



## TOPICS

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### ■ Reducing Serious Incidents

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## Governance (Internal Control)

**Three driving forces underpin the practice of ESG management: Contributions to solving social issues, profitable growth, and the Group's management ability to sustain business. Of these, SEKISUI CHEMICAL Group is striving to improve its management ability to sustain business by avoiding serious incidents (from the perspectives of safety, quality, accounting, legal and ethical issues, and information management) while also engaging in risk management.**

## Reducing Serious Incidents

### Basic Concept

SEKISUI CHEMICAL Group positions Governance (Internal Control) as the foundation of its ability to remain a company that is trusted by its stakeholders. To ensure that we can continue to help solve social issues, we recognize the critical need to prevent incidents that undermine public trust and significantly damage our corporate value. With this in mind, we will work tirelessly to strengthen internal control on a Group-wide and global basis. Under the current Medium-term Management Plan, we have identified areas and items that could have a significant impact on the Group as a whole, and are working to improve our ability to prevent problems before they occur and to detect and respond to issues at the earliest possible stage. Group-wide initiatives and measures specific to each divisional company and business site have progressed as planned. While there has been no impact on human health or the environment, there was a serious incident involving the leakage of wastewater containing radioactive materials at one of the Group's business sites. In the next Medium-term Management Plan, we will continue our efforts to minimize Group-wide major risks, while thoroughly and promptly implementing measures to prevent recurrence.

## Safety Issues

### Basic Concept

As part of the current Medium-term Management Plan, SEKISUI CHEMICAL Group promoted safety management activities along the four key axes of rebuilding audit systems, clarifying global equipment design standards, improving site qualities, and actively utilizing digital technology.

As a result of this approach, we have firmly instilled activities that help improve efforts to address issues regarding intrinsic equipment safety identified in domestic production site safety audits within the following fiscal year. Moreover, activities implemented by key safety personnel at domestic construction sites reduced the number of workplace accidents (particularly incidents that involve personnel falling off equipment and falling over), and have experienced no major equipment-related accidents (fires/explosions) in Japan or overseas.

On the other hand, several of the issues raised included discovering the risk of injuries attributable to machines and equipment at actual production sites, as well as reviewing the method and scope of discovery; developing automated detection technologies based on monitoring cameras for the purpose of reducing actions that deviate from rules at construction sites; taking measures against heatstroke amid the increasingly hot summer environment; and ensuring intrinsic equipment safety at overseas business sites while training the personnel to ensure safety promotion.

## Each and Every Employee Has the Ability to Identify Dangerous Situations

The Group feels that the establishment of a workplace environment in which employees can carry out their duties with safety and security is a key corporate responsibility and one of management’s most important priorities. Under this concept, we are implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes ((1) through (5) listed below). Despite a company’s efforts to provide a safe and secure environment, however, employees must also take it upon themselves to prevent accidents from happening. Ultimately, safety is a byproduct of the actions undertaken and behavior of each individual. For this reason, we are making concerted efforts at safety education and raising sensitivity to risks, while following rules and creating a protective corporate culture.

- (1) Safety management using OHSMS
- (2) Intrinsic equipment safety\*
- (3) Safety education of employees
- (4) Risk management and control, etc.
- (5) Safety audits and accident-prevention audits that assess the status of the above activities

\* The term for machine safety activities implemented by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.



Targets

During the current Medium-term Management Plan, we promoted safety activities with a review to achieving the KPI of zero occurrences of workplace accidents that result in a fatality in order to prevent any damage to our corporate value due to major incidents. Based on these endeavors, there was one workplace accident that resulted in a fatality in fiscal 2020. The results of major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Safety audits, mutual on-site inspections, comments and sound improvements through on-site risk assessment	Incidences of injuries attributable to machines and equipment	0	4

## System

We formulated and shared the SEKISUI CHEMICAL Group Safety Policy among all Group employees as our basic philosophy on occupational safety.

In terms of our efforts related to occupational health and safety, policies and activity guidelines are formulated by the Safety Subcommittee established under the Sustainability Committee. Each site puts into practice and promotes these policies and activities under the guidance of the Safety & Environment Group of the Manufacturing Infrastructure Enhancement Center.

In addition to data generated from ongoing work at SEKISUI CHEMICAL Group production and implementation sites and from research activities, a wide range of Group occupational health and safety data including data from partner companies (contractors) outside the Group is also collated.

In fiscal 2022, two meetings of the Safety Subcommittee were held online in October and March.

In the event of an actual occupational injury, information including the form of employment of the injured party is collected. Improvements as required are also sought when there is a problem with the management of a business site.

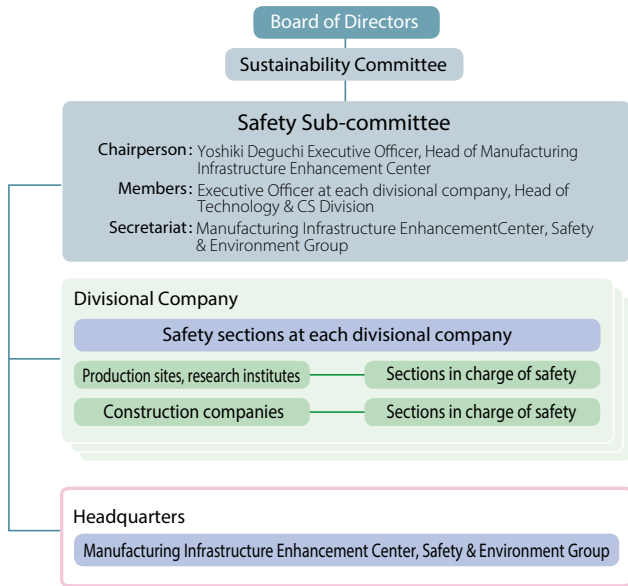
SEKISUI CHEMICAL Group determines the necessity of ISO 45001 certification for each business site, and promotes acquisition of and acquisition activities for this certification. Business sites that have not acquired this certification also build and apply safety and health management systems that reflect ISO and Occupational Health and Safety Assessment Series (OHSAS) requirements. The status of activities is monitored through safety audits and disaster-preparedness audits in an effort to encourage the continuation and vitalization of safety management activities.

### [ External certification (ISO 45001) Acquired ]

- SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant
- SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi Plant,
- SEKISUI CHEMICAL CO., LTD. Taga Plant
- CHIBA SEKISUI INDUSTRY CO., LTD.
- SHIKOKU SEKISUI CO., LTD.
- TOKUYAMA SEKISUI CO., LTD.

The ratio of ISO 45001-certified business sites to the total number of SEKISUI CHEMICAL Group's domestic production sites is 13%.

**Safety-promotion System**



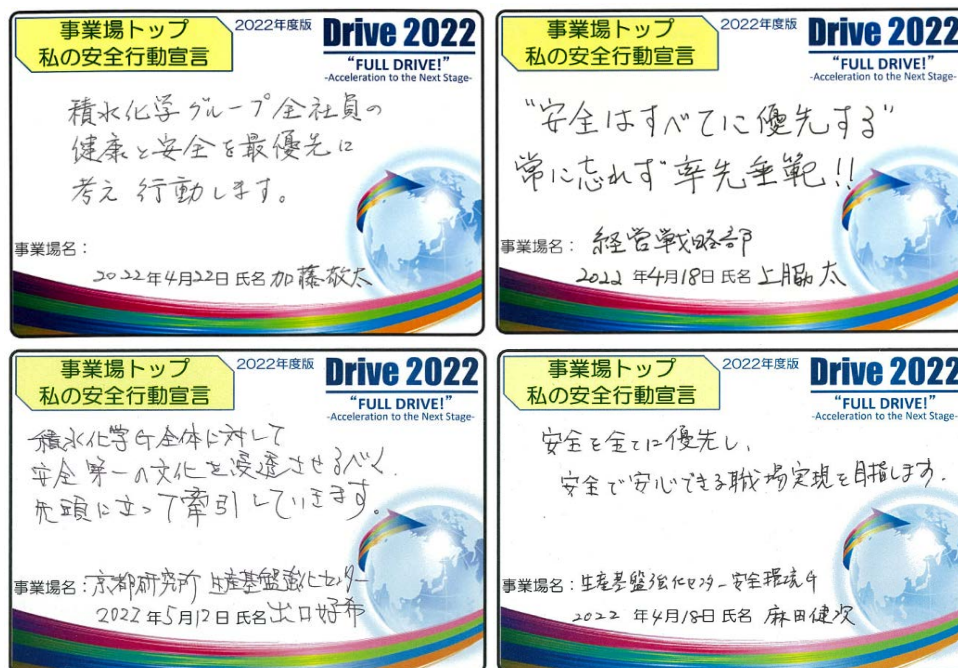
**Occupational Safety Committee Meeting Held**

Each business site within the Group convenes legally mandated Occupational Safety Committee meetings on an individual basis, during which labor and management work together to conduct disaster-related investigations and make strategic proposals related to occupational health and safety.

Meetings of the Central Occupational Safety Committee were held as a Group-wide forum for discussion between labor and management up to fiscal 2019. Despite a hiatus owing to the COVID-19 pandemic, Central Occupational Safety Committee meetings, at which labor and management discuss issues and measures regarding safety activities, resumed from fiscal 2022.

## Declaration of Commitments to Safe Business Practices Announced by the Leadership of Each Division

Based on the recognition that it is of the utmost importance for the top managers at business sites to exercise leadership and take the initiative in safety activities, leaders from each division, including the president, declare their commitment to safe business practices each fiscal year, and their personally written declarations are posted on the intranet.



A safety declaration posted on the intranet

## Implementation of Safety Audits

SEKISUI CHEMICAL Group has identified occupational health and safety management system evaluation categories, which are employed in the self-evaluations conducted at each business site as well as safety audit evaluations by Corporate Headquarters. We review evaluation categories each year, taking into account issues related to Group-wide safety management activities.

With a view to preventing the spread of COVID-19, certain business sites were audited remotely online in fiscal 2022 in similar fashion to efforts in fiscal 2021. SEKISUI CHEMICAL Group succeeded in completing safety audits as initially planned at 17 business sites in Japan.

In the remote audits, document audits were executed with comparable efficacy to in-person audits. Site inspection tours, on the other hand, were more time-consuming than usual, as they required communication between auditors at remote sites and on-site staff touring the facilities with wearable cameras. In the future, the Group plans to make continuous improvements to its safety auditing procedures, to ensure that they are carried out appropriately in line with audit objectives and the circumstances in each case.

## Implementation of Occupational Safety Assessments

Article 14 of the Group's Safety Management Rules stipulates that a comprehensive preliminary occupational safety assessment must be undertaken by the business general manager concerned when launching a new business. Based on this stipulation, the relevant divisional company that is looking to launch a new business implements an assessment.

Statutory and regulatory requirements differ by region, country, and state. With this in mind, overseas business sites are audited by external consultants (experts in local laws and ordinances) to confirm compliance.

## Implementation of Medical Examinations

As far as medical examinations for employees are concerned, measures are applied based on the medical examination results of high-risk individuals under the work aptitude assessment guidelines for high-risk individuals (for health management officers). In addition, SEKISUI CHEMICAL Group confirms that the following legally mandated medical examinations are conducted at each business site through various means including safety audits.

- Special medical examinations
- Special medical examinations

### Major Initiatives

#### Major Safety Management Initiatives

### Development of Human Resources to Take the Initiative in Safety Activities

SEKISUI CHEMICAL Group established a Safety Leader (SL) certification system as a qualification for personnel who assist safety managers and promote safety management activities at each site. The Group has continued to promote this system since fiscal 2017 for the purpose of enhancing safety activities.

In fiscal 2022, 35 employees (157 in total since fiscal 2017) were certified under the SL qualification system. Safety leaders are tasked with identifying and mitigating risks at their respective workplaces, holding workshops with other safety leaders Group-wide, upgrading and expanding the content of safety training, and promoting the rollout of best practice examples.

In addition, since fiscal 2017 we have continued to provide support for employees to obtain safety sub-assessor\* (SSA) qualifications, holders of which promote machine safety activities. As of March 2023, a total of 197 employees have been certified as SSAs. In addition, 23 employees have acquired safety assessor\* (SA) qualification, which ranks above SSA, while one employee also acquired safety senior assessor\* (SEA) qualification.

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



**Major Intrinsic Safety of Equipment Initiatives****New Equipment Design Safety Standards**

The New Equipment Design Safety Standards, which summarize the safety specifications necessary for production equipment used by the Group, kicked-off our Intrinsic Equipment Safety\*<sup>1</sup> activities. At the same time, the content was updated to reflect ISO/JIS machine safety standards, so it now serves as an important document for production equipment improvements. As a document, the Standards have been systematized in line with ISO/IEC Guide 51, and are comprised of Standard A: Basic Safety Standards, Standard B: Common Safety Standards, and Standard C: Individual Equipment Safety Standards. In 2020, we launched a revision committee comprised of 12 individuals with SSA\*<sup>2</sup> qualifications. This committee updates these Standards with the goal of revising the content once per year.

\*1 Machine safety activities promoted by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.

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

**Major Risk Management Initiatives****Increasing Risk Discovery Opportunities and Deploying Best Practices through Mutual On-site Inspections**

Starting in fiscal 2021, the Technology & CS Promotion Department at each divisional company took the lead in initiating mutual on-site inspection activities through which employees from different manufacturing sites seek to uncover risks at each other's sites. Conventional safety, accident-prevention, and environmental audits are only conducted once every three years making frequent audits impossible. This has made it difficult to horizontally deploy the best practices of other business sites.

Mutual on-site inspections help participating employees become more aware of and sensitive to risk, while leaders and others at the sites that host these inspections are able to learn from other business sites, thereby making it easier to horizontally deploy best practices.

In addition, we distribute a Site Risk Identification Handbook, which was prepared by the Safety & Environment Group, to safety officers at each business site as a guideline for uncovering risks on their own.



Major Risk Management and Safety Audit Initiatives

**Enhancement of Emergency Response Skills**

SEKISUI CHEMICAL Group has identified getting caught or entangled in machinery at a production facility, falling off equipment or falling over at a business site, and a chemical process-related fire or explosion as high-risk scenarios on which particular emphasis should be placed on prevention.

Moreover, the Company conducts Heads-up Training where chemical processes are integral to production.

At SEKISUI CHEMICAL Group, we conduct Heads-up Training to fortify the decision-making abilities of all our employees in the event that they encounter an emergency situation. More specifically, supervisors with years of experience will ask trainees what they would do if equipment designed to prevent danger fails. Trainees are then tasked with providing responses off the top of their heads. This training improves the skills needed to respond to unexpected situations in the event of a disaster by passing down to younger employees the on-site safety know-how accumulated over many years by senior employees.

Through this training, we are able to improve equipment countermeasures and revise operating procedures. In addition to teaching trainees how to handle potential problems, the training is applied on various occasions, including evacuation drills and disaster prevention drills.

Major Safety Education Initiatives

**Deepening Understanding of the Basic Safety Principles**

SEKISUI CHEMICAL Group is working to prevent occupational injuries caused by manufacturing machines and equipment through activities that make equipment itself intrinsically safer\* while also preventing occupational accidents caused by worker operations. Based on the lessons learned from past occupational accidents that actually occurred on Group business sites, the Six Basic Safety Principles, which summarize compliance matters and matters prohibited during operations for each operational process, were established and are currently in use.

In order to promptly disseminate these principles within the Group, we created and distributed to each workplace a poster that displays details in an easy to understand, illustrated format.

\* Machine safety activities implemented by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.



Six Basic Principles for Hot Work Poster (Thai version)

**Major Safety Audit/Disaster-preparedness Audit Initiatives**  
**Measures to Prevent Fires and Explosions**

To prevent fires and explosions that, once they occur, have a major impact on the surrounding environment and on business continuity, we invite outside disaster experts to perform emergency response audits when conducting safety audits. We verify items such as the storage and handling status of hazardous materials as well as the recovery systems used following a disaster, including natural disasters, and promote the quick identification of disaster risks and the subsequent implementation of preventative measures. In fiscal 2022, these audits were performed at 14 business sites uncovering 298 items. Each business site has been making improvements in regard to these items.



Type of audit	Target / Aim of audit
Safety audit	<ul style="list-style-type: none"> <li>• Document review Checking of conditions relating to health and safety management activities</li> <li>• On-site inspections Confirmation of the safety of people’s work, their working environments, the surfaces on which they walk, etc.</li> <li>• Intrinsic equipment safety measure status Inclusion of accident-prevention measures at the facility design and installation stages</li> <li>• Process examinations of facility management departments Facility installation management, construction management, maintenance management</li> </ul> <p>Note: For sites that implement safety audits only, the audit will proceed in much the same manner as before, including the disaster-preparedness audit outlined as follows.</p>
Disaster-preparedness audit	<p>Primarily consists of audits for accident-prevention measures relating to business continuity</p> <ul style="list-style-type: none"> <li>• Checking of storage and handling conditions of hazardous as well as designated flammable materials</li> <li>• Checking of fire-fighting equipment maintenance status</li> <li>• Measures for responding to earthquakes and other natural disasters</li> </ul>

## Major Safety Audit/Disaster-preparedness Audit Initiatives

### Overseas Business Site Safety Audits

At our overseas production sites, which operate within different legal, regulatory, and cultural environments, SEKISUI CHEMICAL Group has established and deployed safety global standards to raise the level of safety activities. In similar fashion to fiscal 2021, we conducted remote site inspections at 16 business sites while checking images from each premise in real-time in fiscal 2022. Moreover, we undertook occupational health and safety management audits based on the Group's evaluation standards with a focus on business sites that newly joined the Group.

#### Other Initiatives

### Safety Awards

The SEKISUI CHEMICAL Group Safety Conference is held each year.

Awards were bestowed by the president and case studies were presented by the business sites with the best safety records using an online format on May 27, in fiscal 2022.

### Safety Management Along Supply Chains

In order to secure the safety of employees from partner companies (contractors) involved in the on-site construction of housing, the Housing Company organizes the Sekisui Heim Cooperation Association with its partner companies (contractors) and holds periodic meetings. During these meetings, the Housing Company shares SEKISUI CHEMICAL Group's safety policy, offers safety education sessions, and provides a variety of training opportunities related to occupational safety.

### Emergency-preparedness Drills

To prevent and mitigate environmental pollution during an emergency, our employees at each business site are trained at least once a year in emergency procedures and communications for a variety of scenarios unique to each business site.

## Notification Regarding the Leakage of Wastewater Containing Radioactive Material from a Laboratory Building at the Drug Development Solutions Center of Sekisui medical Co., Ltd.

On August 4, 2022, a ruptured RI (radioactive material) water drainage pipe was discovered during demolition work at a building on the grounds of the Drug Development Solutions Center, Sekisui Medical Co., Ltd. (Tokai Village, Naka-gun, Ibaraki), at which point a trace amount of radioactivity was detected from the soil in the area surrounding the rupture. In preparation for such incidents, we had previously conducted drills in cooperation with local governments. In accordance with the established procedures, and in response to this incident, we swiftly contacted the Nuclear Regulation Authority, the local government, and others, released a press statement, and addressed inquiries from surrounding communities in the appropriate manner. It has been determined that there is no impact on human health or the environment as a result of this incident.

Notification Regarding the Leakage of Wastewater Containing Radioactive Material from a Laboratory Building at the Drug Development Solutions Center (Japanese Only)

<https://www.sekisui-medical.jp/news/assets/pdf/20220928.pdf>

### Environment-related Complaints and Accidents

Category		Number	Details
Accidents	Fires	0	—
	Leaks	1	Trace amounts of radioactivity were detected in the soil around a ruptured water drainage pipe during demolition work at a building. (See above)
Complaints		0	—

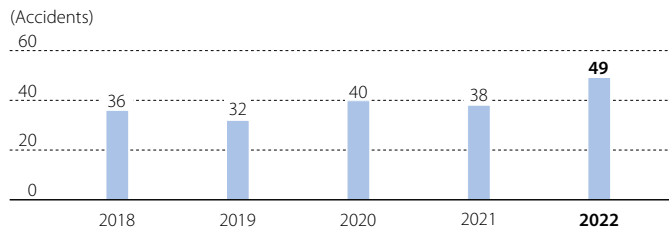
Performance Data 

## Safety Performance

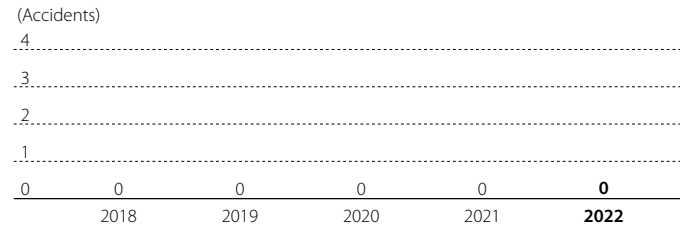
### Japan

Aggregate scope: 47 production sites and five research institutes in Japan

#### Number of Occupational Accidents



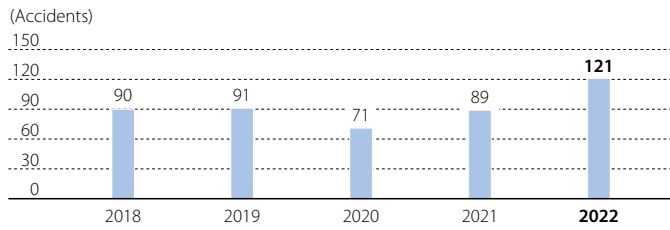
#### Number of Facility Accidents



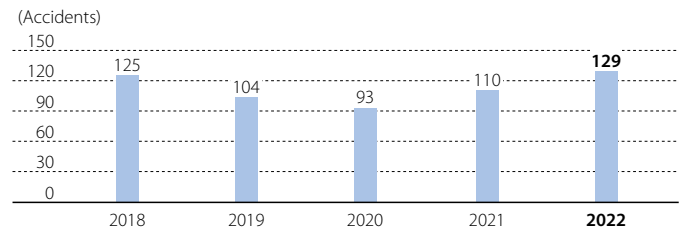
Indicator	Calculation Method
Number of Occupational Accidents	The number of occupational accidents (both those resulting in lost time and those not) occurring during a given fiscal year (April through the following March)

Indicator	Calculation Method
Number of Facility Accidents	The number of incidents where facilities malfunctioned (fires, leaks, etc.) that fulfill at least one of the following criteria (SEKISUI CHEMICAL Group criteria), from (1) to (3), occurring during a given fiscal year (April through the following March) (1) Human harm: An accident causing at least 30 days' lost work (2) Material harm: 10,000,000 yen or greater (3) Opportunity loss: 20,000,000 yen or greater

**Number of Cases of Long-term Sick Leave**



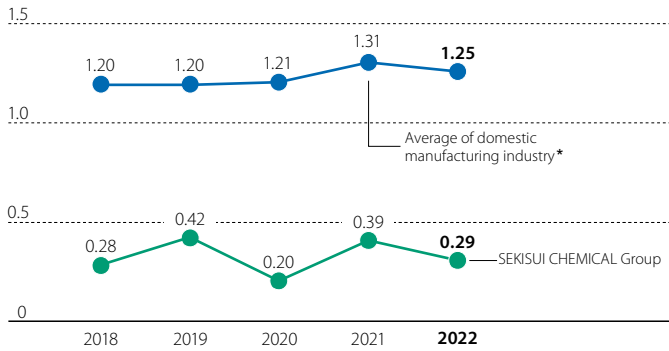
**Number of Commuting Accidents**



Indicator	Calculation Method
Number of Cases of Long-term Sick Leave	Describes leave of 30 days or more consecutively for sickness or injury occurring in a Japanese production site or research institute during the given fiscal year (April to the following March), and which is newly-occurring. Recurrences within 6 months of the start of work attendance are not counted. However, leave attributable to an occupational injury is counted as an occupational accident and not classified as long-term sick leave

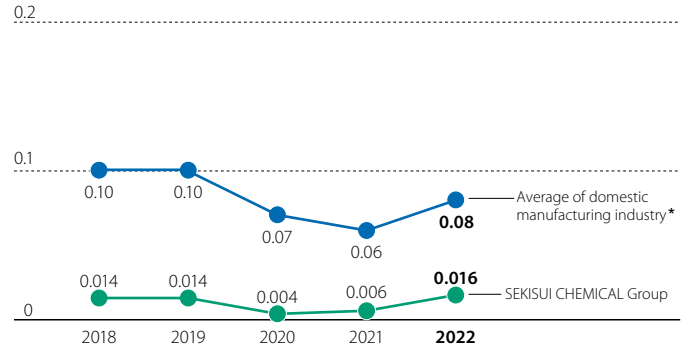
Indicator	Calculation Method
Number of Commuting Accidents	The number of accidents occurring during commutes to Japanese production sites and research institutes during a given fiscal year (April to the following March); counting assault, damage, self-inflicted injury, and accidents; includes accidents while walking

Frequency Rate Over Time



\* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Severity Rate Over Time

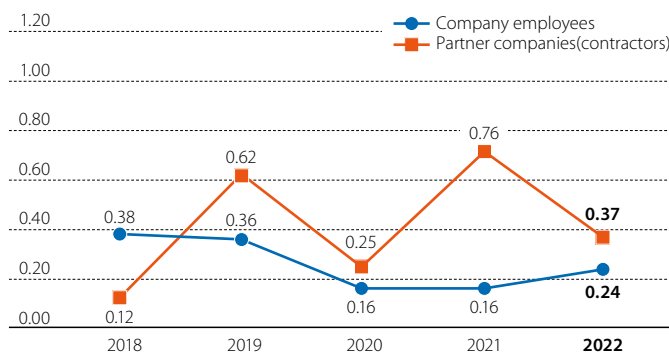


\* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Indicator	Calculation Method
Frequency Rate	The total number of injuries, illness and fatalities in occupational accidents with lost time per 1,000,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of injuries, illness and fatalities in occupational accidents with lost time / total number of man-hours worked) × 1,000,000

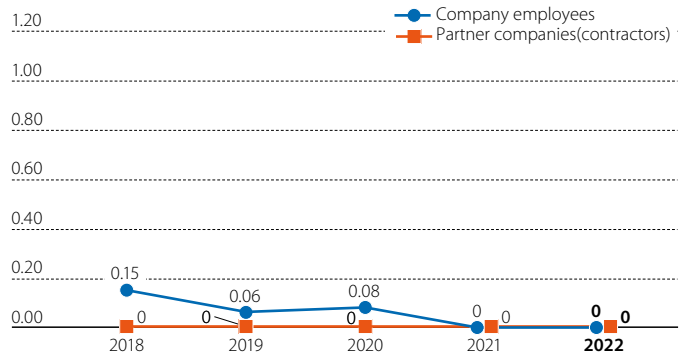
Indicator	Calculation Method
Severity Rate	The total number of days of work lost per 1,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of days of work lost / total number of man-hours worked) × 1,000

Lost Time Injury Frequency Rate (LTIFR)



Indicator	Calculation Method
Lost Time Injury Frequency Rate	(Number of accidents causing sick leave / total number of man-hours worked) × 1,000,000

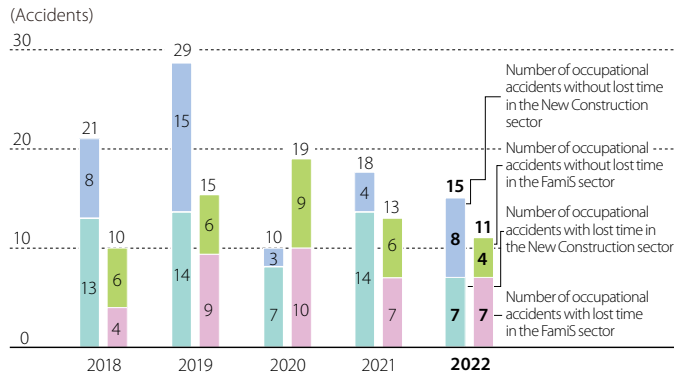
Occupational Illness Frequency Rate (OIFR)



Indicator	Calculation Method
Occupational Illness Frequency Rate	(Occupational illnesses / total number of man-hours worked) × 1,000,000 Occupational illnesses as defined by the Ministry of Health, Labour and Welfare, including heat stroke, lower back pain, and intoxication by chemical substances

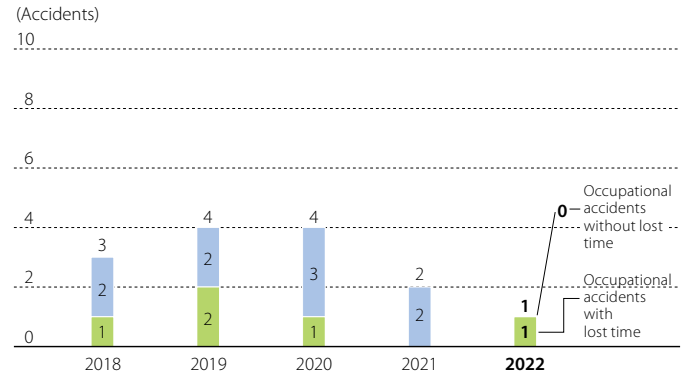


### Safety Performance in the Housing Company's Construction Sites



Indicator	Calculation Method
Safety performance on the Housing Company's construction sites	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the Housing Company during a given fiscal year (April through the following March)

### Safety Performance with Respect to Construction Sites in the Urban Infrastructure & Environmental Products Company

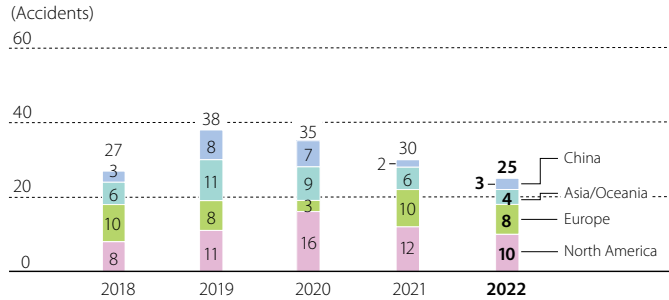


Indicator	Calculation Method
Safety Performance with Respect to Construction Sites in the UIEP Company	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the UIEP Company during a given fiscal year (April through the following March)

## Overseas

Aggregate scope: 47 overseas production sites

### Number of Occupational Accidents



Indicator	Calculation Method
Occurrence of occupational accidents at overseas production sites and research institutes	The number of occupational accidents (both those resulting in lost time and those not) occurring at overseas production sites and research institutes during a given fiscal year (April through the following March)

## Japan and Overseas

### Aggregate scope:

**47 production sites, five research institutes, and 31 construction offices in Japan**

**47 production sites and two construction offices overseas**

### Occurrence of fatalities due to occupational accidents

(Number of people)

		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Employees		0	0	0	0	0
	Japan	0	0	0	0	0
	Overseas	0	0	0	0	0
Partner Companies (contractors)		0	0	1	0	0
	Japan	0	0	1	0	0
	Overseas	0	0	0	0	0
Total		0	0	1	0	0

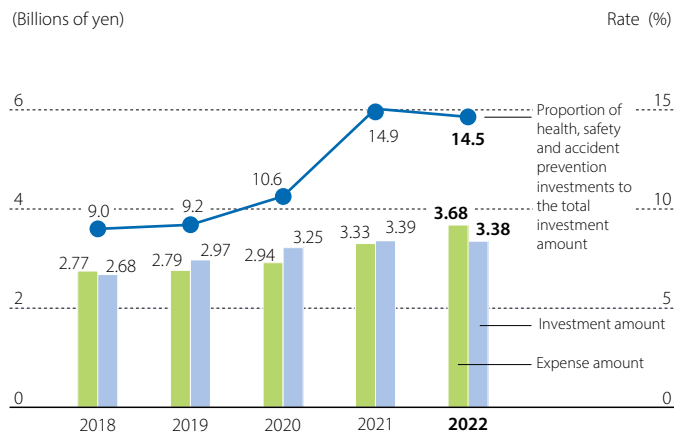
## Health and Safety / Accident Prevention Costs

Aggregate Scope: 46 Production Sites, five Research Institutes, Corporate Headquarters Departments, Back Offices of Divisional Companies in Japan

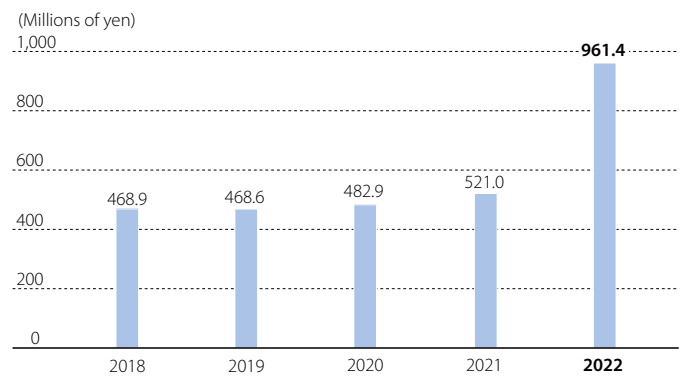
### Accident Prevention Costs (Fiscal 2022)

		(Millions of yen)	
Classification	Item	SEKISUI CHEMICAL Group	
		Expense amount	Investment amount
1) Costs within business site areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.	1,406	3,384
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	2,262	–
3) Other	Safety awards, etc.	9	–
Total		3,676	3,384

### Costs and Investments Over Time



### Loss Costs Over Time



Index	Calculation Method
Costs	Costs associated with health and safety as well as accident prevention activities during a given fiscal year (April through the following March)
Investment amounts	The amount invested in health and safety as well as accident prevention-related measures authorized during a given fiscal year (April through the following March)

Index	Calculation Method
Loss costs	The costs of responding to, and the labor costs incurred due to, occupational accidents, facility accidents, commuting accidents, and long-term sick leave due to illness occurring within a given fiscal year (April through the following March)

Note: Collated after adding maintenance costs (production, logistics, and power transformer facility management) to costs within business site areas from fiscal 2021.

# Quality Issues

## Basic Concept

We, SEKISUI CHEMICAL Group, consider CS & Quality as our central concept of management and will consistently promote innovation to maintain the quality of products throughout all of our business activities, continuously provide value (goods and services) that meets customer expectations, strive to constantly become the first choice of customers, and develop and grow with the customer over the long time. In order to achieve these established goals, we are prioritizing the need to strengthen basic quality while adhering strictly to quality compliance based on the understanding that manufacturing at the frontline underpins quality.

## Preventing Defects, Strengthening Daily Management, and Reducing Quality Irregularities

SEKISUI CHEMICAL Group 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. Furthermore, we contribute to the realization of a safe and affluent society by continuously providing our customers and their communities with new value.

SEKISUI CHEMICAL Group emphasizes 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. Surmising that quality irregularities can occur as a result of the insufficient allocation of resources in such areas as quality and organizational systems, as well as various types of both external and internal pressure, the Group set about eradicating the root causes of risk. To this end, we have engaged in efforts to revise organizational systems, digitalize and reinforce quality data, provide quality compliance training, and strengthen reviews of new business from 2020.

## CS & Quality Current Medium-term Plan

### Roadmap for CS & Quality Management Initiatives

			FY2020	FY2021	FY2022	
Minimization of quality-related compliance risks	Prevention of fraud and falsification of quality data		Understanding current status / defining requirements	System construction and operation		
	Prevention of malfunctions starting from the design and development stages		Training and education for developers and reviewers			
			Construction and trials of Design Review (DR) process for new business	Implementation and improvement of DR process for new businesses		
Maintaining and strengthening CS quality responsiveness	Constructing a global training framework for CS & Quality personnel	Promoting and maintaining awareness of CS & Quality	Implementing and providing feedback*1 for employee CS & Quality assessments	Follow-up of organizational activities (support problem-solving skills through conversation)		
		Reforming the qualities of KAIZEN activities	Establishing Group KAIZEN Activity guidelines	Expanding Group KAIZEN Activity guidelines to all companies	Promoting awareness of guidelines (sharing implementation casestudies)	
		Self-drive KAIZEN activities	Developing an education program for leadership	Verifying the trial run for the leadership education program	Expanding the leadership education program	
		Monitoring KAIZEN activities	Combining monitoring items and guideline contents	Monitoring using the new combination indicators		
	Constructing a CS & Quality education system	Strengthening the collection and utilization of customer feedback*1	Searching	Conduct internal questionnaires and interviews	Training related to collection and utilization and enhancement of cross-organizational information sharing	
		Promoting CS activities based on the guidebook	Basic CS training (telephone communication, creating a CS culture) (as needed)			
Reform of CS & Quality foundations	Constructing and effectively utilizing a new QMS system	Enhancing production fundamentals	Expanding the introduction of SPMC*2 and raising the level for utilization	Reconstructing, spreading, and solidifying understanding of effective utilization methods for SPMC*2		
	Promoting digitization of CS quality information	Constructing a quality incompatibility knowledge system	Understanding current situations and conducting surveys	Trial runs and expanding sites that implement system		

\*1 For details, see Improving CS & Quality on p. 251.

\*2 SPMC stands for Sekisui Process Management Chart.

Targets

Under the current Medium-term Management Plan, we set zero occurrences of major quality issues as a KPI and promoted quality activities with the goal of preventing or minimizing the impact of serious incidents on corporate value. While there were no instances that could be categorized as Group-wide serious incidents, there were two major quality issues as defined by individual divisional company standards in fiscal 2022. The results of the major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Preventing the Occurrence of Serious Quality-related Problems	The rate of application of development risk prevention methods (number of themes for implementation of methods to prevent development risk/number of development themes)*	100%	100%

\* When using methods to prevent development risk at the product development stage.

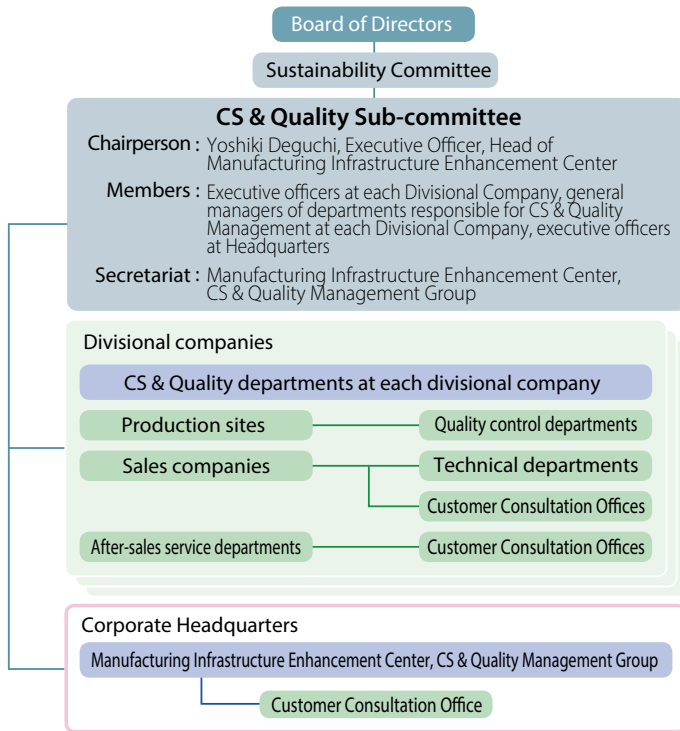
System

## Holding meetings of the CS & Quality Subcommittee that reports to the Sustainability Committee

SEKISUI CHEMICAL Group deliberates on and determines all financial and non-financial initiatives and policies through its Board of Directors.

We maintain a CS & Quality Subcommittee, which reports to the Company’s Sustainability Committee. Both the Sustainability Committee and CS & Quality Subcommittee meet twice a year to deliberate on non-financial CS & Quality issues. In fiscal 2022, meetings of the CS & Quality Subcommittee were held twice, in October and March.

### CS & Quality Management Promotion System



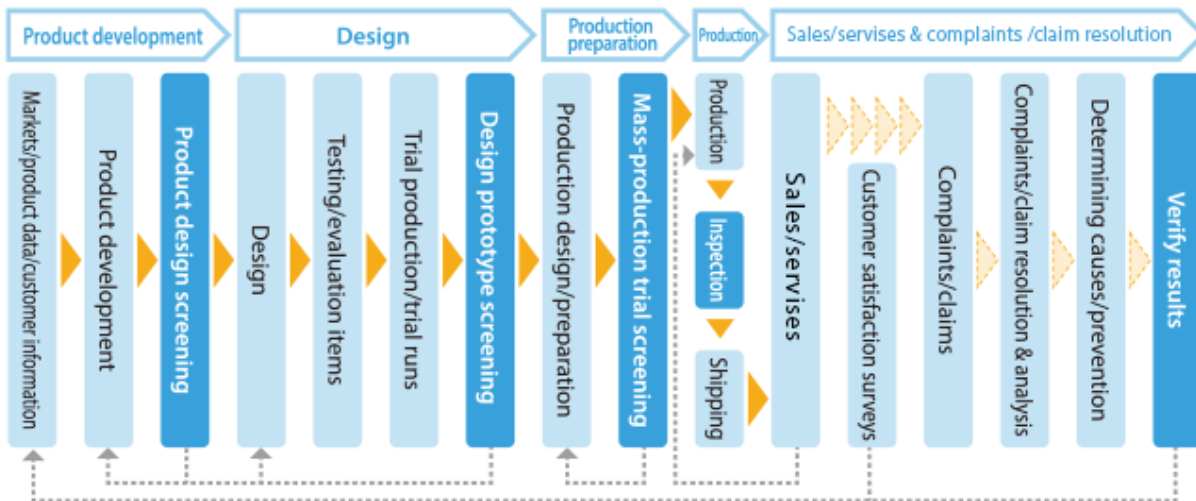
## Building Quality Assurance Systems That Reflect Business Characteristics

SEKISUI CHEMICAL Group has built quality assurance systems that extend across all processes, from product development to design, production, and sales.

We have developed a quality assurance system for each process and promote standards-based controls on a daily basis. At the same time, we recognize that it is the field of manufacturing development that supports quality. Accordingly, we focus our efforts on promoting production activity innovation. In developing products and making improvements to quality, we undertake strict design screening from a variety of perspectives, such as those of quality assurance and safety.

In addition, we have established a system that enables maintenance and management of after-sale services for customers.

### Quality Assurance System



### Major Initiatives

## Initiatives to Prevent Quality Data Irregularities and Falsification

SEKISUI CHEMICAL Group put into place a system and framework for the thorough prevention of data irregularities and falsification based on the CS & Quality Medium-term Plan, which was launched in fiscal 2020.

In fiscal 2022, SEKISUI CHEMICAL Group focused mainly on securing the reliability and transparency of data, particularly regarding product inspections and the drafting of reports in order to ensure that the specifications agreed upon with our customers are observed. In addition, we are developing systems, as well as revamping and deploying daily management work, to make data input errors and falsification impossible. Moreover, we are focusing our efforts on digitizing inspection data while applying this data to help improve operations.

SEKISUI CHEMICAL Group will continue to strengthen internal quality control and to provide quality compliance training to ensure that the Group reinforces its awareness toward compliance. Through these means, we will enhance our quality assurance capabilities and extinguishing any potential for fraud.



## Prevention of malfunctions starting from the design and development stages

## Conducting Training Focused on Preventing Quality-related Problems

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

In fiscal 2022, we continued to conduct Development Risk Prevention Seminars and QFD Seminars on an online basis.

\*1 DR: Design Review

\*2 QFD: Quality Function Deployment



QFD seminar

## Creating a Design Screening Platform for New Businesses

SEKISUI CHEMICAL Group has created a Gate Review (GR)\* platform to perform strict design screenings when new businesses are launched, which we have been operating since fiscal 2020. GR clarifies discussion points during design screenings by applying a design check sheet to highlight perspectives that should be considered during the design phase. In addition, we conduct External Expert Reviews aimed at gaining new insights from internal and external experts as a source of initial design input in such areas as new business fields and legal regulations.

\* Gate Review (GR): A continuous activity to judge whether or not to proceed to the next step (checkpoint management feature).

## Constructing a global training framework for CS & Quality personnel

With the aim of enhancing the on-site manufacturing capabilities that underpin quality, the Group supports Group KAIZEN Activities.

Under the current Medium-term Management Plan, we deployed activities based on the following three pillars.

### 1. Reform the quality of Group KAIZEN Activities

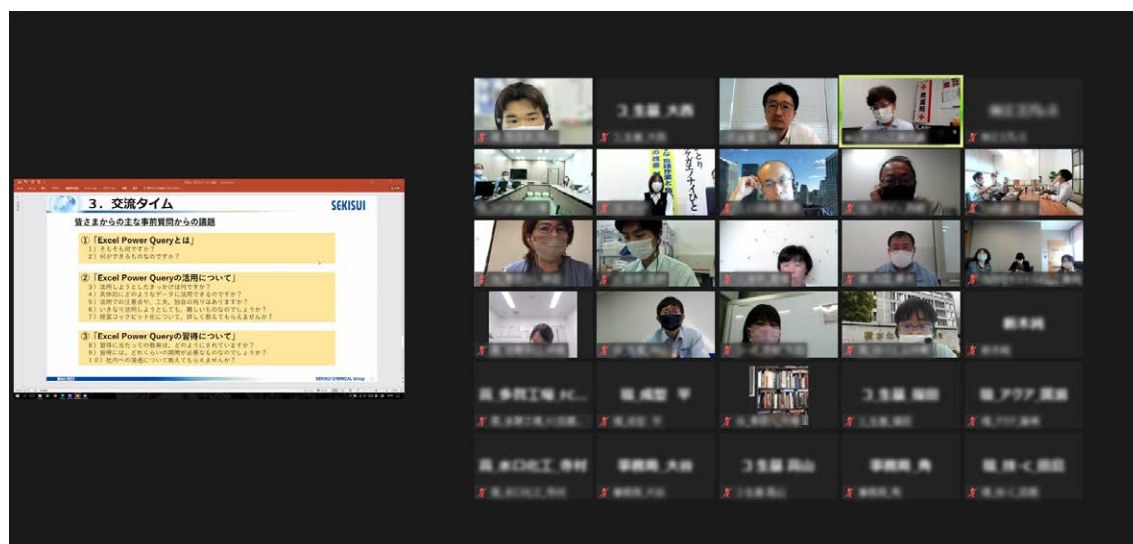
The freedom of KAIZEN Activities and announcements have expanded in an out-of-the-box manner along with the spread of online presentations, which we have successfully connected to quality reform.

### 2. Promote the independence of Group KAIZEN Activities

In providing theme support, including basic education, we have steadily increased the number of business sites that are able to promote activities on their own, both in Japan and overseas.

### 3. Monitor Group KAIZEN Activities

As a first for the Group, we held the KAIZEN Exchange Session online in 2022. This session broadly invited content that we wanted to introduce and hear about from among KAIZEN themes promoted by each business site. Ultimately, five teams made presentations and held question and answer sessions with attendees, in which many individuals participated to create a meaningful exchange.



Group KAIZEN Exchange Session

## New image for Group KAIZEN Activities: Holding Group KAIZEN presentations in a hybrid format

In January 2023, we held the Group KAIZEN Activity presentations (Group-wide competition) in a hybrid format. We made various adjustments including limiting the number of in-person attendees as a means of preventing the spread of COVID-19, as well as increasing the number of online attendees. Many presenting business sites, including those from three overseas regions, attended in-person at the auditorium for the first time in three years, allowing the event to come to a successful conclusion amid rousing interaction between business sites.

Many of the presentation themes during the event involved strengthening quality, leading us to recognize the height of quality awareness among every individual employee working on the front lines of each business site.



Fiscal 2022 Group KAIZEN Presentations

## Constructing and effectively utilizing a new QMS system

We developed an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), in order to strengthen our process approach when promoting certification under the 2015 ISO 9001 standard. The SPMC provides an overview of the management flows of those processes, making it an effective tool in monitoring daily management, promoting corrective action as well as internal audits, and other activities including quality education.

In fiscal 2022, we revised the curriculum, including mock audit exercises, for SPMC Internal Audit Hands-on Training, which is held on an ongoing basis, and updated the content to be more easily understood by attendees.

In addition, we prepared Guidelines for Implementing Integrated Internal Audits Using SPMC and internal audit scenario videos with voiceovers. These efforts have served to deepen the level of permeation and understanding. Every effort will continue to be made to improve the excellence of our quality management systems.



Guidelines for  
Implementing  
Integrated Internal  
Audits Using SPMC



SPMC Internal Audit Hands-on Training

### Other Initiatives

## Compliance with Laws and Internal Rules for Product Safety

Having positioned product safety as the most important element of quality, SEKISUI CHEMICAL Group strives to ensure the safety of all products manufactured and sold by each Group company in order to deliver safe products to its customers. We therefore implement safety reviews at the design and development stage to ensure product safety. In addition, when a legal violation related to product safety becomes known internally or is pointed out from external sources, SEKISUI CHEMICAL Group rapidly discloses information about the incident and moves quickly to discover the cause and prevent a recurrence. This is also true if internal rules and standards for product safety have not been followed.

As of the end of fiscal 2022, there were two incidents where the Group violated product safety laws and regulations. Each case was reported to Japan's Ministry of Land, Infrastructure, Transport and Tourism in April 2023. SEKISUI CHEMICAL Group takes each incident very seriously and will pursue prompt corrective measures while making Group-wide efforts to prevent a recurrence.

Nonconformity with building standards in residential complexes and detached houses

[https://www.sekisuichemical.com/news/2023/\\_icsFiles/afieldfile/2023/04/18/20230414e.pdf](https://www.sekisuichemical.com/news/2023/_icsFiles/afieldfile/2023/04/18/20230414e.pdf)

## Product Quality Disclosure and Labeling: Compliance with Laws and Internal Rules Relating to Product Information Disclosure

SEKISUI CHEMICAL Group complies strictly with laws and internal rules relating to the disclosure of product quality and safety. The Group has established and confirms items to be checked regarding laws and product information disclosure at the development stage, and implements design reviews.

In fiscal 2022, there were no cases where we violated laws or internal rules related to the disclosure of product quality and safety.

## Quality Assurance System in Collaboration with Suppliers

SEKISUI CHEMICAL Group engages in activities to ensure the quality of goods purchased from suppliers. For example, the Housing Company has established rules for 4M Change\* management with suppliers and is building a product quality assurance system by ensuring implementation.

\* 4M Change: A management method to prevent product defects and defective products from leaking into the market by controlling changes in four elements: Man, Machine, Method, and Material.

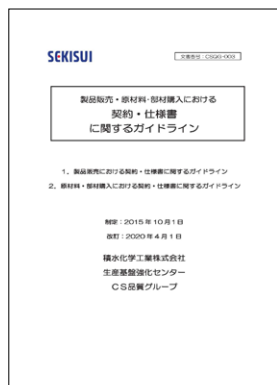
## Formulating Quality Guidelines

Undertaking uniform quality control throughout the value chain—from product development to design, production, sales, and after-sales services—SEKISUI CHEMICAL Group is working to improve the level of its quality control in each process by formulating and issuing the following three guidelines.

The Development Guidelines for Strengthening Quality Assurance are aimed at preventing quality-related problems by predicting quality risks that can arise after commercialization. The Guidelines for Daily Management Activities are a collection of basic guides to routine management that must be followed in manufacturing.

The Contract / Specification Guidelines aim to reduce the risk of expanded compensation\* related to product sales.

\* Expanded compensation: Customer compensation in the case of product defects that extend beyond returns and exchanges to include compensation for processing / construction / items made with these products, and other related damage.



## Performance Data

**Fiscal 2022 Results**

In fiscal 2022, there were two major quality issues (as defined by individual divisional company standards)\*1. As a result, external failure costs\*2 came in at 99% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will continue to promote the application of development risk prevention methods (such as QFD and DRBFM\*3) to reduce external failure costs.

The rate of application of development risk prevention methods in fiscal 2022 was 100%.

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

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

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



## Business Sites That Have Received Third-party Certification for Their Quality Management Systems

The ratio of SEKISUI CHEMICAL Group production sites that have acquired ISO-9001 or other similar certifications is 99%.

### Housing Company (integrated certification)

Housing Company (integrated certification)  
Development Division  
Residential Stock Business Management Division  
Housing Renovation R&D Department Technology & CS Division  
Manufacturing & Materials Division  
Sekisui Global Trading Co., Ltd.  
Administrative Management & Control Division  
Information Systems Department  
Hokkaido Sekisui Heim Industry Co., Ltd.  
Hoppou Jyubunka Institute Co., Ltd.  
Tohoku Sekisui Heim Industry Co., Ltd.  
Sekisui Heim Industry Co., Ltd.  
Kanto Site  
Tokyo Site  
Chubu Site  
Kinki Site  
Chushikoku Sekisui Heim Industry Co., Ltd.  
Kyushu Sekisui Heim Industry Co., Ltd.  
Sekisui Heim Industry Co., Ltd. Head Office  
Supply Division Technology Department  
Sekisui Board Co., Ltd.

### Corporate Headquarters

SEKISUI CHEMICAL Co., Ltd. New Business Development Department LB Business Group  
Sekisui Medical Co., Ltd. (Headquarters)  
Sekisui Diagnostics, LLC.  
Sekisui Diagnostics, LLC San Diego  
Sekisui Diagnostics, LLC P.E.I. Inc.  
Sekisui Diagnostics (UK) Ltd.  
Veredus Laboratories Pte. Ltd.  
Sekisui Medical Technology (China) Ltd.  
Sekisui Medical Technology (Suzhou) Co., Ltd.

### Urban Infrastructure & Environmental Products Company

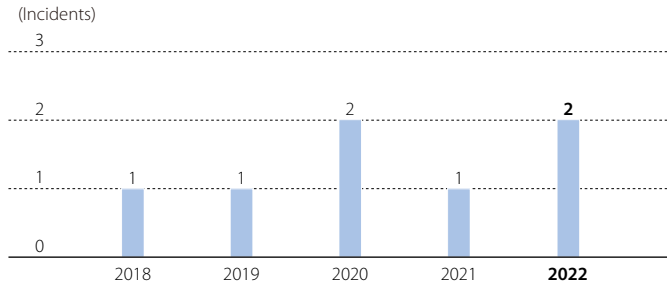
SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant  
SEKISUI CHEMICAL Co., Ltd. Gunma Plant  
Shikoku Sekisui Industry Co., Ltd.  
Kyushu Sekisui Industry Co., Ltd.  
Sekisui Aqua Systems Co., Ltd.  
Chiba Sekisui Industry Co., Ltd.  
Sekisui Home Techno Co., Ltd.  
Sekisui Chemical Hokkaido Co., Ltd.  
Toto Sekisui Co., Ltd. Ota Plant  
Yamanashi Sekisui Co., Ltd.  
TOKUYAMA SEKISUI CO., LTD.  
Sekisui SoflanWiz Co., Ltd.  
NIPPON INSIEK CO., LTD.  
SEKISUI ESLON B.V.  
Sekisui Chemical G.m.b.H.  
Sekisui Rib Loc Australia Pty. Ltd.  
Sekisui (Wuxi) Plastics Technology Co., Ltd.  
Sekisui Industrial Piping Co., Ltd.  
SEKISUI SPECIALTY CHEMICALS (THAILAND) CO., LTD.  
SAND L SPECIALTY POLYMERS CO., LTD.

### High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi Plant  
SEKISUI CHEMICAL Co., Ltd. Musashi Plant  
SEKISUI CHEMICAL Co., Ltd. Taga Plant  
Sekisui Fuller Company, Ltd. (integrated certification)  
Shiga Plant  
Hamamatsu Plant  
Osaka Office  
Tokyo Office  
Sekisui Techno Molding Co., Ltd. Tochigi Plant  
Sekisui Techno Molding Co., Ltd. Aichi Plant  
Sekisui Techno Molding Co., Ltd. Mie Plant  
Sekisui Material Solutions Co., Ltd.  
Sekisui Nano Coat Technology Co., Ltd.  
Sekisui Chemical Co., Ltd. Tsukuba Site / IM Project  
Sekisui Polymatech Co., Ltd  
Sekisui Seikei Co., Ltd.  
Sekisui S-Lec Mexico S.A. de C.V.  
Sekisui S-Lec B.V.  
Sekisui S-Lec Thailand Co., Ltd.  
Sekisui S-Lec (Suzhou) Co., Ltd.  
Sekisui S-Lec America, LLC.  
Sekisui Alveo BS  
Sekisui Alveo G.m.b.H  
Sekisui Alveo S.r.L  
Sekisui Alveo S.A.  
Sekisui Alveo A.G.  
Sekisui Alveo (Benelux) B.V.  
Sekisui Alveo B.V.  
Thai Sekisui Foam Co., Ltd.  
Sekisui Voltek, LLC. Coldwater Plant  
Sekisui Pilon Plastics Pty. Ltd.  
Youngbo Chemical Co., Ltd.  
Sekisui Youngbo HPP (Wuxi) Co., Ltd.  
Sekisui Specialty Chemicals America, LLC.  
Calvert City Plant  
Sekisui Specialty Chemicals America, LLC.  
Pasadena Plant  
Sekisui Specialty Chemicals America, LLC.  
Dallas HQ  
Sekisui Specialty Chemicals Europe, S.L.  
Tarragona Plant  
SEKISUI DLJM MOLDING PVT LTD- CHENNAI-1  
SEKISUI DLJM MOLDING PVT LTD- CHENNAI-2  
SEKISUI DLJM MOLDING PVT. LTD GR. NOIDA  
SEKISUI DLJM MOLDING PVT. LTD TAPUKARA  
SEKISUI DLJM MOLDING PVT LTD GUJARAT  
SEKISUI POLYMATECH (THAILAND) Co., Ltd.  
PT. SEKISUI POLYMATECH INDONESIA  
Sekisui Polymatech (Shanghai) Co., Ltd.  
SEKISUI POLYMATECH EUROPE B.V.  
SEKISUI AEROSPACE CORPORATION  
SEKISUI KYDEX, LLC.

## Data Concerning Major Quality Issues

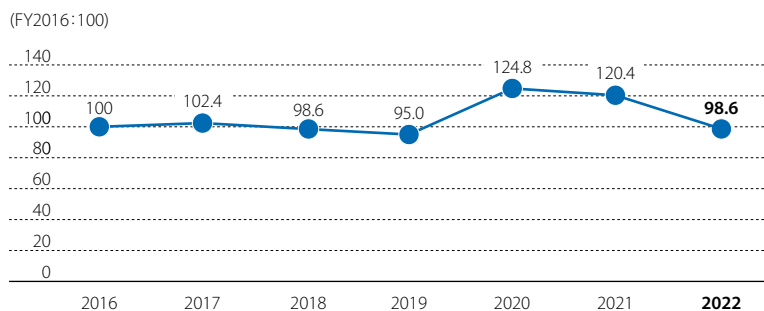
### Number of Major Quality Issues



Indicator	Calculation Method
Major Quality Issues	<p>These refer to product and service quality issues determined by Corporate Headquarters or divisional company presidents, based on evaluations and judgments by the quality assurance manager, which could cause significant damage to customers, society, or SEKISUI CHEMICAL Group and lead to the loss of society's trust in the Group if not thoroughly resolved on an urgent basis including:</p> <ol style="list-style-type: none"> <li>1) Major incidents                             <ol style="list-style-type: none"> <li>(1) Of the accidents that threatened user lives or lead to bodily harm, those in which the harm is serious.</li> <li>(2) Product loss or destruction incidents for which there is a risk of severe or fatal user injuries</li> </ol> </li> <li>2) Problems which have serious impacts (cause serious loss) to customers, users, or society</li> <li>3) Compliance (such as complying with related laws and regulations) problems related to product or service quality</li> <li>4) Product recall problems</li> </ol>

## Data Concerning External Failure Costs

### External Failure Costs



Indicator	Calculation Method
External failure costs	Costs arising from responding to product-related complaints



**Other Data**

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Number of participants in the Development Risk Prevention Seminar (cumulative total)	302	418	502	555	604	657	710
Number of participants in the DR Reviewer Training Seminar (cumulative total)	166	259	283	296	349	363	363
Number of participants in the QFD Seminar (cumulative total)	—	—	31	90	188	251	325

# Legal and Ethical Issues

## Basic Concept

### Compliance Management

In SEKISUI CHEMICAL Group, we established our Compliance Declaration in 2003 based on principles such as contributing to society, being a trusted company, and adhering to the letter and spirit of the law. In keeping with the spirit of the Group Principles and our Corporate Activity Guidelines, we defined our stance for the acquisition of high social trust through compliance.

Positioning compliance at the core of our efforts, we are currently working toward sustainable growth under our Long-term Vision, Vision 2030. Guided by the current Medium-term Management Plan we have worked diligently to raise each and every employee's awareness toward compliance by promoting various compliance programs in a bid to enhance the Group's management ability to sustain business through the reduction of serious incidents.

Looking ahead, we will continue to carry out initiatives for improving compliance awareness in order to ensure SEKISUI CHEMICAL Group remains widely trusted by society.



Targets

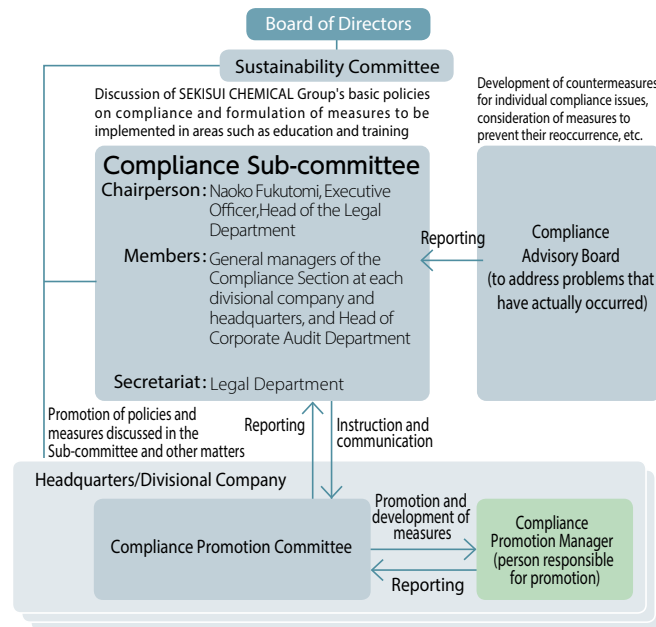
With the aim of preventing damage to the Group’s corporate value resulting from a serious incident, we identified zero incidents of major compliance issues as a KPI under the current Medium-term Management Plan. In an effort to achieve this KPI, we have continued to promote compliance activities. Thanks to these endeavors, the number of major compliance issues was zero. The results of major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Strengthen overseas Group company control	Deployment rate of important rules (regarding antitrust laws, anti-bribery, etc.) at overseas Group companies	100%	96%
	Establishment of internal whistleblowing systems at overseas Group companies (number of regions)	All overseas regions (10 regions)	Completed in 9 regions

System

We are building a realistic and effective compliance promotion system to ensure that compliance management is fully put into practice. In addition to having established a Compliance Subcommittee, which reports to the Sustainability Committee and is chaired by the executive officer who heads the Legal Department, as an organization to oversee Group compliance and to put forward policies and implementation measures, we are also establishing compliance promotion 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. In fiscal 2022, the Compliance Subcommittee met on two occasions, once in May 2022 and again in November 2022.

Compliance Promotion System



Major Initiatives

Formulating the Compliance Policy

SEKISUI CHEMICAL Group published a compliance manual, which contained a code of conduct and detailed explanation for various compliance items, including corruption prevention, conflicts of interest, antitrust laws, accounting, and harassment, in 2003. Utilizing this manual, we have undertaken in-house training and related activities. To ensure that the Group's approach toward compliance is known to a wide range of stakeholders, we drew on the code of conduct portion of the manual to put in place a Compliance Policy and posted details on the Company's website in fiscal 2022.

Compliance Policy

[https://www.sekisuichemical.com/sustainability\\_report/pdf/update/Compliance%20Policy\\_EN.pdf](https://www.sekisuichemical.com/sustainability_report/pdf/update/Compliance%20Policy_EN.pdf)

See Other Policies on p. 335

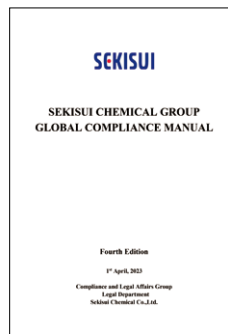
## Fostering Compliance Awareness

SEKISUI CHEMICAL Group has created and distributed the aforementioned Compliance Manual, the Global Compliance manual, its overseas version, and a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee.

In fiscal 2022, the Compliance Card was updated and once again distributed to employees in Japan. At the same time, the Global Compliance Manual was revised and disseminated to all overseas regions.



The Company's  
Compliance Manual



The Company's Global  
Compliance Manual  
(English edition)



The conveniently sized Compliance card

## Compliance Training

As part of our efforts associated with putting compliance management into practice, we also focus on employee compliance education. We continuously provide opportunities for all Group employees to learn about the importance of compliance, through such measures as including information about compliance in training for new employees and rank-specific training. We also conduct e-learning sessions specific to compliance at least four times each year. In fiscal 2022, we once again enabled employees to participate in paper-based learning programs at the request of Group companies and business sites to provide the same learning opportunities for those employees without access to an environment from which they can individually view the intranet, such as those working on production plant floors.

## ■ Promotion and Operation of the S.C.A.N. Intra-company Whistleblowing System

SEKISUI CHEMICAL Group established the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system. Operated under the supervision of the executive officer in charge of the Legal Department, the system serves as a mechanism for the early detection and revision as well as the prevention of any reoccurrence of compliance problems, including harassment, within the Group.

Group employees can use S.C.A.N. either anonymously or by giving their name while reporting not only through the intra-company whistleblowing system, but also to an outside law firm.

Intra-company whistleblower regulations strictly protect the whistleblower by ensuring that information remains confidential and prohibits prejudicial treatment or retaliation while requiring employees to report compliance violations that come to their attention.

When a report is received, interviews are conducted not only with informants but also with the accused, as well as other related parties as necessary. Based on a range of evidence, we confirm the veracity of the facts and, as a reporting point of contact strive to resolve organizational issues from an impartial standpoint.

In fiscal 2022, we took the opportunity to further strengthen the Company's intra-company whistleblower structure and systems while improving reliability by revising the intra-company whistleblower regulations, providing training to employees who work at the point of contact, and implementing other measures at the time Japan's Whistleblower Protection Act was revised.

From a global perspective, we have completed steps to establish whistleblower systems in North America, China, the EU, ASEAN, South Korea, and Taiwan.

SEKISUI CHEMICAL Group has also put in place points of contact for consultations from and whistleblowing by business partners.

These consultation / notification points of contact are 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 via a form made available on Group company websites and, while conducting consultations with business partners, proceed to confirm the facts and take corrective action concerning any alleged law-violating conduct. The content of consultations and reports is shared only among the minimum number of people necessary to resolve the law-violating conduct concerned, and all parties that need to be involved are obliged to keep that content confidential.

## ■ Status Regarding the Prevention of Bribery and Corruption

SEKISUI CHEMICAL Group has signed onto and endorsed the UN Global Compact, which identifies anti-corruption efforts under its voluntary action principles. In this spirit, we are promoting efforts to prevent acts of bribery and corruption through a variety of measures, including putting in place rules to prevent bribery and corruption as one of our internal regulations and introducing these rules 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. We have worked to make these regulations and guidelines known via the intranet, so that employees can check them at any time.

As a major preventative measure against corruption and bribery, we have established and are implementing rules to prevent violations by identifying high-risk cases. For example, when a government official is to be entertained or presented with a gift, a specified form must be submitted in advance and approval obtained from management. In the event that we appoint an agent or consultant in connection with business transactions, including those involving overseas public officials, we stipulate that this can only be undertaken once we have confirmed that payments of remuneration to that agent or consultant could not be classed as bribes, that there are no reasonable grounds to suspect that payments could constitute bribes, and only after a predetermined settlement procedure has been followed. In departments, which are especially at risk for bribery and corruption, we encourage employees to learn about the relevant regulations and guidelines and to use the appropriate application forms through various measures, including training specific to countering graft and corruption.

Moreover, we are endeavoring to inform all relevant parties of our stance toward bribery prevention through our Compliance Policy, Compliance Manual, and Global Compliance Manual.

In fiscal 2022, we established a rule requiring prior approval from the Administration or Legal Departments when inviting foreign public and other officials. We also included questions on bribery in an e-learning program for employees of Group companies in Japan.

## ■ Status Regarding the Prevention of Transactions That Represent a Conflict of Interest

In the event of a conflict between the interests of the Company and an individual director or employee, the Group determines whether the subject transaction is in the best interests of the Company. Our policy is to that the Company does not incur damages as a result of a conflict of interest. In fiscal 2022, we formulated Guidelines for Outsourcing Transactions that May Raise Conflict of Interest Concerns and established rules to check in advance outsourcing transactions that may raise conflict of interest concerns in a bid to thoroughly implement the aforementioned policy.

## ■ Legal Compliance with Antitrust Laws as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling

At SEKISUI CHEMICAL Group, we operate a business organization membership payment system, a pre-application system for competitor contact, and a price revision committee system as a compliance program for antitrust laws. The implementation status of these systems is audited yearly, and the program is revised as needed. This program has also been introduced at domestic business companies with high cartel risk.

In addition, SEKISUI CHEMICAL Group adheres strictly to laws and regulations including the Act against Unjustifiable Premiums and Misleading Presentations while engaging in good faith marketing related to advertising and product labeling when conducting its business activities.

## Initiatives to Strengthen Accounting Compliance

SEKISUI CHEMICAL Group is working to improve accounting skills and financial expertise across the Group as a whole in order to reduce risks related to finance and accounting.

We hold accounting meetings for personnel responsible for accounting at consolidated Group companies in Japan and overseas, to explain and share the rules of accounting and compliance activities. In addition, we conduct accounting workshop meetings as well as e-learning sessions to provide training on accounting skills and financial knowledge, to prevent any incidence of accounting treatment error or accounting fraud, and to enhance the awareness of divisions and employees involved in accounting operations regarding compliance.

Taking into consideration the need to prevent further spread on COVID-19, accounting meetings were held online, with 261 people in Japan and overseas participating in fiscal 2022 in similar fashion to fiscal 2021. The accounting training sessions and workshop meetings were also conducted online, with a total of 122 people participating.

## Tax Compliance Initiatives

SEKISUI CHEMICAL Group considers paying taxes as one of the fundamental and important social responsibilities of a company. We comply with the tax laws of each of the countries and regions in which our business activities are conducted and properly pay taxes.

We do not use tax havens for tax avoidance purposes, and pay taxes appropriately in accordance with the economic realities of the countries and regions where we operate. We will contribute to the economies of those countries and regions, aiming for mutual harmonious and stable development.

Transactions with tax risks are confirmed by external specialists as necessary to ensure their proper treatment and to reduce tax risks.

In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length prices based on local laws and Organisation 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. We respond to investigations by tax authorities in a sincere and appropriate manner, and report the results of investigations to the Board of Directors for improvement as appropriate. Through these efforts we endeavor to maintain good relationships with tax authorities.



## Compliance Reinforcement Month

### Initiatives Taken in Japan

SEKISUI CHEMICAL Group has set aside October of each year as Compliance Reinforcement Month, to give all employees the opportunity to reaffirm the importance of compliance.

In fiscal 2022, we implemented training in Japan covering four broad themes: labor management, labeling and representation regulations, intra-company whistleblowing system, and personal data protection. This training was conducted remotely online to prevent the spread of COVID-19 and to provide learning opportunities for employees who could not attend. A web conference system was employed in the case of labor management and video streaming for the remaining three themes.

Initiatives Taken During Compliance Reinforcement Month in Japan (Fiscal 2022)

- 1.Thorough dissemination of the Top Message on Compliance (October 2022) to all Group employees
- 2.Implemented all types of compliance training / Held an open-style legal seminar in which employees participated of their own accord (Web conference system relay training 9 times in total), video streaming (3 themes)
- 3.Introduced Compliance Reinforcement Month activities and provided class information on educational video programs in SWITCH Group web newsletters
- 4.Conducted e-learning using the Company intranet (setting themes centered on antitrust law and bribery as well as labor management)
- 5.Dissemination and reporting of compliance messages by global leaders to their own organizations
- 6.Initiatives in North America, China, Southeast Asia, and Europe (October to January)

## Overseas Initiatives

We are also expanding and rolling out horizontally those initiatives undertaken during Compliance Reinforcement Month in Japan on a global scale across a wide range of countries and regions including North America, China, Southeast Asia, and Europe. The themes taken up during Compliance Reinforcement Month are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

### Overseas Compliance Reinforcement Month Initiative Themes(Fiscal 2022)

- North America: 1) Implementation of an intra-company whistleblowing system poster contest and display of the winning poster
- 2) Dissemination of the top message
- 3) Distribution of training videos on the intra-company whistleblowing system to local companies under the control of SEKISUI CHEMICAL Group
- 4) Implementation of training
- Initiatives implemented during October: Emergency response training, cyber security training prepared by SAC, other compliance training, including harassment prevention
  - Other initiatives implemented: Bribery and corruption prevention training, Success Factors training
- 5) Implementation of a survey on the degree of awareness of the intra-company whistleblower system
- 6) Implementation of a survey to solicit feedback on activities during Compliance Reinforcement Month
- 7) Introduction of Compliance Awareness Survey conducted by SEKISUI CHEMICAL CO., LTD. in November 2022

China: Training conducted in the following format:

- Training format: Face-to-face and/or online training
- Themes: Information leakage countermeasures, explanation of contract templates, individual themes

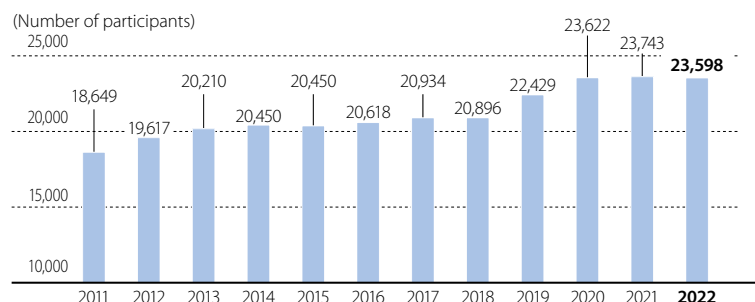
Southeast Asia: Training implemented on the themes of incident introduction in Japan, confidential information management, antitrust compliance program, and intra-company whistleblower system awareness

Europe: Raising awareness through articles in the SEBV Newsletter; distribution of Anti Skimming Cards with a message on Compliance Reinforcement Month; exchange of opinions on compliance.

Performance Data

Employees Using the e-learning System Over Time

Employees Using the e-learning System Over Time



Note 1: Average values for four sessions conducted in each year. However, the third and fourth sessions were underway during fiscal 2022 when this chart was created, so the average value for sessions one and two is provided for that year.

Note 2: With the exception of overseas local hires, all SEKISUI CHEMICAL and SEKISUI CHEMICAL Group employees are required to take part in e-learning programs.

List of Results Relating to Compliance Training

Fiscal 2022 List of Results Relating to Compliance Training

Training	Training content	Trainees			Attendance
		SEKISUI CHEMICAL Co., Ltd.	Group companies		
			Domestic	Overseas	
Employee rank-based training	New employee training	✓	✓		497
	Newly appointed deputy (assistant) manager training	✓	✓		101
	Newly appointed manager training		✓		62
	Newly appointed executive officer training	✓	✓		6
	Affiliated company director training		✓		44
	Training for managers in Housing Company		✓		63
	Area-specific training	Compliance training	✓	✓	
Harassment prevention training		✓	✓		79
Export controls training		✓	✓		708
Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors training		✓	✓		3,742
Area-specific training	Anti-monopoly law training	✓			129
	Personal information protection training	✓	✓		43
	Information management training	✓	✓		531
	Affiliated company institutional management training		✓		18
	Industrial waste management training		✓		28
	Startup business collaboration training	✓			56
	Global training	Overseas transfer training	✓	✓	
Compliance Reinforcement Month	Domestic training	✓	✓		3,084
	North America training			✓	3,243
	China training			✓	564
	Southeast Asia training			✓	1,060

## Number of Whistleblowing Cases and Consultations

### Fiscal 2022 Number of Whistleblowing Cases and Consultations

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

## Donations to Political Groups

SEKISUI CHEMICAL Group does not make illegal political contributions.

The amount of donations (made by SEKISUI CHEMICAL on a consolidated basis) to political groups that are intended to encourage the formulation of public policies that benefit society as a whole are as follows:

(Unit: thousands of yen)

Fiscal Year	Amount
FY 2018	14,429
FY 2019	16,936
FY 2020	8,705
FY 2021	10,690
FY 2022	12,562

# Information Management Issues

## Basic Concept

To avoid the occurrence of serious information management-related incidents that impact the Group’s ability to improve and sustain business, SEKISUI CHEMICAL Group is putting in place a system and operational structure that ensures the confidentiality, integrity, and availability of its information system while at the same time working to increase employees’ literacy on information security through e-learning programs and incident response training.

## Cyber Security Policy

To strengthen cyber security measures throughout SEKISUI CHEMICAL Group as a whole, we formulated the Group-wide Cyber Security Policy\* and disclosed details both internally and externally.

\* For details of SEKISUI CHEMICAL Group’s Cyber Security Policy see p. 344.

## Targets

With the aim of preventing damage to the Group’s corporate value resulting from a serious incident, we identified zero cyber security incidents as a KPI under the current Medium-term Management Plan. In an effort to achieve this KPI, we have continued to promote information management activities. Thanks to these endeavors, the number of cyber security incidents was zero. The results of major implementation measures are as follows.

Major Implementation Measures	Management Indicators	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results
Rapid response in the event of a cyber security incident (Japan)	Recovery time following incidence occurrence	Ongoing monitoring to set a baseline	Continued monitoring
Overseas deployment of CSIRT	Formulation and rollout of overseas deployment plans	Formulation of detailed plans and start of deployment	Commenced monitoring and operation of three companies in North America*

\* Three companies in North America: SEKISUI AMERICA CORPORATION, SEKISUI VOLTEK, LLC, SEKISUI DIAGNOSTICS, LLC

System

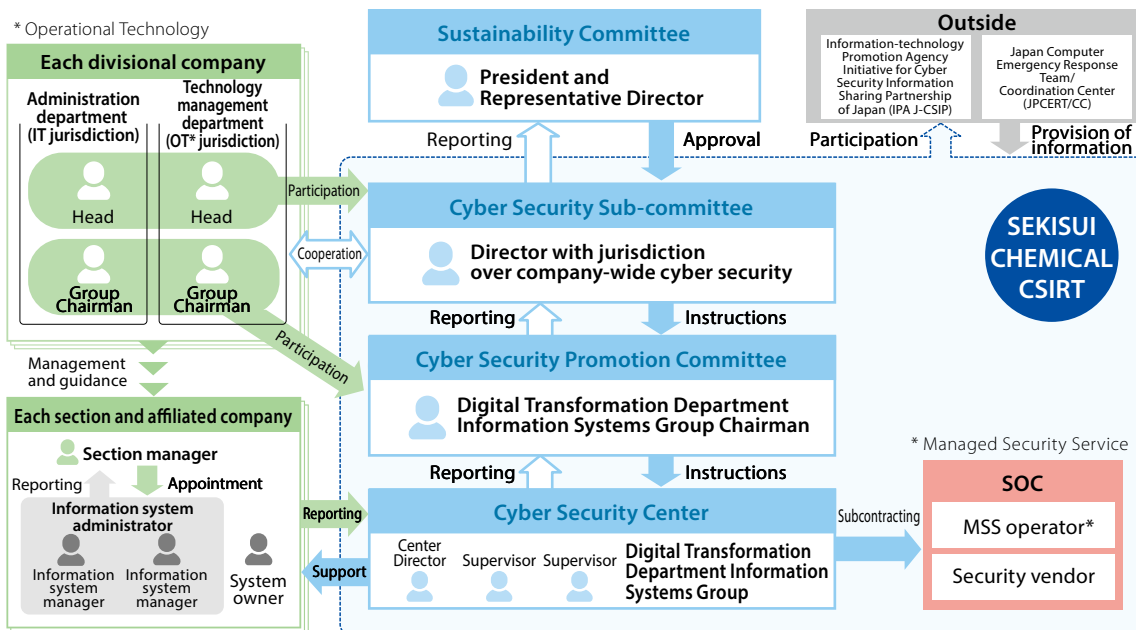
## Cyber Management System Headed by an Executive Officer

To provide a cyber security response system, we established a CSIRT\*1, which reports to the Sustainability Committee chaired by the president.

Chaired by Futoshi Kamiwaki Representative Director and Senior Managing Executive Officer, who serves as the Chief Information Security Officer (CISO), the Cyber Security Subcommittee is a policy-making body that deliberates on Group-wide cyber security measures and significant security incidents. The Cyber Security Promotion Committee advances measures based on subcommittee decisions. We have also set up a Cyber Security Center as a working unit. Acting in partnership with the SOC\*2, the Cyber Security Center monitors the security of networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents. Having posted at least one cyber system administrator on site at each business, we have established a comprehensive Group-wide cyber management system. Even in the case of organizational changes or cyber system administrator reassignments, the Company is constantly aware of the presence or absence of the cyber system administrators at each of its business sites through its registry management system. Together with making our operations in Japan more sophisticated, going forward we will advance the development of CSIRT 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 with its response and recovery efforts.

### Diagram of Overall Management System



## Major Initiatives

**Measures Taken Against Information Leaks and Risks from Both System and Human Aspects**

The Company takes measures, from both system and human aspects, to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the Company has positioned its SOC as its primary entity to consistently identify new threats, such as newly reported cases of viral infections or targeted e-mail attacks, while SEKISUI CHEMICAL's CSIRT swiftly takes action to implement appropriate countermeasures. We are also working to prevent information leaks before they occur by, for example, employee education based on e-learning courses and by conducting audits.

CSIRT operations involve the holding of regular Cyber Security Subcommittee/Promotion Committee meetings, reporting the assessments of risk countermeasures at Subcommittee meetings and the content of risk countermeasure activities at Promotion Committee meetings. In addition, we conduct annual training for Subcommittee members on management decision-making in the event of a cyber security incident.

**Key System-related Measures**

- (1) Store important information on data center servers and fortify data centers
- (2) Establish firewalls to completely separate internal networks from external and control networks
- (3) Install cloud firewalls that are effective even for direct Internet connections (including remote environments)
- (4) Install next-generation virus protection, on all servers and PCs.
- (5) Monitoring of the aforementioned three points 2-4 by SOC, 24 hours a day, 365 days a year
- (6) Install e-mail filters and web filters, ensure the safe and secure utilization of employee e-mails and the Internet
- (7) Upgrade authentication infrastructure for both convenience and security

**Key Human-related Measures**

- (1) Thorough information management by degree of importance
- (2) Thorough enforcement of duty of confidentiality for retiring employees and new hires
- (3) Conduct regular e-learning programs for all employees  
Augment implementation of e-learning sessions for important technology development workers
- (4) Conduct desk training for CSIRT members (encompassing such areas as the confirmation of communication flows and the questioning of management decisions)

**Measures to Mitigate Risk from Natural Disasters by the Dispersal of Systems, etc.**

So that business operations can be continued even in the event that backbone systems are damaged in a natural disaster, we have established backbone systems within data centers that have measures in place to deal mainly with earthquake resistance and seismic isolation.

In addition, by dispersing data centers across multiple locations, we have established a system that will not cause work to be disrupted even if a particular data center becomes unavailable. By taking steps to completely duplicate mission-critical systems, the Company is working to shorten the lead-time needed up to the completion of repairs and recovery of business operations.

## Protecting Personal Information

SEKISUI CHEMICAL Group handles the personal information of its customers based on its 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.

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

## Preventing Leakage of Technical Information

In 2019, a then-employee leaked technical information about the HPP Company's conductive fine particles to an external third party. After this incident was discovered, information management and employee training were enhanced. In order to prevent recurrence, we not only take measures to prevent data leakage through IT technology, but also implement a wide array of measures such as introducing risk management activities in departments that handle confidential technical information, providing moral education and training for engineers, and thoroughly educating employees on confidentiality obligations upon hiring.

As for the overall progress of these recurrence prevention measures, we monitor information leak risks while consolidating the activities of both the Cyber Security Subcommittee and Compliance Subcommittee.

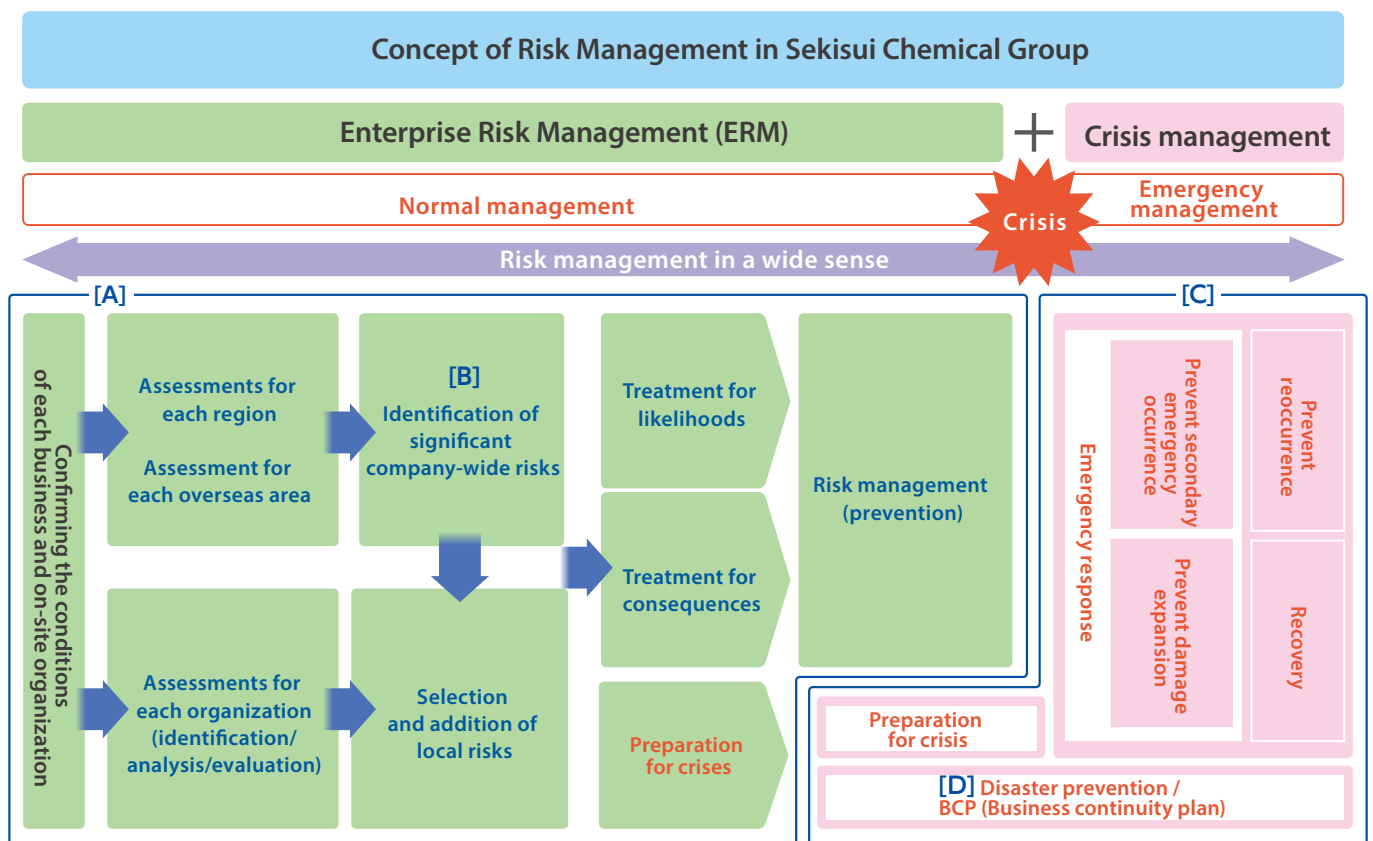


# Risk Management

## SEKISUI CHEMICAL Group’s Approach Toward Risk Management

In order to realize our Long-term Vision against the backdrop of a drastically changing business environment, while earning stakeholders’ trust and confidence as we meet expectations, it is imperative that we take on risks in a proactive and decisive manner. To this end, we recognize that our ability to manage risk while enhancing the Group’s resilience are of the utmost importance. With this in mind, SEKISUI CHEMICAL Group has positioned risk management as a key foundation of its management.

As far as our approach to risk management is concerned, we understand the critical need to manage risks and crises in an integrated manner before and after they occur. While ensuring that an important concern is not overlooked, this approach will allow us to engage in agile risk management and centralize efforts aimed at preventing and minimizing the impact of risks and crises when they occur.



\* See page 88 for more information on A and B systems and initiatives; see page 93 for more information on C and D initiatives.

## ■ Risk management

In the past, we have focused on identifying and responding to risks in each business and organization (bottom-up approach) in accordance with the characteristics of the Group, which has a diverse range of businesses and business categories. Under the current Medium-term Management Plan, we are following this same approach, while at the same time adopting and reinforcing a top-down structure and system to identify risks that could lead to serious Group-wide incidents (significant Group-wide risks).

Under the next Medium-term Management Plan, we will work to strengthen our global risk detection capabilities while enhancing our risk mitigation capabilities through the combined efforts of each business, organization, and specialized headquarters departments.

## ■ Crisis management

In the wake of the outbreak of COVID-19 as of the end of fiscal 2019, Corporate Headquarters took the lead in developing and renewing BCPs for all organizations while putting in place a BCM system under the current Medium-term Management Plan.

Under the next Medium-term Management Plan, we will work to establish autonomous training programs while conducting reviews for each organization and constantly raising performance.

### Targets

Under the current Medium-term Management Plan, we have worked to minimize the impact of earthquakes, pandemics, and other incidents by setting the rate of BCP establishment and operating rate as a KPI. As a result, we achieved the BCP (initial response) operating rate target of 100% (PDCA established).

## Structure of Risk Management Activities



From fiscal 2022, the officers in charge with specialized expertise from each Corporate Headquarters have attended meetings of the Group-wide Risk Review Subcommittee. In light of changes in the internal and external environments, officers deliberated on whether or not to correct or modify serious Group-wide risks identified in fiscal 2022 and whether or not their consequences or likelihood of occurring have changed. The results of deliberations by the Subcommittee as well as various measures to reduce risks are discussed by the Sustainability Committee and then reported to the Board of Directors. They are also reflected in each organization’s fiscal 2023 risk management action plan.

## ERM (Enterprise Risk Management): A reference to Group-wide risk management.

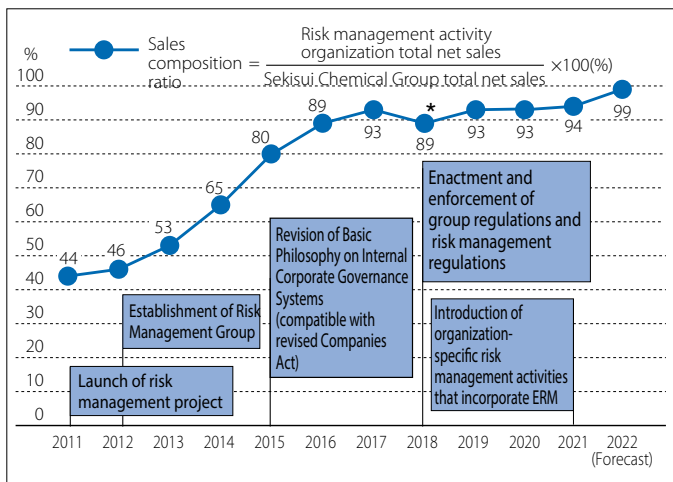
As the business environment in which companies operate becomes increasingly uncertain and complex, SEKISUI CHEMICAL Group believes that increasing risk sensitivity among employees is essential to properly handling such risks. On this basis, the Group continuously runs PDCA cycles in line with the international standard for risk management ISO 31000. By making it mandatory to comprehensively uncover the variety of risks associated with the business objectives of each organization, quantify these risks from the perspectives of their consequences and likelihood of occurring, ensure that dedicated offices in Corporate Headquarters identify serious Group-wide major risks that could lead to a serious Group-wide incident—in the five fields of safety, quality, accounting, legal and ethics, and information management—and undertake assessments through risk management activities by organization, we established an ERM system that is shared and managed within the Group and are continuously verifying the effectiveness of ERM by reviewing uncertainties on a regular basis.

Starting in fiscal 2023, the overseas regional headquarters will identify risks specific to each overseas region and conduct assessments at divisional companies in each region together with serious Group-wide major risks while promoting risk management activities by specialized area in a similar manner as in Japan.

**Bolstering Risk Management Structures by Organization:  
Increasing Risk-sensitivity Using PDCA Cycles**

In an increasingly complex external and internal environment, it is extremely difficult to accurately assess the risks that may emerge moving forward. SEKISUI CHEMICAL Group believes that increasing risk sensitivity among employees is essential to properly handling such risks, and the Group continuously runs PDCA cycles in line with the international standard for risk management ISO 31000.

These activities were launched during fiscal 2011 among 27 organizations, primarily business units. The number of organizations engaged in these actions has increased each year, reaching 170 in total, including Japanese and overseas affiliates accounting for 99% of consolidated sales in fiscal 2022. Activities have also taken root in the R&D divisions of all divisional companies.



\* Temporary decline resulting from a large-scale M&A.

**Identifying, Analyzing, and Assessing Risks:****Risks that SEKISUI CHEMICAL Group Should Manage**

To make clear which risks the Group as a whole should prepare itself for, in terms of both organization-specific risk management and Group-wide risk management, we have broadly categorized these as business environment, strategic, and operational risk, and have further subcategorized each category in order to comprehensively identify risk. Based on the different risk criteria for organization-specific risk management and Group-wide risk management, we quantitatively assess the risk level for each of the identified risks using a risk matrix that combines results and likelihood of occurrence.

**Major Risks Faced by SEKISUI CHEMICAL Group****1. Business environmental risks**

- Major market trends
- Fluctuations in exchange rates, interest rates, and asset value
- Raw material price volatility and procurement
- Large earthquakes, natural disasters, industrial accidents
- Climate Change and environmental issues (resource depletion, water, marine plastics)
- Politics and society (political change / terrorism)
- Impact from the spread of COVID-19

**2. Strategic risk**

- M&A / New Business / R&D

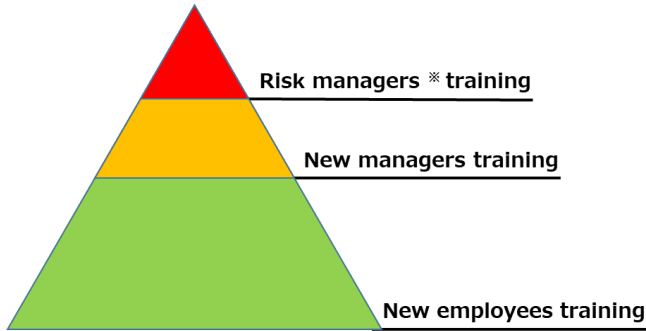
**3. Operational risk**

- Information-management (information leaks / technical information outflow)
- Quality (responsibility for manufactured goods / Major Quality Issues)
- Safety (fire and explosions / major workplace accidents / hazardous substance leakage)
- Laws / Compliance / Human Rights (unethical or criminal behavior / violations of the Monopolies Act or fraudulent transactions / unauthorized overwriting of data / bribery / harassment / environmental regulations, etc.)
- Intellectual property (IP disputes)

## Enhancement of training systems

Raising awareness of risk management activities and employee rank-based training system for risk management

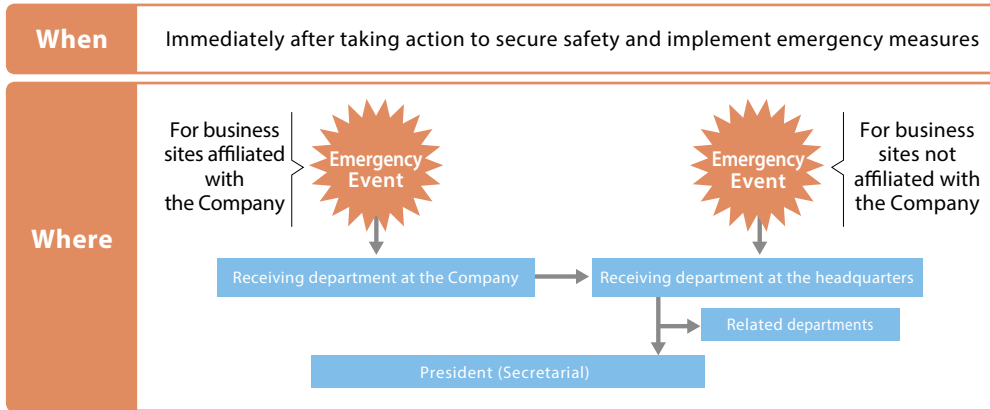
### Risk Management Training System



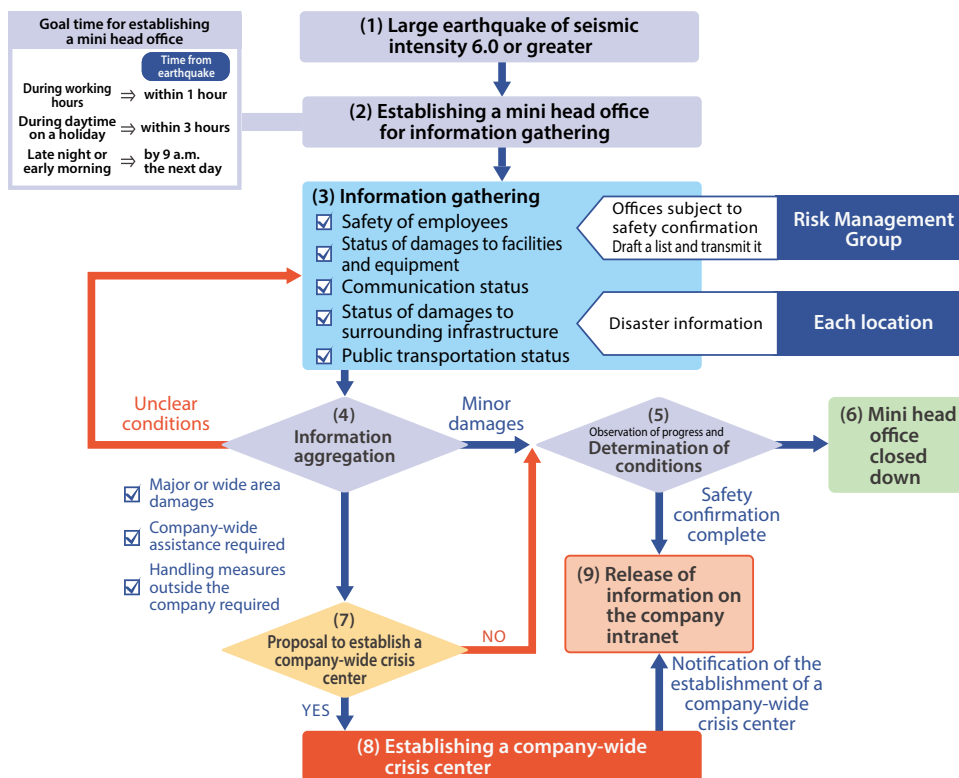
SEKISUI CHEMICAL Group is working to foster a risk culture through rank-based training relating to risk management (new company employees, newly appointed people in management positions, and risk managers\*). Every year since fiscal 2017, we have been conducting risk management training for newly appointed risk managers (persons responsible for duties related to risk management activities in their respective organizations). In fiscal 2022, 22 underwent training, making the cumulative total of participants to date 265.

## Domestic Crisis Management Organizational Structure

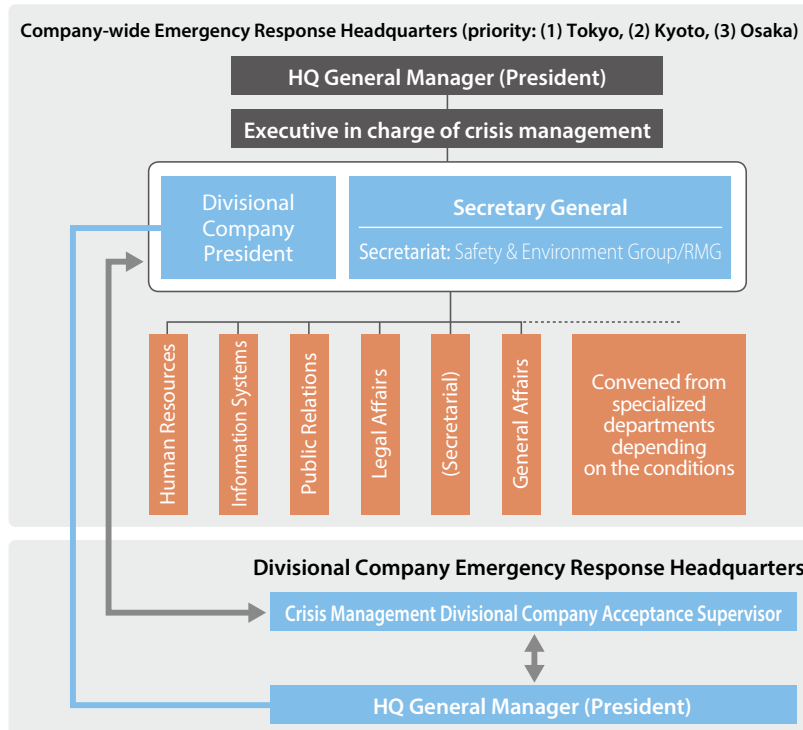
Procedures for contacting divisional companies / Corporate Headquarters from the frontline immediately after an emergency occurs.



### Initial action of the Emergency Response Headquarters (in the event of a major earthquake)



**Emergency Response Headquarters Functions  
(when a major earthquake occurs)**



**Crisis Management Activities**

Based on its experience during the Great East Japan Earthquake, SEKISUI CHEMICAL Group carried out a full-scale overhaul of its crisis management system in fiscal 2011 and has been enhancing that system and its mechanisms ever since. Crisis management activities are conducted in accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines. A crisis management liaison committee consisting of each Corporate Headquarters’ group and divisional company representatives holds regular meetings to review case studies and conduct training.

Specifically, by means of drills attended by members from initial response headquarters across the Group, we are conducting a review of the Emergency Situation Initial Response Procedures Manual and confirming coordination.

We provide an Emergency Situation Initial Response Procedures Manual to all employees every year, so that they can take the appropriate action in the event of an emergency. Moreover, in fiscal 2019 we installed a safety confirmation system in various forms, including the work mobile telephones of all employees, which enables rapid confirmation of the safety of our employees in emergencies.

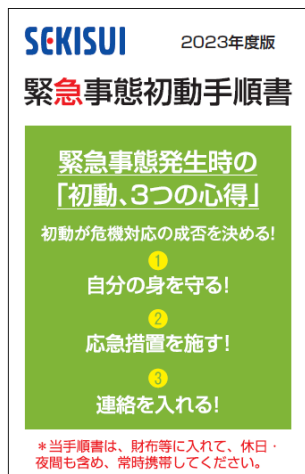
With regard to measures designed to counter the spread of infectious diseases, in March 2020 we launched an infectious disease emergency task force, set up a special page dealing with infectious diseases on the Company intranet and have been working to disseminate action guidelines and share strategies on how best to prevent the spread of infectious diseases. The safety of our employees is our top priority, and in the event that an infected person is confirmed within the Group, we have been working to promptly assess the situation and share the information with the relevant parties. As a result, up until the time the infectious diseases emergency task force was disbanded in September 2022, there had been no major impact on business.



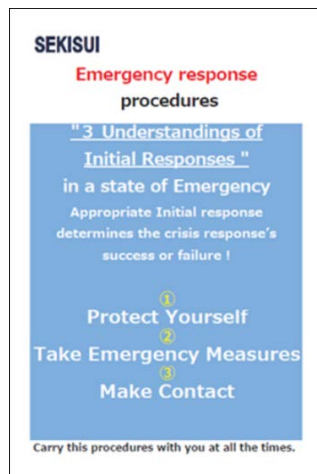
## ■ Crisis Management Activities—BCP (Business Continuity Plan) Implementation

BCP is positioned as an essential tool to support business strategies. Therefore, SEKISUI CHEMICAL Group, whose adoption of a Company system has made the range of the business in which it engages broad, has decided on a basic posture of having those in charge of each line of business (the heads of business units, the presidents of business companies, etc.) determine the necessity of BCP individually, based on the particulars of the business in which they are engaged, and is promoting the formulation of business continuity plans and implementation of business continuity management (BCM) based on ISO 22301, the standard for implementing BCM. In light of the recent increase in the number of threats, as well as the growing need to determine how to continue operations in the event of a medium- to long-term loss of key management resources, and to prepare for such an event, in fiscal 2021 the Group revised the wording and formulated its initial response plan (ERP) that places the protection of human life as the highest priority at all organizations as a Group-wide initiative. In addition, major business organizations throughout the Group implemented efforts to put in place resource-based all-hazard BCPs to address every type of crisis event. In fiscal 2022, we declared desktop training mandatory for all relevant organizations, verified the effectiveness of and made revisions to the initial response plan (ERP) document, and completed the PDCA cycle of the BCM cycle. In addition, with the presidents of each division company in attendance, we also carried out a task force joint drill designed to improve the resilience of the division companies. In the years to come, we aim to establish autonomous BCM operations in each activity organization. By making these efforts going forward, even in an emergency situation that could threaten the continuance of operations, we will minimize losses to our organization and customers while continuing to fulfill our social responsibilities as a company by responding quickly and restoring important functions as soon as possible.

### Emergency Situation Initial Response Procedures Manual (April 2023 revised edition)

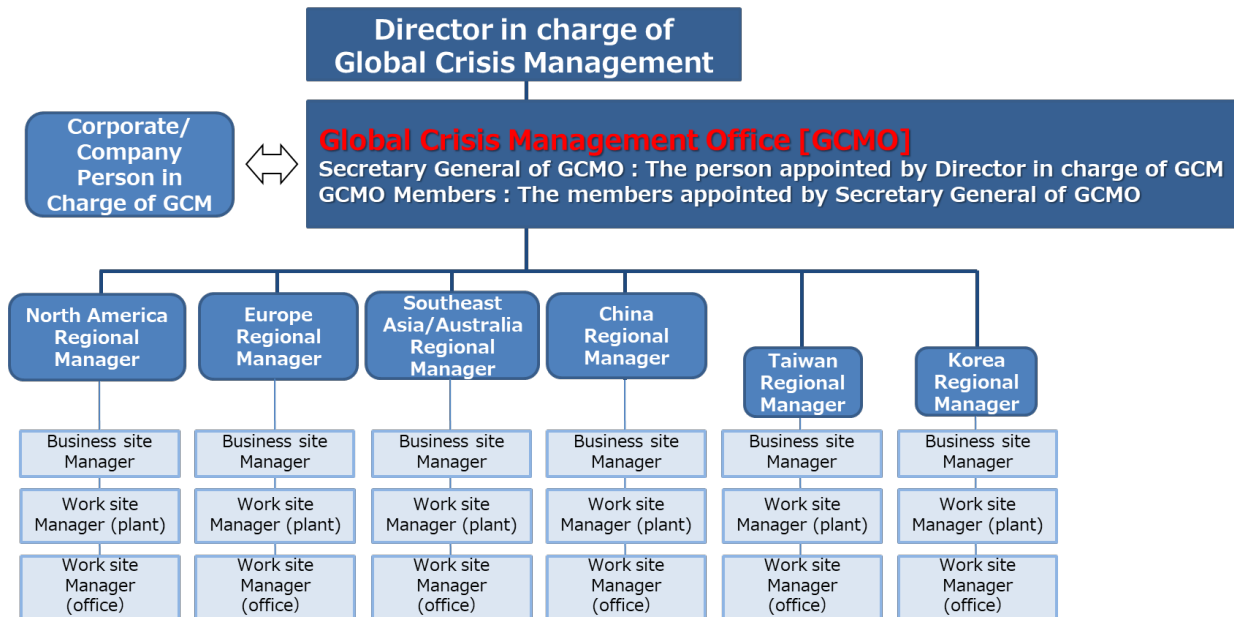


Japanese edition



English edition

## Overseas Crisis Management Organizational Structure



## Overseas Crisis Management Activities

Based on the Overseas Safety Management Regulations, SEKISUI CHEMICAL Group divides the world into six crisis management regions. The Overseas Crisis Management Office (Risk Management Group, ESG Management Department) plays a central role in sharing crisis management information with business travelers, expatriates, and local employees, alerting them in a timely manner and instructing them on travel restrictions in addition to other activities in emergency and non-emergency situations. As the number of overseas Group locations increases with each passing year, we established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. In the event of a crisis event, the Regional Head and the Overseas Crisis Management Office will work together to collect information and take initial action. We have also established a highly specialized support framework in coordination with our security assistance and medical assistance partners. Additionally, the Group conducts training sessions for employees seconded overseas before they are dispatched abroad, provides pre-trip e-learning for employees sent on business trips, provides country-specific training focusing in particular on infectious diseases, and educates employees on the basics of crisis management and specific countermeasures.

### Global Crisis Management Guidelines

