

SEKISUI Corporate Governance Principles

* In the following translation, “the Company” or “we” represents “SEKISUI CHEMICAL CO., LTD.,” and “the Group” represents “SEKISUI CHEMICAL Group.”

Chapter I General Provisions

1. Basic Approach Basic Policy for Corporate Governance

The Group sets forth as its basic policy for corporate governance the promotion of sustainable corporate growth and the increase of corporate value. To realize this, the Group will enhance the transparency/fairness of management, pursue prompt decision-making, and continue to fulfill the expectations of “customers,” “shareholders,” “employees,” “business partners,” and “local communities and the environment,” the five major categories of stakeholders that the Group values most, through the creation of values to the society, as declared in the Corporate Philosophy.

2. Group Principle

The management principles of the Company are composed of our Corporate Philosophy which describes our ideas and policies at the root of our corporate activities; the Group Vision which describes an ideal format aimed for by the Group in the medium to long term by following the Corporate Philosophy; and our concrete Management Strategies to implement the Group Vision.

[Corporate Philosophy] “The 3S principles”

Service

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

Speed

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

Superiority

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



[Group Vision]

Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment by continuing to open up new frontiers in residential and social infrastructure creation and chemical solutions.

[Management Strategies]

Medium-term management plan, strategies by business unit/function, etc.

3. Management Policies

The Group seeks to contribute to society in its businesses to create social value while fulfilling stakeholder expectations.

The Group's business activities are carried out by three divisional companies—Housing Company, Urban Infrastructure & Environmental Products Company, and High Performance Plastics Company—each with highly independent operations and prominent technologies and products that are highly differentiated from competitors in their fields.

The Group seeks to continually enhance corporate value and contribute to society through our businesses by applying the knowledge and experience the Group has accumulated in “Creation of Housing / Social Infrastructure” and “Chemical Solutions” to address the increasingly pressing social challenges of the worldwide rise in population, climate change, aging societies of developed countries, deteriorating urban infrastructure, and the natural resource and energy issues that are related to all of these.

4. Corporate Code of Conduct

By establishing the “Sekisui Chemical Group Corporate Code of Conduct,” the behavior guidelines that should be observed by the officers and employees of the Group, the Company aims at enhancing the confidence that society places in us and becoming an even more highly acclaimed enterprise through our day-to-day business activities. These Codes of Conduct have been included on the Intranet and the employee handbook as well as the “Sekisui Chemical Group Compliance Manual” so that the officers and employees of the Group can readily refer to them as necessary.

5. Establishment, Revision and Abolition of These Principles

The establishment, revision, and abolition of these Principles shall be approved by the resolution of the Board of Directors.

Chapter II Relationship with Stakeholders

1. Corporate Governance and Stakeholders

The Group regards our most important mission as the creation of corporate value that is sustainable in a long term through the best corporate governance practice. To this end, the Group strives to create and maintain a good, long-term relationship with our stakeholders other than shareholders such as customers, employees, business partners, and local communities so that we can thrive together. In

accordance with the Basic Policies regarding CSR of the Company, we regard our social responsibility as our fiduciary duty to all stakeholders and are committed to fulfill it with sufficient consideration to the environment, human rights, etc., from the global perspective. (See Appendix 1) Specific policies and measures with regard to our social responsibility and our relationship with all stakeholders are developed by the “Sustainability Committee,” chaired by the President and consisting of the senior management based on the reports from its “Environment,” “CS & Quality,” “Human Resources,” “Safety,” “Compliance,” “Cyber Security,” “DX,” and “Human Rights” Sub-committees. They are also reviewed by the Board of Directors and/or disclosed to the public as necessary. These Principles disclose policies and initiatives focusing on the relationship with our shareholders.

2. Relationship with Shareholders

1) Basic Policy for Securing the Rights and Equal Treatment of Shareholders

The Company regards shareholders as holding the central position among our various stakeholders and the key primary point of corporate governance. The Company ensures appropriate collaboration with shareholders in consideration of the smooth exercise of various rights of all shareholders to ensure that these rights are effectively protected.

2) The General Meeting of Shareholders and the Exercise of Voting Rights

Regarding the exercise of voting rights by shareholders at the general meeting of shareholders as one of the most important matters, the Company implements the following measures to ensure that such rights are exercised without any hindrance and that the opinions of shareholders are more readily reflected in the management of the Company.

- i. The Company makes efforts to enhance the explanation of the meeting agenda in the reference materials for the general meeting of shareholders and to provide information accurately with the use of charts and photos as appropriate so that shareholders can better understand the meeting agenda.
- ii. In consideration of constructive dialogue with shareholders and the provision of information for such dialogue, the Company makes efforts to set an appropriate schedule related to the general meeting of shareholders including the early distribution of the notice of convocation and to enhance the provision of information in the notice of convocation. In addition, the Company will set up an appropriate environment to exercise their rights by enabling the exercise of voting rights through the Internet and by participating in an electronic voting platform for shareholders.
- iii. In order to set up an environment to facilitate the exercise of voting rights by institutional investors and foreign investors, the Company sends the notice of convocation at least three weeks before the date of the general meeting of shareholders and discloses it electronically before the sending date on the websites of the Tokyo Stock Exchange and the Company. The English translation of the notice of convocation is also disclosed in the same manner.

- iv. If a proposal set forth by the Company has met a number of opposing votes, the analysis of the cause of such votes will be carried out at the meeting of the Board of Directors to decide whether any future responses are required.

3) Basic Capital Policy

- i. The Company recognizes the capital policy as one of the most important tasks in corporate governance.
- ii. The Company avoids implementing any capital policies that are not considered supportive to the creation of long-term shareholder value. When implementing any capital policy involving a change in control or a substantial dilution, the Board of Directors will carefully examine its purpose and necessity/reasonableness and ensure other due processes so that the shareholders will be provided with a clear and adequate explanation.
- iii. The Company sets and discloses in the Medium-term Management Plan our targets for various indicators of capital productivity such as ROE (Return on Equity).
- iv. The Company will pursue an optimal balance between investment for sustainable growth and its shareholder return by always keeping in mind the optimal state of the balance sheet and placing importance on accurately identifying the Company's cost of capital.
- v. The return of profits to shareholders will be carried out in accordance with the financial results and in consideration of the ROE, the DOE (Dividend-On-Equity) ratio and the total return ratio, as well as the optimal balance between the policy for stable dividend payments and the ability to share buyback flexibly. The Medium term Management Plan which commenced in FY2023 aims at a 40% or higher dividend payout ratio on a consolidated basis, with a 3% or higher secured DOE and a 50% or higher (if the D/E ratio is less than 0.5) total return ratio. In addition, the Company will implement additional returns as appropriate, taking into consideration the investment progress of the medium-term plan, cash position, and stock price.

4) Basic Policy for Cross- Shareholding of the Other Listed Companies and Policy for the Exercise of Voting Rights

- i. Basic policy

The Company may strategically hold shares of the other publicly-listed companies, to a limited extent, that are important business partners of the Company provided that the Company made its judgment on such holdings to be beneficial for the purpose of maximizing medium to long-term enhancement of corporate value of the Company and the business partners .

Strategic rationale shall be reviewed in an appropriate and timely manner and the Company will reduce those holdings without sufficient strategic benefits or inconsistent with the Company's capital policies.

The Board conducts annual assessment of such holdings to examine specific benefits by such shareholdings and consistency with the risk-benefit evaluation of such individual holdings over the cost-of-capital and other factors. The Company shall disclose the overview of the evaluation.

- ii. Policy for the exercise of voting rights

The Company exercises voting rights at shareholder meeting of the share-holding companies in accordance with the specific standards with respect to the voting rights established by the Company to reflect perspectives of connecting the medium to long term enhancement of the Company's corporate value with the corporate value enhancement of the above companies based on strategic position of such holding and dialogue and so forth with them, thereby shall perform its monitoring function as a shareholder.

5) Basic Policy Concerning Large-Scale Acquisition of Shares of the Company

As the Company believes that its shareholders should be determined through open transactions in the market, it believes whether to accept offers for large-scale acquisition of shares entailing transfer of control of a stock company should ultimately be determined based on the decisions of the shareholders.

However, from the perspective of securing the common interest of shareholders and preventing destruction of the corporate value of the Company, when anyone attempts to acquire a large volume of the Company's shares, the Company will request the purchaser to provide necessary and sufficient information for shareholders to make appropriate judgment and will make efforts to secure enough information and time through timely and appropriate information disclosure for consideration by shareholders, and will take appropriate measures, as allowed by the Financial Instruments and Exchange Act, Companies Act, and other related laws and regulations.

Chapter III Ensuring Appropriate Information Disclosure and Transparency

1. Basic Policy for Information Disclosure

Principle of Corporate Information Disclosure

The Group discloses corporate information in a fair, timely, and appropriate manner in order to ensure corporate transparency and to fulfill social responsibilities, and also to deepen the understanding of the Group by shareholders and all other stakeholders.

Further, we actively pursue communication with all stakeholders, and we work hard to ensure that opinions regarding the Group are appropriately reflected in corporate activities.

Basic Policy

Based on the "Principle of Corporate Information Disclosure," the Group prescribes the following basic policies:

1) Content of Disclosure

The Group actively discloses information as required by relevant rules and regulations, etc. including the Companies Act, the Financial Instruments and Exchange Act. The Group also discloses corporate information that is presumed material from a financial, environmental, and/or social perspective, and any other corporate information, that it is so determined, should be disclosed.

2) System of Disclosure

The Group assigns corporate disclosure officers responsible for collection, management, and disclosure of corporate information as an integrated activity, and designates the persons in charge of performing their duties for each of the different types of disclosures. Further the Group designates

the corporate information liaison officers for each business place and puts in place a system for rapidly and comprehensively collecting information to be disclosed.

3) Methods of Disclosure

For actual disclosure of corporate information, the Group discloses information in a fair, timely and appropriate manner by choosing the most effective and progressive methods, including press releases, publication on the Group's website, disclosure on the TDnet system provided by the Tokyo Stock Exchange, and disclosure at briefing session held for shareholders.

Furthermore, the details of disclosed content etc. are set out in the Group's "Corporate Information Disclosure Regulations."

The Group believes that timely, appropriate and active information disclosure is essential for us to deepen mutual understanding and build a relationship of trust with all stakeholders to achieve sustainable growth and medium/long-term enhancement of the corporate value of the Group. To steadily put this belief into practice throughout the Group, we have established the Corporate Information Disclosure Regulations under the "Principle of Corporate Information Disclosure," which prescribe the content and the system of disclosure, to strengthen our internal information disclosure framework.

The Group has also established the "Basic Policy for Constructive Dialogue with Shareholders" (Appendix 2). Under this policy, the Investor Relations Group within the Business Strategy Department is leading the efforts to strengthen two-way communications with our shareholders and investors, not only by disclosing financial statements and other management-related information in a timely and appropriate manner, but also by actively reflecting our shareholder's voice in our management. For example, we hold quarterly briefings on financial results where our management team explains these figures. Also, we pay heed to the voice of capital markets by holding one-on-one meetings with analysts and institutional investors.

To ensure that information is provided in a fair manner, the Group posts its financial statements and results briefings on the Company website in Japanese and English simultaneously and additionally provide an audio recording of briefings and a transcript of the question and answer session.

2. Disclosure of Corporate Information

1) Management Vision and Plan

The Group regards communicating its long-term vision and medium-term management plan, which are based on our principles, to shareholders and other stakeholders and obtaining their understanding and support as the most important objective of information disclosure. To disclose information about specific management plans and their numerical targets, which are designed to steer the risk-return relationship suitable for the characteristics of each business and synergies between businesses in order to achieve sustainable earnings growth and capital productivity targets, constitutes the core of corporate governance at the Group.

2) Financial Information

The Group attaches great importance to timeliness, lawfulness, and fairness regarding our disclosure of financial information, pursuing fair disclosure to a maximum extent. For example, we hold results briefings to explain the financial information disclosed, while publishing disclosure and explanation contents both in Japanese and English on our website.

3) ESG Information

Based on the recognition that ESG (Environmental, Social and Governance) information is information to maintain and improve a good relationship with all stakeholders in the long term and is as important as financial information, the Group discloses ESG information by various methods beyond the scope of regulatory disclosure. The Group will also seek to improve the quality of its ESG information by holding an active and regular dialogue with institutional investors.

4) Risk Information

Information about any matter that may have significant effect on the Group or the society surrounding the Group will be disclosed in a timely and appropriate manner.

5) Information about Intangible Assets

Recognizing that the corporate value of the Group is supported in part by intangible assets such as patented technology and brand, the Group will provide information that will help our shareholders and other stakeholders to share the same recognition.

Chapter IV Corporate Governance System

1. Organizational Structure

- 1) As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board. The Company has established an optional advisory committee for nomination, remuneration (hereinafter “the Nomination and Remuneration Advisory Committee”) and an optional committee on diversity promotion (hereinafter “the Diversity Promotion Committee”) for the purpose of complementing the Board functions and enhancing fairness and transparency in the process.
- 2) Under the Divisional Company System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision making function in management.

2. Board of Directors

1) Roles and Responsibilities of the Board of Directors

The Board of Directors, aiming to fulfill the fiduciary duty to shareholders through sustainable growth and medium/long-term enhancement of the corporate value of the Company, exercises the supervisory function over the entire operations of the Company to secure the fairness and transparency of its management through, among others, the appointment/dismissal of the senior executives and nomination of Director and Audit & Supervisory Board Member candidates and

appointment/dismissal of the executive officers, the determination of the remuneration for Directors and executive officers, and making decisions on important business executions. It also indicates the general direction of corporate strategies and determines the allocation of important management resources.

2) Composition of the Board of Directors

- i. The number of directors shall not exceed 15, and 2 or more of them shall be Independent outside Directors.
- ii. The Board of Directors of the Company shall consist of Directors who have an excellent character, insight, and a high moral standard in addition to knowledge, experience, and competence. In addition, all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall attend the meetings of the Board of Directors.

The Company ensures diversity among board members and keeps the number of directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size. The presidents of the divisional companies who are the top management of each business and senior corporate officers with significant experience and strong expertise are appointed as inside Directors. Together with the Outside Directors who have broad knowledge and experience and Audit & Supervisory Board Members with strong expertise, they effectively perform the roles and responsibilities of the Board of Directors, taking the balance with respect to diversity, optimal size, and capabilities.

3) Independent outside Directors

- i. The Company's nominee for Independent Outside Directors should have sufficient independence in compliance with the "Criteria for Independence of Outside Board Members" (See Appendix 3) prescribed by the Company and have broad knowledge and experience in such matters as corporate management and corporate governance to be proposed at the general meeting of shareholders.
- ii. Pursuant to the provisions of the articles of incorporation of the Company, all Directors including Independent outside Directors are subject to election each year by the resolution of the general meeting of shareholders.

3. Audit & Supervisory Board

1) Roles and Responsibilities of Audit & Supervisory Board

Recognizing its fiduciary duty, Audit & Supervisory Board works to secure the soundness of the Company to ensure sustainable growth of its corporate value and acts in the common interest of shareholders.

- i. Audit & Supervisory Board strives to improve a system to ensure the effectiveness of audit conducted by each Audit & Supervisory Board Member.
- ii. Audit & Supervisory Board coordinates with Independent outside Directors and the Internal Audit Department.

- iii. Audit & Supervisory Board exchanges opinions with Independent outside Directors and provides information gained through audit activities.
- iv. The primary responsibility of Audit & Supervisory Board is to conduct legal compliance audit. However, Audit & Supervisory Board Members are not prevented from conducting audit or stating an opinion on the appropriateness of business based on their expert knowledge and experience.
- v. Audit & Supervisory Board determines the amount of remuneration for each Audit & Supervisory Board Member within the total maximum amount of remuneration for all Audit & Supervisory Board Members determined by the resolution of the general meeting of shareholders.

2) The Composition of Audit & Supervisory Board

- i. In principle, majority of the members of Audit & Supervisory Board of the Company shall be Independent outside Audit & Supervisory Board Members.
- ii. At least one of the Audit & Supervisory Board Members shall be an individual who has knowledge and expertise in corporate finance and accounting and at least another one of them shall be an individual who has knowledge and expertise in legal affairs.
- iii. The Company's nominees for Independent outside Audit & Supervisory Board Members should have sufficient independence and satisfies the qualification criteria for Audit & Supervisory Board Members prescribed by the Company and in compliance with the Criteria for Independence of outside Board Members prescribed separately by the Company to be proposed at the general meeting of shareholders.

4. Securing the Effectiveness of the Board of Directors and Audit & Supervisory Board

1) Securing the Effectiveness of the Board of Directors

- i. In order to enable the Board of Directors to have active and sufficient discussions, the Company has established the Secretariat to the Board of Directors and will develop further the environment in which sufficient materials are provided to the Directors in advance for their deliberation through the appropriate organization wide coordination depending on the nature of the discussion so that Directors can ask questions in advance.
- ii. The Secretariat to the Board of Directors provides Independent outside Directors with an explanation of the discussion agenda in advance and otherwise strives to enhance the understanding of the discussion agenda by them.
- iii. The chair of the Board of Directors ensures that the meeting proceeds in a manner to encourage each Director and Audit & Supervisory Board Member to make remarks.
- iv. Audit & Supervisory Board Members are provided with opportunities to state their opinions on the appropriateness of business at the meeting of the Board of Directors based on the information shared through the coordination with the Internal Audit Department and Independent outside Directors.
- v. The deliberation outcome of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee is delivered to the Board of Directors, and the Board of Directors

makes a final policy decision based on the recommendation made by the advisory committee with respect.

- vi. The Nomination and Remuneration Advisory Committee discusses about effectiveness and improvements of the Board to recommend for promoting effectiveness of the Board.

2) Securing the Effectiveness of Audit & Supervisory Board

- i. Audit & Supervisory Board works to enhance the objectivity and effectiveness of audit by coordinating with the Internal Audit Department and Independent outside Directors, which are independent from the business executives, through the process prescribed in 3-1).
- ii. The Company has established the Secretariat to Audit & Supervisory Board consisting of members with strong technical expertise selected from each department to support the audit activities conducted by Audit & Supervisory Board Member and the administration of Audit & Supervisory Board.
- iii. A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to exercise without any obstacle its authorities by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, and examining the approval documents of important projects. Sufficient information sharing and exchange of opinions take place among the members of Audit & Supervisory Board (including Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members also hold a regular meeting with the representative Directors, Directors, and executive officers to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make necessary requests to enhance mutual understanding.

3) Study and Training of Directors and Audit & Supervisory Board Members

- i. Within three months of the date of the assumption of office, newly appointed Directors (including Independent Outside Directors) and Audit & Supervisory Board Members are provided opportunities to attend the training programs to develop necessary knowledge, skills, etc., as necessary, and the President and the Executive Officers who are designated by the President shall provide explanation about the management strategy, the financial conditions, and other important matters of the Company.
- ii. Directors and Audit & Supervisory Board Members are required to always collect information and study proactively on such matters as the financial conditions of the Company, legal compliance, and corporate governance in order to fulfill their roles adequately. Any cost for such study such as the attendance at seminars given by external parties is borne by the Company through prescribed procedures.

5. Nomination and Remuneration Advisory Committee

1) Roles and Responsibilities of Nomination and Remuneration Advisory Committee

As a complementary function to the Board of Directors and to enhance fairness and transparency, the Nomination and Remuneration Advisory Committee deliberates and makes recommendations to

the Board of Directors on effectiveness and improvements of the Board of Directors, and important management issues as necessary, in addition to the nomination/dismissal of senior executives and appointment/dismissal of senior advisors to the board or corporate advisors, who ever took the office of President and Representative Director, etc., and adequacy of the system and the level of remuneration for the Directors.

2) Composition of Nomination and Remuneration Advisory Committee

- i. The number of members of the committee shall be between 3 and 7, and the majority has to be elected from among the Independent Outside board members.
- ii. The committee chairperson shall be elected from the outside committee members by voting of the committee members.

6. Diversity Promotion Committee

1) Roles and Responsibilities of Diversity Promotion Committee

The Diversity Promotion Committee will strengthen the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values, the implementation of various measures, and the disclosure of these internally and externally, in order to ensure the diversity of human resources in management. At the same time, they supervise and advise management execution.

2) Composition of Diversity Promotion Committee

- i. The number of members of the committee shall be between 3 and 9, and the majority has to be elected from among the Independent Outside board members.
- ii. The committee chairperson shall be elected from the outside committee members by voting of the committee members.

7. Development of the Internal Control System

- 1) The Company, pursuant to the provisions of the Companies Act, has established and implemented the basic policy for the internal control system as the system to ensure proper business operations of the Group.

The Board of Directors determines the basic Compliance Policies, and lower organization of “Sustainability Committee”, “Compliance Sub-committee,” promotes group-wide development and implementation of the compliance system of the Group. The Company has also established separate departments in charge of the promotion of compliance and the promotion of risk management and prepared the “Sekisui Chemical Group Compliance Manual” and the “Sekisui Chemical Group Crisis Management Guidelines,” which all Group employees are made aware of and required to follow.

The Company has developed internal controls over financial reporting, which are operated by a separate department in charge of the promotion of internal control. The status of company-level internal controls and the appropriateness of business processes at significant locations/units are monitored and the results of the audit conducted by the External Accounting Auditor are reported

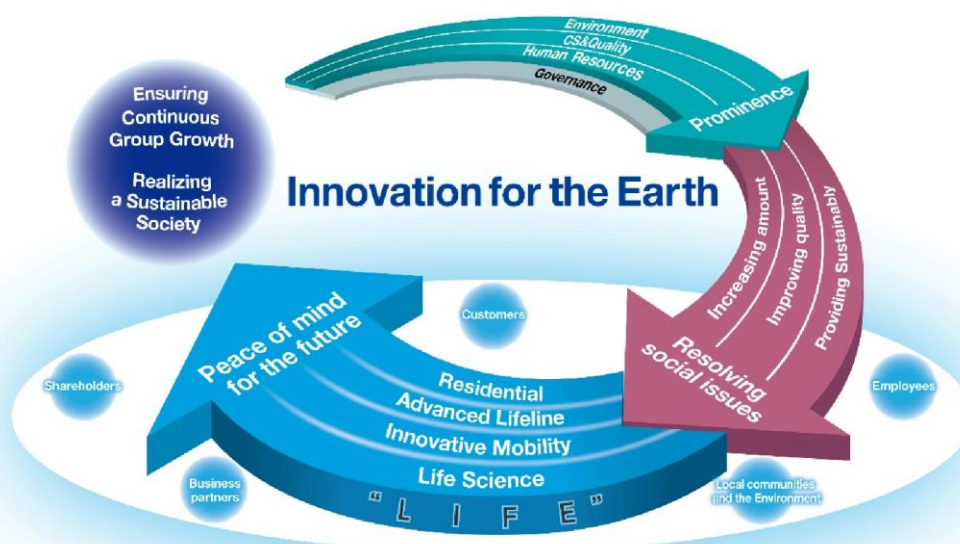
directly from the External Accounting Auditor to the Directors in charge and Audit & Supervisory Board Members as appropriate. The operation status of these controls and its evaluation are deliberated annually by the Board of Directors.

- 2) The Company has clearly stipulated in the Board of Directors Regulations the conflict of interest transaction between the Company and its Directors as a matter requiring the resolution of the Board of Directors. Opinions of Outside Directors and Audit & Supervisory Board Members on these transactions are sought at the meeting of the Board of Directors through the approval pertaining to actual individual transactions. The execution status of these transactions is also required to be reported as appropriate at the meeting of the Board of Directors.
- 3) The Company has developed S.C.A.N. (Sekisui Compliance Assist Network), an intracompany whistle-blowing system, and since then we have made it available for use by all Group employees. This system is operated under the supervision of the officer appointed by the President and the operation status of the intra-company whistleblowing system is reported to the Board of Directors.

As part of the whistleblower system, the Company has secured a reporting contact at an external law firm that is independent from the Company in addition to the internal reporting contact in Japan. Additionally the Company is boosting a point of contact especially for the employees in foreign affiliates. The protection of the whistleblower is prescribed by the Whistle-blowing Policy to put in place an environment in which whistleblowers do not suffer any disadvantage. For example, the identity of the whistleblower is kept secret from anybody other than the reporting contact.

ESG Management of the SEKISUI CHEMICAL Group

The SEKISUI CHEMICAL Group, in the long-term Vision “Vision 2030,” has set its vision statement as “Innovation for the Earth, to support life infrastructure and create ‘peace of mind that continues into the future’ toward the realization of a sustainable society.” The strategic direction to achieve this long-term Vision has been defined as “Business growth, reform and creation, centered on ESG management.” The Group will pursue the improvement of both social sustainability and the Group’s sustainability in ESG management. Based on governance and the Group’s prominences, the Group will support life infrastructure (Living, Life, and Lifeline) in the four domains of “Residential,” “Advanced Lifeline,” “Innovative Mobility,” and “Life Science,” to contribute to the resolution of social issues through the Group’s businesses, and offer “peace of mind that continues into the future” to all stakeholders.



Basic Policy for Constructive Dialogue with Shareholders

Sekisui Chemical Co., Ltd. (“the Company”) aiming to achieve sustainable growth and medium/long-term enhancement of its corporate value, the Company has adopted the following basic policy for constructive dialogue with shareholders.

- i. The Company appoints the Director in charge of the Business Strategy Department who is in charge of the overall supervision of the development of medium to long-term management strategies and investor relations as the person responsible for such dialogue and develops the framework and undertakes initiatives for the realization of constructive dialogue with investors under his/her leadership.
- ii. The Head of the Business Strategy Department is responsible for ensuring organic coordination among departments that support dialogue, by, for example, ensuring information sharing among them, while ensuring that insider information is not leaked particularly through each Company, the Corporate Finance & Accounting Department, the Legal Department, the Public Relations Department, and other departments concerned.
- iii. To promote constructive dialogue with shareholders, the Company strives to understand the shareholder structure and to enhance the dialogue by implementing the following measures as a means to have a dialogue:
 - To conduct quarterly results briefings by the President and the Director in charge of the Business Strategy Department
 - To hold one-on-one meeting with domestic and foreign investors
 - To conduct business briefings and factory tours for shareholders as appropriate
 - To enhance the disclosure of corporate information on the website of the Company targeting both domestic and foreign investors (including materials for results briefings and voice recordings from such briefings)
 - To provide opportunities to post an opinion through the website of the Company
- iv. The Director in charge of the Business Strategy Department shall, in accordance with the “Corporate Information Disclosure Regulations,” summarize the opinions and comments of investors obtained from the dialogue with them and share them in the meetings of the Board of Directors and in other occasions as appropriate on a timely basis so that they can be reflected in the management of the Company.
- v. The Company has established the “Corporate Information Disclosure Regulations” and “Insider Trading Restriction Regulations” to thoroughly practice fair disclosures and strengthen information management. The Company will also pay utmost attention to information management in conducting a dialogue with shareholders.

Criteria for Independence of Outside Board Members

Sekisui Chemical Co., Ltd. (“the Company”) believes that Outside Directors and Outside Audit & Supervisory Board Members of the Company (collectively “outside board members”) should have the independence to enhance the transparency and fairness of the management, which is important to the corporate governance of the Company. The Company has established the following criteria for the independence of outside board members of the Company and if a candidate does not satisfy any of the criteria, he/she shall be regarded as not having the sufficient independence for the Company.

- 1) The candidate has never been an executive director or any other employee of the Company or any of the companies within the Group.
- 2) The candidate is not receiving remuneration more than 10 million yen per year from the Group other than the remuneration as an officer.
- 3) The candidate and the main company of the candidate¹ is not a major shareholder² of the Company
- 4) The business of the main company of the candidate does not compete with the main business(es)³ of the Company.
- 5) The main company of the candidate is not a major business partner⁴ of the Company.
- 6) The main company of the candidate is not a major lender to the Company.
- 7) The candidate has never worked for an auditing firm which is the External Accounting Auditor of the Company for the period of five years immediately preceding the scheduled assumption of office.
- 8) None of executive directors of the Company is concurrently serving as a director of the main company of the candidate.
- 9) The candidate is not a relative⁵ fallen under any of 1 through 8 above.

¹ The “Main company” shall mean the company, if any, at which the candidate for the Company’s outside board member is an executive officer.

² “Major shareholder” shall mean one of the top 10 holders of the Company shares in the most recent public disclosure.

³ “Main business(es)” shall mean the main business(es) of the Company disclosed in business reports of the Company.

⁴ “Major business partner” shall mean the business counterpart of the Company with annual transaction amount of 2 % or more of the consolidated gross revenue of the Company or the counterpart.

⁵ “Relative” shall mean the person’s spouse, partner, relative within the second degree of kinship or relative who lives with the person.