

Corporate Governance

Roundtable Discussion between Outside Directors

A roundtable discussion between Outside Directors Haruko Nozaki, Miharu Koezuka, and Machiko Miyai was held following their renewed appointment in June 2022. Details are presented as follows.

Q How do you see your expected role as an Outside Director?

Nozaki I have spent my career focusing mainly on human resources, promoting education and diversity, and developing the next generation. When approached to serve as an Outside Director, discussions revolved largely around the need to position diversity as an engine for the Company's growth. Looking beyond the simple task of increasing the number of female directors, the goal was to promote diversity in earnest in the broadest possible terms. With this in mind, I recognize that one expected role is to promote diversity across the Group as a whole.

Koezuka In addition to my previous work experience, I have held several positions in management across a diverse range of industries. Over this career, I was also involved in the restructuring of a loss-making company. Drawing on this track record, I see my role as contributing to the enhancement of the Group's corporate value.

Miyai My background is in management as a business operator. I have also served as a researcher in science-related fields. With management experience in the consumer goods sector, an area that differs considerably from the Group's business field, I intend to offer my opinions and suggestions from an entirely new perspective.

Q What is your impression of SEKISUI CHEMICAL Group's Board of Directors? Can you provide us with details of your input and any comments made.

Miyai The Board recently deliberated on the issue of corporate branding. I put forward suggestions regarding which brands, including logos and company names, that should be communicated externally to enhance corporate value, and the way in which branding should be pursued. I also mentioned the



Miharu Koezuka
Outside Director

Haruko Nozaki
Outside Director

Machiko Miyai
Outside Director

need to reorganize the Group's brands, including SEKISUI HEIM.

Nozaki I have recommended that the Group take definitive steps to invest in its people. While detailed explanations are provided prior to each Board of Directors' meeting, I also believe that a great deal could be learned from the comments of the chairperson on a wide range of relevant matters, including the leadup and background behind each agenda item.

Koezuka The chairperson manages each meeting agenda extremely well and fosters an atmosphere in which it is easy to express opinions. I would suggest that various other supplementary forums, including off-site meetings where Outside Directors could freely exchange opinions independent from the Board would further deepen and improve the efficacy of discussions.

Miyai The effectiveness of the Board of Directors is already at a high level. I agree with Ms. Koezuka that the chairperson's ability to manage each meeting agenda is excellent. Other companies have indeed established forums for independent outside directors to meet on a regular basis, and I have also suggested that the

Company consider implementing a similar initiative.

Nozaki Board meetings are generally conducted on a question-and-answer basis between Outside and Inside Directors. It is difficult to envisage how different divisional companies deliberated on an agenda item prior to its consideration by the Board of Directors. I therefore believe that the opinions, comments, and perspectives of each divisional company are integral to improving the effectiveness of the Board of Directors.

Q How do you evaluate the Group's Long-term Vision and Medium-term Management Plan, Drive 2.0?

Miyai I think highly of the Group's decision to place ESG at the heart of its management, and the way in which it has drawn up a growth scenario and outlined its direction toward 2030. Meanwhile, I believe there are still issues to be addressed from an implementation perspective. I recognize the need for further discussion, including by Outside Directors.

Corporate Governance

Roundtable Discussion between Outside Directors

Koezuka I agree. In addition to the issue of implementation, the Group should also consider how to develop the human resources necessary to carry out its Vision and Medium-term Management Plan. Human resource development is a major issue not only for domestic, but also for overseas companies. I believe that human resource development will become increasingly important and is a topic that required further deliberation.

Nozaki Over and above their specifics, I am impressed by the steps taken to instill the Vision and Plan across the Group as a whole. In addition to the many opportunities for cooperation that extend beyond the boundaries of each company, I recognize the value in leveraging the benefits of a conglomerate. Coupled with deliberations and dialogue that include the president, SEKISUI CHEMICAL Group's conglomerate status allows it to incorporate diverse perspectives and the best practices of divisional companies.

Koezuka Yes, that's true. Another advantage of its conglomerate status is the ability to flexibly uncover new seeds as times change.

Miyai To avoid conglomerate discounting, it is imperative that SEKISUI CHEMICAL Group strengthen its head office function and its ability to put forward a concrete cross-sectional Group-wide strategy that includes the creation of synergies between divisional companies.



Koezuka There is clearly a need to keep a balanced grip on the head office function while strengthening each divisional company.

Nozaki If corporate headquarters assumes a dominant role, the planning function stands alone and implementation falls by the wayside. For this reason, balance is of the utmost importance. Given the various seeds in its possession, I believe that the Group can properly demonstrate its value as a conglomerate if it can show examples of how a single seed can generate as many businesses as the number of companies.

Koezuka The allocation of capital, including human capital, is key.



Miyai I couldn't agree more. The importance of each divisional company as a source of revenue is clear. For this reason, I believe this overall strategy is critical in achieving sustainable growth over the long term.

Q What are your thoughts on M&As as a way to invest in growth?

Koezuka M&As are a useful tool in pursuing growth opportunities overseas. I recognize that the Board of Directors must carefully scrutinize and discuss the expected contribution to earnings from an M&A as well as the post-acquisition governance structure, after clarifying the objectives, including whether the M&A will compensate for those areas that the Company finds difficult to pursue on its own, or whether the M&A will help expand the Group's global market share.

Nozaki M&As subsequently facilitate the acquisition of human resources well versed in particular technologies and markets. In addition to securing human resources from outside the Group through M&As, it is important that SEKISUI CHEMICAL Group retains key personnel while strengthening the human resource structure and systems necessary to welcome external acquisitions.

Miyai As a key component of its future growth, SEKISUI CHEMICAL Group must not lose sight of the importance of sustainability. Given the difference in corporate cultures, generating synergies across a wide-ranging base will require a certain amount of time. It is vital, therefore, that the Group put in place a robust governance structure while taking into consideration this time frame.

Koezuka Should the Group fail to clarify its purpose for entering into an M&A, including whether its actions are defensive or

offensive in nature, or is unable to convey its ongoing intent, it runs the risk of hindering the inflow of information. Meanwhile, in numerous cases, management of many successful companies have taken the initiative to search for target companies. Determining whether an M&A can be concluded at an acceptable price is also of significant importance.

Q SEKISUI CHEMICAL Group has set the goal of accelerating its overseas growth under its Long-term Vision. What are your thoughts on the Group's global governance?

Koezuka In addition to establishing a global governance structure and systems that encompass a robust auditing function, the quality of global governance is determined by the degree to which management and responsible departments are able to communicate with overseas subsidiaries. Looking at the successful practice of global governance at other companies, a common feature is the close-knit ties among managers. With this in mind, I believe that global governance must work in tandem with communication.

Miyai I agree. Communication is essential to sound global governance. Moreover, I believe that a mechanism through which regional headquarters could more closely coordinate with the Group's head office would also be effective.

Nozaki When I think of the governance function, applying the brakes comes immediately to mind. However, the need to work toward a common goal based on mutual respect is of equal importance. At the same time, bringing together multiple overseas subsidiaries to deliberate on a common topic, and engaging in one-to-many as opposed to one-to-one discussions, will in my opinion help generate a sense of positive competition and further promote governance.



Corporate Governance

Roundtable Discussion between Outside Directors

Q How would you rate the Group's sustainability?

Miyai I recognize the Group's efforts to proactively address climate change from an early stage. As it faces growing demand to combat not only Scope 3, but also Scope 4 emissions, however, the challenge will become how to continuously respond in a detailed and appropriate manner. Commenting further, SEKISUI CHEMICAL Group should also more vigorously communicate details of its initiatives.

Koezuka Yes, that's correct. I sometimes feel that it is a waste, given the Group's technological capabilities.

Nozaki As far as human capital is concerned, I believe that SEKISUI CHEMICAL Group is committed to its human resources and cares greatly about its people. There is little to criticize in the newly revised human resources system. The atmosphere within the Company is warm, and one could argue excessively neat and tidy. My feelings are that SEKISUI CHEMICAL Group could bring greater joy to its employees with a more free-flowing and spontaneous approach.

Koezuka DX is an essential tool in becoming a sustainable company. As an issue that must be tackled by more than just the DX team, each and every department must remain acutely aware of DX from both the growth investment and operational efficiency perspectives. Based on the aforementioned, it is imperative that the Group develop DX human resources who can readily define these requirements.

Miyai Society's expectations toward human rights are also increasing. SEKISUI CHEMICAL Group has positioned human rights as a key theme under its Medium-term Management Plan. Despite its labor-intensive nature, it is a high-risk theme that must be firmly addressed.

Koezuka Recognizing that what we may see as common sense could be considered inappropriate across the rest of the world, I

have suggested the Group promote human rights while adopting global companies as a benchmark as its ventures outside Japan.

Nozaki Many foreign nationals are currently working at a number of the Group's sites. It would be prudent for the Group to first uncover human rights issues at each of these sites and to take excellent care of its people.

Q Promoting the empowerment of women has become an urgent issue in Japan of late. Under what circumstances do you believe the empowerment of women will no longer be considered a goal?

Koezuka Just as there are major, minor, and development leagues in professional baseball, companies must maintain a sound female employee base. Through their failure to adequately hire women for career-track positions in the past, Japanese companies are responsible for the current lack of qualified female personnel and weak female employee pool. Taking the aforementioned into consideration, it is vital that Japan's corporate sector tackle this issue with the utmost urgency. Energies must be directed toward hiring a growing number of women while eliminating the gender gap. SEKISUI CHEMICAL Group must look closely at whether it has a system in place that allows women to continue working regardless of their lifestyle choices, including marriage and childbirth. Drawing on hearings with women, the Company must establish a system that accurately reflects prevailing conditions. This is an absolute minimum, but on the bright side should enhance the Company's appeal as a place to join and work. Turning to the corporate sector as a whole, companies must take note of the steps they need to take now and what they need to prepare for in the future.

Miyai While I often hear talk that a ratio of 30% no longer constitutes a statistic minority, I believe that the ratio of women in decision-making positions must not fall below 30% as an absolute minimum. While the number of women is not the be-all and end-all, I have noticed that the atmosphere of meetings changes when the number of female executives increases.

Nozaki In addition to the inclusion of a wide range of women, irrespective of age, in the decision-making process, I would like to see the Group provide opportunities to younger male employees. A process that provides all employees with the same opportunities and start line is essential in the development of human resources who can excel. To date, women have not received the same opportunities at the start of their careers. It is therefore important that women are invited to

the table from the outset. Women who are seeking to pursue a career should be welcomed with open arms. It would be impressive if SEKISUI CHEMICAL Group could take a leading role in these efforts. With each of the aforementioned in mind, I believe the true goal should be to eliminate the need for people to refer to the era of women's empowerment.

Q What are your expectations toward SEKISUI CHEMICAL Group and your thoughts on the challenges that need to be overcome?

Miyai I highly commend SEKISUI CHEMICAL Group's for its efforts to position ESG at the center of its management activities. Having said this, however, I am concerned that the Company is becoming a little defensive in its posture toward addressing ESG concerns. I would, for example, like to see the Company adopt a more vigorous approach toward the environmental issue of climate change. I would hope that it will transition from defense to offense in a manner that exceeds the demands of society. This includes proactively investing in human capital even if it takes time to secure a return on that investment. SEKISUI CHEMICAL Group is an extremely earnest company. Nevertheless, I would call on the Company to adopt a more aggressive approach within a free and flexible atmosphere.

Nozaki As a company that is distinguished by its technological capabilities, I would hope that SEKISUI CHEMICAL Group is excited by its ability to create new industries. Looking beyond its role as an incubator within the Company, I would call on SEKISUI CHEMICAL Group to invest in young entrepreneurs and venture companies for the benefit of Japan and the rest of the world. In doing so, I am confident that the Company will attract a more diverse range of human resources.

Koezuka SEKISUI CHEMICAL Group is currently working diligently to address a challenge-based agenda. Drawing on its underlying abundant technology development and operating capabilities and such attributes as its robust motivation, I am confident that the Company will overcome each challenge simply by allowing each and every employee to express his or her opinion freely. A company's growth is dependent upon the collective strength of its employees. Should SEKISUI CHEMICAL Group create a culture in which each individual is more confident in promoting his or her initiatives, I believe there would be no need to identify the employee challenge action rate as a KPI. I would hope that SEKISUI CHEMICAL Group will grow as a global company while increasing corporate and shareholder value.



Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2023)

N : Nomination and Remuneration Advisory Committee

D : Diversity Promotion Committee



**Teiji
Koge**

Director
Chairman of the Board
Date of birth:
November 14, 1953

Number of Shares of the Company Owned: 133,553 shares **N D**
Tenure as Director: 18 years

Since Mr. Teiji Koge was appointed as President and Representative Director in 2015, he has served as the driving force of the Group by implementing his strong leadership in demonstrating the new long-term vision that aims for ESG management and doubling the business scale.

Since June 2018, he has presided over Board of Directors meetings, encouraged constructive discussions on management strategies by increasing the involvement of Outside Directors, executed governance reform, and endeavored to ensure the effectiveness of the Board of Directors.

Since March 2020, he has been properly supervising the Company's management as an Inside Director who is not concurrently responsible for business execution.

Important Position of Other Organizations Concurrently Assumed
Independent Director of EBARA CORPORATION



**Keita
Kato**

President and
Representative Director
Chief Executive Officer
Date of birth:
January 11, 1958

Number of Shares of the Company Owned: 93,394 shares **N D**
Tenure as Director: 9 years

Since Mr. Keita Kato was appointed as Director in 2014, he has implemented his leadership and made significant achievements as President of High Performance Plastics Company.

In addition, as Head of Business Strategy Department since January 2019, he has overseen SEKISUI CHEMICAL Group's management in general as well as administrative supervision functions of overseas businesses and properly supervising business execution from a global perspective.

Since he was appointed as President and Representative Director in March 2020, he has been engaged in formulation/deliberation and supervision of management strategies, etc., at Board of Directors meetings while also promoting the long-term vision, which aims for ESG management and doubling the business scale.



**Futoshi
Kamiwaki**

Representative Director
Senior Managing
Executive Officer
Date of birth:
August 10, 1960

Number of Shares of the Company Owned: 83,622 shares **D**
Tenure as Director: 3 years

Mr. Futoshi Kamiwaki has been engaged in the operations of product development, sales management, and administrative management and control as Head of Product Research & Development Department, Head of Housing Renovation Sales Management Division, and Head of Administrative Management & Control Department of the Housing Company, and has abundant experience in strategy planning and management. Since he was appointed as Head of New Business Development Department within the Company's headquarters in January 2020 and Head of Business Strategy Department in March 2020, he has been performing his duties by applying his deep insight and advanced management capabilities. Following his appointment to the Board of Directors in 2020, he has used his experience in the areas of promoting ESG management and digital transformation, in particular, to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

Responsible for ESG Management Department, Digital Transformation Department and New Business Development Department; Head of Business Strategy Department



**Yoshiyuki
Hirai**

Director
Senior Managing
Executive Officer
Date of birth:
February 4, 1963

Number of Shares of the Company Owned: 49,288 shares
Tenure as Director: 8 years

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of the global management structure and promoting constructive engagement with shareholders as Head of Business Strategy Department by leveraging the knowledge fostered through his abundant experience.

President of the Urban Infrastructure & Environmental Products Company since January 2019, he has been performing his duties by applying his deep insight. He is also highly knowledgeable of the stakeholders' expectations and issues surrounding SEKISUI CHEMICAL Group and has been performing his duties by applying his advanced management capabilities.

Areas of Responsibility

President of Urban Infrastructure & Environmental Products Company



**Toshiyuki
Kamiyoshi**

Director
Senior Managing
Executive Officer
Date of birth:
March 1, 1961

Number of Shares of the Company Owned: 65,546 shares
Tenure as Director: 4 years

Mr. Toshiyuki Kamiyoshi has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM TOHOKU CO., LTD., President of TOKYO SEKISUIHEIM CO., LTD., and Head of Housing Sales Management Division of the Housing Company.

Since he was appointed as President of the Housing Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used these experiences to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

President of Housing Company



**Ikusuke
Shimizu**

Director
Senior Managing
Executive Officer
Date of birth:
December 12, 1964

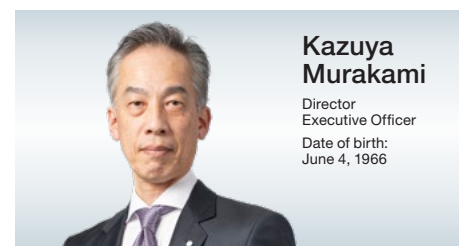
Number of Shares of the Company Owned: 57,686 shares
Tenure as Director: 4 years

Mr. Ikusuke Shimizu is highly knowledgeable of the High Performance Plastics Company's strategic fields including the overseas segment, having served as Head of Foam Division, Responsible for Automobiles & Transportation field, Responsible for Electronic Device Materials field of High Performance Plastics Company as well as President of SEKISUI TA INDUSTRIES, LLC, etc.

Since he was appointed as President of High Performance Plastics Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used his experience in global business, in particular, to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

President of High Performance Plastics Company



**Kazuya
Murakami**

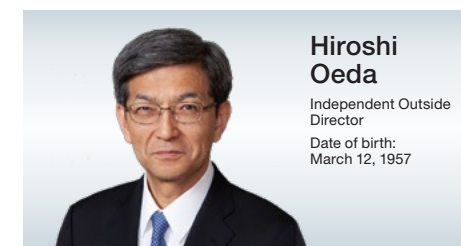
Director
Executive Officer
Date of birth:
June 4, 1966

Number of Shares of the Company Owned: 14,050 shares **D**
Tenure as Director: 2 years

Mr. Kazuya Murakami has been engaged in back-office operations mainly at the Human Resources Department, including serving as Head of Human Resources Development Division of High Performance Plastics Company, and has abundant experience in global policy enforcement and management. Since his appointment as Head of Human Resources Department in October 2020, he has exercised his strong leadership in personnel system reform and in the promotion of diversity management, as well as working to create the Company's organizational culture and to improve employees' engagement. He has utilized the experience he has acquired thus far, and performed his duties by applying his deep insight and advanced management capabilities. In addition, following his appointment to the Board of Directors in 2021, he has engaged in personnel system reforms, as well as in health and productivity management.

Areas of Responsibility

Head of Human Resources Department



**Hiroshi
Oeda**

Independent Outside
Director
Date of birth:
March 12, 1957

Number of Shares of the Company Owned: 7,000 shares **N D**
Tenure as Director: 5 years

Mr. Hiroshi Oeda served as Director & President of Nisshin Seifun Group Inc., and has used his broad experience and skill in global corporate management, business strategy, and execution of overseas M&A, etc., acquired during his time as a management executive to provide advice with respect to business management of the Company and to appropriately supervise business execution.

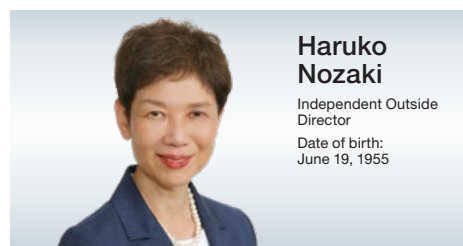
Important Position of Other Organizations Concurrently Assumed

Special Advisor of Nisshin Seifun Group Inc.
Independent Director, Chairman of the Board of Directors of EBARA CORPORATION
Outside Director, Japan Post Holdings Co., Ltd.
President of Hitotsubashi University Koenkai

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2023)

N : Nomination and Remuneration Advisory Committee **D** : Diversity Promotion Committee **A** : Audit & Supervisory Board



**Haruko
Nozaki**

Independent Outside
Director
Date of birth:
June 19, 1955

Number of Shares of the Company Owned: —
Tenure as Director: 1 year

N **D**

Ms. Haruko Nozaki possesses experience in personnel affairs and education at HORIBA, Ltd., and deep insight on the promotion of diversity, as well as on development of the next generation, etc. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

Executive Vice-President of Kyoto University
External Director of West Japan Railway Company



**Miharu
Koezuka**

Independent Outside
Director
Date of birth:
September 2, 1955

Number of Shares of the Company Owned: 4,000 shares
Tenure as Director: 1 year

N **D**

Ms. Miharu Koezuka held positions of Senior Managing Director (Representative Director), General Manager of Planning Headquarters and General Manager of Sales Headquarters of Takashimaya Company, Limited, and was involved in management of the said company for many years. By leveraging her extensive experience in the management of department stores, in addition to her experience and past achievements in management in various industries, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

Outside Director of Japan Post Holdings Co., Ltd.
Outside Director of Nankai Electric Railway Co., Ltd.



**Machiko
Miyai**

Independent Outside
Director
Date of birth:
September 29, 1960

Number of Shares of the Company Owned: —
Tenure as Director: 1 year

N **D**

Ms. Machiko Miyai held executive positions at Panasonic Corporation and then has served as Director and the head of the marketing department at MORINAGA & CO., LTD. As such, Ms. Miyai possesses broad job experience mainly in consumer-conscious duties in industries that are different from that of the Company. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

Director, Managing Executive Officer of MORINAGA & CO., LTD.
Chairman of Sustainability Forum Japan
Auditor of Ochanomizu University



**Yoshihiko
Hatanaka**

Independent Outside
Director
Date of birth:
April 20, 1957

Number of Share
of the Company Owned: 1,000 shares

New **N** **D**

Mr. Yoshihiko Hatanaka has served as an executive at Astellas Pharma Inc., and in addition to his wide-ranging knowledge of global corporate management cultivated through his wealth of experience overseas, including in Europe and the United States, he also has extensive knowledge in matters including corporate integration based on his experience as a corporate planning officer. The Company has appointed Mr. Hatanaka as an outside director based on the judgment that he will be able to provide appropriate advice on the management of the Group by leveraging these experiences and achievements.

Important Position of Other Organizations Concurrently Assumed

Outside Director of Sony Group Corporation
External Director of Shiseido Company, Limited



**Hiroyuki
Taketomo**

Full-time Audit &
Supervisory Board
Member
Date of birth:
July 8, 1961

Number of Shares
of the Company Owned: 29,475 shares
Tenure as Audit & Supervisory Board Member: 2 years

A

Since his appointment as Director in 2016, Mr. Hiroyuki Taketomo has performed his duties, including carrying out measures in accordance with corporate governance, as Head of Human Resources Department and Head of Legal Department by applying his deep insight and advanced management capabilities. He has also made sufficient achievements in supervising business execution status, such as enhancing compliance from a global perspective as the executive in charge of company-wide compliance. By leveraging this abundant experience, he undertakes daily auditing activities as a full-time Audit & Supervisory Board Member and provides useful opinions and suggestions during deliberations on agenda items.



**Tomoyasu
Izugami**

Full-time Audit &
Supervisory Board
Member
Date of birth:
November 18, 1962

Number of Shares
of the Company Owned: 14,703 shares

New **A**

At the High Performance Plastics Company, Mr. Tomoyasu Izugami successively served in the posts of factory manager, business manager, and staff department manager related to manufacturing. He has been broadly taking the lead in the promotion of large-scale capital investment and in strengthening the foundation, such as the enhancement of manufacturing competitiveness and production innovation, CS quality, safety, the environment, and DX. Leveraging his advanced knowledge and extensive management experience in the field of manufacturing, such as production technology and quality control, the Company expects that Mr. Izugami will contribute to improving the supervisory functions of the Audit & Supervisory Board and the Board of Directors and has appointed him as an Audit & Supervisory Board Member.



**Yoshikazu
Minomo**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
December 13, 1969

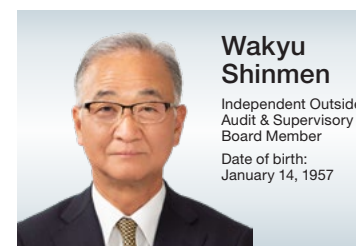
Number of Shares of the Company Owned: —
Tenure as Audit & Supervisory Board Member: 1 year

A

Mr. Yoshikazu Minomo as an attorney at law is equipped with a wealth of achievements and significant knowledge concerning overall corporate legal affairs, such as business revitalization, corporate reorganization, mergers & acquisitions, compliance, and internal control. Reflecting these achievements and knowledge in its audits, the Company will ask Mr. Minomo to check the appropriateness of our management decisions, especially from a compliance perspective, and provide useful opinions and suggestions to improve the trust that society places in the Company.

Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE



**Wakyu
Shinmen**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
January 14, 1957

Number of Shares
of the Company Owned: —

New **A**

Possessing specialized knowledge and a wealth of auditing experience as a certified public accountant, Mr. Wakyu Shinmen also has experience in management as a partner of a major auditing firm. Judging that Mr. Shinmen will reflect these experiences in its audits and be able to perform his duties appropriately, the Company has therefore elected him as an Outside Audit & Supervisory Board Member.

Important Position of Other Organizations Concurrently Assumed

Representative, Shinmen Certified Public Accountant Office



**Kenji
Tanaka**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
April 14, 1957

Number of Shares
of the Company Owned: —

New **A**

Mr. Kenji Tanaka has a high level of insight and experience in quality control, system reliability and safety, and a track record of joint research with many companies. Judging that Mr. Tanaka will reflect these experiences in its audits and be able to perform his duties appropriately, the Company has therefore elected him as an Outside Audit & Supervisory Board Member.

Important Position of Other Organizations Concurrently Assumed

Specialty Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations, University of Electro-Communications

Corporate Governance

Composition and Skills Matrix of the Board of Directors and Audit & Supervisory Board (As of June 22, 2023)

Name	Position in the Company	Board of Directors (Fiscal 2022 Attendance)	Audit & Supervisory Board (Fiscal 2022 Attendance)	Nomination and Remuneration Advisory Committee (Fiscal 2022 Attendance)	Diversity Promotion Committee (Fiscal 2022 Attendance)	Policy Committee	Sustainability Committee R&D Committee	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities ²									
								Management	Core Function of Manufacturing Business		Preparations for Long-term Growth			Strengthening the Management Base			
								Corporate Management/ Management Strategy	Manufacturing/ Safety/Quality	Marketing/ Sales	Environment	Innovation (Research & Development/ New Business Development/ Alliance)	Global Business	DX (Digital Transformation)	Legal Affairs/ Compliance	Financial Affairs/ Accounting	Human Resources/ Diversity/ Human Rights
Teiji Koge	Director Chairman of the Board	● ¹ (17 out of 17)	—	○ (5 out of 5)	○ (3 out of 3)	—	—	✓		✓	✓						✓
Keita Kato	President and Representative Director Chief Executive Officer	○ (17 out of 17)	—	○ (5 out of 5)	○ (3 out of 3)	● ¹	● ¹	✓	✓	✓	✓	✓	✓				✓
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	○ (3 out of 3)	○	○	✓		✓	✓	✓		✓			✓
Yoshiyuki Hirai	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	✓		✓	✓	✓	✓				✓
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	✓		✓							
Ikusuke Shimizu	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	✓	✓	✓			✓				
Kazuya Murakami	Director Executive Officer	○ (17 out of 17)	—	—	○ (3 out of 3)	○	○	✓									✓
Hiroshi Oeda	Independent Outside Director	○ (17 out of 17)	—	● ¹ (5 out of 5)	○ (3 out of 3)	—	—	✓					✓				✓
Haruko Nozaki	Independent Outside Director	○ (13 out of 13)	—	○ (4 out of 4)	● ¹ (3 out of 3)	—	—	✓									✓
Miharu Koezuka	Independent Outside Director	○ (13 out of 13)	—	○ (4 out of 4)	○ (3 out of 3)	—	—	✓		✓	✓			✓			
Machiko Miyai	Independent Outside Director	○ (11 out of 13)	—	○ (4 out of 4)	○ (3 out of 3)	—	—	✓		✓	✓	✓	✓				
Yoshihiko Hatanaka	Independent Outside Director	○ (—)	—	○ (—)	○ (—)	—	—	✓		✓			✓				✓
Hiroyuki Taketomo	Full-time Audit & Supervisory Board Member	○ (17 out of 17)	● ¹ (17 out of 17)	—	—	—	—	✓						✓			✓
Tomoyasu Izugami	Full-time Audit & Supervisory Board Member	○ (—)	○ (—)	—	—	—	—		✓	✓				✓			
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	○ (13 out of 13)	○ (12 out of 12)	—	—	—	—							✓			✓
Wakyu Shinmen	Independent Outside Audit & Supervisory Board Member	○ (—)	○ (—)	—	—	—	—										✓
Kenji Tanaka	Independent Outside Audit & Supervisory Board Member	○ (—)	○ (—)	—	—	—	—		✓			✓	✓				

*1 ●: The solid gray circle indicates the chairman or committee chairman

²The list above does not reflect the full range of expertise possessed by the Directors and Audit & Supervisory Board Members. The Company updates the items for skills and other capabilities to be possessed by Directors in line with the business strategy in the Medium-term Management Plan. For details on these updates, please see the [Convocation Notice](#)

Corporate Governance

Corporate Governance System

Basic Policy

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

Board of Directors

The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies, handling upper-level management judgments and supervising the execution of business. In addition to the Company's Chairman, who is a non-executive director and serves as its chair, the Board of Directors has in place a highly effective supervisory system for Directors by appointing several sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations.

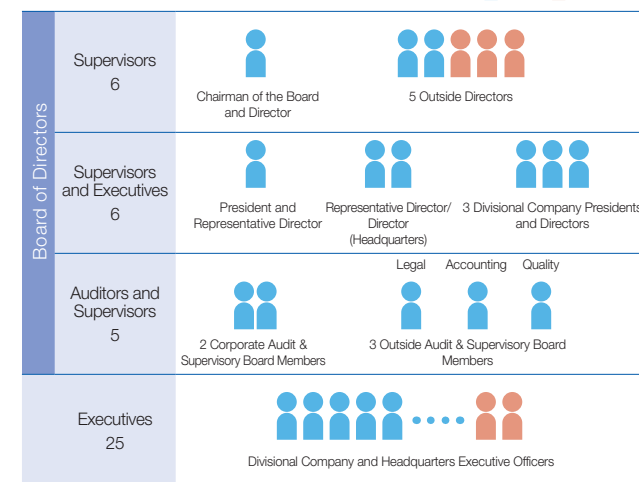
The Board of Directors is attended by the Directors, as well

as by all of the Audit & Supervisory Board members, including Outside Audit & Supervisory Board members.

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

Management System (As of June 22, 2023)

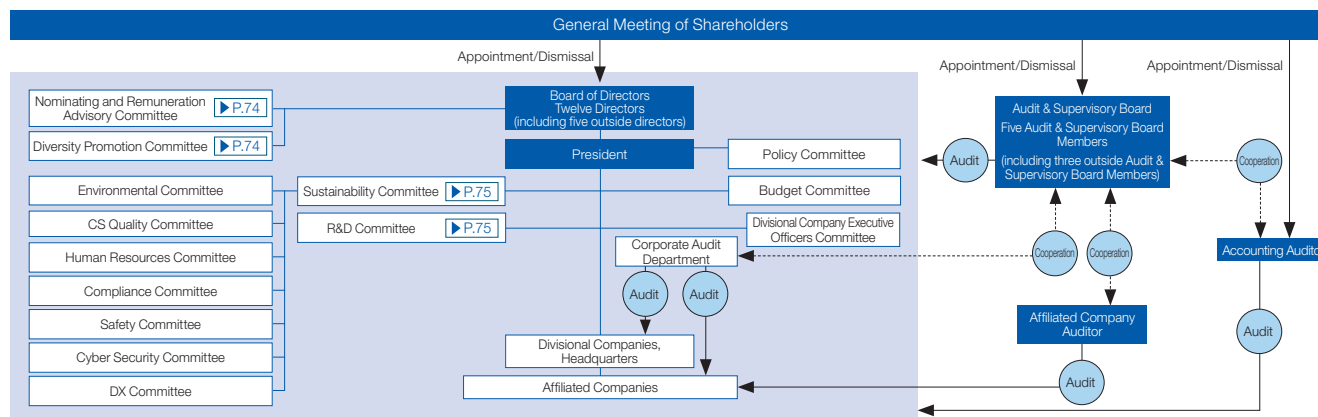
Male : Female



As an organizational structure under the Companies Act, the Company has chosen to be a company with an Audit & Supervisory Board. The Company has also established an optional advisory committee concerning nomination and remuneration, as well as an optional committee concerning the promotion of diversity, to complement the functions of the Board of Directors and to further enhance fairness and transparency.

The Company has adopted the Executive Officer System to clearly distinguish the business execution function (executive officers) from the supervisory function (directors) in order to respond quickly to changes in the business environment of each divisional company.

Corporate Governance System Chart (As of June 22, 2023)



Initiatives Taken to Enhance Corporate Governance



Organizational structure	A company with an Audit & Supervisory Board
Total number of directors*	12 (In-house: 7; Outside: 5) including 3 female directors
Ratio of outside (independent) directors	41.7%
Ratio of female directors	25.0%
Director's term of office	1 year
Executive officer system introduced	Yes
Organization to assist the president in making decisions	Policy Committee
Voluntary advisory board to the Board of Directors	Nomination and Remuneration Advisory Committee and Diversity Promotion Committee established

* The number of Directors shall not exceed 15

Corporate Governance

Corporate Governance System

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee appoints and dismisses Representative Directors, Directors, and other senior executives; appoints Audit & Supervisory Board member candidates; and appoints and dismisses advisors and executive advisors, including former Representative Directors and Presidents. It also deliberates on the adequacy of the Director remuneration system and remuneration levels, as well as on Board of Director effectiveness enhancements and on important management issues as necessary, and provides opinions and advice to the Board of Directors.

The Committee consists of seven members, the majority of whom must be Independent Outside Officers. The chairperson must be elected from among the Independent Outside Officers.

Succession Planning for SEKISUI CHEMICAL Group's President

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

Diversity Promotion Committee

The Diversity Promotion Committee has been established for the purpose of strengthening the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values concerning the securing of diversity of human resources in management, the execution of various measures, and the disclosure of these inside and outside of the Company, and also supervising and advising on management execution.

The Committee consists of nine members, the majority of whom must be Independent Outside Officers. The chairperson must be elected from among the Independent Outside Officers.

Major Deliberation Issues

1. Formulation of basic policy and target values concerning empowerment of diverse human resources
2. Human development policy and accompanying environmental consideration policy
3. Setting various major indicators and methods to use them
4. Issues related to the disclosure of these inside and outside the Company
5. Monitoring the execution status

Audit & Supervisory Board

In principle, the majority of the Audit & Supervisory Board members shall be Outside Audit & Supervisory Board members, and the Board shall consist of five members comprising two full-time Audit & Supervisory Board members and three part-time Outside Audit & Supervisory Board members. At least one member of the Audit & Supervisory Board shall have knowledge and expertise in each of the corporate finance and accounting, legal systems, and manufacturing and quality fields.

The activities of the Audit & Supervisory Board members include attending the Board of Directors and other important meetings; confirming important decisions; verifying and confirming the execution of duties by Directors through efforts to ascertain the status of internal controls, etc.; and onsite audits of important locations in Japan and overseas. The members meet periodically with management to exchange opinions regarding issues that must be addressed and to enhance mutual understanding. In addition, the Audit & Supervisory Board members receive reports on audit results from KPMG AZSA LLC as the Accounting Auditor, and actively exchange information and opinions in a mutual fashion with the Accounting Auditor in aims of improving effectiveness and efficiency through close collaboration. In fiscal 2022, the Audit & Supervisory Board members held meetings with the Accounting Auditor and the Internal Auditing Department in order to strengthen cooperation among the three auditors.

Support for and Collaboration with Directors and Audit and Supervisory Board Members

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's wide range of businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites. In 2022, we visited the MINASE INNOVATION CENTER.

From the point of view of succession planning, the Company is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures and by providing opportunities for the two groups to meet when the new management system is inaugurated.

Thinking on Concurrent Service by Directors and Audit & Supervisory Board Members

When a Director or an Audit & Supervisory Board member intends to serve concurrently as an officer at another listed company, he/she is allowed to do so at only up to four companies, an extent not inconveniencing the Company's operations, as the officer is required to secure time and effort needed for fulfilling his/her roles and responsibilities appropriately. Moreover, the Company laid down the Criteria for Independence of Outside Board Members. Any Outside Officer not meeting any of the requirements is judged to be not sufficiently independent for the Company.

▼ Convocation Notice

https://www.sekisuichechemical.com/ir/stock/shareholder_info/pdf/NoticeConvocation_2023.pdf

Assessment Relating to the Board's Effectiveness

The Company evaluates and works to enhance the effectiveness of the Board of Directors by conducting a survey of the Directors and Audit & Supervisory Board members every year. The results of the survey conducted in January 2023 indicate that the Board of Directors sets appropriate agendas and secures sufficient time for deliberations, and that the members, including Outside Directors, actively offer opinions and recommendations. Moreover, the survey also helped to identify policy deliberation themes that require deeper discussion going forward. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and functioning properly.

Questions and Responses from the survey to evaluate the effectiveness of the Board of Directors (excerpt)

- **Do you think the Board of Directors' composition is appropriate for improving corporate value?**
→Appropriate: 80%
Other opinions: Future growth requires consideration of members possessing overseas experience, foreign nationalities, and the ability to strengthen defensive functions (legal affairs, etc.)
- **Do you think that agendas are appropriately set?**
→Appropriate: 100%
Other opinions: The agenda requires more coverage of brand strategies, human capital, and R&D, etc.
- **Do you think that sufficient time for deliberations is secured?**
→Appropriate: 94%
- **Do you think discussions appropriately take advantage of diversity?**
→Appropriate: 88%
Other opinions: I hope to see more female employees at the Company participate in management

Executive Committee

An Executive Committee has been established as the top decision-making body for each divisional company. The Board of Directors delegates a broad degree of authority to this Committee. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

Along with enabling a rapid response to changes in the business environment, delegating authority is recognized as a means of helping to improve the effectiveness of the Board of Directors, for example by allowing appropriate agendas to be set and sufficient time for deliberations to be secured.

As of April 2023, the Executive Committee was composed of the Chief Executive Officer, seven members of the High Performance Plastics Company, eight members of the Housing Company, seven members of the Urban Infrastructure & Environmental Products Company, and eight members of the Corporate Headquarters, including the Medical Business.

▼ List of officers

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

Corporate Governance

Corporate Governance System

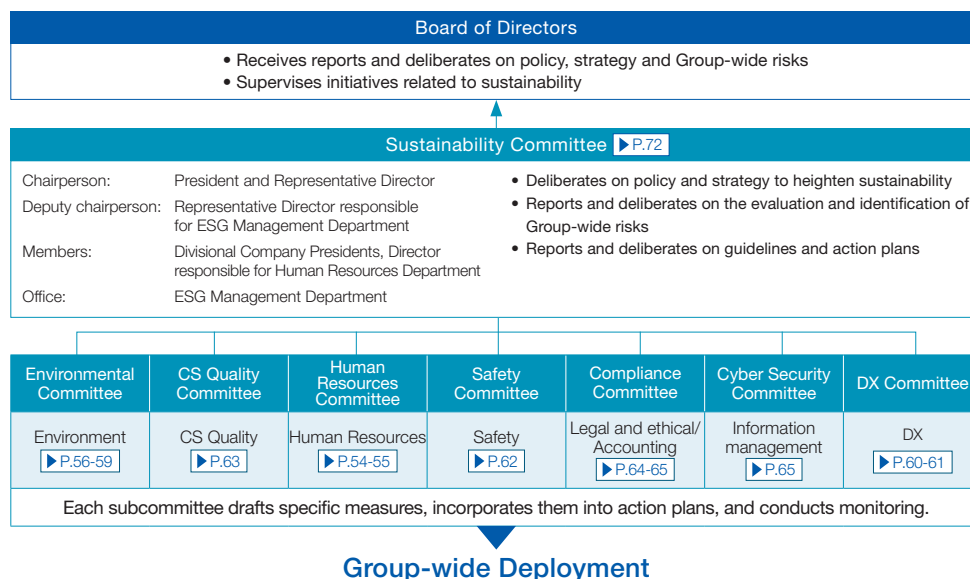
Supervisory Promotion System of ESG Management

In order to promote ESG Management, the Group has established a supervisory and promotion system composed of the Board of Directors, which fulfills the supervisory function, the Sustainability Committee, which fulfills the executive function, and seven subordinate subcommittees.

The Sustainability Committee is chaired by the President, with the Director Responsible for the ESG Management Department serving as deputy chairperson. The Committee identifies risks and opportunities that the Group might face in the future, determines Group-wide policies and KPIs, and formulates Group-wide action plans. Moreover, reports made by the subcommittees allow the Sustainability Committee to monitor the status of each materiality's initiatives.

The Board of Directors receives reports concerning the policies, strategies, and Group-wide risks deliberated by the Sustainability Committee. The Board then deliberates and makes a final decision on these, and supervises initiatives implemented by the executive side.

Each of the seven subcommittees (Environmental, CS & Quality, Human Resources, Safety, Compliance, Cyber Security, and DX) propose specific initiatives based on the details of decisions, incorporate these decisions into action plans, and monitor initiatives.



Other Management Committees

Policy Committee	Composed of Directors in charge of execution, the Policy Committee discusses important matters related to management policies and strategies, after which matters are presented to the Board of Directors.
R&D Committee	Chaired by the President, the R&D Committee formulates Group-wide R&D policies, themes, and action plans regarding next-generation business creation. Top management are also involved in activities regarding intellectual property and innovation, and periodically monitor the status of such activities.

Cross-shareholdings

Basic policy on cross-shareholdings

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

Verification of the necessity of cross-shareholdings

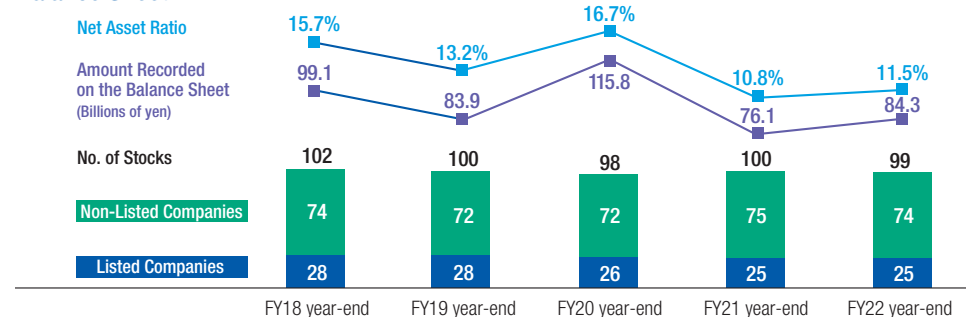
In June 2023, the Board of Directors, based on the above basic policy, conducted a detailed examination of each individual issue to determine whether the benefits and risks both associated with holding policy shareholdings are collectively commensurate with the cost of capital, among other matters. The total number of shareholdings of listed companies was 25 as of the end of March 2022, yet remained at 25 holdings as of the end of March 2023 as a result of the disposition of two holdings and an increase of two holdings during fiscal 2022. These additional holdings coincided with the new listing of unlisted stocks held by the Company.

As of the end of March 2023, the Company did not hold any stocks for pure-investment purposes, such as solely for gaining profits from share price fluctuations or from related dividends.

Criteria for the exercise of voting rights concerning cross-shareholdings

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

Changes in the Number of Stock Holdings and the Amount of Holdings Recorded on the Balance Sheet



Corporate Governance

Remuneration for Officers

Basic policy

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

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

Remuneration mindset

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

For the indicators for performance-based remuneration, the Company has selected operating profit, which is the business performance target of the Company; the business performance of the divisional companies; ROE and ROIC, assessment criteria for the improvement of the Group's corporate value; and dividends, which provide incentive to return these management results to shareholders as these will enable the performance-based remuneration to function effectively as an incentive for the Directors of the Company to improve the Group's corporate value and achieve the management plan, as well as to ensure a high level of objectivity and transparency of the remuneration process. Since fiscal 2021, the Company has included the sales ratio of Products to Enhance Sustainability and other non-financial indicators as a further incentive.

Process of determining officers' remuneration

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

- The chairperson (Outside Director) convenes a meeting of the Nomination and Remuneration Advisory Committee.
- Proposals to the meeting are put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc., is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and Company's management.
- The specific amounts of individual remuneration of Directors, the payment timing, and the payment methods are also determined ultimately by the Board of Directors by adhering to the opinions of this Committee.

Officer Remuneration in Fiscal 2022

(Millions of yen)

Classification	Basic remuneration		Bonus		Share remuneration		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	12	383	7	209	7	83	12	675
(Of which Outside Directors)	5	61	-	-	-	-	5	61
Audit & Supervisory Board Members	6	76	-	-	-	-	6	76
(Of which Outside Audit & Supervisory Board Members)	4	36	-	-	-	-	4	36

Note: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to ¥68 million for directors who concurrently serve as employees (2 persons).

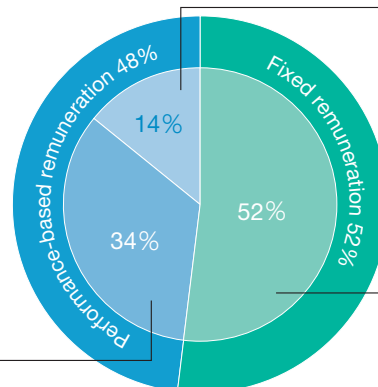
Short-term incentive (Bonuses)

Paid in accordance with the results for the fiscal year under review

1. Linked to financial results: operating profit, bottom line, ROE, ROIC, etc.
2. Linked to ESG-related non-financial indicators: KPI for key issues

(Sales ratio of Products to Enhance Sustainability, rate of renewable energy, etc. [▶P.17](#))

Financial results-linked indicators (fiscal 2021)		Targets	Results
Group financial results (operating profit)		100.0 billion yen	91.6 billion yen
Financial results by business segment (operating profit)	Housing	38.0 billion yen	32.8 billion yen
	Urban Infrastructure & Environmental Products	18.0 billion yen	21.1 billion yen
	High Performance Plastics	48.0 billion yen	40.0 billion yen
	Medical	12.5 billion yen	12.5 billion yen
ROE		9.7%	10.0%
ROIC		8.6%	7.6%
Dividend per share		53 yen	59 yen



Medium- and long-term incentive (Share remuneration)

The incentive plan in which the number of shares to be granted is specified by officer responsibility in order to motivate officers to contribute to improving the Group's financial results and growing its corporate value in the medium to long term. Share remuneration is designed to more closely track the Group's medium- to long-term shareholder value, and is structured to give shares mirrored by share value at the time of the officer resigning as a reward for having contributed to improving the Group's corporate value in the medium to long term.

Basic Remuneration

Paid in a certain fixed amount corresponding to the roles and responsibilities of each Director within the limits on officers' remuneration. For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's shares through the Officers Stock Ownership Plan, thereby raising their business awareness that attaches importance to the stock price.