

Materiality



Governance (Internal Control)

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Vision, ESG Management | Top Message | Vision 2030 | | ESG Management |

ESG Management Activities and Results

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Reducing Serious Incidents

There are three driving forces to promote ESG management: contribution to solving social issues, profitable growth, and management ability to sustain business. Of these, SEKISUI CHEMICAL Group is striving to improve management ability to sustain business by thoroughly improving safety, compliance, and CS & Quality. These efforts are aimed at reducing risk and avoiding serious incidents (in terms of safety, quality, accounting, legal and ethical issues, and information management).

Positioning of This Materiality -

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.

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Safety Issues

Targeting Zero Occupational Injuries Through Risk Reduction by All Personnel, from Top Management to the Plant-floor Frontlines

Basic Concept

Each and Every Employee Has the Ability to Identify Dangerous Situations

SEKISUI CHEMICAL Group has positioned the establishment of a workplace environment in which employees can carry out their duties with safety and security as a key corporate responsibility and one of management's most important priorities. Accordingly, 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.



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Activity Policy and Promotion 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 Sub-committee 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.

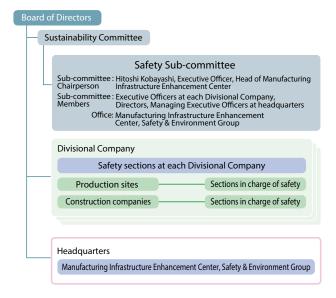
In addition to data generated from ongoing work at SEKISUI CHEMICAL Group production and implementation sites and from research activities, a wide range of Group occupational health and safety data including data from partner companies (contractors) outside the Group is also collated.

In fiscal 2021, two meetings of the Safety Sub-committee were held online in October and March.

In 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. Activity status 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 [No certified business sites as of the end of fiscal 2021]

Safety-promotion System (from fiscal 2021)



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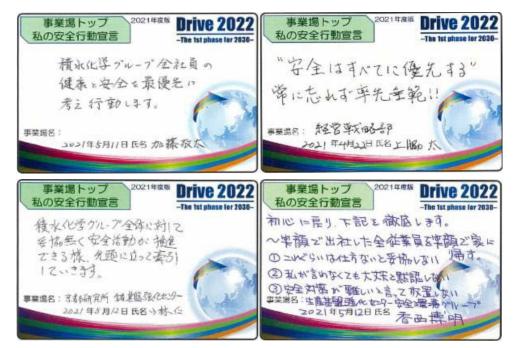
Occupational Safety Committee Meeting Held

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. Since fiscal 2020, however, these committee meetings have not been held, due to the impact of the COVID-19 pandemic. In the interim, steps have been taken to review methods for how these meetings should be held.

Declaration of Commitments to Safe Business Practices 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

Vision, ESG Management

ESG Management Activities and Results

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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 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
- Medical examination for specified work employees

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Major 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 2021, 36 employees (122 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, we also encourage employees to obtain safety sub-assessor* (SSA) qualifications, holders of which promote machine safety activities. Since fiscal 2017, a total of 164 employees have been certified as SSAs. We have organized a cross-sectional SSA project that extends across business sites to promote improved safety in such areas as pinch rollers and sheet cutting machines. This initiatives is being shared between sites. In addition, we also encourage employees to acquire the SA* qualification, which ranks above SSA. As of fiscal 2021, 22 employees have been certified.

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

Review of Equipment Design Safety Standards

Along with formulating the Equipment Design Safety Standards, which summarize the safety specifications necessary for production equipment used by the Group, and promoting Intrinsic Equipment Safety* activities, we verify that workplaces actually comply with equipment design safety standards. Moreover, we have issued Equipment Design Safety Guidelines for manufacturers that supply production equipment to the Group, and require these manufacturers to submit the safety specification checklist attached to the Guidelines at the time they provide estimates. This effort ensures the safety of newly installed equipment.

* 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.

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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 and cannot audit sites frequently, which has made it difficult to horizontally deploy the best practices of other business sites.

Mutual on-site inspections help participating employees to 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.



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 2021, these audits were performed at 10 business sites uncovering 273 items. Each business site has been making improvements in regard to these items.



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Type of audit	Target / aim of audit
Safety audit	 Document review Checking of conditions relating to health and safety management activities On-site inspections Confirmation of the safety of people's work, their working environments, the surfaces on which they walk, etc. Intrinsic equipment safety measure status Inclusion of accident-prevention measures at the facility design and installation stages Process examinations of facility management departments Facility installation management, construction management, maintenance management 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.
Disaster-preparedness audit	Primarily consists of audits for accident-prevention measures relating to business continuity Checking of storage and handling conditions of hazardous as well as designated flammable materials Checking of fire-fighting equipment maintenance status Measures for responding to earthquakes and other natural disasters

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.

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 were able to improve equipment countermeasures and revise operating procedures. In addition to teaching trainees how to handle potential problems, the training has been applied on various occasions, including evacuation drills and disaster prevention drills.

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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 displayed 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)

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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 fiscal 2021, we conducted remote site inspections at 13 business sites while checking images from the premises in real-time. Moreover, we conducted occupational health and safety management audits based on the Group's evaluation standards with a focus on business sites that newly joined the Group.

Safety Awards

The SEKISUI CHEMICAL Group Safety Conference is held each year.

In an effort to prevent the further spread of COVID-19, 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 21, in fiscal 2021.

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.

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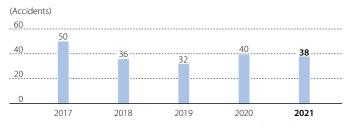
Performance Data ✓

Safety Performance

Japan

Aggregate scope: 45 production sites and 5 research institutes in Japan

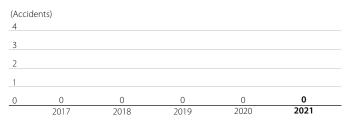
Number of Occupational Accidents



Note: Certain data has been revised due to changes in aggregate scope for past fiscal years.

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

Number of Facility Accidents



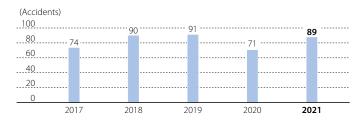
Indicator	Calculation Method
Number of Facility Accidents	The number of incidents where facilities malfunctioned (fires, leaks, etc.) that fulfill at least one of the following criteria (SEKISUI CHEMICAL Group criteria), from (1) to (3), occurring during a given fiscal year (April through the following 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

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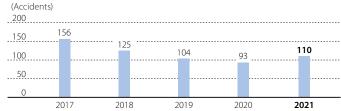
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Number of Cases of Long-term Sick Leave



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

Number of Commuting Accidents

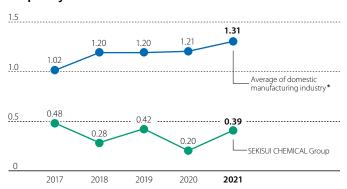


Indicator	Calculation Method
Number of Commuting Accidents	The number of accidents occurring during commutes to Japanese production sites and research institutes during a given fiscal year (April to the following March); counting assault, damage, self-inflicted injury, and accidents; includes accidents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

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Frequency 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

Severity Rate Over Time

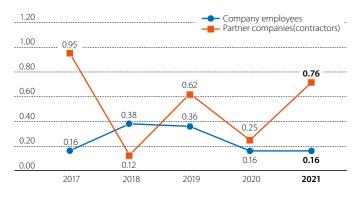




* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

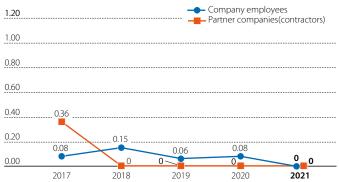
Indicator	Calculation Method
Severity Rate	The total number of days of work lost per 1,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of days of work lost / total number of man-hours worked) × 1,000

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

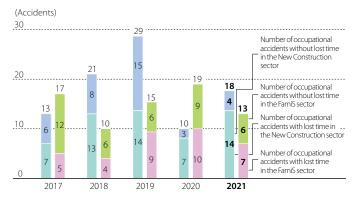
Occupational Illness Frequency Rate (OIFR)



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

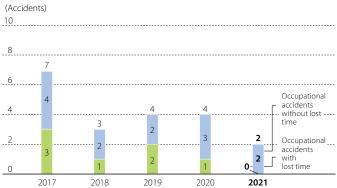
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Safety Performance in the Housing Company's **Construction Sites**



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

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Overseas

Aggregate scope: 46 overseas production sites

Number of Occupational Accidents

(Accidents)



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

Japan and Overseas

Aggregate scope:

45 production sites, 5 research institutes, and 27 construction offices in Japan

46 production sites and 2 construction offices overseas

Occurrence of fatalities due to occupational accidents

(Number of people)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Employees		0	0	0	0	0
	Japan	0	0	0	0	0
Overseas		0	0	0	0	0
Partner Companies (contractors)		0	0	0	1	0
	Japan	0	0	0	1	0
Overseas		0	0	0	0	0
	Total	0	0	0	1	0

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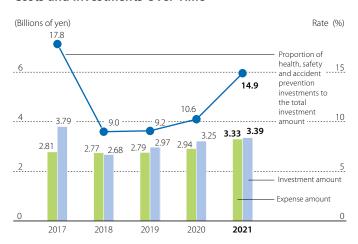
Health and Safety / Accident Prevention Costs

Aggregate Scope: 45 Production Sites, 5 Research Institutes, Corporate Headquarters Departments, Back Offices of Divisional Companies in Japan

Accident Prevention Costs

			(Millions of yen)			
	Item					
Classification	Details	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.	1,380	3,390			
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,941	=			
3) Other	Safety awards, etc.	5	-			
Total		3,325	3,390			

Costs and Investments Over Time



Indicator	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)

Loss Costs Over Time

(Millions 800	of yen)									
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Indicator	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)			

Quality Issues

SEKISUI CHEMICAL Group recognizes that it is the fields of manufacturing development that support quality and, in turn, emphasizes adhering to quality compliance.

Basic Concept

Adhering to Quality Compliance

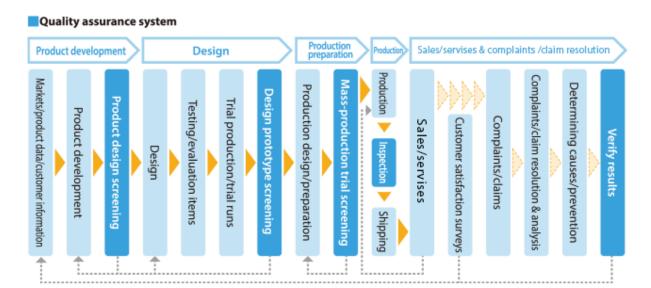
SEKISUI CHEMICAL Group emphasizes quality compliance. Surmising that risks of quality irregularities and data falsification can occur as a result of insufficient investment in improving quality and various types of pressure from supply chains, the Group set about eradicating the root causes of such risks. To this end, beginning in 2020, we have been building a new quality management system (QMS) as well as digitalizing and reinforcing quality data.

Quality Management

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 fields of manufacturing development that support quality and focus our efforts on innovation in production activities. In developing products and making improvements to quality, we conduct strict design screening from a variety of perspectives, such as those of quality assurance and safety. In addition, we have established a system that enables maintenance and management of after-sale services for customers.



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Rebuilding Quality Management Systems

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 addition to conducting hands-on training to improve the quality of internal audits on an ongoing basis, by producing a manual explaining how to use the SPMC together with a process indicator management format, example rules for SPMC operation, and a fill-in sample, we successfully raised the level of SPMC use in fiscal 2021. Every effort will continue to be made to promote the understanding and penetration of the SPMC and to pursue activities aimed at improving operating levels.



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: Customers 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.



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Fiscal 2021 Results

In fiscal 2021, one major quality issue (as defined by individual divisional company standards) occurred*¹. As a result, external failure costs*² increased 20% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will promote the application of development risk prevention methods (such as QFD and DRBFM) *³ to reduce external failure costs.

The rate of application of development risk prevention methods in fiscal 2021 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 QFD:Quality Function Deployment

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)

Major Initiatives

Initiatives to Prevent Quality Data Irregularities and Falsification

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

In fiscal 2021, SEKISUI CHEMICAL Group focused mainly on securing the reliability and transparency of data particularly regarding product inspections and drafting of reports in order to ensure that the specifications agreed upon with our customers are observed. In addition, we are developing systems and revamping daily management work to make data input errors and falsification impossible, while focusing our efforts on digitizing and using inspection data.

SEKISUI CHEMICAL Group will continue to implement efforts to strengthen internal quality control to ensure that the Group re-instill an awareness of compliance for the purpose of enhancing its quality assurance capability and extinguishing any potential for fraud.

Compliance with Laws and Internal Rules for Product Safety

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 reoccurrence. This is also true if internal rules and standards for product safety have not been followed.

In fiscal 2021, there were no cases where we violated laws or internal rules related to product safety.

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Products Information 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 sets checklist items in accordance with laws and product information disclosure at the development stage and confirms adherence.

In fiscal 2021, there were no cases where we violated laws or internal rules related to the disclosure of product quality and safety.

Design and Development Seminars

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. The DR Reviewer Training Seminars are held to improve the skills of employees who conduct DRs*, while the QFD Seminars are conducted to teach methods of organizing information on product development.

In fiscal 2021, we conducted each of the aforementioned training seminars on an online basis.

* DR: Design Review



Online DR Reviewer Training Seminar

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 to the market by controlling changes in four elements: Man, Machine, Method, and Material.

Appendices

| Top Message | Vision 2030 | ESG Management | | Products to Enhance Sustainability | Materiality (Governance , DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues

Creating a Design Screening Platform for New Businesses

SEKISUI CHEMICAL has created a Gate Review (GR)* platform to perform strict design screenings when new businesses are launched and in fiscal 2020 began operating it on a trial basis. GR clarifies discussion points during design screenings by introducing a design check sheet to highlight perspectives that should be considered during the design phase. In addition, we introduced the External Expert Review aimed at gaining 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).

Reenergizing Group KAIZEN Activities

Group KAIZEN Presentations Held Online

SEKISUI CHEMICAL Group has positioned Group KAIZEN Activities at the heart of its improvement and innovation endeavors aimed at solving problems and achieving tasks. For more the 50 years, the Group has continued to advance these activities at each of its business sites in Japan and overseas.

We formulated the Group KAIZEN Activities Guidelines in 2020 based on the medium-term policy of creating a vibrant workplace in which each individual can grow and strive to further develop human resources through manufacturing.

In fiscal 2021, we worked on reforming the qualities and promoting the independence of activities.

In promoting the independence of activities, we took steps to develop supervisors so that each business site can naturally take the initiative to promote KAIZEN Activities as a part of their business operations.





The January 2022 Group KAIZEN Activities presentation (Group-wide competition) was held using an online format as a result of COVID-19.

While unable to hold the event as a group, successful steps were taken to share the same space and time through the use of video screens. This included presentations by four overseas teams using a program that took into account time differences between locations.

The fact that many people were able to view the presentation by taking advantage of the convenience of this communication tool was of considerable benefit from an information sharing perspective.

In addition, we were able to share ideas and methods for improvement through various tools, and without a doubt, were successful in reforming the quality of activities. We will continue to promote KAIZEN activities in line with changes in the social environment.

| Products to Enhance Sustainability | Materiality (Governance , DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues |



Fiscal 2021 KAIZEN presentation

| Products to Enhance Sustainability | Materiality (Governance, DX, Environment, Human Resources, Fusion, and Key Measures for Each Materiality) | Other Key Issues

Performance Data

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

Housing Company (integrated certification)

Housing Company (integrated certification)

Development Department

Residential Stock Business Management Division

FAMIS 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 & Housing Company Environmental Products Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto

Nishinihon Sekisui Industry Co., Ltd.

Okayama Plant

SEKISUI CHEMICAL Co., Ltd. Gunma

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.

Sekisui Seikei. Ltd.

NIPPON INSIEK CO., LTD.

SEKISUI ESLON B.V.

Sekisui Chemical G.m.b.H.

Sekisui Rib Loc Australia Pty. Ltd. Sekisui (Shanghai) Environmental

Technology Co., Ltd.

Sekisui (Wuxi) Plastics Technology Co.,

I td

Sekisui (Qingdao) Plastic Co., Ltd.

Sekisui Industrial Piping Co., Ltd.

SEKISUI KYDEX, LLC. (Bloomsburg Plant)

SEKISUI KYDEX, LLC. (Holland Plant)

High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi

Plant

SEKISUI CHEMICAL Co., Ltd. Musashi

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.

Tokuyama Sekisui Co., Ltd.

Sekisui Chemical Co., Ltd. Tsukuba Site /

IM Project

Sekisui Polymatech Co., Ltd

Sekisui SoflanWiz 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,

Pasadena Plant

Sekisui Specialty Chemicals America,

LLC.

Dallas HO

Sekisui Specialty Chemicals Europe, S.L.

Tarragona Plant

Sekisui Specialty Chemicals (Thailand)

Co., Ltd.

S and L Specialty Polymers Co., Ltd.

SEKISUI DLJM Molding Pvt. Ltd Chennai

SEKISUI DLJM Molding Chennai2

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

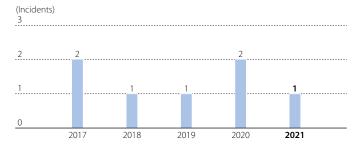
Sekisui Polymatech (Shanghai) Co., Ltd. SEKISUI POLYMATECH EUROPE B.V.

SEKISUI AEROSPACE CORPORATION

| Products to Enhance Sustainability | Materiality (Governance, DX, Environment, Human Resources, Fusion, and Key Measures for Each Materiality) | Other Key Issues

Data Concerning Major Quality Issues 🗹

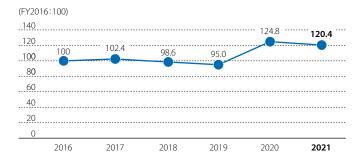
Number of Major Quality Issues



Indicator	Calculation Method
Major Quality Issues	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: 1) Major incidents (1) Of the accidents that threatened user lives or lead to bodily harm, those in which the harm is serious. (2) Product loss or destruction incidents for which there is a risk of severe or fatal user injuries 2) Problems which have serious impacts (cause serious loss) to customers, users, or society 3) Compliance (such as complying with related laws and regulations) problems related to product or service quality 4) Product recall problems

Data Concerning External Failure Costs 🗹

External Failure Costs



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

| Top Message | Vision 2030 | | ESG Management |

Appendices

I Other Data **☑**

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

| Products to Enhance Sustainability | Materiality (Governance, DX, Environment, Human Resources, Fusion, and Key Measures for Each Materiality) | Other Key Issues

Legal and Ethical Issues

Strengthening Compliance Management on a Global Scale

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 adherence to the letter and spirit of the law. In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In October 2020, under the leadership of the President of SEKISUI CHEMICAL Group, the Group declared that it regards compliance as the foundation for growth, and that each and every director and employee must act with a high sense of ethics and responsibility and behave in ways that conform to community expectations.

In order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.



Prevent Major Compliance Issues

In the Medium-term Plan (FY2020 to FY2022), we carried over zero incidents of major compliance issues as a target from the previous medium-term plan. In fiscal 2021 as well, no cases of major compliance issues arose. In fiscal 2022, we are continuing to strengthen compliance management and are working to prevent compliance issues before they occur.

| Products to Enhance Sustainability | <mark>Materiality (Governance</mark> , DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues |

Growing Awareness Toward Compliance

SEKISUI CHEMICAL Group has created and distributed the Compliance Manual, in which are described the matters with which each Group employee should comply, and also created a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee. The Compliance Manual includes information on topics such as the prohibitions on corruption and bribery, respect for human rights and the prohibition of discrimination, data management and protection, compliance with antitrust legislation, prohibitions on insider trading, conservation of the global environment and compliance with labor-related laws and regulations, and the internal whistleblowing system; it publicizes, and promotes thorough adherence with these requirements among all employees. In addition to the existing Compliance Manual, we have created a Global Compliance Manual covering regulations around the world. To allow all overseas Group employees to understand this manual, we have created English, Chinese, Thai, Indonesian, German, Korean, and other editions, and are proceeding with translating the manual into more local languages.

In fiscal 2020, we translated the President's Compliance Declaration into various languages and included this declaration in the Global Compliance Manuals published in the languages listed above.



The Company's Compliance Manual



The Company's Global Compliance
Manual (English edition)



The conveniently sized Compliance Card

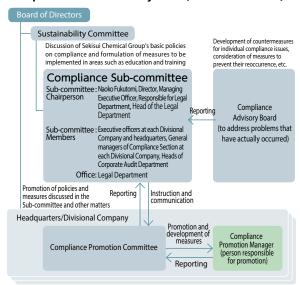
| Products to Enhance Sustainability | <mark>Materiality (Governance</mark> , DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues

Putting Compliance Management Efforts into Practice

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 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 2021, the Compliance Subcommittee met once in November 2021.

Compliance Promotion System (from fiscal 2021)



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, such as by conducting e-learning sessions specific to compliance quarterly. These e-learning programs include information about compliance as training for new employees and as rank-specific training.

Continuing on from fiscal 2020, we once again enabled employees to participate in paper-based learning programs at the request of Group companies and business sites in fiscal 2021 in order 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.

Vision, ESG Management

ESG Management Activities and Results

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Promotion and Operation of the S.C.A.N. Intra-company Whistle-blowing System

SEKISUI CHEMICAL Group established the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistle-blowing 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. Enabling reports to be made not only to the Legal Department but also to an outside law firm, the system can also be used by business partners.

While strictly stipulating the protection of the whistleblower, such as keeping secret information on the person who provided the information from everyone other than at the point of contact and prohibiting any prejudicial treatment toward or retaliation against that person, under the whistleblower regulations employees are required to report compliance violations when they become aware of them.

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.

Globally, we are proceeding with expanding the establishment of reporting points of contact to major overseas areas. So far, we have deployed the system in North America, China, the EU, ASEAN, South Korea, and Taiwan.

Responses to External Notifications

SEKISUI CHEMICAL Group put in place points of contact for consultations from and whistleblowing by suppliers. This consultation / notification point of contact is 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 occasionally 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.

Prevention of Bribery and Corruption

A signatory to and an approver of the UN Global Compact, which stipulates anti-corruption efforts under its voluntary action principles, SEKISUI CHEMICAL Group is promoting efforts to prevent acts of bribery and corruption in that spirit.

As part of our internal regulations, we have put in place rules to prevent bribery and corruption. These rules have been introduced to all SEKISUI CHEMICAL Group companies. In addition, we have formulated anti-bribery guidelines, which summarize matters concerning bribery and corruption, that employees should 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.

| Products to Enhance Sustainability | Materiality (Governance , DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues

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Main Measures Relating to the Prevention of Bribery and Corruption

In addition to identifying high-risk cases, SEKISUI CHEMICAL Group has established and implements rules to prevent bribery and corruption. 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.

Identification of High-risk for bribery and corruption Divisions and Employee Training

In the sales and purchasing departments, which are especially at risk for bribery and corruption, we encourage them to learn about regulations and guidelines, such as by conducting training specific to countering graft and corruption, and to make full use of the relevant forms, among other measures.

We also disseminated our policies regarding bribery prevention in the Compliance Manual for domestic use and the Global Compliance Manual for overseas Group companies.

We translated the Global Compliance Manual into English, Chinese, Thai, Indonesian, German, and Korean, and have enabled Group employees to freely check these from the intranet.

In fiscal 2021, bribery-related issues were included in an e-learning program for employees of domestic subsidiary companies. In addition, video training programs on bribery prevention and in-house rules were distributed to domestic subsidiary companies as a part of the Compliance Reinforcement Month initiative.

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 267 people in Japan and overseas participating in fiscal 2021 in similar fashion to fiscal 2020. The accounting training sessions and workshop meetings were also conducted online, with a total of 75 people participating.

Vision, ESG Management

ESG Management Activities and Results

Top Message | Vision 2030 | | Products to Enhance Sustainability | Materiality (Governance, DX, Environment, Human Resources, Fusion, and Key Measures for Each Materiality) | Other Key Issues

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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 OECD (Organisation for Economic Co-operation and Development) guidelines. To eliminate unstable tax positions, we will use Advance Pricing Arrangements (APAs) only in accordance with the size of the transaction and level of tax risk. In addition to responding sincerely and appropriately to any inspections by tax authorities, the results of such inspections are reported to the Board of Directors and efforts made for improvement as appropriate. Through these efforts we endeavor to maintain good relationships with tax authorities.

Major Initiatives

Compliance Reinforcement Month

SEKISUI CHEMICAL Group has set aside October of each year as Compliance Reinforcement Month, to give all employees the opportunity to reflect on their compliance awareness and actions.

In fiscal 2021, we implemented training in Japan covering four broad themes: power harassment, quality compliance, bribery, and labeling regulations. 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 power harassment and quality compliance training and video streaming for the remaining two themes.

Initiatives Taken During Compliance Reinforcement Month in Japan (Fiscal 2021)

- 1. Thorough dissemination of the Top Message on Compliance (October 2021) 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 20 times in total), video streaming (2 themes)
- 3. Introduced the 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 bribery and harassment, including discrimination)
- 5. Dissemination and reporting of compliance messages by frontier leaders to their own organizations
- 6. Initiatives in North America, China, Southeast Asia, and Europe (September to March)

Vision, ESG Management

ESG Management Activities and Results

Top Message | Vision 2030 | ESG Management |

| Products to Enhance Sustainability | Materiality (Governance, DX, Environment, Human Resources, Fusion, and Key Measures for Each Materiality) | Other Key Issues

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Reinforcement of Global Legal Affairs Structure

SEKISUI CHEMICAL Group is reinforcing its legal affairs structure by developing and deploying legal personnel, strengthening collaboration among legal departments, and enhancing legal functions.

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.

Fiscal 2021 Compliance Reinforcement Month Initiative Themes by Region

North America: Offsite educational programs using various tools including learning management systems (LMS) and intra-company whistle-blowing system explanatory briefings

Note: LMS themes selected from the following options:

- Antitrust legislation
- · Diversity and anti-bias training
- IT fraud prevention and controls
- Post-COVID-19 new normal

China: Group educational programs, compliance training using video teaching materials and tests to assess levels of understanding implemented on the following themes:

- · Fundamentals of compliance
- Information management

Southeast Asia: Educational programs implemented on themes of bribery, antitrust legislation, defamation (harassment) and whistleblowing

Europe: Educational activities regarding the leakage of information, confirmation of personal information management and implementation of educational seminars from perspective of GDPR

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 and follow-up report 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.

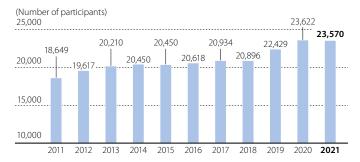
In addition, SEKISUI CHEMICAL Group adheres strictly to laws and regulations including the Act against Unjustifiable Premiums and Misleading Presentations while engaging in good faith marketing related to advertising and product labeling when conducting its business activities.

| Products to Enhance Sustainability | Materiality (|Governance|, DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues

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 2021 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 2021 List of Results Relating to Compliance Training

		Т			
Training	Training content	SEKISUI CHEMICAL	Group co	Attendance	
		Co., Ltd.	Domestic	Overseas	
	Training for new employees	✓	✓		424
	Newly appointed senior management training	✓	✓		177
Regular	Newly appointed executive officer training	✓	✓		3
training Training for those responsible for compliance Training for those responsible for promoting compliance	responsible for	✓	✓		292
	responsible for	✓	✓		42
	Compliance training	✓	✓		3930
	Harassment preventing training	✓	✓		1020
Area-specific training	Export controls training	✓	✓		311
	Act against Delay in Payment of Subcontract Proceed, etc. to Subcontractors training		✓		232
	Anti-monopoly law training	✓	✓		1619

		Т	Trainees				
Training	Training content	SEKISUI CHEMICAL	Group co	Attendance			
		Co., Ltd.	Domestic	Overseas			
	Act against Unjustifiable Premiums and Misleading Representations training		√		188		
	Personal information protection training	✓	✓		53		
Area-specific training	Information management training	✓	✓		290		
	Accounting training		✓		23		
	Contract fundamentals training	✓	✓		918		
	Other statutory and regulatory training	✓	✓		425		
Global training	Training for prior to overseas transfers	✓	✓		18		
	Domestic training	✓	✓		1365		
Compliance Reinforcement	North America training			✓	1841		
Month	China training			✓	776		
	Southeast Asia training			✓	863		

| Products to Enhance Sustainability | Materiality (Governance , DX , Environment , Human Resources , Fusion , and Key Measures for Each Materiality) | Other Key Issues

Number of Whistleblowing Cases and Consultations

Fiscal 2021 Number of Whistleblowing Cases and Consultations

Reports/consultations	Number of cases
Power harassment	26
Working conditions	35
Sexual harassment	3
Workplace environmental concerns	5
Misuse of expenses	0
Sales methods related	4
Misrepresentation of work performance	3
Collusive relationship with business partners	2
Others	13
Total number of complaints	91

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 2017	13,232
FY 2018	14,429
FY 2019	16,936
FY 2020	8,705
FY 2021	10,690

Appendices

| Products to Enhance Sustainability | Materiality (Governance, DX, Environment, Human Resources, Fusion, and Key Measures for Each Materiality) | Other Key Issues

Information Management Issues

Maintaining an Effective Management System to Address Various Information-related Risks

Management Approach

Formulation of Cyber Security Policy

To strengthen our cyber security efforts throughout SEKISUI CHEMICAL Group we formulate a Companywide information security policy and share it internally and externally.

Please refer to the SEKISUI CHEMICAL Group Cyber Security Policy

Cyber Management System Headed by an Executive Officer

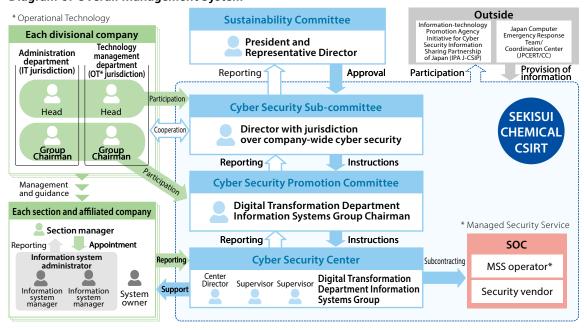
To provide a cyber security response system, we established a CSIRT*¹, which reports to the Sustainability Committee chaired by the president.

The policy-making body is the Cyber Security Subcommittee, led by the Chief Information Security Officer (CISO), which deliberates on Group-wide cyber security measures and significant security incidents. Cyber Security Promotion Committee advances measures based on subcommittee decisions, and 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 CSIRT with its response and recovery efforts.

Diagram of Overall Management System



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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 prevents 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.

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 safe and secure utilization of employee e-mails and 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

Measures to Mitigate Risk from Natural Disasters by Dispersing 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 among 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.

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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 sites.

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 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.

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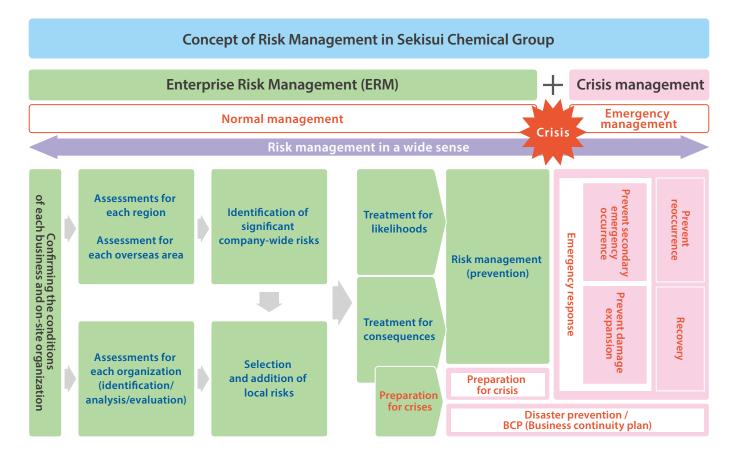
Risk Management

We Are Increasing Risk Sensitivity and Improving the Quality of Our Activities by Further Strengthening Our Risk-management Structures

Basic Philosophy

Building A System That Can be Brought to Bear on Ever-changing Risks and Crises

Here at SEKISUI CHEMICAL Group, we are building a risk management structure that unifies risk management in a bid to prevent risks from occurring in the first place, and crisis management that addresses serious risks that have manifested. Through this unification of concepts, we are creating a system that can be brought to bear on ever-changing risks and crises.



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Management Structure

Group-wide Sharing of Risk Management Policies

At SEKISUI CHEMICAL Group, the Managing Director of the ESG Management Department, whose Risk Management Group handles day-to-day risk management operations has assumed ultimate responsibility for risk management since April 2020. We have created a risk management structure that centrally manages activities aimed at preventing risks from occurring in the first place (risk management) and activities that address serious risks that have already manifested (crisis management).

Our risk management activities are based on the PDCA management cycle. Under this cycle, we analyze and evaluate Group-wide risks as well as risks identified by each organization in accordance with the SEKISUI CHEMICAL Group Risk Management Guidelines, implement countermeasures, and then conduct reviews as necessary while taking corrective action. 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.

In fiscal 2021, we identified 17 categories of risk in the five safety, quality, accounting, legal/ethical, and information management fields that could lead to serious Group-wide incidents as serious Group-wide major risks, and incorporated them into our existing organizational risk management activities to realize enterprise risk management (ERM) activities. In order to respond to changes in the environment in which we operate, we will also conduct an annual review of serious risks and mandate risk assessments for all organizations through the Group to strengthen efforts aimed at containing serious Group-wide incidents.

ERM stands for Enterprise Risk Management, and refers to Group-wide risk management.

As the business environment in which companies operate becomes increasingly uncertain and complex, SEKISUI CHEMICAL Group is systematically bringing to light the wide range of risks related to the business objectives of each organization. We have established an ERM system that quantifies each risk based on its likelihood of occurring and its potential impact. Dedicated offices in Corporate Headquarters then identify those risks that have a high possibility of leading to a serious Group-wide incident and share and manage their findings with the Group. We are continually verifying the effectiveness of the ERM system by reviewing uncertainties on a regular basis.

In fiscal 2021, SEKISUI CHEMICAL Group launched a Group-wide Risk Review Subcommittee. Drawing on the specialized expertise of dedicated offices in Corporate Headquarters, the Subcommittee corrected and modified the Group-wide risks identified in fiscal 2020 and examined whether the likelihood of their occurring or their potential impact had changed, in light of changes in factors such as geopolitical risks and social demands. 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 for their consideration in management decisions.

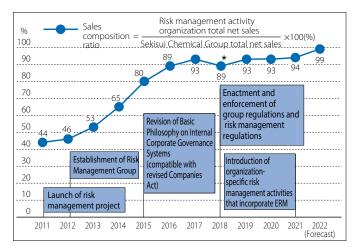
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Bolstering Risk Management Structures by Organization

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 171 in total, including Japanese and overseas affiliates accounting for 94% of consolidated sales in fiscal 2021. Activities have also taken root in the R&D divisions of all divisional companies.



^{*} Temporary decline resulting from a large-scale M&A.

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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)
- 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 (fi re and explosions / major workplace accidents / hazardous substance leakage)
- Laws / Compliance / Human Rights (unethical or criminal behavior / volitions of the Monopolies Act or fraudulent transactions / unauthorized overwriting of data / bribery / harassment / environmental regulations, etc.)
- Intellectual property (IP disputes)

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Basic Philosophy Toward Business Continuity Planning (BCP)

BCP is the very essence of business strategy. 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 formulation of business-continuity plans and the implementation of business continuity management (BCM) based on ISO 22301, a standard for methods of implementing BCM. In light of the recent increase in the number of threats, as well as the growing need to determine how to continue operations in the event of a medium to long-term loss of key management resources, and to prepare for such an event, the Group has developed and revised the working of its initial response plan (ERP) that places the protection of human life as the highest priority at all organizations as a Group-wide initiative from fiscal 2021. In addition, major business organizations throughout the Group are promoting efforts to put in place resource-based all-hazard BCPs to address every type of crisis event. Plans are in place to establish ERPs in all organizations during the period of the current medium-term plan. We aim to establish a BCM system that can be regularly reviewed through training and other means within our own organization. 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.

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Bolstering the Domestic Crisis-management System

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 refining that system ever since.

Specifically, we have conducted drills based on the Emergency Response Headquarters Procedures Manual (at the Secretariat), held annual education programs based on the Emergency Situation Initial Response Procedures Manual (for all employees), and organized disaster/infectious disease-preparedness systems based on disaster/infectious disease-preparedness checklists in all offices (around 800 within Japan).

As of January 2012, the rate of sufficiency regarding disaster-preparedness systems, in reference to the Cabinet Office's guidance on corporate measures for disaster prevention, averaged 41% among all sites. Thanks to annual improvements, however, the Group has, since fiscal 2015, reached a point where it has been able to maintain an average rate of over 90%.

Under these circumstances, we have shifted maintenance management to self-management going forward. Meanwhile, we are taking into consideration the need to balance pandemic countermeasures and business continuity in response to the emergence of virus variants when addressing COVID-19. In addition to coordinating closely with healthcare departments and disseminating action guidelines to be implemented in a timely manner, steps are being taken to feedback the results of progress monitored through surveys on measures implemented while upgrading and expanding endeavors.

In preparation for emergency situations, SEKISUI CHEMICAL Group implements Group-wide response measures for emergencies as provided for in the Crisis Management Guidelines and the Emergency Response Headquarters Procedures Manual. Through training and provision of the Emergency Situation Initial Response Procedures Manual to all employees, who carry this manual at all times, we ensure that all employees can take the appropriate action in the event of an emergency.

In 2018, we also prepared an English version of our Emergency Situation Initial Response Procedures Manual, which is provided to all appropriate employees. 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.

Emergency Situation Initial Response Procedures Manual (April 2022 revised edition)

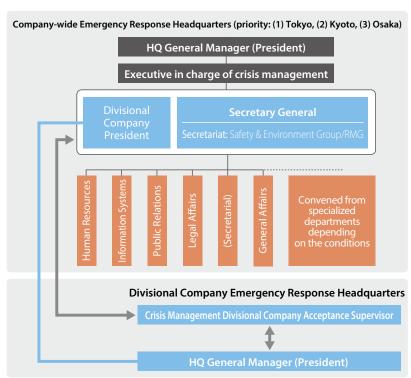




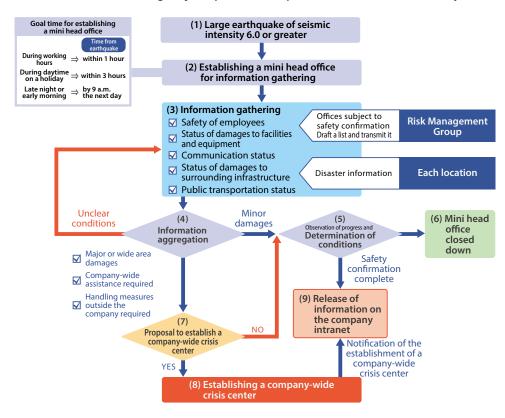
Japanese edition

English edition

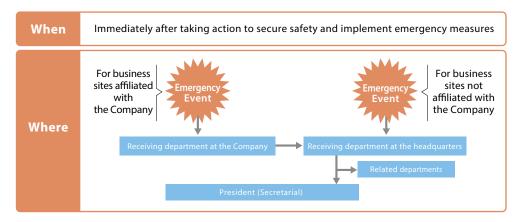
Emergency Response Headquarters Functions (when a major earthquake occurs)



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



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



Overseas Crisis Management Organizational System

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.



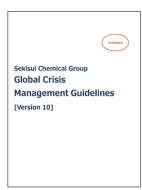
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Global Crisis Management Guidelines









Japanese edition

English edition

Chinese edition

Korean edition

Major Initiatives

SEKISUI CHEMICAL Group's Measures to Prevent the Spread of the Novel Coronavirus

In response to the spread of COVID-19, SEKISUI CHEMICAL Group has been implementing a variety of measures to help stem the spread of the virus in order to protect the health of its employees and meet the demands of society. Alongside the quick establishment of a Group-wide emergency task force, we set up a special page dealing with infectious diseases on the Company intranet as part of our effort 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 will promptly assess the situation and share the information with the relevant parties.

Until the global pandemic is brought under control, we will continue to regularly monitor the implementation of infectious disease countermeasures at all of our domestic and overseas business sites as part of our effort to ensure a secure environment for the continuation of our business. There were incidences of infection at domestic and overseas sites in fiscal 2021. Production sites have been able to cope with demand without undue problem due to the follow-up by multi-skilled workers and indirect personnel who had been trained in advance, as well as appropriate inventories.

Dashboard Utilization

By introducing Dashboard, a centralized database of risk-related information for risk-management activities, 1) efficiency; 2) accuracy; and 3) visualization have significantly advanced. We are also working to strengthen the risk identification process by utilizing various audits. In fiscal 2021, we facilitated an appropriate response to major risks from a Group-wide perspective by screening all organization undertaking activities to address major Group-wide risks at the time of risk assessment.

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Enhancement of training systems

1) Raising awareness of risk management activities and training of risk managers

The annual risk management training that has been conducted since fiscal 2017 was provided to 22 newly appointed risk managers (persons responsible for duties related to risk management activities in their respective organizations) in fiscal 2021. The cumulative total of participants to date is 243.

2) Enhancement of content of training for overseas crisis managers

<For people going on overseas business trips>

With a view to preventing the spread of COVID-19, we have put in place a business trip training program prior to travel that focuses especially on infectious diseases as a new safety measure. In this manner, we are taking meticulous measures for people taking overseas business trips. In addition to deciding whether or not to travel, we continue to implement various safety measures to ensure that people on business trips can carry out their duties safely.

<For people transferring to a new position or location>

Transferring personnel undergo timely training customized to the circumstances of their country of destination, regarding mental preparations and points of concern focused mainly on safety management when stationed overseas.

<For both business travelers and transferees>

Through e-learning (both basic and applied versions), content dealing with local characteristics, customs, and the like is prepared in a test format, to enhance the employees' crisis-management mindset. With respect to the six countries to which Group employees most commonly travel on business (the United States, South Korea, China, Thailand, India and Vietnam), the applied version of the e-learning is taught, to provide more detailed, country-specific information.