

## **Q&A Summary**

### **Presentation of ESG Management**

Date: December 7, 2021

#### **About products to enhance sustainability**

**Q: What is the Premium Framework? Is the Framework reviewed over time?**

A: (Kamiwaki) Among the products to enhance sustainability, those that achieve high profitability and with a particularly high ability to solve social issues are defined and selected as the Premium Framework. With this high ability to solve social issues, Premium Framework products help drive business growth. Sustainable products are reviewed and refined to meet current standards each year. On this basis, the overall number of registered products is increasing.

**Q: What are your thoughts on how customers are reacting to this as product added value? Are you sensing any change?**

A: (Kamiwaki) Built to zero energy house (ZEH) specifications, the SMART HEIM brand is recognized as a sustainable and highly economical product. As such, customers are readily accepting this as an initial investment. There are signs that these values and attitudes are becoming accepted as an underlying assumption.

**Q: Do you have an “early mover” advantage over other competing housing-related companies who are also focusing on sustainability?**

A: (Kamiwaki) Among the several grades of ZEH in which we continue to focus, the Company is unique in that the highest-grade accounts for most of its business. In this regard, customers are becoming increasingly aware of the benefits of our products, which we believe is an advantage.

**Q: What direction do you see for automotive interlayer films as the shift to EVs continues? Do you have any investment plans in this regard going forward?**

A: (Kamiwaki) We will strengthen our composite functional films that combine heat and sound insulation properties that contribute to improved fuel efficiency (electricity costs) for interlayer films that required a high level of safety including those for head-up displays (HUDs). We will pursue both safety as well as energy efficiency. Most recently, we added film and raw material resin production lines in Europe. We have put in place a structure and system that capable of addressing global supply for the foreseeable future.

**Q: What are your thoughts on the future trends in Japan regarding pipeline rehabilitation?**

A: (Kamiwaki) The incidence of large-scale natural disasters and sinkholes attributable to aging infrastructure is triggering increased awareness. We believe that efforts by each local government to systematically repair aging infrastructure will grow even stronger in the future.

**Q: What are your thoughts on how to balance the need to continue and expand businesses that play a significant role in resolving social issues and promoting sustainability with businesses that exhibit relatively low profitability?**

A: (Kamiwaki) When selecting a business, we look to secure profit levels that exceed the cost of capital while also utilizing ROIC. SEKISUI CHEMICAL Group has undertaken considerable structural reforms while reorganizing production over the past few years. We are now at the stage where we can confirm the existence of improvements in profitability.

## About the environment

**Q: While disclosing details of reduction contributions by some product groups in certain segments, will you provide quantitative data compared with Groupwide emissions?**

A: (Kamiwaki) In comparing the volume of GHG emissions including those from the production process with the volume of reduction contributed by products and services, we recognize the importance of expanding the difference to a positive level. We will consider how best to organize in a definitive manner with a view to disclosure.

**Q: The Company has initiated steps to review its 2030 target for reducing GHG emissions. Can you achieve this target by bringing forward the existing roadmap? Will you need to put in new measures? What are your thoughts on ESG investment going forward?**

A: (Kamiwaki) We must step up our efforts to transform the production process for all the energy we consume in our factories, not only focusing on electricity but also other sources of energy including steam and gas. ESG investment, mainly in such areas as the environment, DX, and work style reforms is sufficient for the current medium term. However, we are considering investing heavily in the environment to accelerate the reduction of GHG emissions over the next medium term.

**Q: I believe the Company has set its internal carbon pricing at ¥30,000 for each CO2 ton equivalent of GHGs reduced through investment. This price seems to be higher than that of other companies. Is your intention to accelerate the reduction of GHG emissions?**

A: (Kamiwaki) While we are currently considering how to identify the amount per ton in the future, our intention is to set it at a relatively high level to accelerate switchover.

**Q: Turning to the film-type perovskite photovoltaic battery, has there been a change from previous solar cell development? What is your advantage over competitors? What is your image on commercialization?**

A: (Kamiwaki) We are promoting multiple parallel development activities with different technology seeds even with the same solar cell. At a certain stage, we narrowed development themes to the perovskite photovoltaic battery where we believe we can demonstrate our strengths based on the high durability attributable to such factors as the sealing technology cultivated at the Divisional Company level as well as our roll to roll manufacturing and other technologies. Envisioning a specific business scale is the next step to be determined.

## About human resources

**Q: What effect has the vision caravans, in which the president outlines his thoughts on the Long-term Vision, had on employees?**

A: (Murakami) The president has been engaging directly with employees, focusing on line managers in fiscal 2020 and younger employees in fiscal 2021. There are signs that employees themselves are convinced of the value of management's ability to sustain business from a long-term perspective and are acting accordingly. I hope that this conviction will manifest itself through concrete in action in employees' respective operations. We are taking preparatory steps to revise the evaluation system with an awareness toward supporting challenging behavior from the next fiscal year.

**Q: What are your thoughts on the participation of non-Japanese individuals in management in light of the goal of lifting overseas sales to half of the Group's total sales by 2030?**

A: (Murakami) From a local management perspective, we would like to increase the number of non-Japanese managers and are working with the human resources departments in each area. Meanwhile, we will incorporate the concept of consistently taking all preparatory steps to identify the most suitable personnel for the management of each department and business irrespective of nationality.

## About fusion

**Q: Can you provide us with details of profitability in the Town and Community Development Business? What are your thoughts on future expansion?**

A: (Kamiwaki) We believe that we can increase the added value of the Town and Community Development Business as a whole and also secure profitability by positioning our products not as single items but as components of town and community development, which we can position as higher added value. Following Asaka Lead Town, the inaugural project in this business, there are 11 projects currently underway. We will invest aggressively in an effort to expand.

## About corporate governance

**Q: The Company has identified SEKISUI Sustainable Spread as a KPI taking into consideration the concept of sustainable management. How do you plan to use this KPI?**

A: (Kamiwaki) We put in place Sustainable Spread plans for each segment each year. The results of these plans are reflected in the evaluations of relevant executives. Directors' compensation is also designed to reflect the results of such non-financial KPIs as short-term incentive bonuses.

**Q: What kind of discussions take place at Board of Directors meetings regarding cross-held stocks? What are your thoughts on how to proceed in the future?**

A: (Kamiwaki) Cross-held stocks include venture capital investments designed to promote innovation. While the number of stocks seems to have remained largely unchanged, we have steadily reduced our holdings of listed company stocks this fiscal year and the amount held is decreasing. The Board of Directors will continue to discuss the significance of cross-held stocks. Basically, we are looking to further reduce the amount in the future, while prioritizing.