Medium-term Management Plan, Drive 2.0.

Fostering an Intellectual Property Mindset

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

Patent Asset Index™ (PAI) growth rate



* Patent Asset Index™ growth rate calculated using LexisNexis' PatentSight® patent analysis tool over the past five years.

* Aggregated value as of April 2023

* The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based on the country of application for each patent with valid legal status, and adds them together to show the asset value of the patent.

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 that 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 further motivate employees to work on intellectual property.

Intellectual Property Training for Employees

We have prepared several educational programs tailored to the level of each developer for engineers during their first two years that covers essential topics ranging from fundamentals of intellectual property to strategy development and is implemented at all companies.

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 efforts to strengthen the business competitiveness of existing products as well as strategy planning and intellectual property portfolio enhancements where new products and businesses are created. 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 each of the recent rankings for Patent Asset Scope and Ability to Restrain Other Companies announced by Patent Result Co., Ltd., the Company ranked second and fourth, respectively, in the chemical industry. SEKISUI CHEMICAL has maintained a position in the top 10 for the past ten years.

Patent Asset Scope 2022 Ranking

Ranking	Company name	Patent asset scope (points)	Number of patents
1	Fujifilm	58,099.4	1,113
2	SEKISUI CHEMICAL	24,822.4	615
3	Kao	22,123.4	710
4	LG Chem	22,095.4	558
5	Nitto Denko	21,470.0	452
6	Sumitomo Chemical	18,819.4	494
7	Asahi Kasei	18,225.2	410
8	DIC	16,636.7	344
9	Mitsubishi Chemical	15,696.2	546
10	LG ENERGY SOLUTION	13,236.7	419

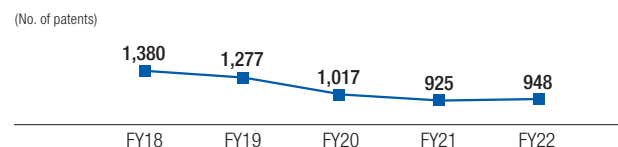
Source: Patent Result Co., Ltd. "Chemical Industry: Patent Asset Scope 2022 Ranking"

Ability to Restrain Other Companies 2021 Ranking

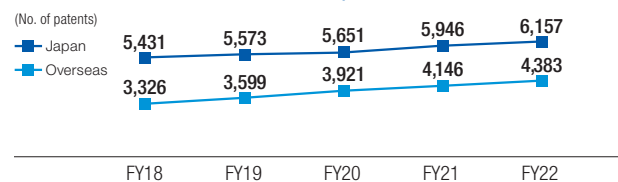
Ranking	Company name	Number of patents
1	Fujifilm	3,959
2	Mitsubishi Chemical	2,021
3	Kao	1,692
4	SEKISUI CHEMICAL	1,254
5	Nitto Denko	1,205
6	Asahi Kasei	1,100
7	Resonac	1,080
8	Sumitomo Chemical	923
9	DIC	759
10	Shin-Etsu Chemical	736

Source: Patent Result Co., Ltd. Chemical Industry: Ability to Restrain Other Companies 2022 Ranking

Number of Patent Applications (domestic)



Number of Patents Possessed (domestic and international)



Human Capital

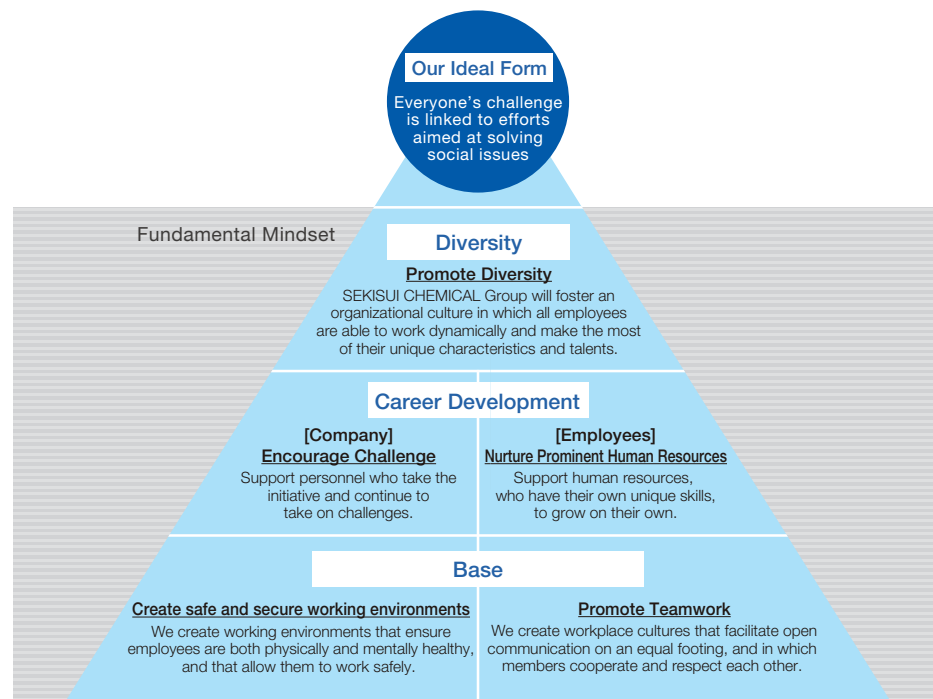
– Placing the Right Person in the Right Position and Fostering a Culture that Embraces Challenge

In order to realize our Long-Term Vision, the Group aspires to an excellent and vibrant company where all employees thrive on challenges. We are therefore developing human resources who can address the speed of business growth and change, and promoting efforts to successfully place the right person in the right position.

Human Resources Philosophy

Based on our belief that employees are precious assets bestowed on us by society, the Group is committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their specialties and support growth through challenges.

With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure working environments in response to conditions in each country and region.

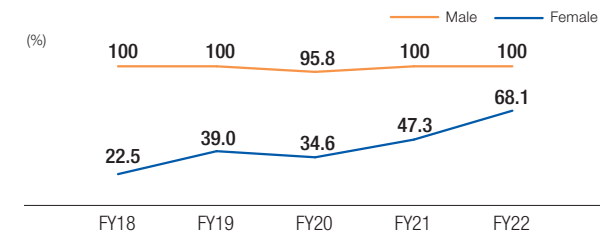


Diversity

Allowing Diverse Human Resources to Excel

- Diversity Initiatives
- Allowing Diverse Human Resources to Excel
- Support for Work-Life Balance
- Support for Employee Retention

Ratio of employees who took childcare leave (non-consolidated)



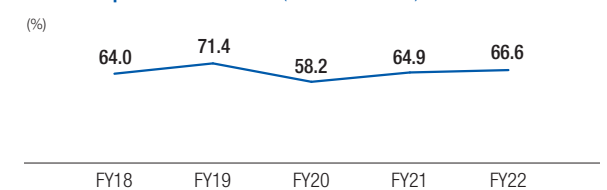
The Number of Employees and Ratio of Women (SEKISUI CHEMICAL Non-consolidated)

	FY18	FY19	FY20	FY21	FY22	FY25 Target	FY30 Target
Total number of employees (Persons)	3,918	3,956	3,960	3,902	3,887	—	—
Ratio of women (%)	15.0	15.9	16.5	16.7	17.0	—	—
Total number of managerial positions (Persons)	1,366	1,376	1,381	1,395	1,412	—	—
Ratio of women (%)	3.2	4.1	4.3	4.3	4.5	5.0	8.0

Promotion of Work-style Reforms

SEKISUI CHEMICAL Group Statement of Work Style Reforms “We will pursue highly productive work styles that enable employees to demonstrate their respective strengths and to maximize outcomes in the limited time available”

Ratio of paid leave used (non-consolidated)



Promotion of Health Management

In aims of achieving the mental, physical, and organizational well-being for which SEKISUI CHEMICAL Group aspires, the Company promotes five health improvement initiatives

- Health Checkups and Measures to Prevent Lifestyle Diseases
- Mental Health
- Systems and Workplaces Where People Can Work with Peace of Mind
- Group-wide initiatives
- Increase motivation and productivity



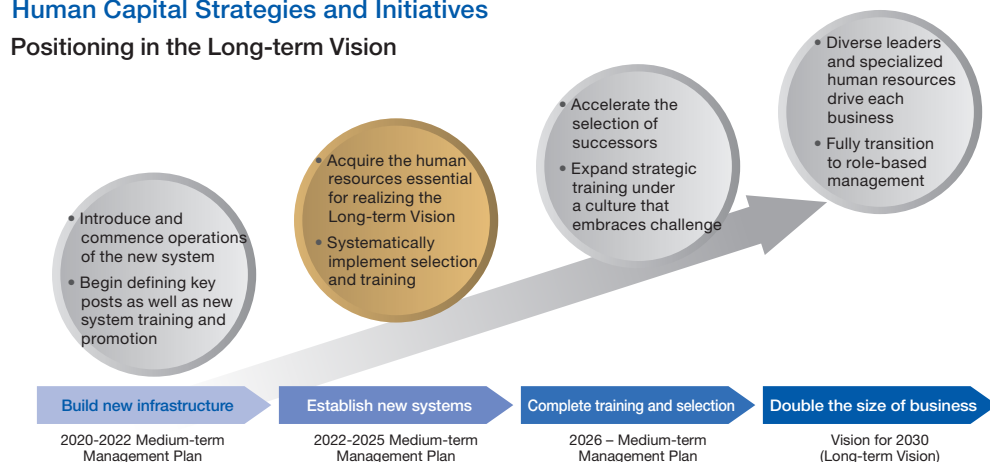
Human Capital

– Placing the Right Person in the Right Position and Fostering a Culture that Embraces Challenge

Aiming to reveal the true value of role-based human resources management as introduced and commenced under the previous Medium-term Management Plan

Human Capital Strategies and Initiatives

Positioning in the Long-term Vision



Medium-term strategies	Realize the right person for the right position	Foster a culture that embraces challenge
Achieving Diversity		
Key Issues	1. Discover and promote the best employees	2. Acquire and retain diverse talent
Key Initiatives	<ul style="list-style-type: none"> Realize nomination and selection of successors Visualize internal careers 	<ul style="list-style-type: none"> Establish a base that can accommodate diverse human resources Maintain and revitalize employees
KPI	Successor candidate preparation rate (non-consolidated) FY22: 77% FY25: 100%	Maintain and increase the retention rate ¹ (non-consolidated) FY22: 97%
Human Capital Investment	Employee Challenge Action Rate ² FY22: 47% FY25: 60%	
	Invest ¥12 billion over the three-year period from 2023 to 2025 in human capital (intangible assets) 1. Invest in employee career advancement 2. Secure human resources for each Group company (labor condition improvements, personnel reinforcements, working environment upgrades)	

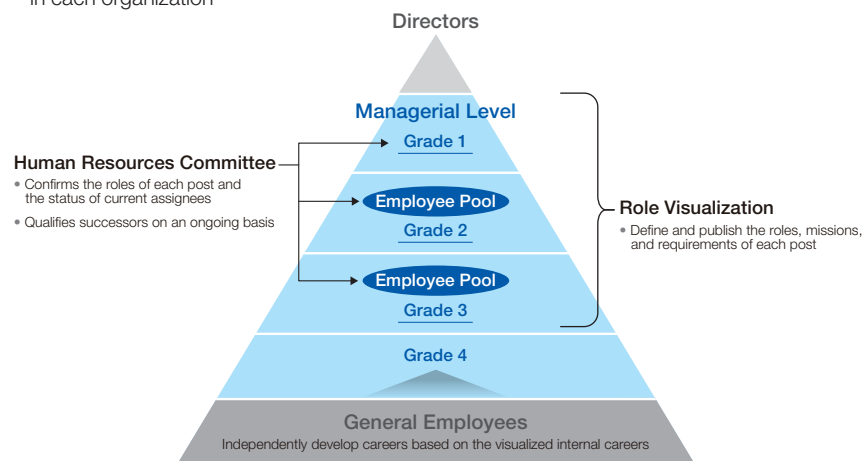
¹ (1- (Number of employees who left employment / Number of employees as of April of the fiscal year)) × 100 (only includes permanent full-time employees, and excludes compulsory retirees and transfer retirees)

² Employee Challenge Action Rate: The percentage of respondents who replied either yes or somewhat applicable to the question: "I am taking concrete actions to engage in challenging action to realize Vision 2030." (redefined in 2023)

Human Resources Strategies in the Medium-term Management Plan

1. Discover and promote the best employees

- Aims for a situation in which the roles required for realizing management strategies are appropriately managed, and in which the employees and successors who will take on these roles are trained and selected on an ongoing basis
- Targets a successor preparation rate of 100% for posts equivalent to management personnel in each organization



2. Acquire and retain diverse talent

- Aims for a situation in which the diverse talent required to realize management strategies are secured in a timely manner, and continue to play a role in the Group's fields
- Serves to improve the retention rate, a major issue for the Company, by expanding opportunities to play a role within the Group and by realizing more flexible work styles

3. Nurture employees who take on challenges to support the business

- Aims for a situation in which there is an environment that nurtures employees (leaders, skilled specialists) who will support management strategies, and that allows employees to grow independently through the fostering of a culture that embraces challenge
- Serves to acquire specialized skills through program development and training intended for reskilling aligned with business needs, and through theme execution

Environment

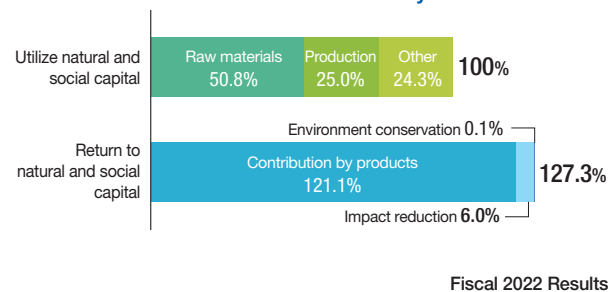
– Contribution to an Earth with Maintained Biodiversity

SEKISUI CHEMICAL Group is working on environmental issues from a long-term viewpoint toward the realization of a sustainable society. Our vision for the planet in 2050 is one where biodiversity is maintained in which many of the issues facing us have been resolved, and biodiversity is preserved in a healthy condition. Recognizing that our corporate activities rely on the planet's natural and social capital, we will work to resolve global issues such as climate change, resource recycling, water risks, and biodiversity, and to contribute to the return of natural and social capital through three activities: (1) expand and create markets for Products to Enhance Sustainability; (2) reduce environmental impacts; and (3) conserve the natural environment. To accelerate the Group's contribution to returns, we will pursue initiatives not only as the Group but also in cooperation with our stakeholders.

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

We set goals and implement each measure for our environmental medium-term plans by backcasting from the Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. In our Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: EXTEND (2023-2025), we will promote climate change, resource recycling, and water risk as priority environmental issues to fiscal 2025.

Integrated Index: Sekisui Environment Sustainability Index



Rate of return to natural and social capital through corporate activities **127.3%***

* The goal for fiscal 2022 under the Medium-term Plan is 100% or higher

Breakdown of the rate of return to impacts regarding the aspect of nature

Rate of return to biodiversity	38.0%
Rate of return to plant biomass	67.8%

Note: Calculated using LIME2, a damage calculation-based impact assessment method for use in Japan

For details on climate change initiatives and scenario analyses, see the TCFD/TNFD Report.

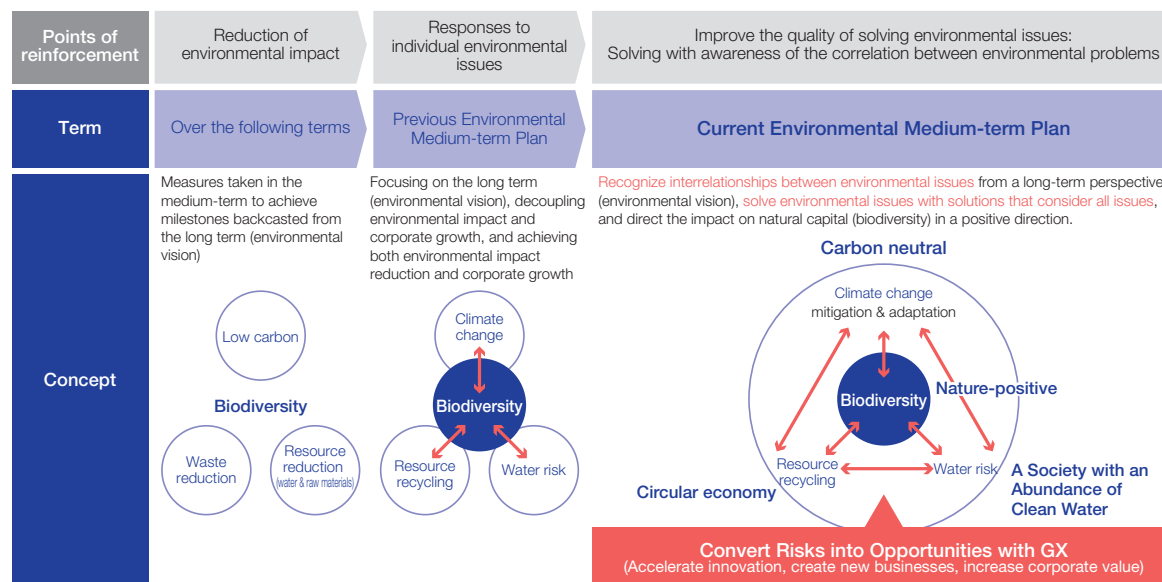
▼ TCFD/TNFD Report

https://www.sekisuichemical.com/sustainability_report/report/#tcfid

* The MILCA database IDEA has been updated from ver. 2.3 to ver 3.1 in the MILCA calculation system, which is used to calculate the rate of return. As a result, the environmental impact per unit amount is larger, especially in terms of the impact of chemical substances on ecosystems. Placing even more importance on the impact on biodiversity, we are using the updated calculation system from fiscal 2023. Calculated based on MILCA ver 3.1, the rate of return to natural and social capital is 97.6%.

Environmental Issue Initiatives

Enhancement Points



To verify progress toward the Long-term Environmental Management Vision, we calculate the rate of return to natural and social capital using the Sekisui Environment Sustainability Index as an integrated indicator. As a breakdown of this calculation, in addition to climate change issues, the effects on plant biomass (primary production of plants) and biodiversity (number of extinct species) are being estimated, and the impact on natural capital (aspects of nature) monitored. While neither aspect has yet reached a rate of return of 100% or higher, SEKISUI CHEMICAL Group is steadily promoting corporate activities that will help realize a nature-positive future by addressing such environmental issues as climate change and resource recycling. The aspects of the Group that place a heavy burden on biodiversity include raw materials, chemical substance emissions, and the disposal of sold products. We also acknowledge that paper derived from biomass and materials derived from petroleum, in particular, place a significant burden on plant biomass. To reduce the impact of these, we recognize the importance of strengthening procurement that takes into account the sustainability of non-fossil resources, and therefore prepared the Sustainable Procurement Guidelines for raw materials. Similarly, we initiated activities aimed at reducing environmental impact and corporate risks in cooperation with suppliers. Moreover, to reduce the impact and expand return to nature, we recognize the importance of developing products and technologies that contribute to decarbonization, as well as of perfecting services and technologies that reduce disposal of sold products and promote resource recycling. We are therefore engaged in expanding Products to Enhance Sustainability.

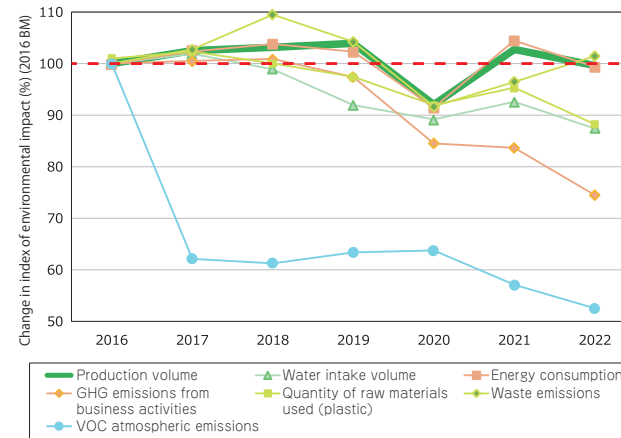
Environment

– Contribution to an Earth with Maintained Biodiversity

Responses to Biodiversity Issues

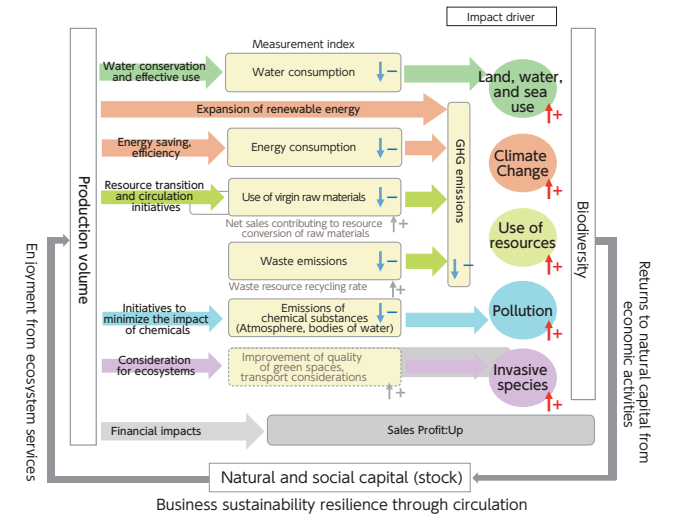
As with the climate change issue, SEKISUI CHEMICAL Group recognizes that addressing Nature (natural capital) issues, including biodiversity, is important from a management perspective and is undertaking risk identification by means of TNFD scenario analyses. With regard to the impact on biodiversity, in particular the environmental issues, the factors shown in the diagram on the right are considered influential. Therefore, in aiming for an Earth with maintained biodiversity (= realization of nature positivity), in the same way as with the climate change issue we verified the reduction of environmental impact and, as a manufacturing company centered on production activities, to what extent we have been able to transition to decoupled management in our corporate activities. Of the five impact drivers that affect biodiversity, we confirmed whether the index indicating environmental impact is being successfully decoupled from the production volume with regard to four impacts, excluding that from alien species, based on the increase/decrease compared with fiscal 2016. In the cases of water intake volume, greenhouse gas emissions, and VOC discharges, we were able to confirm decoupling against fluctuations in production volume and a lightening of the negative impact while maintaining production volume. In contrast, we were able to confirm that the consumption of energy, the amount of virgin raw materials used and the amount of waste generated are linked to production volume. It was suggested that moves toward decoupling by means of future efforts geared toward long-term goals would be strategically necessary.

Confirmation of decoupling of production activities and environmental impacts affecting biodiversity.



Impact paths based on environmental indicators of business activities affecting biodiversity* "SEKISUI Decoupled Nature Model"

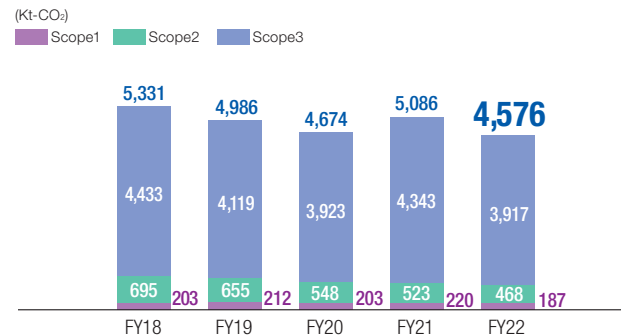
*Impact path: Pathways through which corporate activities impact on the company's future finances.



Efforts to Address Climate Change

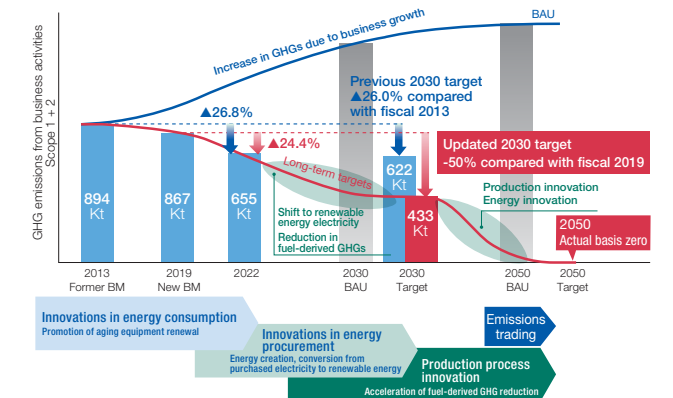
Based on the results of scenario analyses conducted in line with the recommendations of the TCFD in fiscal 2019, we identified climate change issues as risks and opportunities (▶P.20) that could have a major impact on business, which is why we define the environment as one of the key issues for the Group. In response to recent demands to accelerate climate change mitigation and adaptation measures, in March 2023 we raised our target for GHG reductions for 2030 in line with the 1.5°C scenario and received SBT recertification. SEKISUI CHEMICAL Group is working to reduce not only its own GHG emissions but also those of its entire supply chain, from the procurement of raw materials to the transportation, use, and disposal of its products. In moving toward the long-term goal of achieving effectively zero GHG emissions from our business activities by 2050, we aim to convert all electricity purchased within Scope 2 to renewable energy sources by 2030. Moreover, from fiscal 2023, we will also start fuel conversion and production innovation to promote the reduction of GHG emissions derived from fuel (Scope 1), which has a high degree of difficulty.

GHG Emissions across Entire Supply Chain



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

Road Map to Reducing GHG Emissions



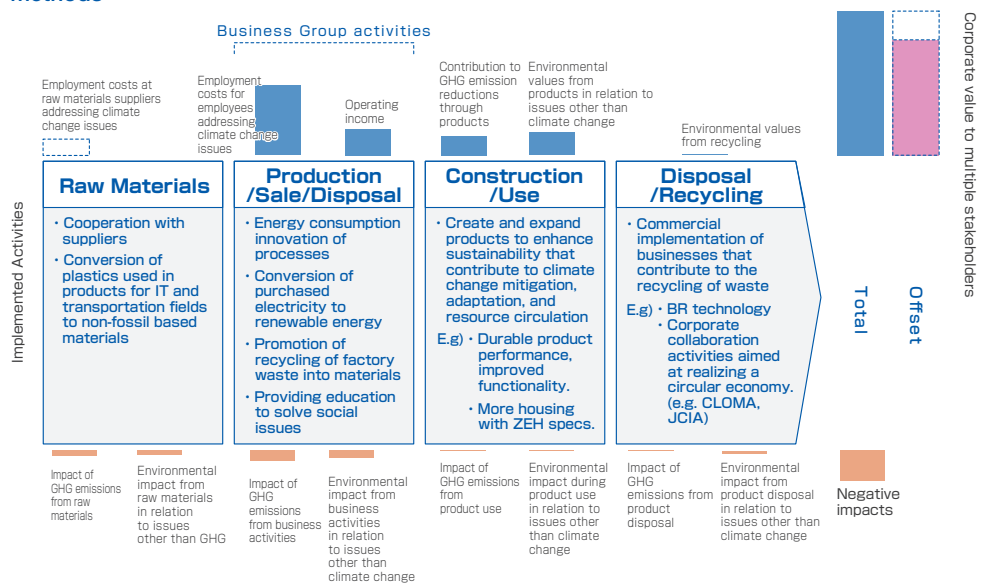
Environment

– Contribution to an Earth with Maintained Biodiversity

Impacts of Climate Change Initiatives on All Stakeholders

Climate change is affecting the entire planet, and SEKISUI CHEMICAL Group's efforts to combat climate change are considered to have an impact not only on shareholders but also on all stakeholders. To verify the validity of the strategy, we therefore believe that it is necessary to consider the impact on all stakeholders in a broad-based and comprehensive manner and are utilizing an impact-weighted accounting methodology to calculate the comprehensive income for all our stakeholders. Based on the resource recycling strategy unveiled in fiscal 2021, in fiscal 2022 we presented in visual form the "value of reducing the environmental impact of resource use associated with resource conversion" and the "value of reducing the environmental impact of processing associated with waste recycling" and added comprehensive income for multiple stakeholders. As a result, having recognized where the positive/negative impacts on multiple stakeholders are occurring, we confirmed that the initiatives currently being implemented are contributing to the enhancement of corporate value by increasing the positive impacts and reducing the negative impacts. Also, since fiscal 2016 the ratio of comprehensive income for stakeholders to net income for the period has been maintained at double or more. As a result, we were able to confirm that we have been steadily generating corporate value that goes beyond what is shown in our financial statements.

Image of company value over the life cycle of a product using impact-weighted accounting methods



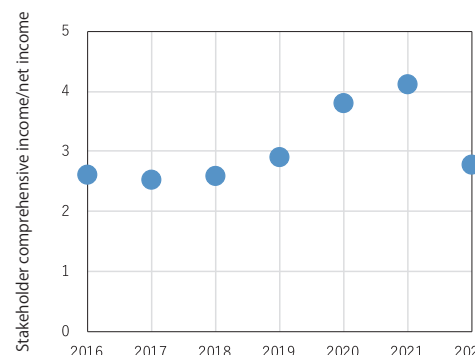
[Calculation Method] Stakeholder Comprehensive Income = (Profit for period + Employment costs for employees addressing climate change issues + Economic value of contribution to GHG emission reductions through products + Environmental value from products in relation to issues other than climate change) - (Economic losses from greenhouse gas emissions from business activities + Economic losses from environmental aspects other than climate change issues from business activities)

* LIME2 concept was adopted when converting economic losses on environmental aspects into economic values

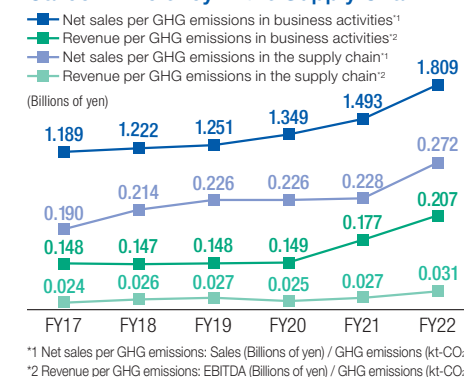
Effects of Climate Change Efforts on Management

We verified how efforts that contribute to climate change mitigation and adaptation are affecting management using the trends in carbon efficiency (environmental) over time and using the correlation between carbon efficiency (environmental) and economic efficiency. First, the relationship between GHG emissions, sales, and EBITDA is shown by changes in net sales per GHG emissions and EBITDA per GHG emissions. An increasing trend has been observed in two indicators in business activities. Although these indicators temporarily turned negative in fiscal 2020 when looked at across the supply chain, we believe this decline stems primarily from the global spread of COVID-19. Through these indicators, we have confirmed that management based on our business strategies is heading in the envisioned direction. We verified the impact on management using the relationship between net sales per GHG emissions as an indicator of carbon

Stakeholder comprehensive income against net income



Carbon Efficiency in Business Activities Carbon Efficiency in the Supply Chain



¹ Net sales per GHG emissions: Sales (Billions of yen) / GHG emissions (kt-CO₂)
² Revenue per GHG emissions: EBITDA (Billions of yen) / GHG emissions (kt-CO₂)

Medium- to Long-term GHG Emissions Reduction Targets

Initiatives	Indicators	Previous Medium-Term Management Plan (FY2022)	Results from Previous Medium-Term Management Plan (FY2022)	Medium-Term Management Plan (FY2025)	2030	2050	Remarks
Reduction of GHG emissions	Renewable Energy Ratio of Purchased Electricity	20%	36.4%	70%	100%	Total power consumption, including cogeneration 100%	Joined RE100 (FY2022)
	Reduction of GHG emissions from business activities	9% or more (vs. FY2013)	26.8% (vs. FY2013)	33% (vs. FY2019)	50% (vs. FY2019)	Zero emissions	Obtained SBT certification Reduction of GHG (Until 2030)
	Reduction of GHG emissions from the supply chain	11.6% or more (vs. FY2016)	11.0% (vs. FY2016)	—	30% (vs. FY2019)	—	
	Reduction of fuel-derived GHG emissions	—	—	12% (vs. FY2019)	11% (vs. FY2019)	Zero emissions	
Energy savings	Energy consumption per unit of production	3% or more (vs. FY2019)	1.1% (vs. FY2019)	3% or more (vs. FY2022)	—	—	—

Environment

– Contribution to an Earth with Maintained Biodiversity

Initiatives for Resource Recycling

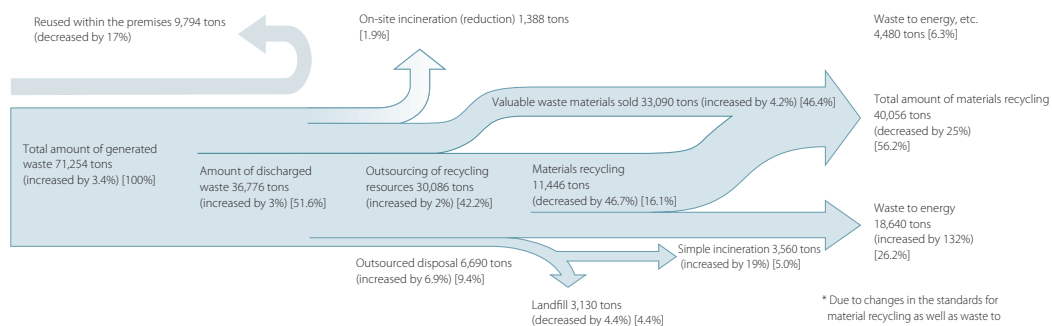
We promote resource recycling initiatives that will help accelerate decarbonization efforts. In fiscal 2020, we formulated a resource recycling policy, strategy and road map for the realization of a circular economy in 2050. Plastics are one of the major materials used in SEKISUI CHEMICAL Group's business domains. Up until now, in the production process, we have continually made efforts year after year to reduce the amount of waste generated, using waste per unit of production as an indicator for these efforts. In addition, we have carried out, for example, internal recycling to reuse scraps generated and implemented processing for reuse of resources including energy when disposing of materials as waste. In our newly determined resource recycling policy, we will expand the ratio of plastic materials we use comprised of bioplastics and other recycled materials that are not derived from fossil fuels. Regarding our production processes, we will promote internal recycling more than ever before to minimize the waste products emitted from our construction projects. In addition, in both the use and recovery stages, we will work on our product design and supply chain to ensure products can be disposed of with thorough sorting and separation. In this way, we will promote initiatives to maximize reuse of material resources through mechanical recycle, chemical recycle, and other recycling methods. Based on the results achieved up to and including fiscal 2022, we have reset the milestones for 2025. Within these life cycles, we believe that innovation at the product design stage is important for driving the promotion of resource circulation. By designing new products and revising the various processes for existing products, we are promoting initiatives for innovation that will accelerate resource circulation.

Road Map for Achievement of Long-Term Resource Recycling Targets

		2022 Targets	FY2022 Results	~2025	~2030
Business Strategy	Net sales of Products to Enhance Sustainability that contribute to resource circulation*	1.1 times	2.2 times (¥123.3 billion)	1.7 times	Double or more
Raw material resource conversion	Net sales of products not derived from fossil fuels and using recycled materials	¥3.0 billion	¥34.8 billion	¥40.0 billion	¥100.0 billion
Resource recycling of waste	Ratios for recycling waste plastic into new materials	Analyze current conditions and set baselines	—	65%(Japan)	100%

* Benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation: ¥55.3 billion (FY2020)

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



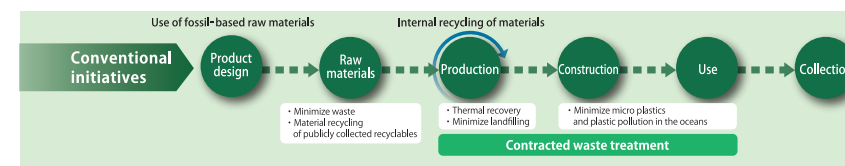
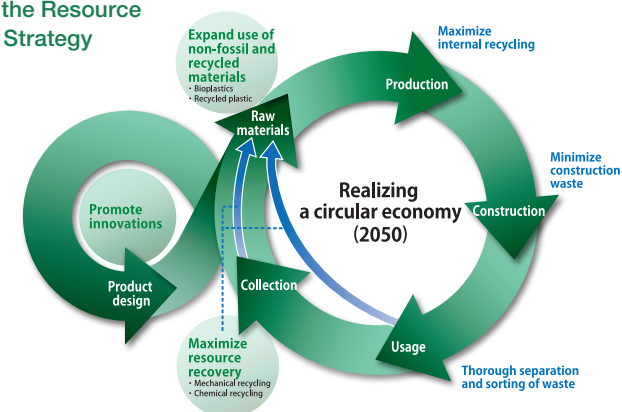
Note: Change over previous year is in () and proportion of total waste generation is in [].

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, in regard to water resources in the watersheds where business sites are located, we will select locations/suppliers where the business impact is substantial and locations where the water risks are substantial and minimize the environmental impact by 2030. In fiscal 2020, we conducted assessments of the likely impact on business from water-related risks at all SEKISUI CHEMICAL Group production sites and research institutes. In fiscal 2022, we identified five domestic and overseas sites that were evaluated as having a large business impact, identified initiatives to minimize those impacts, and set specific numerical targets. In fiscal 2022, water intake at production sites increased by 0.7% compared with fiscal 2016, but we achieved a decrease of 3.5% compared with the previous year. This decrease is due to the installation of equipment to control the amount of water taken directly from rivers at production sites in Japan that use large amounts of water, and the reduction effect was apparent.

The COD of water discharged declined by 16.0% compared with fiscal 2016 and by 15.0% compared with fiscal 2021. This decline is due to improvements in the quality of wastewater treated at production sites in Japan, which have high wastewater loads.

Outline of the Resource Recycling Strategy

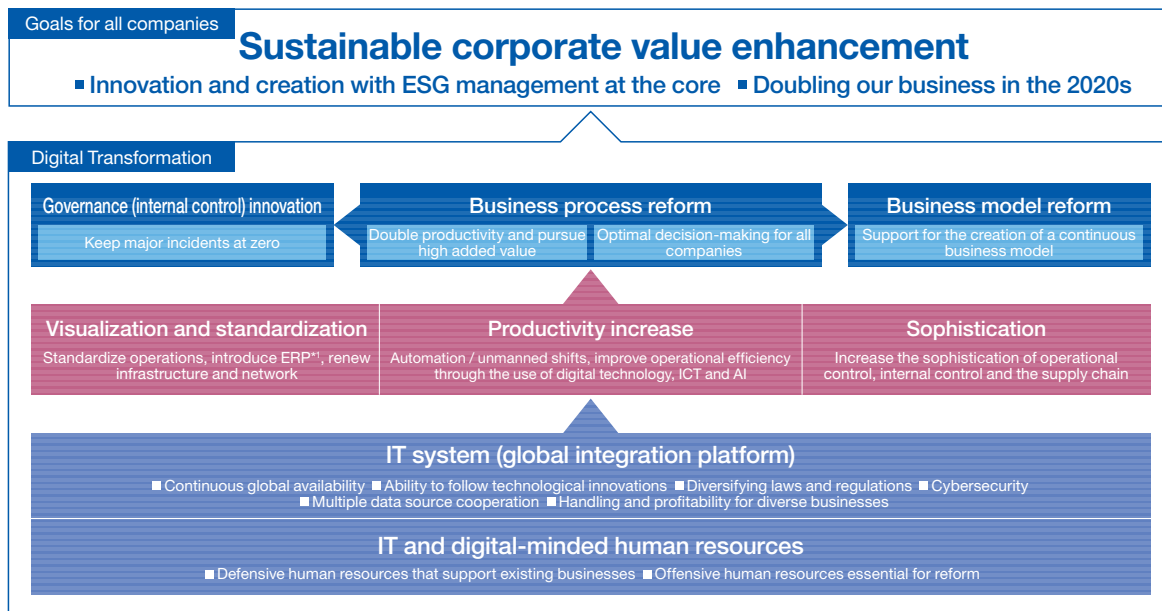


DX

– Improvement of Management Ability to Sustain Business

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

Basic Concept



For the Group, its Digital Transformation (DX) mission is to accelerate and support growth business strategies and structural reforms for the realization of its Long-term Vision.

Against the backdrop of major changes in the external environment, on the basis of the four areas to be addressed with a sense of urgency—governance, labor shortages, dispersal of management data, and decline in earning power due to market changes—we are working on DX as the means to win out against global competition.

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

*1 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.

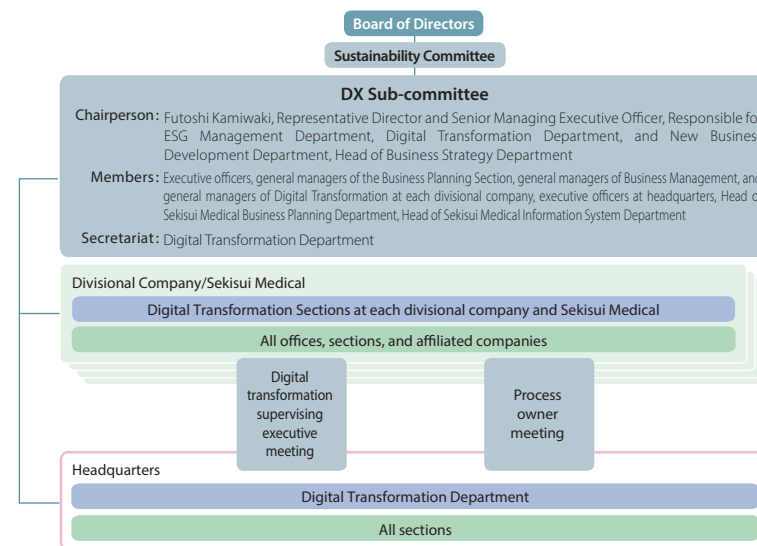
Systems to Promote DX

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, we have established a promotion system headed by our CEO and senior managing executive officer to steadily advance the standardization and greater sophistication of business operations. The Digital Transformation Department functions as the project leader in this system.

In establishing the Digital Transformation Department at divisional companies in April 2021, SEKISUI CHEMICAL Group is strengthening competitiveness in areas that leverage the strengths of each business.

In addition, the DX Subcommittee, chaired by the executive officer of the Digital Transformation Department, has been newly established under the Sustainability Committee. In addition to deliberating on fundamental policies related to digital strategy and confirming the progress and effectiveness of digital transformation, the DX Subcommittee 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.



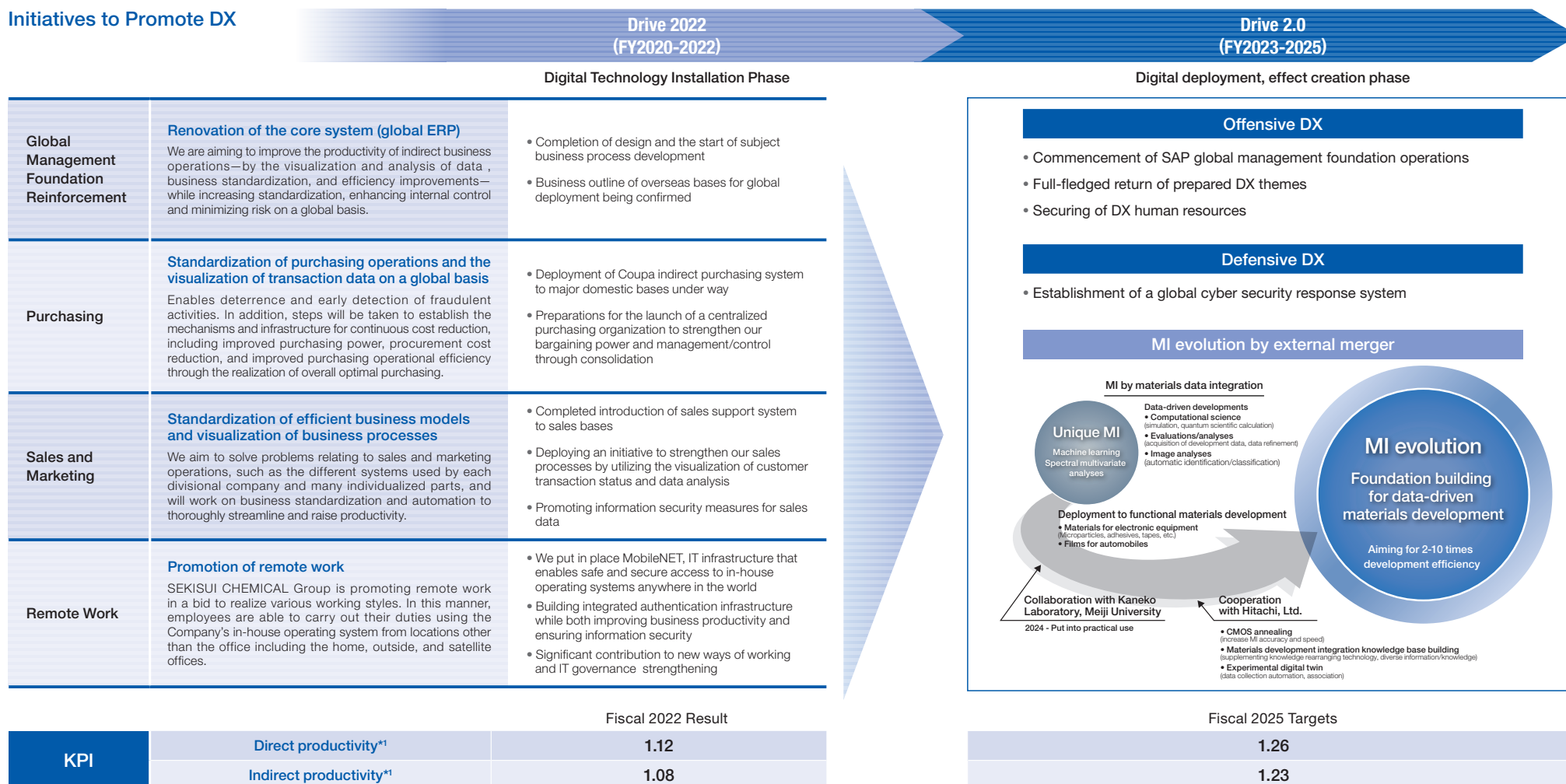
DX

– Improvement of Management Ability to Sustain Business

Under the previous Medium-term Management Plan, we promoted thorough standardization and date-based productivity improvements as business process transformation and took preparatory steps toward the Group's long-term global growth with respect to the Group's global management foundation and in the areas of purchasing as well as sales and marketing. Regarding the infrastructure and security that support these reforms, we realized remote work that safely enables diverse work styles.

Under the current Medium-term Management Plan, we will shift to a phase of further digital development and the generation of results to accelerate growth strategies and structural reforms aimed at realizing our Long-term Vision. We will strengthen governance through the effective use of a global management base, while at the same time generating full-fledged results from the DX themes advanced to date. To underpin efforts aimed at achieving these goals, we will develop human resources who can make full use of digital tools and data and establish a global cyber security response system.

Initiatives to Promote DX



*1 Net sales per direct/indirect employee (BM: 1.00 in fiscal 2019)

Internal Control

– Improvement of Management Ability to Sustain Business

To improve our management ability to sustain business, we have defined five major incident fields (safety, quality, legal/ethical, accounting, and information management) that have the potential to significantly damage the Company's corporate value. We are working to improve our ability to prevent risks from arising and our early detection and response abilities.

Safety

Creating workplaces in which employees can carry out their duties safely and securely is one of management's most important priorities. SEKISUI CHEMICAL Group is engaging in total safety activities based on five themes (zero workplace accidents, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave). Following the concept that also has employees taking it upon themselves to prevent accidents from happening, in addition to engaging in concerted efforts in safety education and raising sensitivity to risks, we are focusing on following the established rules and creating a protective corporate culture.

Five Themes and Major Initiatives

Theme 1 Safety management using OHSMS

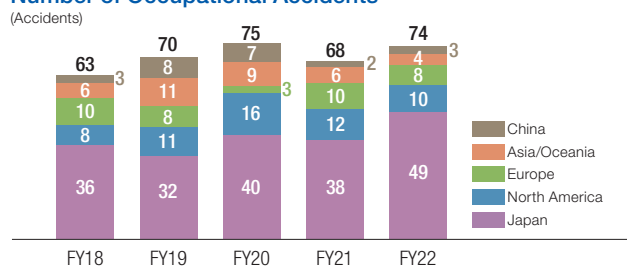
In terms of our efforts related to occupational health and safety, the Safety Subcommittee established under the Sustainability Committee formulates policies and activity guidelines and puts into practice and promotes them under the guidance of the Corporate Headquarters Safety & Environment Group and the leadership of the top management of each business site.

In fiscal 2022, we obtained ISO 45001 certification at six domestic business sites. Business sites that do not require certification have also put in place evaluation categories that reflect ISO and OHSAS requirements. We encourage the maintenance and activation of safety management activities through self-evaluations and safety audits at each business site.

Having established a Safety Leader (SL) certification system for personnel who promote activities at each business site, in fiscal 2022 we certified 35 SLs (157 in total since fiscal 2017). Group SLs gather to hold workshops to upgrade and expand safety training content and roll out best practices.

Number of workplace accidents resulting in a fatality in FY2022: 0

Number of Occupational Accidents



Theme 2 Intrinsic Equipment Safety*¹ efforts

We are providing support for employees to obtain the safety sub-assessor (SSA)^{*2} qualification, the holders of which promote machine safety activities, and this has been acquired by a total of 197 employees. The higher safety assessor qualification has been obtained by 23 SSAs, and another obtained that for safety senior assessor.

The Equipment Safety Design Standards, which indicate the safety specifications necessary for the production equipment used by the Group, have been updated to reflect the ISO/JIS machine safety standards and are regarded as an important standard for production equipment improvements. Having formed a revision committee comprising 12 SSA qualification holders, we are constantly brushing up the content of the design standards.

Number of Facility Accidents in FY2022: 0

*1 Intrinsic Equipment Safety: The name given to the machine safety activities promoted by SEKISUI CHEMICAL Group. Promoting improvements through intrinsically safe design measures and safety protection for unsafe locations in production equipment

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

Theme 3 Safety education of employees

While preventing occupational accidents caused by manufacturing machines, the Group is also working to prevent occupational accidents caused by worker operations. Based on the lessons learned from past occupational accidents, we created the Basic Principles of Safety and distributed them to business sites in Japan and overseas using posters in an easy to understand, illustrated format.

For the safety of supply chain employees (from partner companies involved in the on-site construction of houses), the Housing Company shares safety policy and provides a variety of training opportunities.

Regarding leakage of wastewater containing radioactive material

In August 2022, during building demolition work on the premises of the Drug Development Solutions Center of Group company Sekisui Medical Co., Ltd., a trace amount of radioactivity was detected in the soil surrounding a ruptured radioactive material water drainage pipe. As we had previously conducted drills in cooperation with local governments, we swiftly contacted the Nuclear Regulation Authority, released a press statement, and addressed inquiries from surrounding communities. It has been determined that there was no impact on human health or the environment as a result of this incident.

Theme 4

Risk management and control, etc.

Employees from different manufacturing sites have started mutual on-site inspection patrols in which they seek to uncover risks at each other's bases.

In addition to improving the risk sensitivity of the participating employees, these activities are accelerating the horizontal deployment of best practices by learning from other business sites.

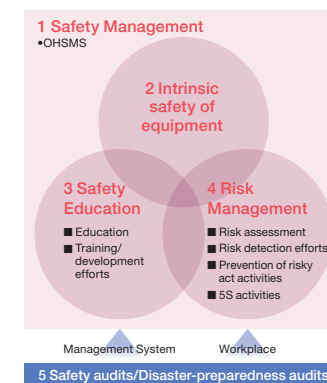
Setting high-risk disasters* for which we should focus on prevention and conducting training to improve emergency response skills, through these activities we are also promoting the passing down of safety know-how accumulated on-site.

* (1) getting caught or entangled in machinery at a production facility; (2) falling off equipment or falling over at a business site; and (3) a chemical process-related fire or explosion

Theme 5 Safety audits/Disaster-preparedness audits

When conducting safety audits, external experts also conduct disaster prevention audits to prevent fires and explosions.

To raise the levels of safety activities at overseas production facilities as well, we have established and are deploying global safety standards. In fiscal 2022, we conducted remote site patrols at 16 business sites while checking on-site images in real time.



Internal Control

– Improvement of Management Ability to Sustain Business

Quality

SEKISUI CHEMICAL Group strengthens basic quality while adhering strictly to quality compliance. By continuously working to reinforce the foundation that supports quality by preventing the occurrence of defects and strengthening daily management, we are developing a culture that prioritizes quality while eliminating irregularities. As CS & Quality, the Group also considers customer feedback as a precious management resource and strives to promote innovation in the quality of products, the quality of people and the quality of systems based on the motto: We consider customer feedback as the beginning of our manufacturing.

Quality Assurance System and Quality Management System

With regard to quality, we have established a CS & Quality Subcommittee that reports to the Sustainability Committee, and the Corporate Headquarters CS & Quality Group cooperates with the departments in charge of CS & Quality at each division company, production site, sales company, etc. to promote activities.

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

We developed an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), to strengthen our process approach when promoting certification under the 2015 ISO 9001 standard. The SPMC is used effectively in areas that include monitoring daily management, corrective actions,

internal audits, and quality education. In fiscal 2022, we revised the curriculum, including for SPMC Internal Audit Hands-on Training, and worked to increase the depth to which the SPMC has been instilled and the level of its understanding through the drawing up of guidelines and the producing of videos.

Conducting of Prevention-focused Training

We hold a number of seminars on the theme of preventing quality problems. Development Risk Prevention Seminars aim to teach effective and efficient prevention methods. DR*¹ Reviewer Training Seminars are held to improve the skills of employees who conduct DRs, while QFD*² Seminars are conducted to impart methods pertaining to the organization of information on product development.

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

Creating a Design Screening Platform for New Businesses

To clarify discussion points at the time of design reviews when new businesses are launched and to perform rigorous screening, we have built and are operating a GR* system. We also conduct External Expert Reviews for the purpose of obtaining new knowledge from experts inside and outside the Company with regard to related industries and legal regulations.

* GR: Gate Review. A continuous activity to judge whether to proceed to the next step (checkpoint management feature)

Globally Cultivating CS & Quality Human Resources

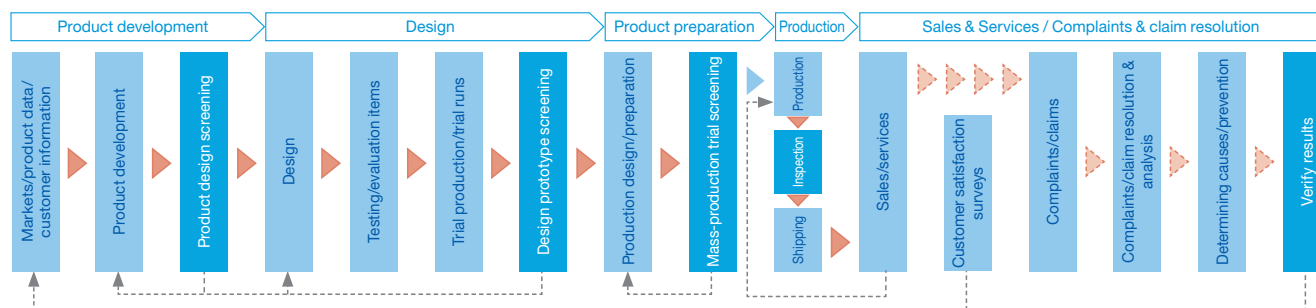
On an ongoing basis, we are also holding KAIZEN Activity presentations geared toward all overseas business sites. That in fiscal 2022 was held in a hybrid format. In addition, as an online improvement exchange meeting, we introduced the improvement themes of each business site and asked questions. The number of business sites that are able to promote activities on their own is steadily increasing.

Initiatives to Prevent Quality Data Irregularities and Falsification

Based on the hypothesis that quality fraud occurs due to the insufficient allocation of quality-related resources and various pressures from inside and outside a company, we are developing systems, as well as revamping and deploying daily management tasks, to make input errors and falsification impossible. We are also focusing our efforts on digitizing inspection data while applying this data to help improve operations. We will continue to devise ways in which to redouble awareness toward compliance while enhancing quality control.

Number of major quality issues in fiscal 2022: Two cases

Quality Assurance System



Concerning Nonconformity with Building Standards

In April 2023, SEKISUI CHEMICAL Group reported to the Ministry of Land, Infrastructure, Transport and Tourism that two cases of nonconformity with the provisions of the Building Standards Act and nonconformity with Ministerial Certification had been found in residential complexes and detached houses constructed and sold by the Group.

Reflecting on these incidents with the greatest seriousness, we at SEKISUI CHEMICAL Group will carry out corrective work with great speed and do our utmost throughout the Company to ensure that such issues do not recur.

▶ https://www.sekisuichemical.com/news/2023/_icsFiles/afieldfile/2023/04/18/20230414e.pdf

Internal Control

– Improvement of Management Ability to Sustain Business

Legal/Ethical

Accounting

The foundation for sustainable growth is compliance. 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. [English version of text omitted] We are working to further strengthen compliance management by promoting a variety of programs.

Compliance Promotion System

In addition to having established the Compliance Subcommittee, which reports to the Sustainability Committee as an organization to oversee Group compliance and to put forward policies and implement measures, we are establishing compliance promotion committees at the Company's headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into practice and implementing and deploying each measure. In the unlikely event that a major compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.

Dissemination through Policy Formulation and Manual Distribution

In 2003, to instill an awareness of compliance in each and every employee, we established action guidelines for each compliance item—including anti-corruption, conflicts of interest, compliance with antitrust laws, accounting, and harassment—and created as well as used for in-house training a Compliance Manual consisting of detailed explanations. Also incorporating compliance-related content in new employee training and level-based training, we provide ongoing opportunities to learn about the importance of compliance.

In fiscal 2022, we revised the Global Compliance Manual, the overseas version of the Compliance Manual, and disseminated copies to all overseas regions. With the aim of broadly informing our stakeholders about the Group's approach to compliance, we also formulated a Compliance Policy by extracting the Code of Conduct from the manual and posted it on our website.

Number (incidence) of serious non-compliance and negligence cases : 0

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

Serving as a mechanism for the early detection and revision as well as prevention of any recurrence of compliance problems, including harassment, we have built and operate the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system. Employees can use S.C.A.N. either anonymously or by giving their names while reporting not only through the intra-company whistleblowing system but also via an outside law firm, and the protection of whistleblowers, such as prohibiting the confidentiality of whistleblower information and the prohibition of disadvantageous treatment, is also stipulated.

From a global perspective, the installation of whistleblower systems has been completed in North America, China, the EU, ASEAN, South Korea, and Taiwan. We have also put in place and are now operating points of contact for business partners. Intended for use by the executive officers and employees of business partners in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies, we accept requests for consultations and receive reports at any time using a dedicated form available on Group company websites.

Fiscal 2022 Number of Whistleblowing Cases and Consultations

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

Prevention of Transactions That Represent Conflicts of Interest

In the event of a conflict between the interests of the Company and an individual director or employee, the Group's stated policy is to determine whether the subject transaction is in the best interests of the Company and would not result in the Company incurring damages. In fiscal 2022, we formulated guidelines to thoroughly ensure this policy was carried out and established rules to check in advance any transactions that may raise conflict of interest concerns.

Prevent Corruption and Bribery

Having put in place rules to prevent bribery and corruption based on the spirit of the United Nations Global Compact, we are promoting initiatives to prevent such incidents, such as introducing them to all Group companies. In addition, we have formulated anti-bribery guidelines, which employees are expected to observe when doing business in Japan, the United States, and China, and have worked to make these rules and guidelines known via the intranet.

We specify high-risk cases 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 hiring consultants in connection with business transactions, including those involving public officials from other countries, confirmation that fees do not constitute bribes must be obtained.

In fiscal 2022, we established a rule requiring prior confirmation when inviting public and other officials from overseas.

Handling Measures for Anti-Trust Laws

Having been operating a business organization membership payment system, a pre-application and follow-up report system for when contacting competitors, and a price revision committee system as a compliance program for antitrust laws, SEKISUI CHEMICAL Group audits its operational status every year and reviews the program as appropriate.

Overseas Initiatives

Compliance Reinforcement Month activities, which are held every year in Japan, are also conducted in North America, China, Southeast Asia, and Europe. The themes taken up are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

Examples of the fiscal 2022 themes include prevention of bribery and corruption, antitrust law compliance program, internal reporting system awareness, and measures to counter information leaks.

Internal Control

– Improvement of Management Ability to Sustain Business

Legal/Ethical

Accounting

Improvements in Accounting Skills/Knowledge, Visualization/Standardization

To reduce risks related to finance and accounting we are working to improve accounting skills and financial expertise across the Group as a whole by means of accounting workshop meetings and e-learning. In addition to preventing any incidence of accounting treatment error or accounting fraud, we are working to enhance the awareness of divisions and employees involved in accounting operations regarding compliance.

We are also promoting the introduction, on a global basis, of new ERP for the renovation and integration of core systems, with the aim of thereby improving governance and minimizing financial and accounting risks. Through these preparations, we made steady progress in the standardization and streamlining of operations as well as in the visualization and analysis of data.

Tax Compliance Initiatives

The paying of taxes represents one of the fundamental and important social responsibilities that a company should fulfill. SEKISUI CHEMICAL Group does not use tax havens for tax avoidance purposes and complies with the tax laws and pays taxes properly in accordance with the economic realities of each of the countries and regions in which its business activities are conducted. We will contribute to the economies of those countries and regions, while aiming for mutual harmonious and stable development.

Transactions with tax risks are confirmed by external experts as necessary to ensure proper treatment and to reduce tax risks. In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length pricing based on the local laws and Organization for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we will use Advance Pricing Arrangements (APAs) in accordance with the size of the transaction and level of tax risk and endeavor to maintain good relationships with the tax authorities of each country and region.

Information Management

Information represents one of our most important management resources and the source of our competitiveness. Such information includes personal information; that received from business partners; and that received from within the Group, including confidential corporate information and that related to its management systems.

In the belief that preparations against cyberattacks threatening these IT assets are an important management responsibility, we are striving to undertake cybersecurity measures and ensure a stable management foundation.

Cyber Management System

In regard to IT security, we established a CSIRT*¹ under the Sustainability Committee as a cybersecurity response system. The CSIRT is mainly composed of a Cybersecurity Subcommittee, which is the policy-making body, a Cybersecurity Promotion Subcommittee, which is responsible for advancing measures based on the subcommittee's decisions, and a Cybersecurity Center, which is the working unit.

Acting in partnership with the SOC*², the Cyber Security Center monitors the security networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents. Having posted at least one cyber system administrator on site at each business site and Group company, we have established a comprehensive Group-wide cyber management system.

Together with making our operations in Japan more sophisticated, going forward we will 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 the CSIRT in its response and recovery efforts.

Measures to Address Natural Disaster-related Risks

We have installed backbone systems in earthquake-resistant, seismically isolated data centers, so that business operations can be continued even in the event that social infrastructure is damaged by a major earthquake or other disaster. Having also dispersed data centers among multiple locations and completed duplication of their mission-critical systems, the Company is working to shorten the lead time needed up to the completion of repairs and recovery of business operations.

Measures to Address Information Leakage Risks

We are taking both system measures, such as the strengthening of data centers and enhancing the monitoring of internal networks, and human measures. To combat external threats, the Company has positioned the SOC as its primary entity to consistently identify new threats, such as newly reported cases of viral infections or targeted e-mail attacks, while the CSIRTs swiftly take action to implement appropriate countermeasures. In terms of human measures, we are also working to prevent information leaks by thorough confidentiality obligations for retirees and new recruits, regular e-learning training courses for all employees, and by implementing ethics education for employees engaged in important technology development work.

Cybersecurity incidents in fiscal 2022: 0

Protecting Personal Information

We handle the personal information of our customers based on our Privacy Policy, which is available on the Company's website.

The Company complies with legal regulations and norms regarding personal information and, by voluntarily putting in place rules and systems based on internal confidential information management regulations, strives to appropriately protect such information.

We have also formulated Guidelines for Web Server Construction and Management, and endeavor to protect servers managed at relevant companies and each work site. At the same time, we ensure thorough management by limiting access rights and other management authority according to the importance of the information handled.

Especially during Compliance Reinforcement Month, we are strengthening governance over the handling of personal (customer) information by raising employee compliance awareness and providing training.

Risk Management

– Improvement of Management Ability to Sustain Business

Actively taking on risks is an imperative in a business environment where the future is uncertain and difficult to predict. Having positioned risk management as one of the foundations of its management, SEKISUI CHEMICAL Group earns the trust and confidence of its stakeholders while achieving sustainable growth by strengthening the risk controls and resilience that enable risk-taking.

Risk and Crisis Management: Activity Systems

Centrally managing activities (crisis management) to minimize any impact by responding when risks do occur, our intention remains risk management in which nothing is overlooked.

Having established a Company-wide Risk Review Subcommittee that reports to the Sustainability Committee and has the ESG Management Promotion Department to serve as its secretariat, we are promoting initiatives in the form of the various measures deliberated in committee and activity plans for each risk management organization.

ERM*1 Initiatives (Group-wide Risk Management Activities)

Having each organization exhaustively uncover the various risks associated with its business*2, the Group is working to increase risk sensitivity among its employees by continuously running PDCA cycles in line with the ISO 31000 risk management standard. These activities were launched during fiscal 2011 among 27 organizations, primarily divisional company business units. The number of organizations engaged in these activities has increased each year, reaching 171 in total (and accounting for 99% of consolidated sales) in fiscal 2022.

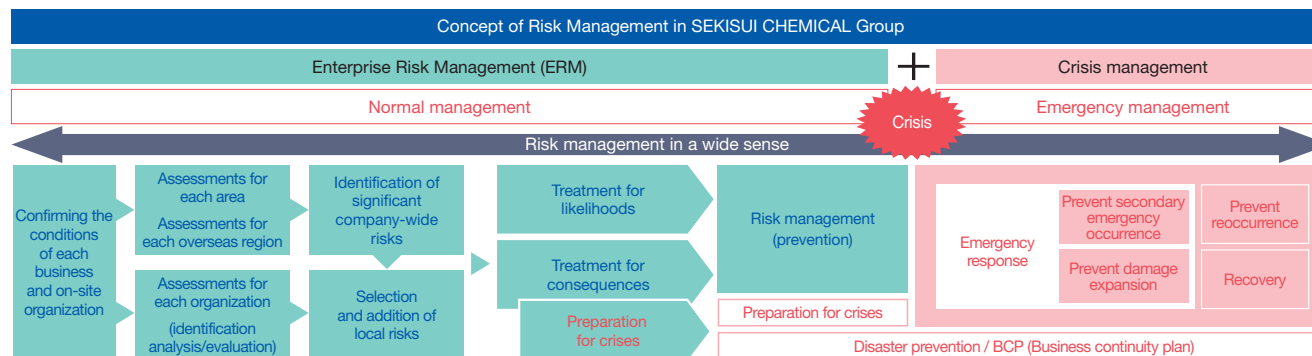
Those risks are quantified from the perspectives of their consequences (impact) and frequency (likelihood of occurrence), and dedicated offices in Corporate Headquarters identify the serious Group-wide major risks that could lead to serious incidents in each field.

Having merged organizational risk management activities (bottom-up approach) and Group-wide risk activities (top-down approach), we designed goals based on the identification, evaluation and sharing of major risks, incorporated them into action plans, and managed the state of progress. We have been promoting ERM (Group-wide risk management activities) with this system since fiscal 2020.

Overseas, having identified risks specific to each of their regions, the regional headquarters and business companies in four major regions have started risk management activities that will be evaluated in conjunction with the serious Group-wide major risks.

*1 ERM : Enterprise Risk Management

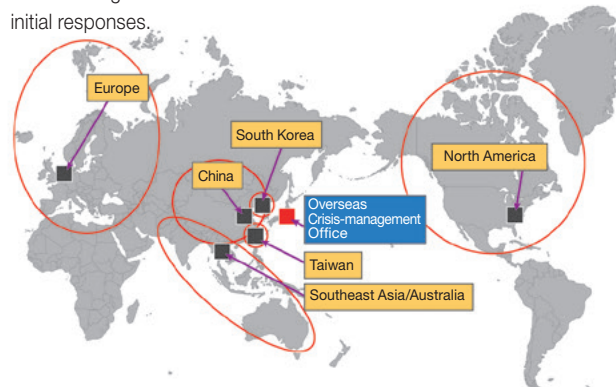
*2 These risks are broadly categorized into management environment, strategy, and operational risks, and further subdivided into comprehensive risks. (▶P.19)



Crisis Management Activities

In accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines, a crisis management liaison committee consisting of representatives from Corporate Headquarters and each divisional company holds regular meetings to, for example, review case studies. By means of drills attended by members from initial response headquarters from across the Group, we also conduct reviews of the Emergency Situation Initial Response Procedures Manual and confirm coordination.

We have also installed a safety confirmation system in various forms, including on all employees' mobile phones, which enables rapid confirmation of the safety of our employees in emergencies. Overseas, we have appointed regional managers responsible for the six crisis management regions—including the four regions operated by an overseas regional headquarters—into which we have divided the world, and they will work together with the secretariats to collect information and make initial responses.



Training Expansion/Upgrades

We are working to foster a risk culture through rank-based training (new company employees, newly appointed people in management positions, and risk managers*) relating to risk management. In fiscal 2022, 22 underwent training, making the cumulative total of participants to date 265.

In addition to disseminating, for example, the Group Crisis Management Guidelines to all employees, we provide an Emergency Initial Response Procedure Manual to them every year, so that they can take appropriate action in the event of an emergency.

* Risk managers: Persons responsible for duties relating to risk management in their respective organizations

Business Continuity Plan (BCP) Implementation

Engaging in a broad range of businesses, SEKISUI CHEMICAL Group has been promoting the formulation of BCPs and the implementation of business continuity management (BCM) based on ISO 22301, the standard for implementing BCM, depending on the particulars of each business and the judgments of those in charge of each line of business. As a Group-wide effort, we also aim to promote and establish autonomous BCM activities in each organization through the formulation of initial response plans that place the highest priority on the protection of human lives, the verification of the plans' effectiveness through desktop training, and PDCA cycles.