

High Performance Plastics Company

Evolving the lives of people and resolving social issues through value-added creation based on “innovation” in business, products, and technology

Utilizing original technologies, such as fine particle, adhesion, and precise molding technologies, we help bring about the further evolution of our customers' products and services for electronics, mobility, building, and infrastructure materials as well as various other industries, while providing advanced high-performance materials on a global basis.

History of the High Performance Plastics Company

History in Process Creation

Since SEKISUI CHEMICAL Group introduced its current three divisional company organization system in 2001, the High Performance Plastics (HPP) Company has been engaged in growth strategies centered on overseas business expansion, enhanced its management foundation, strengthened the Electronics field, such as fine particle products and high-performance resins, and the Automotive Materials field, including its interlayer film and foam businesses, and worked to expand profits. In the automotive interlayer film business, which is one of our main products, we have established a solid position globally through developments that have accurately captured social needs—for example, we added a sound insulation function that suppresses noise and a heat insulation function that significantly cuts ultraviolet rays and heat to the interlayer film's original functional role of making the windshield shatterproof—and established film manufacturing business bases overseas. In the Electronics field, we responded to the emergence and higher functionality of smartphones by launching a variety of products. Today, we are supporting the foundation of a digital society and contributing to people's prosperous lifestyles.

History of Adaptability

Up until now, the HPP Company has been able to capture changes in society and the business environment, respond proactively, and generate profits by focusing on areas where we can win. One example is the device materials-related business. By successfully perceiving the technological turning points in the emergence of smartphones, quickly building relationships with customers, and replacing product portfolios, we have achieved growth along with the expansion of the smartphone market. In addition, during the previous Medium-term Management Plan, we established a collaborative system and sales network in terms of R&D and production in future growth markets through M&A with companies that can be expected to have synergistic effects with our company, such as SoflanWiz Co., Ltd., which boasts high technological capabilities in the domestic market for rigid polyurethane stock solutions, and Polymatech Japan Co., Ltd., which possesses strengths in high-performance resin processing for automotive and electronics applications.



Ikusuke Shimizu

President of High Performance Plastics Company

Ready to face challenges and changes toward a better world

Our mission is to “improve people's quality of life” and “create a safer and more convenient world” by means of technology.

To realize our vision, we will boldly face the challenges of even difficult problems and create an organization and culture that will not apportion blame even in the event of failure.



Conductive fine particles



Component packaging materials for semiconductors



Double-sided fixed LCD placement tape used in smartphones and tablets



Moldings for automobile bumpers



Interlayer film for automotive laminated glass



Chlorinated polyvinyl chloride (CPVC) resin compound



Thermal expansion fire-resistant materials



Rainwater storage system

High Performance Plastics Company

High Performance Plastics Company Future Medium- to Long-term Strategies

Electronics Field

Expansion mainly in non-LCD products

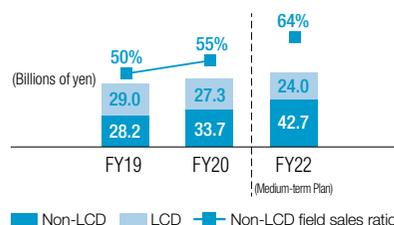
In the Electronics field, we do not anticipate a recovery in the liquid crystal display market conditions and will focus on expanding sales of products in the non-LCD field. In addition to providing process materials for making semiconductors lighter, thinner, and shorter, as well as heat-releasing materials for 5G base stations, which are becoming more widespread worldwide, we are aiming for further growth and the strengthening of our portfolio. These aims will be achieved through the development and launch of new products for next-generation displays that make use of the knowledge we have cultivated in the development and sale of products for liquid crystals.

Heat resistant Selfa (semiconductor processing material)

The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components that have emerged with the evolution in telecommunications technologies to be processed without damage.



Non-LCD Field Sales/Sales Ratio



Volume of Semiconductor Shipments Market Forecast by Global Region

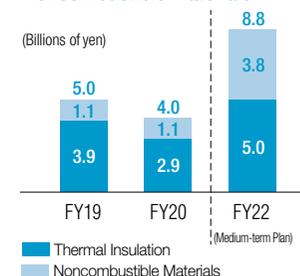


Building and Infrastructure Field

Expansion of Thermal Insulation/ Noncombustible Material Sales Preparations for new (sensor) business

In the Building and Infrastructure field, we supply materials that contribute to the safety and security of buildings and infrastructure and to the resolution of social issues, such as resin raw materials for heat-resistant piping and rainwater storage materials, while striving to expand sales of the thermal insulation/noncombustible materials on which we are focusing. We will also promote marketing with the keyword "construction-saving" and focus on the development of new products that will drive growth, centering on sensors.

Net Sales of Thermal Insulation/ Noncombustible Materials



Noncombustible certified material, thermal insulating urethane foam material for onsite use

The company's thermal insulating urethane foam material for onsite use is the first organic material to receive noncombustible certification from Japan's Ministry of Land, Infrastructure, Transport, and Tourism. This material contributes to preventing fires and accidents caused by ignition at construction sites.



Monitoring sensor ANSIEL

Created by the application of our proprietary foam technology, this is a sensor designed to monitor people getting out of bed at care facilities. The detection accuracy, high customizability, and ease of installation lead to accident prevention and reduce the burden on facility staff.

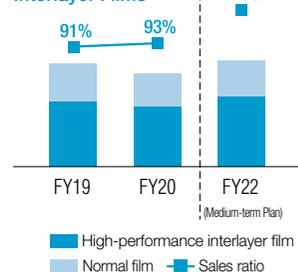


Mobility Field

Expand Sales of High-value-added Products Over the long term, foster aircraft-related components into a second pillar of profit

In the Mobility field, we will not factor in a significant recovery in the automobile market, but rather aim for growth centered on expanding sales of high-value-added products, primarily high-performance interlayer films, and will foster aircraft-related components into a second pillar of profit. In high-performance interlayer films, in addition to improving profitability with differentiating technology, such as heat and sound insulation performance, and wedge-shaped interlayer film for head-up displays (HUDs), in the long term we will focus on development aimed at further increasing added value by combining interlayer functions.

Sales Volume/Sales Ratio of High-performance Interlayer Films



Example of combined functions



Interlayer film for head-up displays

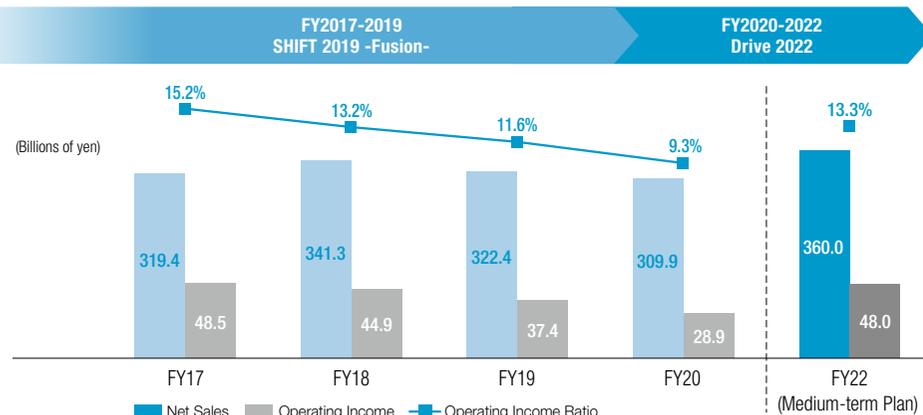
SEKISUI AEROSPACE CORPORATION

SEKISUI AEROSPACE manufactures interior and exterior aircraft parts, carbon fiber-reinforced plastic (CFRP), and other composite molded products. These products contribute to lighter weight aircraft parts and higher fuel efficiency for transport equipment. As demand for aircraft is expected to recover over the medium to long term, in the years to come the company will increase the ratio of high-value-added engine components, while advancing portfolio reform by deploying these materials for other uses, such as drones used to transport goods and medical equipment.



High Performance Plastics Company

Performance Highlights



	FY2017	FY2018	FY2019	FY2020	FY2022*
Forex Rate (Avg. rate for each term)	¥113/US\$ ¥121/€	¥111/US\$ ¥128/€	¥109/US\$ ¥121/€	¥106/US\$ ¥124/€	¥106/US\$ ¥118/€
Main M&As	09/2017 Polymatech Japan Co., Ltd.	12/2017 SofianWiz Co., Ltd.	2H 2019 AIM Aerospace		
Main Strategic Investments	12/2017 Started operations at a new interlayer film production line (Mexico)	04/2018 Operations commence at a new automotive exterior parts plant in Japan	2018-2019 Started operations at new foam plants in Thailand and China	2H FY2020 Started operations at a new interlayer production line (Europe)	

Note: FY2022 figures are assumptions

Fiscal 2020 Results

In fiscal 2020, net sales were ¥309.9 billion and operating income was ¥28.9 billion, and sales and income decreased due to the effects of COVID-19. Nevertheless, in the second half sales and income returned to higher levels, and the strengthening of the profit structure progressed faster than planned. In the Electronics field, demand related to tablet terminals and high-speed communications increased against the backdrop of the spread of telecommuting, and sales increased. In the Mobility field, the interlayer film business drove business performance as the demand for automobiles recovered from the second quarter onward. The Building and Infrastructure field also secured sales on par with the previous year due to the recovery in demand for CPVC from the second half of the year. For the full year, HPP achieved an improvement in profit of ¥5.6 billion through cost innovations, such as purchasing optimization, productivity improvements, and distribution cost reductions, almost offsetting the decreases in sales volumes and product mix, and minimized the extent of the profit decline.

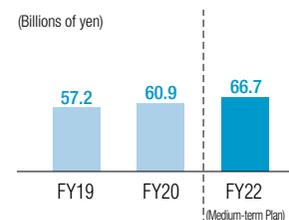
Analysis of Operating Income

	FY19 ¥37.4 billion							FY20 ¥28.9 billion	
	Consolidated-basis Change	Foreign Exchange	Sales Volumes & Product Mix	Selling Price	Raw Materials	Cost Reduction, etc.	Fixed Costs	Total	
YoY Full FY	-5.6	-0.9	-5.1	-3.8	+2.8	+1.4	+2.8	-8.4	
	Marginal Profit -¥4.7 billion								
1H YoY	-3.6	-0.2	-10.5	-2.2	+2.0	+0.1	+3.9	-10.6	
2H YoY	-1.9	-0.7	+5.4	-1.6	+0.8	+1.3	-1.1	+2.1	

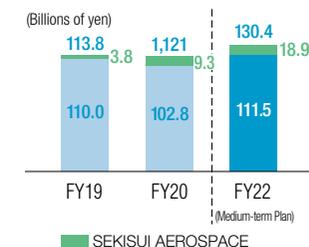
(Billions of yen)	FY17	FY18	FY19	FY20
Assets	447.5	343.8	376.5	422.9
ROIC			9.1%	6.7%
EBITDA	77.9	61.9	56.3	51.1
Depreciation and Amortization	18.0	16.1	17.7	19.3
Capital Expenditures	25.7	32.9	26.6	16.5
R&D Expenditures	18.9	16.2	15.3	13.9
Number of employees	9,735	7,795	8,078	7,541
Consolidated Subsidiaries (Overseas Companies)	67(55)	68(56)	65(54)	63(52)

Note: Including Medical Business data up to FY2017.

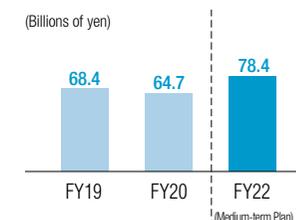
Electronics Field Net Sales



Mobility Field Net Sales



Building and Infrastructure Field Net Sales



Outlook for Fiscal 2021

In fiscal 2021, we will aim for growth mainly by increasing sales volumes and improving the product mix in the three strategic fields. Although there is a risk of stagnation in semiconductor production, in the Electronics and Mobility fields, we aim to expand business performance centered on expanding sales of high-performance products, such as non-LCD products and automotive interlayer films with multiple functions. SEKISUI AEROSPACE is struggling due to sluggish aircraft demand but will continue to promote rationalization measures and the development of other applications. In the Building and Infrastructure field, we will cover the delay in the recovery of domestic demand by increasing sales overseas. With regard to cost innovation, which is the most important issue, we expect to exceed the Medium-term Management Plan (fiscal 2022) in fiscal 2021.

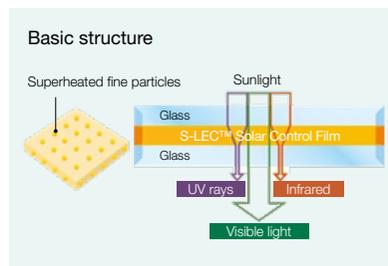
Grasping Changes in Society (HPP Company Sustainability)

Climate Change



Heat insulation interlayer films

In response to the increase in the amount of sunlight entering the interior of automobiles due to the expansion of front windshield areas and the introduction of glass tops that emphasize amenity, heat insulation interlayer films prevent any increase in the operating rates of air conditioners. In automobiles, our fine particle dispersion technology cuts not only ultraviolet (UV) rays but also infrared rays that can irritate the skin, while contributing to improved comfort and fuel efficiency by suppressing any rise in interior temperature. In the case of electric vehicles, this product also makes it possible to reduce air-conditioner usage and the load placed on the battery.



Conductive fine particles

These are conductive fine particles that conduct electricity by metal plating highly refined particles. This enables continuity between electronic parts and printed circuit boards, heat transmission, and gap formation. SEKISUI CHEMICAL's unique polymer design technology enables the control of particle hardness and reactivity and contributes to the need for even higher integration in the liquid crystal and mounting fields.



Heat release grease

This grease is used as a heat solution for lithium-ion batteries. Having high heat conductivity, this grease contributes to the widespread use of low environmental impact electric vehicles.



Health and Welfare



Virus removal spray

A polymer with an ionic group similar to neuraminic acid captures enveloped viruses and prevents them from binding to the surface of receptors in the body. Spraying this product on objects with which people come into contact, such as doorknobs, handrails, toilet seats, and switches, bestows those objects with the virus removal effect.

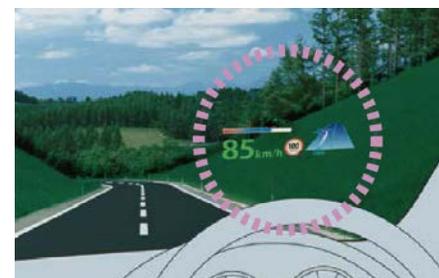


Make Cities Sustainable



Wedge-shaped interlayer film for HUD systems

This head-up display (HUD)-compatible interlayer film displays essential information onto automotive glass. HUDs greatly improve safety by eliminating the driver's line of sight movements. By means of wedge bias control technology, which produces a wedge-shaped, HUD-compatible interlayer film, and multilayer extrusion, as well as nano-dispersion technologies, we were the first in the world to create an interlayer film that not only suppresses double HUD images but also has sound and heat insulation functions. These films improve visibility and contribute to greater driving comfort and safety.

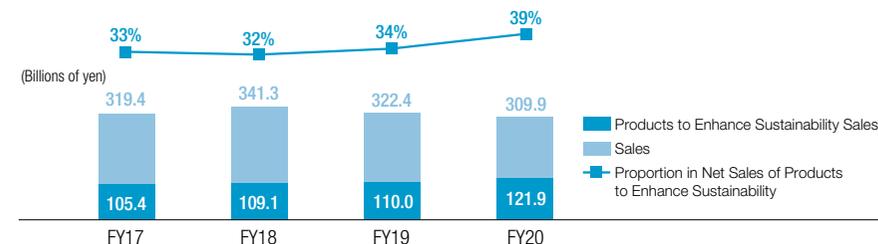


Fire-resistant thermal expansion materials

In the event of a fire, this material expands to form a heat insulating layer and shuts out the flames, thereby contributing to disaster mitigation. As the product is normally mounted as a thin sheet tape, the material is good for cutting and bending and ideal for effective use even in confined spaces.



Trends in HPP Company Products to Enhance Sustainability Sales



Housing Company

Providing more people with peace of mind, safety, and comfort through our prominence in high-performance housing and housing-related services

We conduct business based on the principle of providing environmentally friendly housing for safe and comfortable living for at least 60 years.

History of the Housing Company

History in Process Creation

This year marks the 50th anniversary of the launch of our first product SEKISUI HEIM M1 in 1971. From the outset, we have continued to develop a new housing construction business that specializes in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. To date, cumulative sales of such residences have exceeded 600,000 units. In 1997, the Company began full-scale sales of housing with solar-power generation systems, and in 2012, it introduced Smart Heim models with standard features such as built-in storage batteries and HEMS*, thereby advancing the development and increased use of energy self-sufficient housing. Utilizing its prominence in technologies to help solve social issues, the Company engages in a wide range of activities. This includes the launch of the Resilience 100 STAY & WORK model in July 2020 that features enhanced capabilities in addressing new lifestyles and resilience functions for an era in which living to the age of 100 is not uncommon.

*HEMS: Smart Heim Navi Home Energy Management System

History of Adaptability

As the number of new housing starts in Japan declined from the late 1990s due to the declining birthrate, aging population, and other social changes, the Housing Company worked to improve its competitiveness while restoring profitability by reorganizing its sales structure thereby strengthening its sales force and reducing costs. The Company has also worked diligently to bolster its Renovation and other Stock businesses and to expand its business overseas. Over the past few years, the Company has made an unwavering commitment to structural reforms in a bid to stay ahead of changes in the business environment. These reforms include investing in automation and integrating the operations of housing production plants in each region to further improve productivity.



Toshiyuki Kamiyoshi

President of Housing Company

A year of significant progress in taking on new challenges and securing a position at the forefront of the times

Amid the ongoing challenges presented by the COVID-19 pandemic, we will refrain from adopting a pessimistic approach while carefully monitoring risk, and work in unison to achieve sustainable growth with a strong resolve.



In-house production in progress inside the Housing production factory



Housing production factory (unit)



Housing production factory (exterior wall)



The Smart Power station series aimed at enabling energy self-sufficiency



Town and community development for disaster prevention and mitigation



Living room, dining room, and kitchen renovation



The housing production factory in Thailand

Housing Company

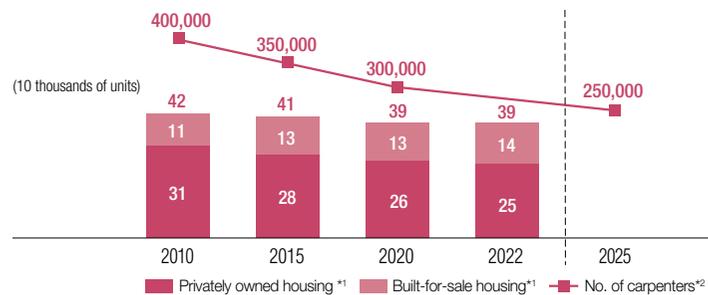
Housing Company Future Medium- to Long-term Strategies

Housing Business

Aiming for the top share in the detached housing market

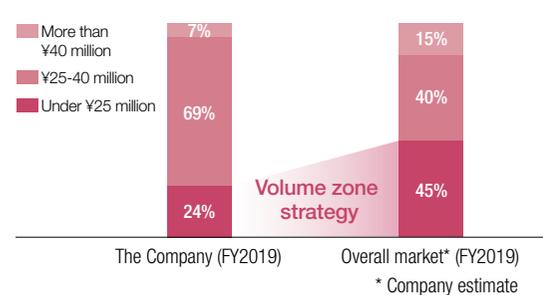
SEKISUI HEIM ensures the stable supply of high-quality (high earthquake resistance, airtightness, and heat insulation) housing through its revolutionary Unit Construction Method, where the vast majority of construction is conducted at the factory. The Unit Construction Method is becoming increasingly advantageous with the aging of craftsmen, labor shortages, and the ongoing upswing in construction labor costs. In addition to developing products that meet smart and resilient needs, as well as demands in line with the new normal, the Company is focusing its resources on subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers, to capture the volume zone in housing and achieve the top market share in detached houses.

Trends in the no. of detached house starts and the no. of carpenters

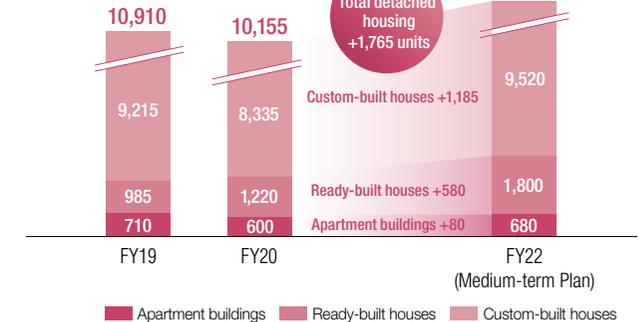


*1 FY2010–FY2020 figures are based on data from the Ministry of Land, Infrastructure, Transport, and Tourism's FY2020 Survey on Construction Starts; FY2022 figures reflect the Company's estimates.
 *2 Source: Ministry of Land, Infrastructure, Transport, and Tourism Housing and Housing Land Subcommittee of the Social Infrastructure Development Council data

Number of detached housing starts by price range



Number of units sold



Stock Business (Renovation/Real Estate)

Increasing the value of the Company's prominence in factory-built housing products and passing this on to the next generation

Leveraging the collective strengths of the Group, including after-sales services, renovation, and real estate, the Company launched the purchase and resale BeHeim brand in earnest in fiscal 2020. Under the BeHeim brand, the Company will first visualize the status of housing health by utilizing the prominent high quality and durability of its factory-built housing products, as well as its history of production at the time of new construction, the provision of maintenance information, and others. On top of the Company's renovation endeavors to increase housing value (ensure comfortable living while maintaining and improving asset value), steps will be taken to clarify options for additional work in a bid to create benefits for both the seller and the buyer through resale. By passing on this value to the next generation, the Company will contribute to revitalization of the local community, reduce the number of vacant houses, and help build a sustainable, recycling-oriented society.



Town and Community Development Business

Nationwide rollout of smart and resilient town and community development

SEKISUI CHEMICAL Group's unique approach to town and community development brings together safe, secure, and environmentally-friendly SEKISUI HEIM smart technologies, its proprietary HEIM SUITE condominium brand, and the Group's prominence in disaster-resistant infrastructure materials. By taking full advantage of the know-how cultivated through ASAKA Leadtown, the Company will expand and develop the business nationwide in an effort to achieve Town and Community Development business sales of ¥12.5 billion in fiscal 2022 (¥3.9 billion in fiscal 2020).

Higashi Matsuyama Leadtown (planned)

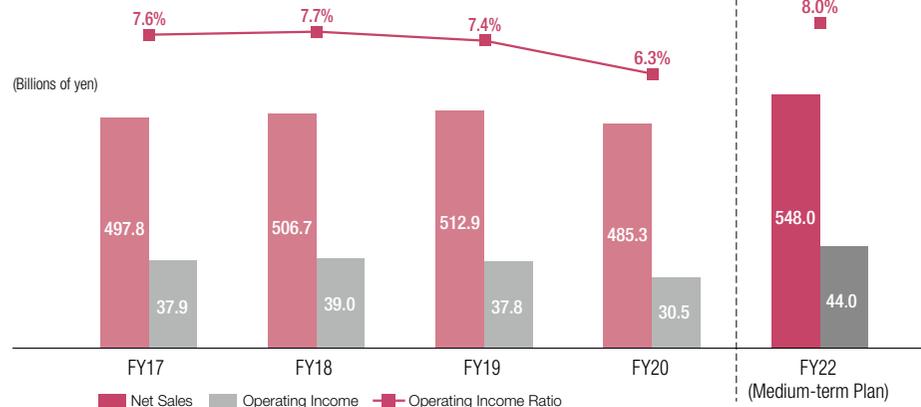


Sapporo-Hiragishi Leadtown (planned)



Housing Company

Performance Highlights

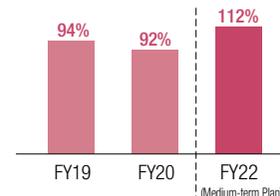


External environment

10/2019	02/2020
Consumption tax raised from 8% to 10%	Spread of COVID-19

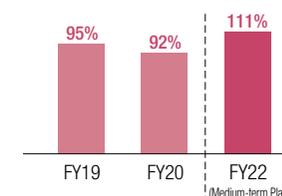
(Billions of yen)	FY16	FY17	FY18	FY19	FY20
Assets	277.8	283.3	315.2	331.8	324.8
ROIC				19.9%	14.0%
EBITDA	46.5	47.4	48.5	47.4	40.2
Depreciation and Amortization	8.9	9.3	9.4	9.4	9.7
Capital Expenditures	13.5	14.4	17.8	15.0	13.8
R&D Expenditures	4.5	4.6	4.2	3.9	3.5
Number of employees	10,447	10,698	10,891	10,937	11,182
Consolidated Subsidiaries (Overseas Companies)	41(1)	37(1)	37(1)	39(1)	39(1)

New Housing Orders



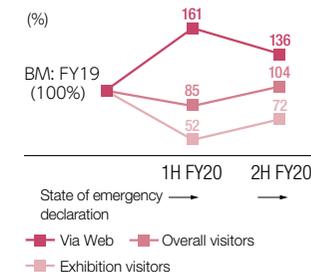
Note: YoY for FY2019 to FY2020; FY2022 compared with FY2019

Renovation Orders



Note: YoY for FY2019 to FY2020; FY2022 compared with FY2019

Visitors



Fiscal 2020 Results

In fiscal 2020, net sales and operating income declined substantially to ¥485.3 billion and ¥30.5 billion, respectively, due to a downturn in orders for housing and renovation caused mainly by COVID-19. Even under these circumstances, the Housing Company responded flexibly to the pandemic. In the Housing business, steps were taken to develop a sales style and products that meet the needs of the new normal in a timely fashion. In the Renovation business, energies were directed toward strengthening existing sales structures and systems through various measures including the appointment of dedicated staff to oversee periodic diagnosis. In the Real Estate business, the Company ramped up its collaboration with FAMI S (renovation) in a bid to bolster its apartment building renovation as well as purchase and resale. Thanks largely to these efforts, both net sales and operating income essentially recovered to the previous year's levels in the second half. Together with the full-fledged contributions to earnings from the Town and Community Development business, steady progress was also made in securing future projects, realizing the benefits of ongoing efforts to fortify the business structure and control fixed costs.

Analysis of Operating Income

	FY19 ¥37.8 billion							FY20 ¥30.5 billion								
(Billions of yen)	Sales Factors	Marginal Profit Factors	Fixed Costs	Renovation Marginal Profit	Renovation Fixed Costs	Other Marginal Profit	Other Fixed Costs	Total	Sales Factors	Marginal Profit Factors	Fixed Costs	Renovation Marginal Profit	Renovation Fixed Costs	Other Marginal Profit	Other Fixed Costs	Total
YoY Full FY	-8.7	-1.1	+4.1	-3.1	+0.8	+0.9	-0.2	-7.3	-8.7	-1.1	+4.1	-3.1	+0.8	+0.9	-0.2	-7.3
	Housing			Renovation			Other*		Housing			Renovation			Other*	
1H YoY	-5.7	-0.2	+2.9	-3.3	+0.8	-0.1	0	-5.6	-5.7	-0.2	+2.9	-3.3	+0.8	-0.1	0	-5.6
2H YoY	-3.0	-0.9	+1.2	+0.2	0	+0.9	-0.2	-1.7	-3.0	-0.9	+1.2	+0.2	0	+0.9	-0.2	-1.7

* Other (Real Estate, Town and Community Development, Overseas, Residential Services)

Outlook for Fiscal 2021

Despite the lingering effects of COVID-19, the Housing Company is targeting a return to the profit levels recorded prior to the pandemic through efforts aimed at increasing net sales in the Housing and Renovation businesses and expanding the Town & Community Development business in fiscal 2021. In the Housing business, the Company will continue to use the Internet to attract visitors and promote proposals that integrate such virtual and real tools as remote negotiations and experience-based showrooms. In addition, the Company will work to increase orders by developing projects commemorating SEKISUI HEIM's 50th anniversary, promoting the appeal of smart and resilient as well as new normal products, and strengthening land strategies in such areas as subdivision and ready-built houses. In the Renovation business, every effort will be made to strengthen proposal capabilities by further increasing periodic diagnosis quantity and quality while expanding the FAMI S Museums and improve productivity.

Housing Company

Grasping Changes in Society (Housing Company Sustainability)

Clean Energy

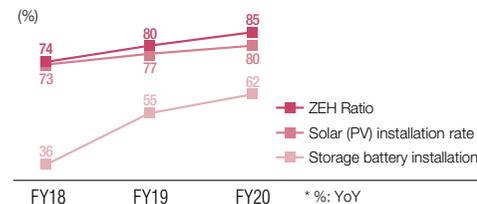
Smart Power Station: Housing equipped with the three key features of solar power, storage batteries, and HEMS for energy self-sufficiency

Housing equipped with large-capacity solar power, coupled with storage batteries, helps in reducing CO₂ emissions and is certified as products to enhance sustainability by SEKISUI CHEMICAL Group. With its integrated solar panel roof, Smart Power Station is capable of delivering large-capacity solar power even in a standard-sized house. Moreover, storage batteries can be installed to enhance the efficacy of renewable energy use. In fiscal 2020, the ZEH^{*1} ratio of the Group's new detached houses sold increased to 85%^{*2}. In addition to solar power generation systems and storage batteries, Smart Power Station can also be linked to electric vehicles while facilitating the installation of drinking water storage systems. In this manner, Smart Power Station enables users to maintain their lifestyles in the event of a lifeline disruption attributable to a natural disaster or other factors, making it an evacuation house that ensures people's safe and secure lives.

*1 ZEH: Net Zero Energy House *2 Excluding Hokkaido



Smart House-related Indicators



Climate Change

SMART HEIM DENKI Power Trading Service

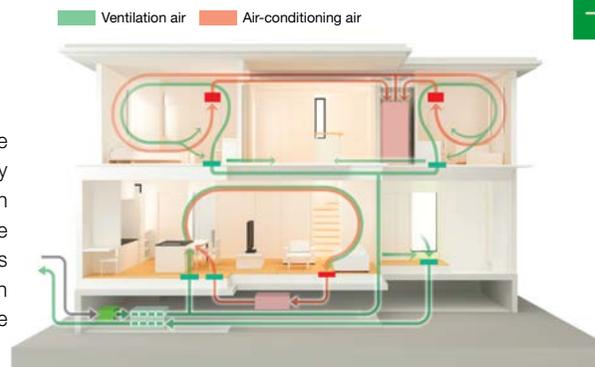
SEKISUI CHEMICAL Group has positioned climate change as a priority issue to be addressed. To accelerate society's efforts to help resolve this issue, the Group has joined the RE100 program and is working toward the shift to renewable energy. As a part of these endeavors, the Housing Company launched the SMART HEIM DENKI service in 2019. Under this service, surplus electricity is purchased from SEKISUI HEIM customers who live in SEKISUI HEIM houses equipped with solar panels, which is then utilized at the Group's domestic factories and offices. Energies are being directed toward providing an attractive surplus power purchasing service to customers whose electricity is no longer subject to the Feed-in Tariff (FIT) system, and promoting reduction of the Group's greenhouse gas emissions.



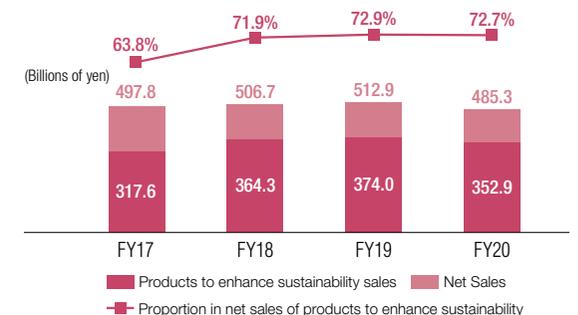
Health and Welfare

Comfortable Air Ventilation and Air-Conditioning Systems

The Housing Company is putting forward proposals that promote a comfortable life with less risk of temperature differences by maintaining a uniform thermal environment throughout the house. In June 2021, the Housing Company developed the new Comfortable Airy T-SAS, which is equipped with an air-conditioning filter that uses the HPP Company's antiviral agent and a ventilation filter with an enhanced dust removal function, to support a safe and comfortable stay at home even in the event of COVID-19 infection.



Trends in Housing Company products to enhance sustainability sales



Urban Infrastructure & Environmental Products Company

Solving infrastructure issues and supporting social infrastructure through a wide range of high-value-added products

The Urban Infrastructure & Environmental Products (UIEP) Company manufactures and markets water sewerage and supply pipe systems, in which it has a leading share in Japan, while also engaging in construction materials supply businesses, which collectively form the company's core operating platform. We are striving to expand sales and create markets for products that help solve increasingly serious and complex social issues, including labor shortages, aging infrastructure, and climate change.

History of the Urban Infrastructure & Environmental Products Company

History in Process Creation

Having in 1952 commenced the manufacture of ESLON pipe, the first rigid PVC pipe in Japan, the company subsequently promoted the explosive spread of ESLON water supply and drainage pipes by establishing injection molding technologies for those PVC pipe fittings, while establishing a solid position in the market. In anticipation of the needs for resource conservation and high functionality, from the latter half of the 1970s we utilized new materials and innovative technologies in releasing a series of pipework and related products that opened up new applications. To this day, we have been contributing to weight reduction and easy construction by replacing metal pipes and concrete pipes in a wide range of fields, such as water supply, sewage, housing, construction, agriculture, electric power, communications, gas, and plants. First developed in 1974, FFU synthetic wood has also been expanded to applications such as sleepers for railroads in Japan and overseas and tunnel excavation, and demand is growing due to the increasing need to reduce environmental impact.

In the years to come, we will continue to create products that help solve social issues and contribute to the maintenance of a resilient social infrastructure.

History of Adaptability

To address the problem of aging sewer pipes in urban areas and other locations, in 1986 we developed the sewer pipe renewal (SPR) method jointly with Tokyo Metropolitan Sewerage Service Corporation and Adachi Construction & Industry Co., Ltd. Requiring no excavation, this method achieved a significant shortening in construction times and a significant reduction in industrial waste, such as earth and sand. Having seen the damage to water pipes caused by the Great Hanshin-Awaji Earthquake in 1995, we rapidly developed ESLO Hyper, Japan's first polyethylene pipe for water distribution. Subsequently demonstrating its earthquake resistance in major tremors that occurred in quick succession, ESLO Hyper was stipulated as an earthquake-resistant pipe material in the Ministry of Health, Labour, and Welfare's Water Supply Vision in 2004 and the Japan Water Works Association Water Supply Business Guidelines of 2005. Today, ESLO Hyper is being widely used in the construction and building fields due to its durability, corrosion resistance, and light weight. Overseas, in 1990 we acquired the U.S. plastic sheet manufacturer Kleerdex Company, LLC (today SEKISUI KYDEX, LLC), and established a business foundation in interior materials for aircraft and vehicles. Later, the area was expanded to exterior materials, and we are currently promoting the development of a variety of applications, such as for medical equipment.



Yoshiyuki Hirai

President of Urban Infrastructure & Environmental Products Company

Toward becoming a professional group for solving social issues

There are many examples of SEKISUI CHEMICAL Group's products being used including in disaster prevention and mitigation. Confronting the range of issues that society is facing, we will promote product development that solves those issues to a high level and the development of human resources capable of making proposals while improving the quantity and quality of our social contributions.



Residential water supply and drainage system



Kucho Hyper CH



High-performance seismic polyethylene pipe



ESLON RCP



Pipeline renewal method (SPR method)



Plastic sheet for medical devices



High-performance resin tatami (MIGUSA)



SEW Work Method (Shield Earth Retaining Wall System)

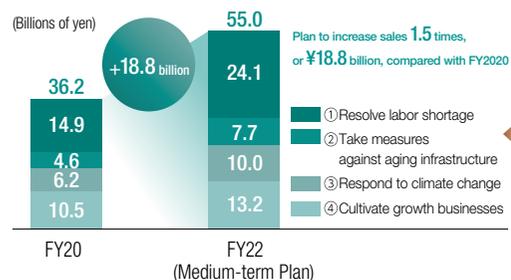
Urban Infrastructure & Environmental Products Company

Urban Infrastructure & Environmental Products Company Future Medium- to Long-term Strategies

Expand sales of prioritized products

We will contribute to solving increasingly serious and complex social issues (labor shortage, aging infrastructure, and climate change) through prioritized products that combine SEKISUI CHEMICAL Group's technologies.

Prioritized Product Net Sales



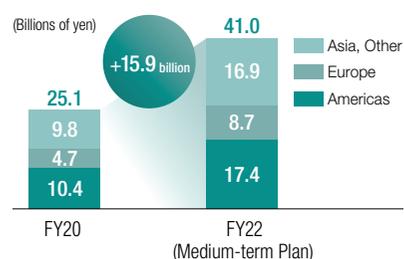
Social Issues and SEKISUI CHEMICAL Group Technologies



Expand Overseas Business

In addition to diversifying business and products, we develop examples of success in Japan mainly in high-value-added products while working to gain new customers and to expand and deepen our sales areas. We will steadily proceed with preparations for the start of FFU synthetic sleeper production in Europe in fiscal 2022.

Sales by Overseas Area



Businesses/Products	Strategies	Europe	Americas	Asia
Sheets	<ul style="list-style-type: none"> • Promote of development for medical/railway applications (Europe/Americas) • Continuation of production efficiency improvements 	○	○	—
Advanced materials (FFU)	<ul style="list-style-type: none"> • Cultivate new customers (Americas/Asia) • Establishment of European production base (scheduled to start operation in second half of fiscal 2022) 	●	●	●
Pipeline renewal	<ul style="list-style-type: none"> • Promote the of introduction of new products that are easier to install • Expand of construction partners and strengthen cooperation 	—	●	●
Plant piping	<ul style="list-style-type: none"> • Acquire of Asian demand and semiconductor demand • Expand synergies with Tien Phong Joint Stock Company in Vietnam 	—	—	●

Sales Innovation

In order to respond to the new normal in the future, in addition to raising product awareness through webinars, we will also make use of our Chiba Solution Center (which commenced operations in July 2021) to provide online information on the status of evaluation tests in a form close to the actual environment, thereby fusing the real and the virtual. In this manner, we will establish a new model for success that encompasses finding new customer to having them decide to adopt our products.

Growth Strategies by Three Strategic Fields

Piping and Infrastructure

The UIEP Company supplies a wide range of piping materials—from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants, and other pipes for such social infrastructure as water supply/sewerage systems in the public sector, as well as agricultural water, electricity, and gas supply systems that are easy to install and help shorten construction periods—in addition to pipeline renewal materials that serve as a countermeasure for aging infrastructure. In addition to conventional earthquake and corrosion resistance properties, we will enhance features, such as pressure resistance and high drainage, to accelerate and promote substitution from metal piping.

Product Example



SPR-NX method



Plant products with high corrosion and chemical resistance

Building and Living Environment

The UIEP Company provides materials for interior use, including prefabricated baths and functional (artificial) tatami, and construction materials for external use, such as rain gutters and downspouts, and exteriors. We will focus on expanding sales of prioritized products such as products to respond to serious disasters, including torrential rain (high flow rate drainage system), nursing care/independence support equipment (wells), and functional (artificial) tatami (MIGUSA).

Product Example



High flow rate drainage system



wells

Advanced Materials

The UIEP Company provides FFU synthetic wood sleepers for railroads, soundproofing materials, plastic molding sheets for interior materials, and liquid transportation containers. There is significant room for market growth in this field, including overseas expansion, and we will accelerate the development of other applications for high-value-added products for aircraft, railroads, and medical care.

Product Example



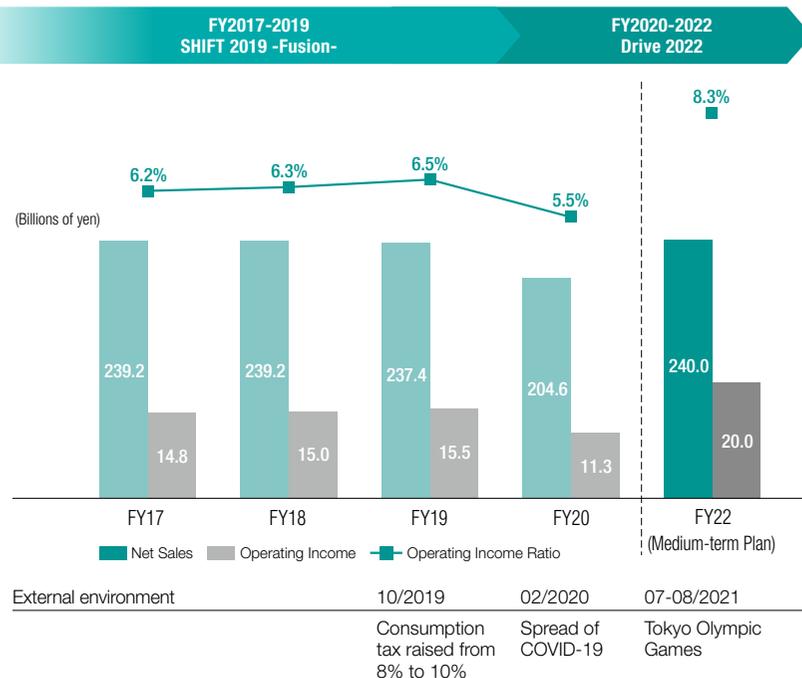
Plastic molding sheets for aircraft cabin interiors



FFU synthetic wood sleepers Europe factory

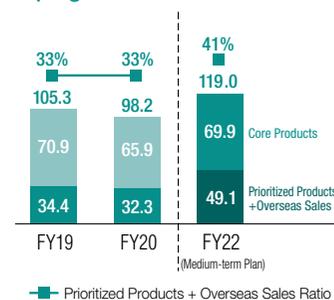
Urban Infrastructure & Environmental Products Company

Performance Highlights

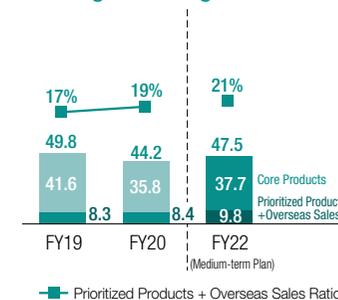


(Billions of yen)	FY17	FY18	FY19	FY20
Assets	207.1	216.7	216.9	210.4
ROIC			7.3%	5.3%
EBITDA	21.4	22.2	23.4	19.9
Depreciation and Amortization	6.4	7.0	7.8	8.7
Capital Expenditures	9.8	13.9	13.6	14.1
R&D Expenditures	6.1	5.9	6.2	6.4
Number of employees	4,945	5,139	5,242	4,959
Consolidated Subsidiaries (Overseas Companies)	38(15)	39(16)	41(16)	40(15)

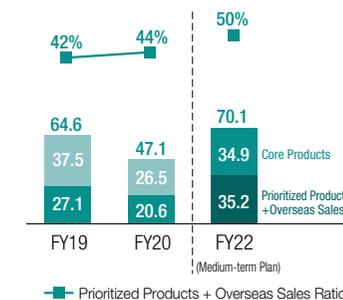
Piping and Infrastructure



Building and Living Environment



Advanced Materials



Fiscal 2020 Results

In fiscal 2020, the UIEP Company experienced decreases in sales volumes and product mix due to the effects of COVID-19, such as delays in domestic construction and lockdowns overseas, and worked to cover those decreases by reducing fixed costs and implementing cost-reduction measures, but profits have declined since fiscal 2014. We promoted structural reforms by improving operational efficiency and transferring businesses to improve our profit structure and achieve an early recovery.

Analysis of Operating Income

FY19 ¥15.5 billion **¥-4.2 billion** **FY20 ¥11.3 billion**

	Consolidated-basis Change (Billions of yen)	Foreign Exchange	Sales Volumes & Product Mix	Selling Price	Raw Materials	Cost Reduction, etc.	Fixed Costs	Total
YoY Full FY	-0.4	0	-8.7	-0.4	+1.5	+1.1	+2.8	-4.2
1H YoY	-0.1	0	-5.8	-0.2	+0.9	+0.6	+1.7	-2.9
2H YoY	-0.4	0	-3.0	-0.2	+0.6	+0.5	+1.2	-1.3

Outlook for Fiscal 2021

With regard to fiscal 2021, the effects of COVID-19 will still be felt in the first half, but in response to the preceding soaring prices of raw materials we will steadily pass them on in product prices. At the same time, we will focus on expanding sales of our prioritized products and new products as well as overseas business. In addition, we will work to improve ROIC through further structural reforms, including production restructuring, investment in production automation, and the improvement of operational efficiency through DX, while aiming for a profit level comparable to that of fiscal 2019.

Urban Infrastructure & Environmental Products Company

Grasping Changes in Society (UIEP Company Sustainability)

Robust Infrastructure Improvements



Pipeline Renewal (SPR Method)

Method to line the inner surfaces of existing pipes. In addition to eliminating the need to dig up roads, the SPR method helps reduce labor while shortening the time required for construction. Unaffected by changes in the weather, the SPR method also reduces noise levels during construction and realizes substantial reductions in waste.



ESLON RCP Reinforced Plastic Composite Pipe

Reinforced plastic composite pipe with high durability and earthquake resistance as well as excellent watertight and hydraulic properties. Possessing high strength under heavy loads, this product is also used as a rainwater drainage pipe at major airports in Japan. It is possible to store rainwater in the pipe, which thus also contributes to measures against torrential rain in cities and buildings.



ESLON Drop Shaft Deep Fall Treatment System

ESLON Drop Shaft is a sewage/rainwater deep fall treatment system developed through joint research with the Organization for the Promotion of New Sewerage Technologies (now the Japan Institute of Wastewater Engineering and Technology) since 1994. Higher performance can be expected not only in durability but also in terms of the maintenance environment and economy. Displaying high downward flow and reduced air entrainment in rainwater applications, the system thus also contributes to measures against torrential rain.

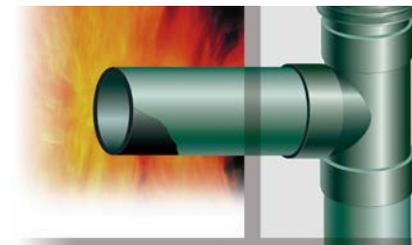


Climate Change



ESLON Fire-resistant VP Rigid PVC pipes and Fittings for Buildings

The industry's first fire-resistant plastic pipe that is comprised of a polyvinyl chloride (PVC) layer and a specially blended intermediate layer that expands at high temperatures to form an insulating and fireproof coating. Eliminating the need for an additional fireproof layer, ESLON fire-resistant VP rigid pipes enable easy installation while serving as a countermeasure against the shortage of labor.



Synthetic Sleepers for Railroads (FFU)

Fiber-reinforced foamed urethane (FFU) railway sleeper that boasts excellent water-resistant durable properties; requiring no preservatives, contributes to the reduction of environmental impact; plans to establish a production base in Europe, where demand is strong, to further expand operations.



ESLON Hyper Polyethylene Water Supply Pipe

With excellent flexibility and tough joints, ESLON Hyper helps prevent damage and water leakages due to earthquakes and land subsidence, while continuing to supply safe water. Lightweight, labor-saving construction, corrosion resistant.



Health and Welfare

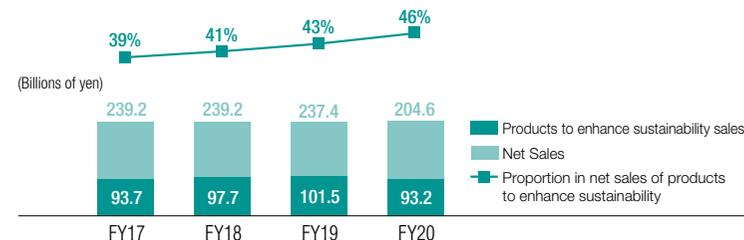


wells Large-size Prefabricated Bath

Part of a range of ergonomically designed nursing care and independence support equipment, this bath also features high heat insulation and earthquake resistance. Enabling arrangement in accordance with the interior of the bathroom, in addition to its quick assembly and ease of maintenance, this bath can also accommodate changes in physical characteristics that change over time.



Trends in UIEP Company products to enhance sustainability sales



Medical Business

Leveraging advanced technology, we create high-quality products to contribute to full and healthy lives.

Under its mission of contribute to the realization of healthy and enriched lifestyles for all people, the Medical Business provides the pharmaceutical sciences sector with a diverse range of products and services.

History of the Medical Business

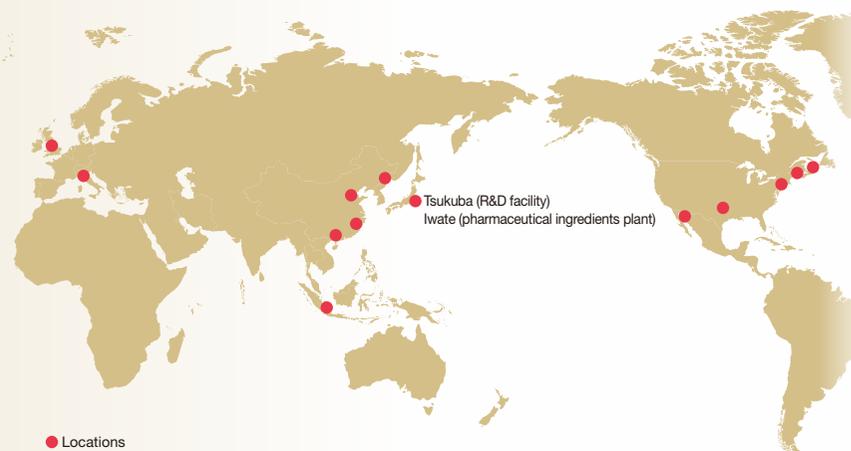
SEKISUI MEDICAL was formed through the merger of SEKISUI CHEMICAL Group's Medical Business Division and Daiichi Pure Chemicals Co., Ltd., in 2008. This merger established a fully integrated supply chain from materials to sales. With the diagnostic reagent business as its foundation, the Medical Business has worked to build its business while successfully expanding its sales routes and product lineups through M&As. The Medical Business operates globally. The ratio of net sales accounted for by overseas business has grown from the 21% recorded in fiscal 2008 to 50% in fiscal 2015, since which time overseas sales have continued to grow steadily. The Medical Business will continue to accelerate business expansion in North America, Europe, China, and Asia, and will work to enhance its development systems as it targets the expansion of business domains by actively introducing new products.

Note: The main areas of the Life Science field, which were previously included in the High Performance Plastics segment, have been presented separately as the Medical Business segment since fiscal 2019 in an effort to grow these areas as a new divisional company candidate.

Business expansion history

October 2006	Acquired Daiichi Pure Chemicals from Daiichi Pharmaceutical
April 2008	SEKISUI MEDICAL established. Established the business's core competencies.
August 2008	Acquired U.S.-based XenoTech. Overseas expansion in the pharmacokinetic business
March 2009	Acquired U.S.-based ADI. Obtained a U.S. location for the Diagnostics Business
February 2010	Established Sekisui Medical Technology. Strengthened the business in China
February 2011	Acquired U.S.-based Genzyme's diagnostic reagent business. Full-scale start of overseas deployment
December 2015	Acquired EIDIA from Eisai. Expanded the focus area of diagnostics
September 2017	Capital investment in PeptiStar. Full-scale start of the specialty peptide drug business
March 2018	Acquired Singapore-based Veredus Laboratories
September 2020	Commenced operations at the new diagnostic reagents plant in Suzhou, China

Supply chain expansion



Grasping changes in society

The Medical Business's Products to Enhance Sustainability

Health and Welfare



Diagnostics Business

Clinical reagents for biochemical immunity, diabetes, blood coagulation, and infectious diseases, as well as development, manufacture, and sale of analyzers and vacuum blood collection tubes, among others



CP3000



Nanopia P-FDP

Pharmaceutical Sciences Business

Pharmaceutical and fine chemicals business: Contract manufacture of active pharmaceutical ingredients (APIs)/intermediates/amino acids, etc.

Drug development solutions business: Contract research including pharmacokinetic tests to support drug R&D



Active Pharmaceutical Ingredients (APIs)



Drug development solution testing

Medical Business

Medical Business Future Medium- to Long-term Strategies

Diagnostics Business

Targeting accelerated overseas deployment by enhancing focus areas and expanding the global pipeline

In Japan, the Medical Business will actively introduce new products. Meanwhile, overseas we will expand alliances with major companies and strengthen POC in North America and Europe. We will also continue to expand our blood coagulation activities and enter new domains in China. In Asia management, we will work to position Veredes Laboratories, acquired under the previous medium-term plan, as the segment's ASEAN base.

Focus Areas

Focus Areas	Clinical Chemistry / Immunology	Blood Coagulation	Diabetes	Infectious Disease POC*	Blood Collection Tubes
Main Products	Diagnostics reagents for cholesterol, neutral lipids, and syphilis	Instruments and diagnostic reagents for coagulation and fibrinolysis	Diagnostic reagents for HbA1c	Diagnostics reagents for influenza and adenovirus	High-speed-clotting vacuum blood collection tubes

* POC: Acronym for Point of Care; refers to timely onsite (clinics, etc.) diagnostics

Development and New Products

High-sensitive immunoassay (Japan and China)	Molecular POC (U.S.)	New markers
Enter the immunization market in earnest through the introduction of new equipment	Aim to cultivate markets by establishing a molecular diagnostics (MDx) development center	Expand business domains by acquiring new biomarkers,* mainly in the oncology domain

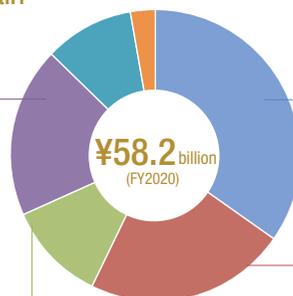
* Biomarker: Physiological indicators used to identify the presence and progression of a disease

Net sales composition by domain



RapidTesta RSV-Adeno NEXT

This is a rapid antigen test kit for respiratory syncytial virus (RSV) and adenovirus, both of which are causes of respiratory tract infections with a high risk of becoming severe in infants and children. This test is also able to detect both viruses at once.



Inflammatory bowel disease reagent (Nanopia LRG)

Nanopia LRF as a biomarker to reflect the activity of inflammatory bowel disease was included in the scope of medical insurance coverage from June 1, 2020. Test results can now be obtained in a convenient and timely manner through the use of technology that employs high-precision particulates (latex).



NORUDIA@N HbA1c



Blood Coagulation (Nanopia P-FDP)

Pharmaceutical Sciences Business (pharmaceutical and fine chemicals, enzymes)

Expanding business by bolstering production equipment

Under the Medium-term Management Plan, we will undertake large capital investments targeting business expansion. In pharmaceutical and fine chemicals, we will acquire new product orders and steadily launch manufacturing processes, while strengthening partnerships between Japan and XenoTech in the United States in drug development solution activities. As far as enzymes are concerned, we will aim to expand our CDMO* business.

Boosting production capacity of pharmaceutical raw materials

As the focus of therapeutic drug development shifts from conventional small molecule drugs to peptide drugs (middle-molecule), protein drugs (macromolecule), cellular medicine, and regenerative medicine, the Medical Business set out to bolster production equipment at a total of two major plants in Japan and overseas in August 2020 as a means of establishing a pharmaceutical ingredients supply system for a wide range of domains.

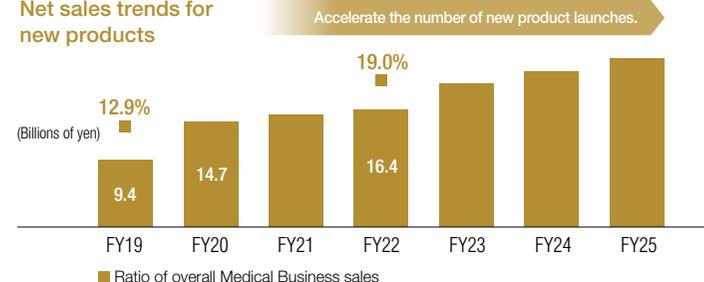
- Boost production capacity of pharmaceutical ingredients and intermediates for small molecule drugs by 25% (Iwate Plant: from March 2023)
- Establish a CDMO system for protein drug raw materials (UK Plant: from September 2022)

©Capital investment-based enhancements

	Small molecule drugs	Peptide drugs (middle-molecule drugs)	Therapeutic proteins (biopharma)	Cell therapies and Regenerative medicine
Development	○	○	○	
Production	◎	○	◎	
Sales	○	○	○	○

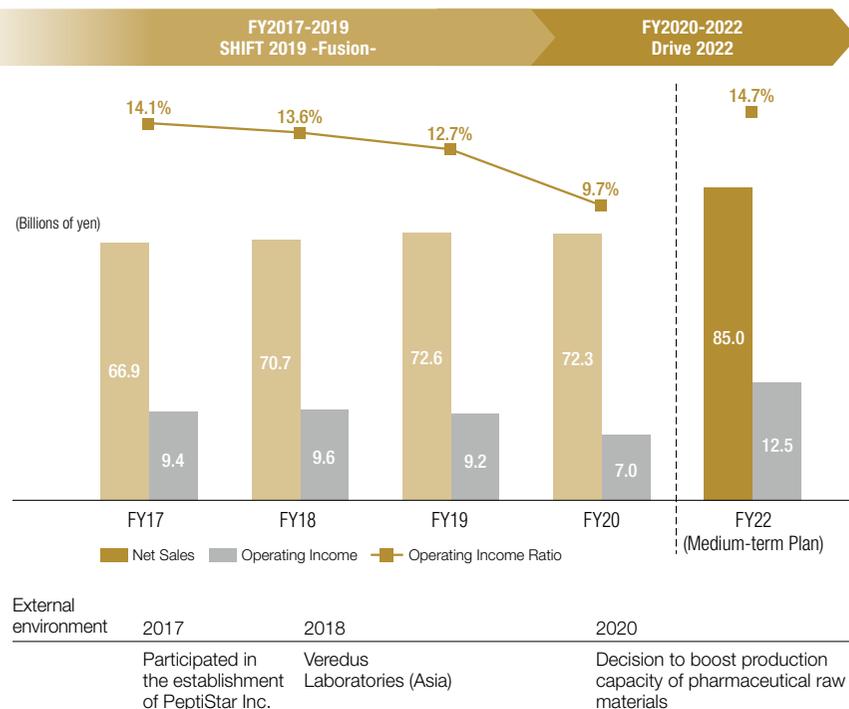
* Acronym for Contract Development and Manufacturing Organization: A business format that provides comprehensive services that extend from the development of formulations to the manufacture and commercial production of investigational new drugs

Net sales trends for new products



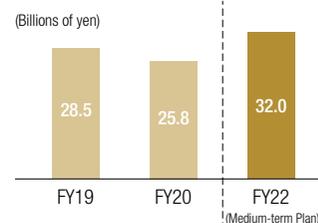
Medical Business

Performance Highlights

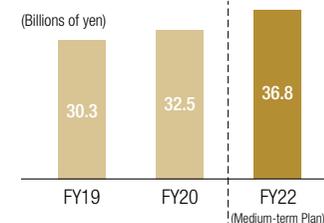


(Billions of yen)	FY18	FY19	FY20
Assets	116.7	120.4	123.7
ROIC		8.4%	6.4%
EBITDA	14.5	14.7	12.7
Depreciation and Amortization	3.1	3.7	4.1
Capital Expenditures	4.4	4.6	4.6
R&D Expenditures	51	52	53
Number of employees	1,907	2,050	2,160
Consolidated Subsidiaries (Overseas Companies)	9(8)	9(8)	9(8)

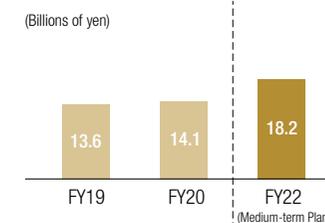
Diagnostics Business Net Sales (domestic)



Diagnostics Business Net Sales (overseas)



Pharmaceutical Sciences Business Net Sales



Fiscal 2020 Results

In fiscal 2020, the Medical Business recorded a full-year decline in sales and profit due to the impact of fewer outpatient lifestyle disease diagnostics as a result of the COVID-19 pandemic, primarily during the first half. Despite the slowdown in reagents sales due to the low incidence of influenza, however, during the second half the Medical Business recovered to a point at which operating income essentially reached the same level as the previous year. This recovery was due to a certain degree of improvement in the market, sales of COVID-19 reagents, and reductions in fixed costs. Meanwhile, despite this harsh environment, increased sales of new pharmaceutical ingredients helped the Pharmaceutical Sciences Business secure higher earnings.

Analysis of Operating Income

	FY19 ¥9.2 billion						FY20 ¥7.0 billion							
(Billions of yen)	Foreign Exchange	Newly consolidated subsidiaries, etc.	Diagnostics (Japan)	Diagnostics (overseas)	Pharmaceutical Sciences and Other	Fixed Costs	Total	Foreign Exchange	Newly consolidated subsidiaries, etc.	Diagnostics (Japan)	Diagnostics (overseas)	Pharmaceutical Sciences and Other	Fixed Costs	Total
YoY Full FY	-0.2	0	-1.8	-0.9	+0.2	+0.5	-2.2	-0.2	0	-1.3	-1.0	+0.1	+0.5	-1.9
1H YoY	-0.2	0	-1.3	-1.0	+0.1	+0.5	-1.9	-0.2	0	-1.3	-1.0	+0.1	+0.5	-1.9
2 YoY	0	0	-0.6	+0.1	+0.1	0	-0.3	0	0	-0.6	+0.1	+0.1	0	-0.3

Outlook for Fiscal 2021

Under the assumption that market conditions will recover from the impact of the COVID-19 pandemic, the Medical Business will return to a growth trajectory by promoting increased sales of new products for which preparations were advanced during fiscal 2020. The Diagnostics Business holds an outlook for growth in the blood coagulation domain in China. The Pharmaceutical Sciences Business will work to increase sales of new pharmaceutical ingredients and accelerate growth of the CDMO business. Moreover, we will steadily drive enhancements to development as a focus item of the Medium-term Plan.

Strengthening the ESG Management Base (Business Base Drive)

To realize its Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group has identified internal control, digital transformation, environment, human resources, and fusion as key issues from the perspective of its ability to create profit, contribute to solving social problems, and achieve sustainable management, and is promoting ESG management under the fiscal 2020 to fiscal 2022 Medium-term Management Plan Drive 2022.

Key ESG Management Issues (Materiality), KPIs, and Target Values (FY2020-FY2022)

				KPI	Fiscal 2020 Results	Fiscal 2022 Targets			
Output		Products to Enhance Sustainability and Premium Framework		Drive the ability to create profit, contribute to solving social problems, and achieve sustainable management	Products to Enhance Sustainability and Premium Framework Net Sales	¥640.3 billion* Includes Premium Framework ¥329 billion*	¥800 billion Includes Premium Framework ¥440 billion	▶P.58	
Key Issues (Materiality)	Risk reduction/avoidance	Internal control	Reducing major incidents in the 5 fields		Prevent or minimize impact of major incidents on our corporate value	Number of major incidents in the 5 fields	0	0	▶P.69
			Safety	Quality					
			Business Continuity Planning (BCP)		Mitigate the impact of earthquakes, pandemics, and other incidents	BCP operating rate*	Selection of 143 target organizations in Japan and overseas	BCP operating rate 100%* (Establishment of PDCA)	▶P.68
	Investment for the future (Raising sustainability KPI)	DX		Become the Driver that Transforms Work Processes and Business Models	Direct/indirect net sales per employee	N/A	FY2030: Indirect productivity 40% increase Direct productivity 15% increase (from FY2019)	▶P.66	
		Environment		Addressing climate change	Renewable Energy as a Percentage of Purchased Power	7.2%	20%	▶P.60	
		Human Resources		Aim to be an excellent and vibrant company where employees thrive on challenges	Degree of challenging behavior expression	N/A	Managing initiative progress*	▶P.64	
Fusion		Promote Technology and Business Opportunities through Internal and External Fusion	Increasing net sales through fusion	+¥12.4 billion (from FY2019)	+¥50.0 billion (from FY2019)	▶P.67			

* Partially revised from financial results briefing materials disclosed on April 27, 2021

ESG Management Promotion Flow and Group-wide Expansion

The structure for the promotion of ESG management in the Group comprises the Sustainability Committee and seven subcommittees (“Environment,” “CS & Quality,” “Human Resources,” “Safety,” “Compliance,” “Cyber Security,” and “DX”). The Sustainability Committee seeks out the risks and opportunities that the Group might in the future be directly confronted with, and deliberates on Group-wide policy and strategy. The important matters and Group-wide risks that have been determined are reported and deliberated upon by the Board of Directors, and then provided to the entire Group through each subcommittee.



*2 Management ability to sustain business KPI: SEKISUI Sustainable spread

Sustainability Committee / Sub-committee Structure



Strengthening the ESG Management Base (Business Base Drive)

Products to Enhance Sustainability and Premium Framework to Realize Vision 2030

SEKISUI CHEMICAL Group aims to grow as a company by making a greater contribution to solving social issues, particularly SDGs, through its core products and by working to create and expand Products to Enhance Sustainability in order to increase the sustainability of the Earth, society, the Group, its products, and the customers who use them.

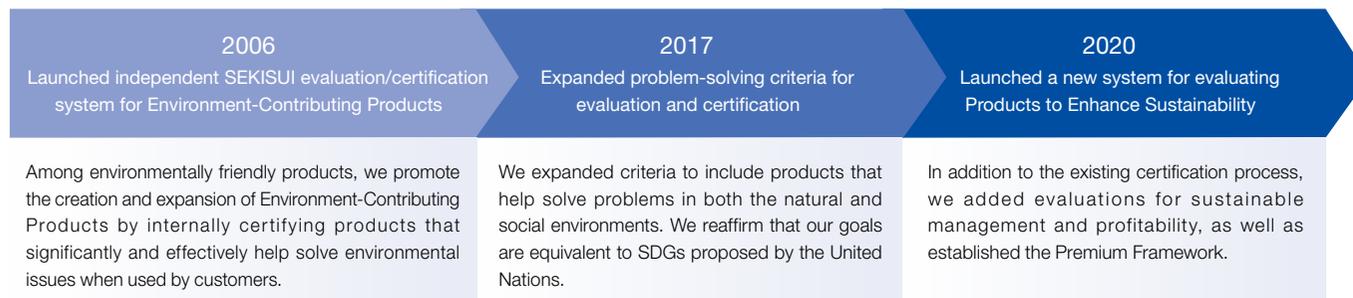
Launch System for Evaluating Products to Enhance Sustainability

Vision 2030 aims to realize a sustainable society and sustainable corporate growth. To this end, we launched from fiscal 2020 the Products to Enhance Sustainability system, an evolution from the

existing Environment-Contributing Products system. Under the new system, we conduct additional sustainability confirmation assessments from the perspectives of internal control, supply chain management, customer satisfaction, and profitability in order to improve our sustainable management capabilities. In addition, we have newly established the Premium Framework for strategic growth in line with our business portfolio in order to increase profitability.

Products to Enhance Sustainability are certified and registered based on internal criteria. We accept the opinions and advice of outside advisors with various backgrounds in industry, government, and academia regarding these criteria, approaches, and the validity of results in order to ensure high standards and transparency.

Evolution of System for Evaluating Products to Enhance Sustainability

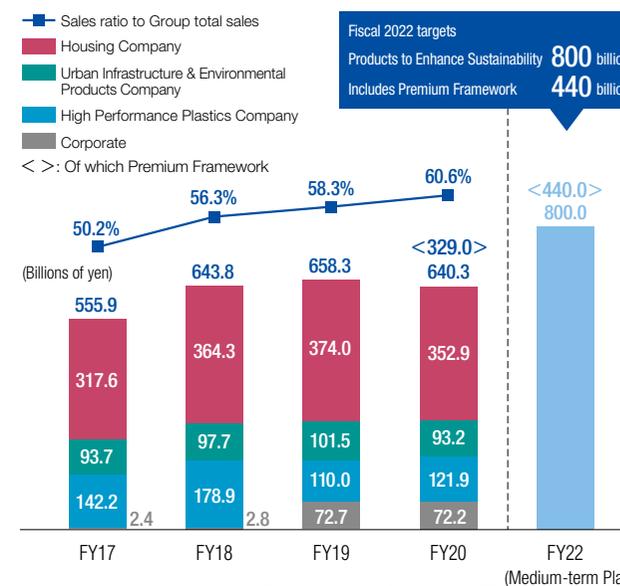


Among environmentally friendly products, we promote the creation and expansion of Environment-Contributing Products by internally certifying products that significantly and effectively help solve environmental issues when used by customers.

We expanded criteria to include products that help solve problems in both the natural and social environments. We reaffirm that our goals are equivalent to SDGs proposed by the United Nations.

In addition to the existing certification process, we added evaluations for sustainable management and profitability, as well as established the Premium Framework.

Products to Enhance Sustainability Net sales/Sales Ratio

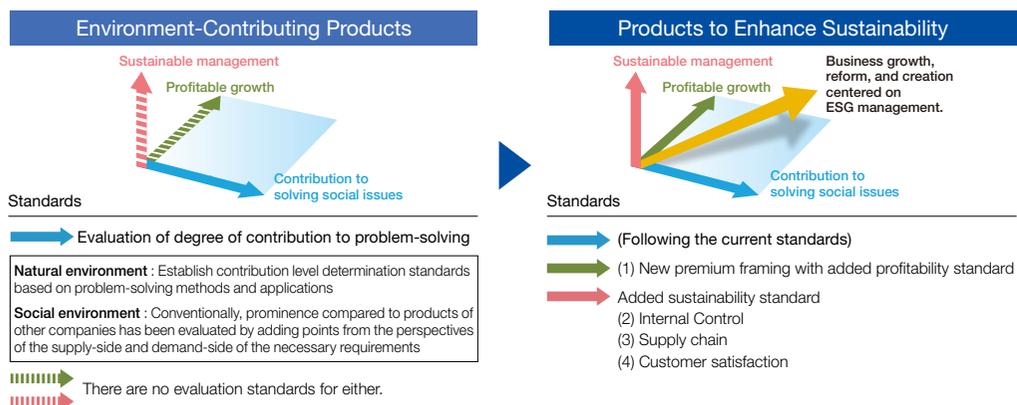


Note: The Medical Business included in Corporate Headquarters from fiscal 2019.

Typical Premium Framework products

ZEH-specification housing (Housing), FFU (UIEP), HUD+ insulation interlayer films (HPP), blood coagulation/POC/pharmaceutical ingredients (Medical)

Changes in Evaluation Criteria for Contributing Products



Evaluations to Verify Sustainability

<p>Internal Control</p> <p>Is there a business plan or framework in place for handling accidents or disasters which have serious business impacts that also considers issues such as safety, the environment, quality, compliance, and human rights?</p>	<p>Customer Satisfaction</p> <p>In what ways do quality or service appeal to the customers who use Company products, how satisfied are they, and what kind of requests do they have?</p>
<p>Supply Chain Management</p> <p>Are there structures or frameworks in place to prevent accidents or disasters which have serious business impacts on both this Company and the product-related supply chain?</p>	<p>Profitability</p> <p>How much room is there to grow and what potential does the business have?</p>

Strengthening the ESG Management Base (Business Base Drive)

Reference Products to Enhance Sustainability Certification

Products to Enhance Sustainability Definition



Social Environment Contribution Certification Criteria (Excerpt)

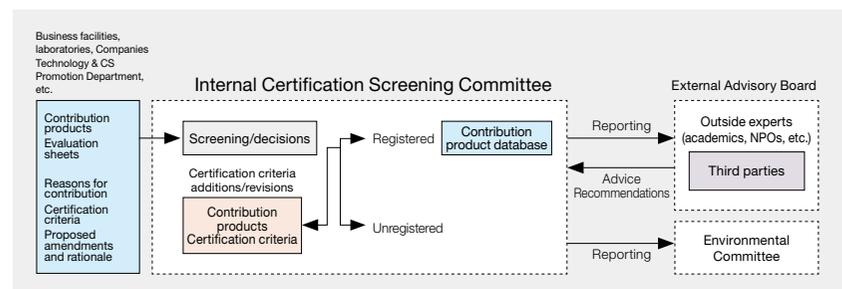
Judgement criteria*	Social environment contribution impact
Promote health and well-being	Prevent the spread of disease (illness detection/prevention)
	Support the independence of the elderly and those in need of care
	Support the independence of people with disabilities
	Minimize burdens on caregivers
	Improve comfort/hygiene
	Raise awareness of healthy habits
Build resilient infrastructure	Mitigate natural disaster risks
	Improve working conditions, including in supply chains
	Develop and provide infrastructure
	Enhance responses to disasters and emergencies
Promote sustainable cities and residences	Enhance resilience to disasters and emergencies
	Support low-income countries
	Improve sustainability of residences and livelihoods
	Improve livelihood safety
	Make residences and livelihoods more comfortable
	Invigorate local communities

Note: Social environment contribution products are those that significantly contribute to the above three criteria, while other products are judged based on internal judgment criteria that reflect the 17 SDGs as necessary.

Natural Environment Contribution Certification Criteria (Excerpt)

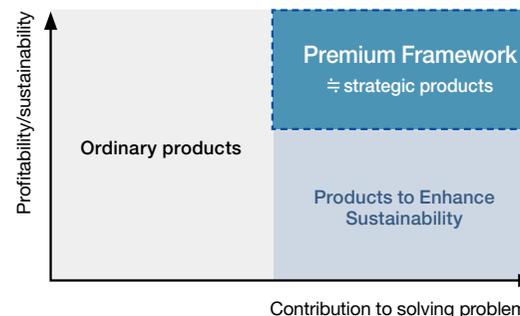
Judgement criteria	Natural environment contribution impact
Reduce GHG emissions	Increase energy conservation performance
	Use unutilized energy
	Find alternatives to freon gas
	Reduce use in product lifecycles
	Reduce the use of fossil resource-derived plastics
	Develop energy creation/storage functions
Reduce waste	Implement energy management in urban spaces
	Conserve energy in customer production processes
	Increase durability (extend service life, etc.)
Reduce raw materials use	Adopt low volume waste methods
	Reduce scrap, defects, and unnecessary materials
	Conserve raw materials
Conserve water/aquatic environments	Use recycled resources (waste from other products)
	Horizontal recycling of materials collected internally
	Reduce clean water usage volume
	Reduce water usage volume
Prevent pollution	Reduce water leakage
	Circulate water through rainwater filtration
	Prevent pollution via purification
Preserve biodiversity	Shift to low VOC
	Use certified forest timber
	Use thinned timber
	Use of biodegradable materials
	Prevent topsoil erosion
	Prevent desertification
	Conserve wetlands
Promote tree planting	
Prevent/mitigate disasters	Prevent marine/river pollution
	Conserve species/genes
Intermediate materials, raw materials	Disaster-resistant materials
	Help lower environmental burdens via raw materials, components, materials

Products to Enhance Sustainability System Operation/Certification Method



Internal Certification Screening Committee: comprises Corporate HQ centered on ESG Management Department

Products to Enhance Sustainability Concept



Conduct Product Environmental Impact Assessments

SEKISUI CHEMICAL Group conducts environmental impact assessments during product planning, development, and all life-cycle stages. Based on this, the Group determines the degree of contribution to solving social issues based on internal standards when certifying Products to Enhance Sustainability after release.

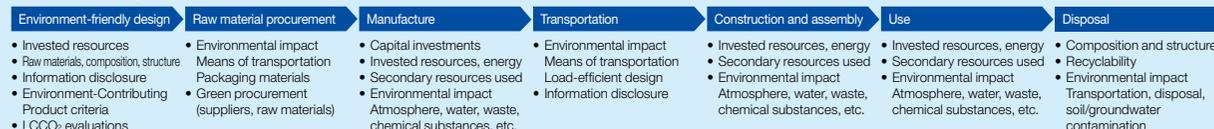
Compliance evaluation

- Laws and regulations
- Self-regulation
- Requirements of industries, etc.

Chemical substance assessment

- Laws and regulations
- Prohibited substances
- Restricted substances

Product Life-cycle Environmental Impact Assessment



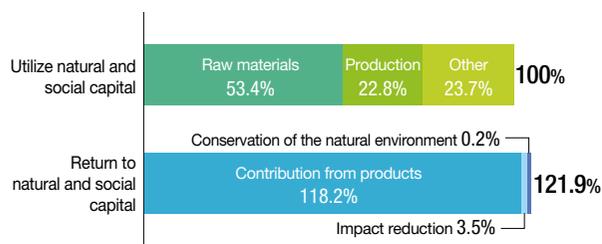
Environment – Addressing Climate Change

SEKISUI CHEMICAL Group utilizes natural capital while conducting its business activities. In addition to the analyses of risks and opportunities in response to climate change, the reduction of greenhouse gases (GHGs), and the introduction of renewable energy to balance global environmental conservation and sustainable business, we are promoting initiatives aimed at reducing environmental impact, such as resource recycling and the protection of water resources.

Long-term Environmental Management Vision and Environmental Medium-term Plan

SEKISUI CHEMICAL Group is working on environmental issues from a long-term viewpoint toward the realization of a sustainable society. Toward the realization of earth with maintained biodiversity, we drew up the long-term environmental management vision Sekisui Environment Sustainability Vision 2050, which envisions the ideal for 2050, and from that ideal are setting the goals for each environmental medium-term plan by backcasting and implementing each measure. In the medium-term environmental plan SEKISUI Environmental Sustainable Plan Accelerate II, which runs from fiscal 2020 to fiscal 2022, climate change, water risk, and resource recycling were defined as priority environmental issues. To accelerate efforts to resolve these issues, we are enhancing supply chain management over product life cycles and deploying measures. To maintain awareness of improvements in ROIC, we also utilize environmental accounting to invest in the environment, control costs, and improve productivity.

Integrated Index SEKISUI Environmental Sustainability Index



Note: The SEKISUI Environmental Sustainability Index represents the impact on the environment caused by the activities of SEKISUI CHEMICAL Group (the use of natural capital) and their degree of contribution to the environment (returns to natural capital) as a single indicator. The Ratio of return to natural capital indicated by this index is used as an index by which to monitor the progress of environmental management.

	FY2020 (Result)	FY2022 (Medium-term Plan)
Ratio of Return to Natural and Social Capital	121.9%	Maintain 100% or more

Efforts to Address Climate Change

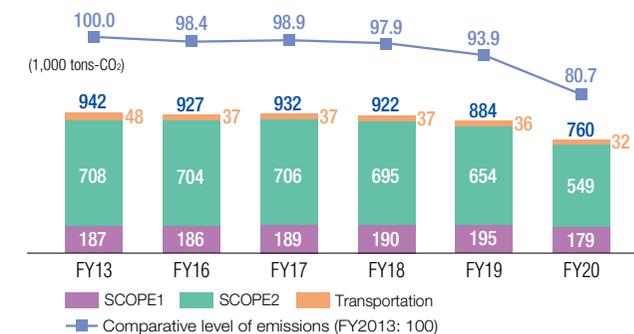
To accelerate climate change mitigation and adaptation measures, as well as to strengthen risk assessment from a long-term perspective, in information disclosure based on the recommendations of the TCFD (disclosure of weather-related financial information), to which SEKISUI CHEMICAL Group gave its approval in 2019, we assumed four scenarios centered on climate change of 2°C and 4°C, as well as centralization versus diversification of company-wide businesses, while analyzing the risks and opportunities in each scenario. In aiming for zero GHG emissions, we have been accelerating our efforts since fiscal 2020 to reduce risks by converting the purchased electricity used in production activities to renewable energy, and converting risks into opportunities by strengthening sales of low-carbon products such as net-zero energy house (ZEH) specification housing. Having set the long-term goal of reducing GHG emissions from our business activities to zero in 2050, we conducted further backcasting and placed the milestone for making the switch to 100% renewable energy for purchased electricity in 2030. To this end, we will utilize the SMART HEIM DENKI power trading service and the ESG investment limit newly established in fiscal 2020 to promote the conversion to renewable energy.

Medium- to long-term targets for GHG reduction

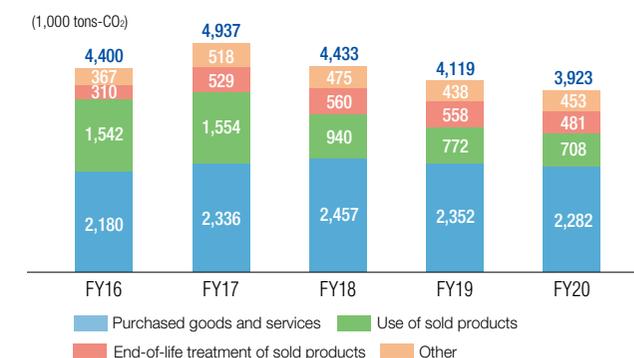
Item	Index	Fiscal 2020 Results	Medium-term Target (FY2022)	2030	2050	Notes
Reduction of GHG Emissions	Rate of renewable energy of purchased electricity	7.2%	20%	100%	(Convert all energy used to renewable energy)	Join RE100
	Reduction in GHG emissions generated by business activities	19.3% reduction (vs. FY2013)	Reduction of 9% or more (vs. FY2013)	Reduction of 26% or more (vs. FY2013)	Zero GHG emissions	Acquisition of certification from Science-Based Targets (SBT) Initiative (until 2030)
	Reduction in GHG emissions in supply chain	Reduction of 10.8% (vs. FY2016)	—	Reduction of 27% or more (vs. FY2016)	—	
Energy Savings	Energy use per unit of production	Reduction of 0.4% (vs. FY2019)	Reduction of 3% or more (vs. FY2019)	—	—	

▶ Please see TCFD Report 2021 for detailed information on our efforts to addressing climate change.

Greenhouse Gas (GHG) Emissions That Arise from Business Activities



Supply Chain Greenhouse Gas (GHG) Emissions (SCOPE3)



Strengthening the ESG Management Base (Business Base Drive)

Environment

Effect of Issues Related to Climate Change on Businesses and Strategies

Climate change risks can also offer opportunities. In response to medium- to long-term climate change risks, we reduce risk with respect to products and services, supply or value chains, R&D investments, and operations while planning strategies and plans so that we can turn them into opportunities.

Case Study: SMART HEIM DENKI Power Trading Service

<Risks>

Impeding the spread of solar panel installation due to the end of the feed-in tariff (FIT) system

<Measure to turn risk into opportunity>

Launch of SMART HEIM DENKI power trading service

SEKISUI CHEMICAL Group purchases surplus energy produced by its customers with solar-equipped housing via its SEKISUI HEIM DENKI power trade service, which is then used in the Group's domestic factories and business sites, as well as sold to other SEKISUI HEIM customers. As of the end of December 2019, the number of applications for the surplus electricity purchase service exceeded 13,000. In addition, from March 2020, we started supplying power from equipment that has graduated from the FIT system to Hokkaido Sekisui Heim Industry Co., Ltd., and Sekisui Heim Industry Co., Ltd.'s Chubu Office.



Case Study: Raw Materials Suppliers

<Risks>

Fluctuations in raw material costs due to tightening of climate change-related regulations. Supply risk due to natural disasters and other factors.

<Measure to turn risk into opportunity>

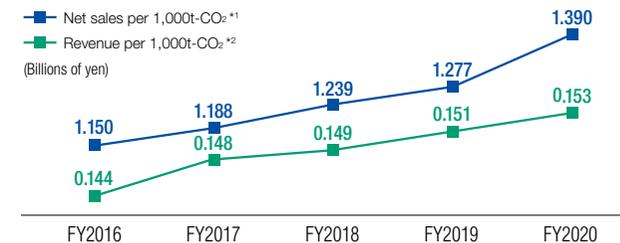
From fiscal 2018, encouraged raw materials suppliers to promote reduction of GHG emissions. In giving consideration to disaster risk, we are building a purchasing system from multiple raw materials suppliers and also examining relocating production bases in areas where risks such as serious natural disasters are expected.

Effects of Climate Change Efforts on Management

We compared carbon efficiency (environmental) and economic efficiency to see how efforts that contribute to climate change mitigation and adaptation are affecting management. First, the relationship between GHG emissions, sales, and EBITDA is shown by changes in net sales per 1,000t-CO₂ and revenue per 1,000t-CO₂. As a result, both sales per GHG emissions and EBITDA from business activities are on the rise, confirming that management based on an ambitious carbon-neutral strategy is heading in the right direction. For the years to come, we are also starting to consider bringing forward the 2030 milestone toward zero GHG emissions in 2050. In fiscal 2020, a slight decline in carbon efficiency in the entire supply chain was confirmed due to the influence of the COVID-19 infection. Although the rate of increase was small compared to the carbon efficiency due to business activities, while reducing the environmental load (GHG emissions) on the entire supply chain we were able to confirm an increasing trend in profits. To reduce GHG emissions under SCOPE3, we acquired SBT certification for sales and set long-term targets and believe that continuing this will be effective in improving carbon efficiency.

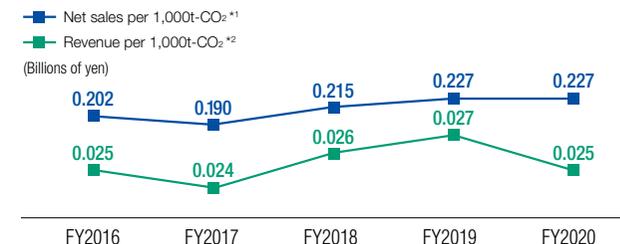
When we took the correlation between EBITDA/sales (economy) and sales/GHG emissions (environment), we were able to confirm that we would improve net sales per 1,000t-CO₂ while maintaining profit stability until fiscal 2020. Amid physical and regulatory risks that are expected to increase, if we could develop a strategy that reflects this improvement in net sales per 1,000t-CO₂ in economic profitability, it would be possible to turn risks into even greater opportunities. We were able to reconfirm that the potential for future profitability is increasing in comparison with current profitability. Looking toward the goals based on the long-term vision for fiscal 2030, it has also been suggested that there is a need to accelerate improvement in carbon profitability by further innovations and initiatives. We are working to convert purchased electricity to 100% renewable energy in 2030 and believe that improving carbon profitability by accelerating our efforts will be important for the realization of carbon-neutral management.

Carbon Efficiency due to Business Activities



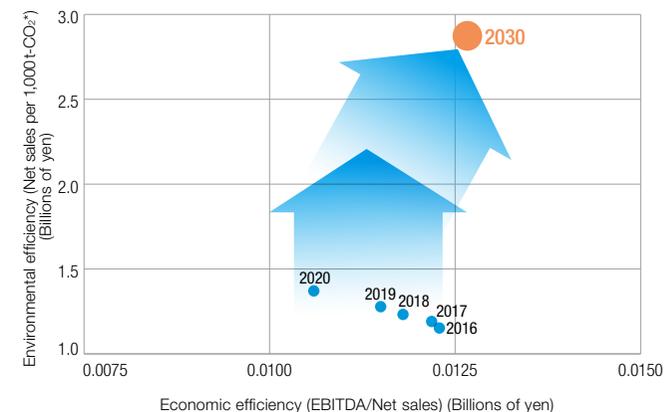
*1 Net sales per 1,000t-CO₂: Net sales (Billions of yen) / GHG emissions (Thousands of tons-CO₂)
 *2 Revenue per 1,000t-CO₂: EBITDA (Billions of yen) / GHG emissions (Thousands of tons-CO₂)

Carbon Efficiency throughout Supply Chain



*1 Net sales per 1,000t-CO₂: Net sales (Billions of yen) / GHG emissions (Thousands of tons-CO₂)
 *2 Revenue per 1,000t-CO₂: EBITDA (Billions of yen) / GHG emissions (Thousands of tons-CO₂)

Correlation between Economic Efficiency and Environmental Efficiency

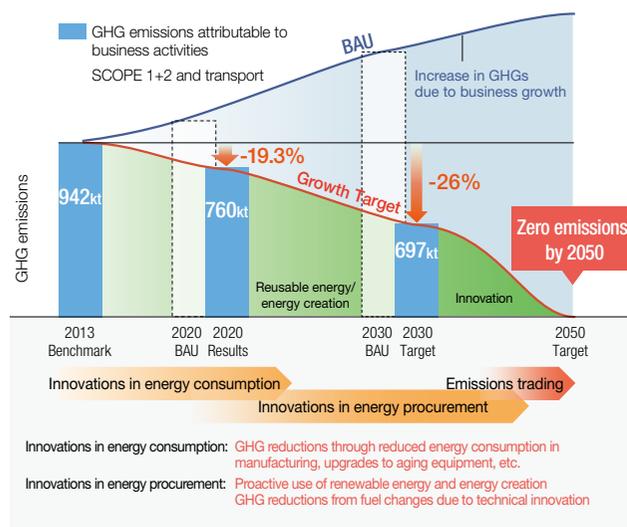


* Revenue per 1,000t-CO₂: GHG emissions (Thousands of tons-CO₂) due to net sales/business activities

Strengthening the ESG Management Base (Business Base Drive)

Environment

Roadmap to Reducing GHG Emissions and Initiatives



Under the previous Medium-Term Environmental Plan (2017–2019), we promoted initiatives that focused on manufacturing and the renewal of aging production equipment as innovations in energy consumption. From 2020, we are in the innovations in energy procurement stage. By making purchased electricity 100% renewable energy in 2030, we aim to achieve a 26% reduction compared with 2013. In fiscal 2020, solar power generation equipment was installed at 10 offices in Japan and overseas, and the total power generation output reached 6.3 megawatts.

In addition, the power purchased from outside has been switched to 100% renewable energy at eight domestic and overseas offices, and in fiscal 2020 the renewable energy ratio of purchased electricity was 7.2%, including private power consumption from solar power generation. We also strategically set an environmental investment limit for three years from 2017 and in particular have established and promoted Environment-Contributing Investments Incentive Program relating to reductions in GHG emissions. A form of internal carbon pricing, this is a program by which SEKISUI headquarters provides financial support to investing departments at ¥30,000 for each CO₂ ton equivalent of GHGs reduced through investment. The CO₂ reductions from these investment projects are increasing year by year as equipment upgrades are completed, and are continuously contributing to the reduction of GHG emissions from SEKISUI CHEMICAL Group's manufacturing.

We are aiming to reduce GHG emissions in the supply chain (SCOPE3) by 27% in 2030 compared with fiscal 2016. Our GHG emissions that fall under the SCOPE3 category are highest at the raw materials procurement as well as purchased products and services stages, and we recognize that the procurement of raw materials stage is due to the characteristics of our business as a chemicals manufacturer. To address this issue, in 2018 we began reviewing our procurement standards to ask raw material suppliers to set GHG emission reduction targets and make progress on these targets, as well as to monitor the GHG emissions of raw material suppliers through the CDP Supply Chain Program to provide opportunities for dialogue and collaboration on reduction. In addition to calculating GHG emissions and disclosing data, we actively exchange practical information with raw materials suppliers regarding long-term targets and reduction measures and have built relationships to promote mutual reductions. We are also aiming for a 20% reduction in 2030 by switching to biomaterials and recycled materials. Moreover, we intend to reduce emissions of purchased products and services, which account for more than 50% of SCOPE3, by 50% in 2030 by expanding sales of ZEH-specification houses.

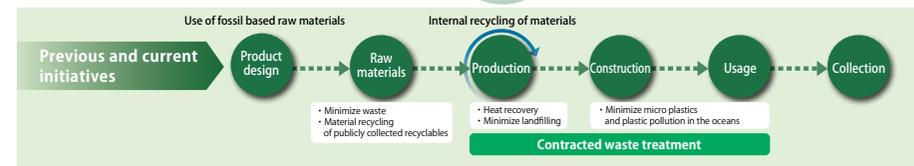
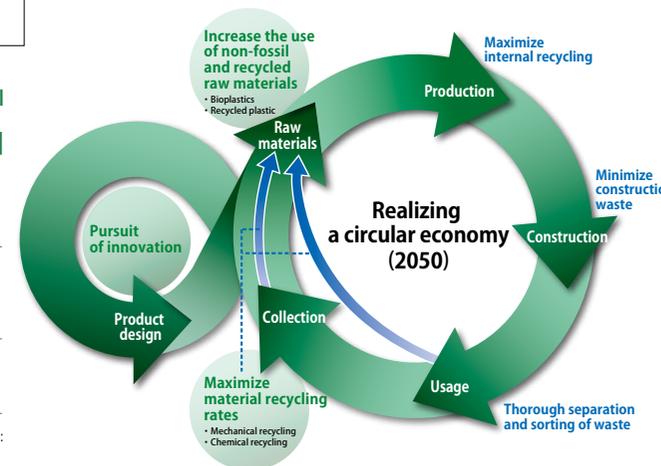
Roadmap for Achievement of Long-Term Resource Recycling Goal

		FY2022 Targets	By 2025	By 2030
Business Strategy	Net sales of Products to Enhance Sustainability that contribute to resource circulation*	1.1 times	1.3 times	Double or more
Raw material resource conversion	Net sales of products not derived from fossil fuels and those for which recycled materials were used	¥3.0 billion	¥10.0 billion	¥100.0 billion
Recycling of waste products	Rate/ratio of waste plastic recycled into new materials	Grasping current conditions and setting benchmarks	Double	100%

* Benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation: ¥296.0 billion (FY2020)

Initiatives for Resource Recycling

In fiscal 2020, we formulated a resource recycling policy and, for the realization of a circular economy in 2050, a resource recycling strategy and roadmap. We also consider this an important strategy to shift to low-carbon products that will boost climate change mitigation in their life cycles. Since products that contribute to resource recycling are low-carbon products, we consider this a core strategy for products that will assist in resolving climate change issues. As an indicator, we have set a goal of increasing sales by 10% in fiscal 2022, against the fiscal 2020 benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation of ¥296.0 billion, and more than doubling that figure by 2030. Considered as an aspect that should be accelerated in product innovation that contributes to resource recycling is the conversion of plastic raw materials to non-fossil-derived and recycled materials, and sales of these are set to increase by 10% in 2022 from ¥3.0 billion in 2020, and we have also set a goal of 30 times by 2030.



Environment

Addressing Water Risk Issues

With regard to water risk issues, we have established two goals—minimizing the water risk at SEKISUI CHEMICAL Group and contributing to the resolution of water-related issues in local communities—while reducing the water intake volume of the entire group. In addition to promoting recycling, we are also focusing on improving the chemical oxygen demand (COD) index for the quality of water discharged into rivers. As a specific measure, we will select locations/suppliers where the business impact is substantial as well as locations where the water risks are substantial and minimize the environmental impact by 2030.

The situation and challenges of water resources are highly localized and contradictory to working toward a uniform global goal. Understanding the risk that our ongoing business will have on water resources located in close proximity to our business sites, we are engaging in business activities while being conscious that we utilize water in a sustainable manner as a shared regional resource.

Water intake volume at production sites in fiscal 2020 decreased by 3.7%, relative to results in the base year of fiscal 2016, while the COD volume of water discharged into rivers decreased 11.8% on the same basis. This was due to the decrease in production brought about by the COVID-19 pandemic, but taking into consideration the reduction measures targeting the three SEKISUI CHEMICAL Group production sites with the highest discharged wastewater COD volumes and the highest water intake, which include the Shiga-Mizuguchi Plant that accounts for about 30% of all domestic business sites, the effects of capital investments using the environmental contribution investment framework have been realized since fiscal 2019.

Examples of capex using the environmental contribution investment framework

	Site	Reduction strategy	Result
Reduction in water intake	Shiga-Minakuchi Plant	Introduction of filtration equipment allowing the reuse of recycled wastewater as coolant Strengthened management and promoted visualization of water use at the facility	Reduction of 9%
	Sekisui Medical Co., Ltd., Iwate Plant	Achieve 10% reduction through automation of industrial water intake adjustment system	Reduction of 10%
Reduction in wastewater COD volume	Sekisui Nano Coat Technology Co., Ltd.	Improve treatment capacity by upgrading wastewater treatment facilities	Reduction of 25%

Reference: SEKISUI CHEMICAL Group's Water-related Businesses

SEKISUI CHEMICAL Group develops a range of businesses related to water infrastructure, such as the supply, storage, and drainage of water, contributing to society not only by technologies and products that help to improve the quality of drainage, such as water treatment systems and drain pipes, but also by creating strong water infrastructure made to withstand natural disasters.

ESLON HYPER AW Polyethylene Piping for Building Pipework



Featuring excellent flexibility, ESLON HYPER AW prevents damage and water leakage due to earthquakes and land subsidence, thereby providing a stable supply of water.

High Flowrate Drainage System



A siphon-type rainwater drainage system. This product secures a sufficient amount of drainage to cope with torrential rain without increasing the pipe diameter.

ESLON RCP Reinforced Composite Plastic Pipe



This product is lightweight and can be installed even in places where the ground is loose. Widely utilized in, for example, agriculture, airport facilities and hydroelectric power generation. Rainwater can be stored in the pipe, thereby contributing to measures against torrential rain in towns and buildings.

SPR Sewerage Pipeline Rehabilitation Method



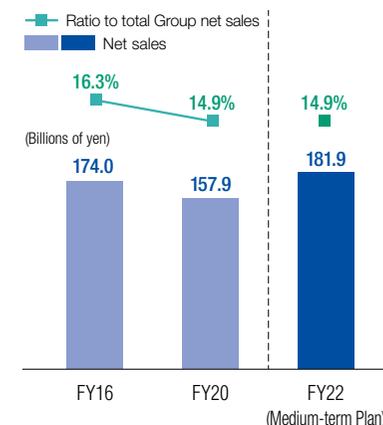
A method for renewing aging sewerage pipes through work on the inner-layer of existing pipes without the need to dig up the road. The method also enables construction by small numbers of people and in a short period of time while greatly reducing waste outflow.

Cross-Wave Rainwater Storage System



This product regulates the rain volume flowing into sewer systems during torrential rains. The system assists measures to prevent chronic water shortages in Asian countries, the recycling of rainwater for the greening of urban areas, and disaster prevention, as well as a disaster countermeasures in floods.

Water-related Business Net Sales Trends



Human Resources – Aim to be an excellent and vibrant company where employees thrive on challenges

SEKISUI CHEMICAL Group aims to be an entity that gives rise to innovation and creativity, brings employees and the Company together in the drive to tackle social issues, and contributes to finding solutions to those issues. We share this commitment Group-wide while promoting the creation of workplaces that are full of energy and enthusiasm.

▶ Please see **Vision Management** in the Human Resources section of our CSR Report 2021.

Stance toward Human Resources

Based on our belief that “employees are precious assets bestowed on us by society,” we offer various opportunities through which we help individual employees to pursue their own careers and enhance their “unique skills” while taking on the challenge of working together with employees to help solve social problems by creating opportunities to pursue various socially significant missions and challenges. At the same time, we are striving to ensure that our workplaces are vibrant and enable diverse personnel to take on challenges and play active roles.

Human Resources Management Principles



Human Resource Promotion System

Reporting to the Sustainability Committee, the Human Resources Subcommittee is chaired by the managing executive officer who heads the Human Resources Department and composed of executive officers and the heads of human resources departments selected from each divisional company. In fiscal 2020, the Human Resources Subcommittee carried out deliberating, determination, and monitoring measures with regard to diversity, work-style reforms, and health management.

Vision Management and KPIs

To realize our Long-term Vision, we are working on the measures shown below toward becoming a vibrant company that encourages employees to take on challenges and the “realization of a challenge-oriented corporate culture” under the ESG Medium-term Plan (fiscal 2020 – fiscal 2022).

- Implement the Long-Term Vision, deepen ESG management
- Transform to a challenge-oriented corporate culture
- Shift to human resources management based on having the right person in the right place

To realize our Long-term Vision, it is important for each and every employee to demonstrate their abilities and break free from convention while continuously taking on challenges. We will therefore regard the degree of challenging behavior expression as a KPI in terms of human resources and measure the level by questionnaires and other means while aiming for improvements. In addition, in order to rollout the Long-term Vision, managers essential to workplace operations drew up a vision for their own organizations, engaged in dialogue with members in the form of a “workplace workshop,” and incorporated this vision into the vision of each department and in business plans for the fiscal year. SEKISUI CHEMICAL Group will engage in two-way communications based on a three-year roadmap that communicates new messages from executive management based on feedback from this discussion, in the form of team member impressions and opinions.

Efforts to Deepen Engagement

SEKISUI CHEMICAL Group periodically conducts an engagement survey targeting all employees. The results of the survey conducted in fiscal 2019, which were analyzed and examined by the Business Strategy Department and the Human Resources Department, served as the basis for formulating the current Long-term Vision and Medium-term Management Plan. For the express purpose of deepening engagement in fiscal 2020 we launched the Engagement Drive Project, in which the human resource departments of each organization served as members and worked on themes that included productivity improvement and institutional reform.

Clarification of missions and roles and a shift to a role-based system for human resources (to be revised in fiscal 2022)

Through backcasting, we are clarifying the various missions and roles that are necessary to achieve the ideal forms. We are also supporting and assigning employees who will take on challenges and improve themselves regardless of their age or year of employment. At the same time, we are advancing preparations for a system revision in fiscal 2022 to shift to a system for human resources that ensures that the right person is in the right place. In line with the purpose of the human resource system revision, we will extend the retirement age from 60 to 65 from October 2021 to increase opportunities for active participation regardless of age.

SEKISUI CHEMICAL (Non-consolidated) Human Resources System Revision Roadmap

Measure	FY2020	FY2021	FY2022
Shifting to right person in the right place human resources management	Consideration of a new human resources system	Trial of a new human resources system	Implementation of a new human resources system

Development Initiatives

We are working to foster diverse human resources throughout the Group based on the two pillars of training business leaders, those who will power SEKISUI CHEMICAL Group into the future, and the human resources who will support the workplace. The new personnel system will require each employee to make positive contributions and take on challenges in their respective roles. Career education will shift from the traditional age basis to a role/job-based framework. We will also support “career autonomy,” whereby employees take the lead in building their careers.

* Career Autonomy: An approach to independent employee career development whereby employees aim to work with vitality in a location to which they are uniquely suited as they prepare to play the roles expected of them by the company.

Human Resources

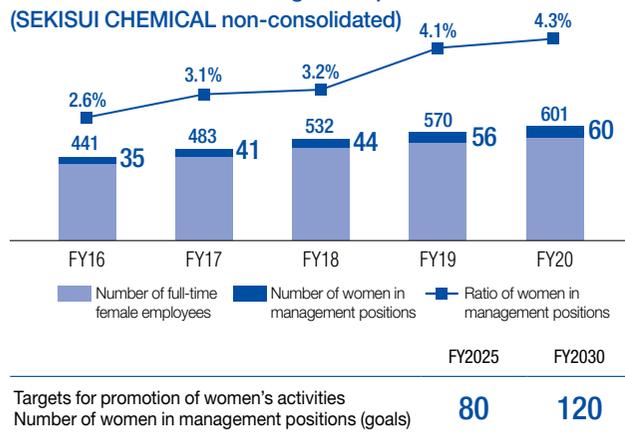
Diversity Initiatives

SEKISUI CHEMICAL Group remains constantly aware of the critical need to make the most of the diverse orientations to work and life and strengths of its employees if it is to continue contributing to society. Based on this awareness, top management has declared its commitment to promoting diversity, which includes the empowerment of women, both within and outside the Group. With regard to diversity, we focus not only on, for example, gender, age, and race but also on differences that include background, values, and personality. In 2015, we formulated the Diversity Management Policy based on the idea that we will understand and recognize the differences of each and every employee and use them to our advantage. With the aim of transforming into a “vibrant company,” from fiscal 2020 we are working on work-style reforms and expanding opportunities to take on challenges that will allow diverse human resources to excel.

Allowing Diverse Human Resources to Excel (Gender)

Since 2007, we have been advancing initiatives to empower women in two stages: “established practice and active participation” and “creating managerial positions.” We offer training programs, including hands-on training cycles and career building, for females in their first through their fourth years of employment. This training fosters greater awareness while enabling women to take on leadership roles from an early stage, as well as to learn and take on challenges on their own. In addition, as a result of practical training targeted at female candidates

Number of women in management positions (SEKISUI CHEMICAL non-consolidated)



for managerial positions and their immediate superiors while working to expand the areas in which women can participate, the retention rate of female employees and the number of females in managerial positions are increasing. In recognition of these efforts, we were selected as a [Nadeshiko Brand in fiscal 2020](#). This is the fourth time we have been selected, following on fiscal 2016, fiscal 2017, and fiscal 2019.

Going forward, we will also focus on “enhancing the employment of women” and “training following promotion to managerial positions.”



Allowing Diverse Human Resources to Excel (Global)

Expanding our business overseas is key to realizing our Long-term Vision. To do so, it is not only important to globalize employees in Japan but also for us to hire foreign national employees and have them play active roles and, above all, for employees working throughout the world to demonstrate their distinctive characteristics in providing products and services that meet the needs of each country and region. Based on this idea, we have introduced and started operation of our Learning Management System, which will serve as one of the foundations for the fostering of human resources, in four areas around the world (United States, Europe, China, and ASEAN). As the first fiscal year on the way to achieving our Long-Term Vision, in fiscal 2020 we conducted “vision caravans” in each area and focused on disseminating and instilling the vision among our employees around the world.

Promotion of Work-style Reforms

In the pursuit of highly productive work styles that maximize results in a limited time, SEKISUI CHEMICAL Group put in place its Statement of Work Style Reforms in 2018 and has been working on three reforms, specifically relating to business operations, the HR system, and the work environment. For those reforms, we invested ¥7 billion in the three years up to and including 2020 and were able to reduce the total number of working hours for the Group as a whole by approximately 170,000 hours by, for example, automation and labor saving for production lines, sales innovation through the Sekisui Heim Museum, and the introduction of production management, remote work, and other systems. Since fiscal 2018, we have been promoting improvements in working environments to realize flexible work styles in which there is little or no distinction between work undertaken within or outside the Company. It was under this situation that we confronted the COVID-19 pandemic and rapidly expanded and instilled use of

the remote work and web conferencing systems, that had already been partially deployed. Advances were also made in paperless offices, and significant reductions in travel time and preparation man-hours realized. As a result of putting this infrastructure into place and of the employees of each workplace exercising their wisdom to review how standard operations are performed, we were able to continue operations without significant impact even under the various restrictions of the State of Emergency.

Promotion of Health Management

Based on the belief that “employees are precious assets bestowed on us by society,” SEKISUI CHEMICAL Group is promoting the creation of healthy, invigorating workplaces that allow diverse human resources to excel. In 2019, we formulated our Declaration on Health and Basic Policy for Health and Productivity Management that summarize the philosophy and ideals of health management for which SEKISUI CHEMICAL Group is aiming. In-house awareness of the Declaration of Health in fiscal 2020 was 64.3% (a rise of 12.1% compared with the previous fiscal year), and health management is steadily being instilled throughout SEKISUI CHEMICAL Group as a whole.

To realize our Long-term Vision, we are encouraging the putting in place of the structures and systems required to support our most important assets, our people, from the aspect of health, while setting medium- to long-term KPIs and encouraging health promotion. Since fiscal 2020, we have been deploying seven health habit support programs as measures against lifestyle-related diseases. We have also introduced a health promotion app and started to support independent health promotion. In fiscal 2020, 59% of the people in SEKISUI CHEMICAL Group were practicing four or more of the seven health habits. We are aiming to achieve 100% awareness by fiscal 2022.

Recognized for its Company-wide efforts to resolve issues relating to the health of its employees, including those at Group companies, SEKISUI CHEMICAL Group was certified as a [2021 Health and Productivity Stock](#). Along with 30 affiliated companies in Japan, SEKISUI CHEMICAL Group was also certified as a [2021 Health and Productivity Management Organization in the large-enterprise category \(“White 500”\)](#) for the fifth year in a row.



Strengthening the ESG Management Base (Business Base Drive)

Digital Transformation (DX) – Become the Driver that Transforms Work Processes and Business Models

SEKISUI CHEMICAL Group's DX mission is to accelerate and support the growth strategies and structural reforms necessary to realize its long-term vision. To maintain sustainable growth in an uncertain business environment, we will take another look at conventional governance (internal control), as well as our business and work processes, while undergoing a transformation from the perspectives of "visualization and standardization,"* "productivity increase," and "sophistication."

* "visualization and standardization": Standardized operations, introduction of ERP, renewed infrastructure and networks

Initiatives to Promote DX

		Fiscal 2020 Results	FY22	FY25
Global Management Foundation Reform	Renovation of the core system (global ERP*) We are aiming to improve the productivity of indirect business operations—by the visualization and analysis of the data necessary for decision-making, business standardization, and efficiency improvements—while increasing standardization, enhancing internal control and minimizing risk on a global basis.	We defined the requirements for more sophisticated and standardized business management controls and implemented global ERP introduction contracts.	Complete the transfer of accounting operations at major sites in Japan	Complete overseas site rollout preparations
Purchasing	Standardization of purchasing operations and the visualization of transaction data on a global basis Enables deterrence and early detection of fraudulent activities. In addition, steps will be taken to establish mechanisms and infrastructure for continuous cost reduction, including improved purchasing power, procurement cost reduction, and improved purchasing operational efficiency through the realization of overall optimal purchasing.	We decided to introduce an indirect purchasing system.	Conclude rollout at major sites in Japan	Expand rollout to overseas sites
Sales and Marketing	Standardization of efficient business models and visualization of business processes We aim to solve problems relating to sales and marketing operations, such as the different systems used by each divisional company and many individualized parts, and will work on business standardization and automation to thoroughly streamline and raise productivity.	We are enhancing the order expansion process by utilizing marketing automation, the visualization of the status of customer transactions, and data analysis. We are promoting the introduction of a system that reduces the man-hours required for internal reporting while also putting in place information security measures that are essential to DX initiatives.		
Remote Work	Promotion of remote work SEKISUI CHEMICAL Group is promoting "remote work" in a bid to realize various working styles. In this manner, employees are able to carry out their duties using the Company's in-house operating system from locations other than the office including the home, outside, and satellite offices.	We put in place MobileNET, IT infrastructure that enables safe and secure access to in-house operating systems anywhere in the world		

* ERP is the abbreviation for Enterprises Resource Planning. A system that merges and centrally controls core operations, such as corporate accounting, human resources, manufacturing operations, and sales operations

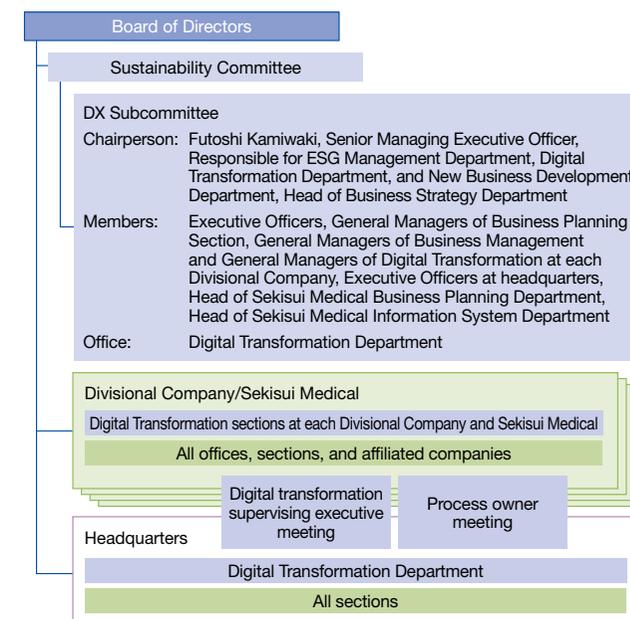
Systems to Promote DX

To promote DX Company-wide in unison throughout the Company and Group, SEKISUI CHEMICAL Group established the Digital Transformation Department in April 2020.

In SEKISUI CHEMICAL Group, which is engaged in a variety of different businesses, it is not easy to make business operations standardized and more sophisticated, and in some cases this process might actually lead to reduced efficiency. To prevent this and promote optimal solutions throughout the Company, we have established a promotion system headed by our CEO and senior managing executive officer. The Digital Transformation Department functions as the project leader in this system.

In addition, the DX Subcommittee, chaired by the executive officer of the Digital Transformation Department, has been newly established under the Sustainability Committee and has been in operation from fiscal 2021. In addition to deliberating on fundamental policies related to digital strategy and confirming the progress and effectiveness of digital transformation, the DX Subcommittee carries out deliberation and decision-making on important measures such as standardization of Company-wide operating processes and renewal of Company-wide core systems from a management perspective.

DX Promotion System (from FY2021)



Fusion – Promote Technology and Business Opportunities through Internal and External Fusion

Based on its technology platform, SEKISUI CHEMICAL Group is making efforts to fuse together its various internal and external stakeholders and companies while accelerating innovation.

We will not limit ourselves to the inter-group initiatives conducted until now in cooperation with divisional companies, instead aiming to achieve wider-ranging and more effective fusion, including technological development, personnel cultivation, cooperation with external organizations, and open innovation.

Technological Development Fusion

Technological development is the source from which new businesses are created, and it is extremely important for fusion as well. At the SEKISUI CHEMICAL R&D Center, the mission of the organization is “strengthening fusion with divisional companies,” and this facility promotes fusion with each divisional company from three perspectives: core technology fusion, planning fusion, and development fusion. More specifically, the R&D Center carries out unified verification of fundamental technologies that was previously carried out at divisional companies, and the personnel involved in planning are rotated around. This is a measure for promoting the formation of cross-organizational planning in coordination with divisional companies.

ESG Task Force

Creating Products to Enhance Sustainability through Internal Fusion

Today’s companies are hearing growing demands to offer solutions in a timely manner to address issues such as the COVID-19 pandemic. In such times, innovations must be considered quickly and turned rapidly into action. However, we believe it is also important to accelerate the proposal and consideration of innovations aimed at solving social issues with a long-term view and to implement those innovations in a timely manner. By taking such quick and prompt action, SEKISUI CHEMICAL Group was able to fuse its 28 technological platforms for promoting the creation of products to enhance sustainability. The result was the launch of the ESG Task Force, a forum for considering social issues in ways that transcend organizational boundaries. In the future, we will take steps to normalize internal cross-sectional systems that enable the development of business proposals aimed at addressing social issues, while at the same time putting in place a system that can accelerate innovation in case of emergencies such as the COVID-19 pandemic.

Example of Product to Enhance Sustainability through Internal Fusion

Building smart & resilient residential housing communities

In addition to communities where all residences are equipped with storage batteries and built to zero energy house (ZEH) specifications, there are communities that none other than SEKISUI CHEMICAL Group can provide. We bring to bear the unparalleled infrastructure materials of the Group that stand strong against disasters, including rainwater storage systems that provide countermeasures to torrential downpours and drinking water systems capable of securing days of potable water, even when water services are suspended. We bring sustainable town and community development to every corner of Japan so residents can continue to live in safety.



Artist's impression of "Asaka Lead Town" after completion

Homes equipped with the comfortable ventilation and air-conditioning system “T-SAS”

This is a ventilation and air-conditioning system that uses “Virutaker™,” an anti-viral processing agent that is a product of a high-performance plastics divisional company. System benefits are reduced daily life concerns and a comfortable interior environment.



External Fusion

In 2019, we established the New Business Development Department as an organization that would accelerate the commercialization of products, services, and technologies developed by SEKISUI CHEMICAL Group’s R&D Center. In addition to considerations on bringing to market in-house developed technologies such as the technology to make ethanol from waste products (Bio-Refinery), in 2021 we set up a new entity to with the goal of spurring on innovation and have been working toward fusion with external partners. We are seeking opportunities outside the company, such as CIC Tokyo, the Tokyo site of the Cambridge Innovation Center, the largest focal point of innovation in the United States, through company’s established corporate business unit as well as promising start-up companies to create new businesses. By skillfully leveraging such relationships as “trading posts” with the outside world, we use fusion to bring into the Company the technology, ideas, and innovative culture that would be difficult to obtain just on our own, and use those things we incorporate to speed the creation of value that works to solve societal issues.

Moreover, through the New Business Development Department we participate in the accelerator program* for the “New Materials” domain operated by Plug and Play Japan, and while searching the world over for start-ups in the materials field, push forth on business creation through collaborations with start-ups that possess technology such as follows.

- Bio-materials
- Battery/semiconductor materials
- Meta-materials
- Materials/Informatics
- Carbon dioxide Capture, Utilization and Storage (CCUS)

* This three-month business creation acceleration support program brings together major corporations searching for new technologies and start-ups working in the new materials-related field, giving rise to new innovation.

Internal Control – Prevent or minimize impact of major incidents on our corporate value

In aiming to improve its management ability to sustain business, SEKISUI CHEMICAL Group has defined five major incident fields (safety, quality, accounting, legal/ethical, information management) that strengthen risk management and hold the potential for major Group-wide impacts and has established the medium- to long-term priority of each. While investing resources in a focused manner, we have been advancing measures from the two approaches of reducing the frequency of incidence and of mitigating the degree of impact following an incident.

Business Continuity Planning (BCP)

Risk Management (ERM, BCP, and BCM)

Maintaining a risk management structure for the integrated management of measures to prevent risks from occurring (risk management) and to respond when serious crisis events occur (crisis management), SEKISUI CHEMICAL Group is building a system that can adapt to constantly changing risks and crisis events according to the situation of the organization.

In their risk management activities, each organization analyzes and evaluates Company-wide risks and risks identified based on the SEKISUI CHEMICAL Group Risk Management Guidelines. After undertaking this analysis and evaluation, each organization adopts measures and implements a risk management cycle (PDCA) that repeats corrections while reviewing them as needed. Since fiscal 2020, we have been promoting ERM (Company-wide risk management), which integrates these organizational activities with an all-company perspective of risk management activities. We will accelerate the development of organizational activities in Japan and overseas, newly carry out critical risk assessments and regional risk assessments on an all-company basis as ERM, thereby strengthening our response to critical risks from a Company-wide perspective.

In the event of a major incident occurring, we will carry out crisis management activities based on the SEKISUI CHEMICAL Group Crisis Management Guidelines. To always implement prompt and accurate responses, we regularly hold crisis management liaison meetings, consisting of corporate specialized departments and company personnel, and carry out case studies and training.

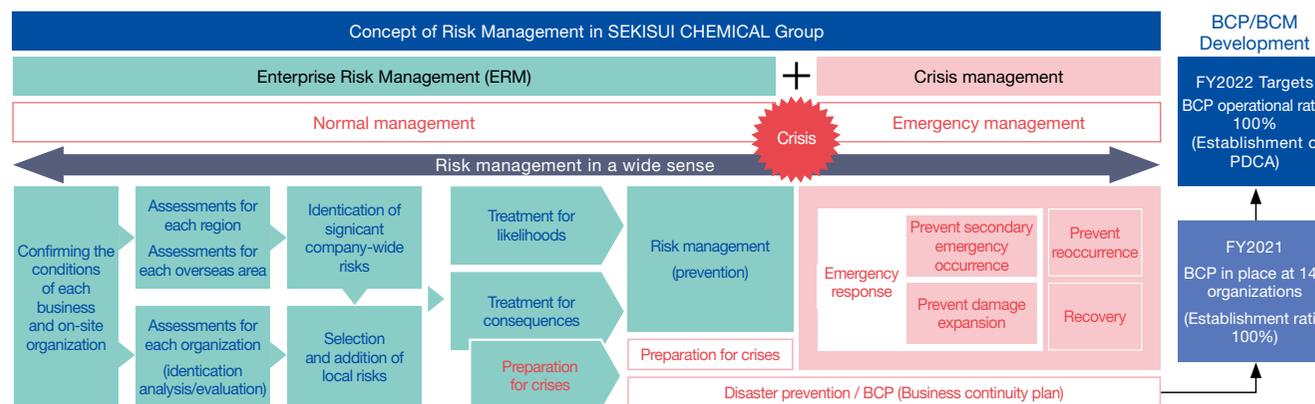
From fiscal 2020, we have intensified our initiatives for the drafting of business continuity plans (BCPs) with the goal of establishing a BCP-based business continuity management (BCM) cycle (PDCA) to minimize the impact on corporate value in the event of an incident. In fiscal 2020, we determined that 143 organizations needed to formulate initial response plans and disaster response/management plans, revised BCP (BCM) guidelines, and created standard templates for the Group. In the current fiscal year, the 143 organizations will formulate BCPs (100% establishment rate) and work to increase awareness of risks among employees through their BCP formulation activities.

each line of business (the heads of business units, the presidents of subsidiaries and affiliates, etc.) determine the necessity of BCP individually, based on the particulars of the businesses in which they are engaged, and is promoting the formulation of BCPs and the implementation of BCM in conformity with ISO 22301, the 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, from the current fiscal year the Group is developing an initial emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations as a Company-wide initiative. In addition, the Group will also focus on establishing BCM for each of its domestic and overseas businesses in line with the individual characteristics of each business in our diverse lineup of operations. Even in an emergency situation that could threaten the continuance of operations, we will minimize losses to our organization and our customers while continuing to fulfill our social responsibilities as a company by responding quickly and restoring important functions as soon as possible.

Basic Philosophy Toward BCP

Engaging in a wide range of businesses, SEKISUI CHEMICAL Group has decided on a basic posture of having those in charge of

Status of Risk Management Activities by Organization



Internal Control

Reducing Major Incidents in Five Fields

As the business environment surrounding companies becomes more uncertain and complex, the Group comprehensively identifies various risks related to the business objectives of each organization. Having quantified those risks from the viewpoints of probability (frequency) and impact (result), we identified the fields that possess the potential to lead to major incidents in fiscal 2019 and defined safety, quality, accounting, legal/ethical, and information management as the five major incident fields in fiscal 2020. After deciding the medium- to long-term priorities from a Company-wide perspective, we are promoting measures to reduce the frequency of occurrence and reduce the impact of any occurrence while investing management resources in a focused manner. The policies and activity guidelines for incident control are formulated and promoted by four sub-committees, covering safety, CS & quality, compliance, and cyber security.

Major incidents in the five fields

Fields	Example incidents	
Safety	Fire, explosion, fatality, and serious injury incidents	Safety Sub-committee
Quality	Disguising or falsifying quality, quality defects which put lives at risk, quality problems causing external losses (or expected losses) of ¥1 billion or more	CS & Quality Sub-committee
Accounting	Fraudulent or inappropriate accounting	Compliance Sub-committee
Legal/ethical	Anti-Monopoly Act violations, bribery violations	
Information management	Data exploitation or destruction, information system infiltration, leakage of personal or confidential information	Cyber Security Sub-committee

Fiscal 2022 Targets

Number of major incidents in the five fields

0

Safety

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. For this reason, we are making concerted efforts at safety education and raising sensitivity to risks while following rules and creating a corporate culture that emphasizes compliance while also 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. In the event of an actual occupational injury, information including the form of employment of the injured party is collected, and improvements are sought when there is a problem with the management of a business site. From fiscal 2020, we are working on reforms in three areas—mechanisms, equipment, and people—to build safe and secure factories and sites globally.

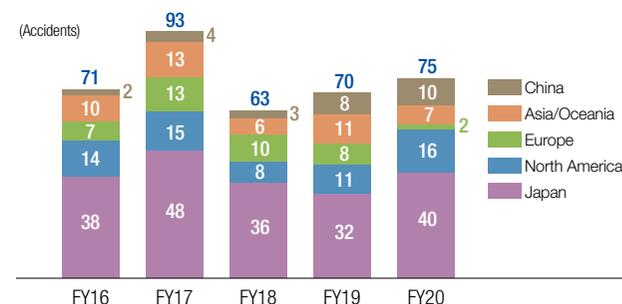
Five Themes and Major Initiatives

1. Intrinsic safety of equipment

- Formulating equipment safety design guidelines and implementing their monitoring
- Encourage employees to obtain safety assessor and safety sub-assessor qualifications for equipment safety and improve equipment safety by sharing information between business sites



Number of Occupational Accidents



2. Safety management using OHSMS

3. Safety education of employees

- Set leading example in safety activities
- Fostering key safety leaders who lead safety activities and promoting their placement at each base
- Standardizing safety education within the Group
- Sharing safety policies with the supply chain and providing occupational safety training (Housing Company)

4. Risk prevention through risk detection activities and other initiatives

- Implementing emergency response skill improvement training (passing on of safety know-how)
- Identifying and improving risks through training to enhance the ability to identify risks

5. Auditing of health, safety, and accident prevention

- Conducting audits based on the Occupational Health and Safety Management Systems (OHSMS) audit evaluation report (evaluation items revised annually and include incorporating ISO 45001 requirements)
- Having disaster prevention audits conducted by outside experts to prevent disasters involving fires and explosions

Internal Control

Quality

SEKISUI CHEMICAL Group emphasizes quality compliance. Assuming that high-risk cases of quality irregularities and data falsification in particular can occur as a result of insufficient investment related to quality improvement and pressure from the supply chain, from 2020 we have been working on building a new quality management system, as well as digitalizing and reinforcing quality data to eradicate the root causes of such risks.

The Group has built a quality assurance system that covers the entire process, from the product development stage to design, production, and sales. At the same time as establishing a quality assurance system in each process and promoting standards-based controls on a daily basis, we recognize that it is onsite monozukuri (manufacturing) that supports quality and are focusing on innovation in production activities. In developing products or making improvements in 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 control of after-sales services for customers. To rebuild our quality management system, when certification shifted to the ISO 9001:2015 standard we developed an original management sheet, the SEKISUI Process Management Chart (SPMC), to strengthen our process approach. Monitoring daily management checks and promoting

corrective actions, internal audits as well as quality education, the SPMC provides an at-a-glance overview of the management flow of these processes. From fiscal 2020 onward, we are working to improve operational levels by, for example, conducting training to utilize SPMC and improve the quality of internal audits.

Fiscal 2020 Status

In fiscal 2020, two major quality issues¹ occurred. As a result, external failure costs² increased 25% 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 FMEA and DRBFM)³ to reduce external failure costs. The rate of application of development risk prevention methods in fiscal 2020 was 94%.

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 FMEA: Failure Mode and Effects Analysis; 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)

External Failure Costs



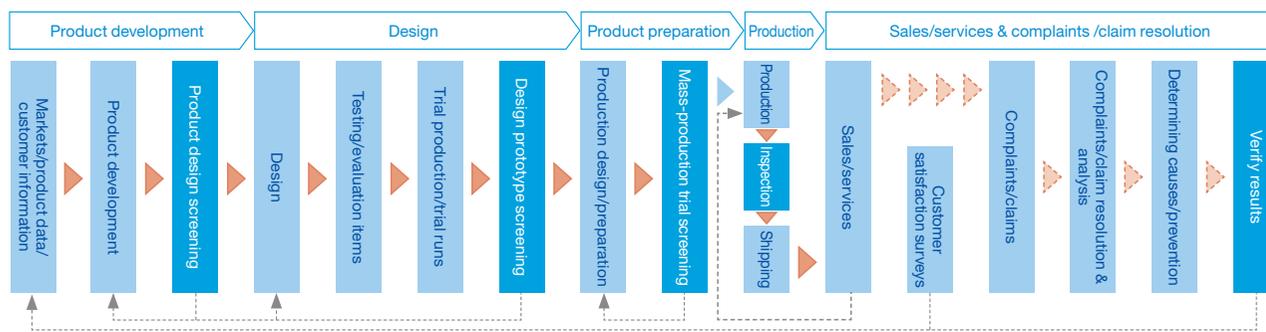
Initiatives to Prevent Data Quality Irregularities and Falsification

SEKISUI CHEMICAL Group put in place a system and framework for the thorough prevention of data irregularities and falsification based on the CS & Quality Medium-term Plan, which was launched in the fiscal year under review. In fiscal 2020, SEKISUI CHEMICAL Group took steps to ensure the reliability and transparency of data particularly with regard to product inspections and the drafting of reports 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 digitalizing and using inspection data. To improve our quality assurance capabilities, we will reinforce compliance awareness and strengthen in-house quality control on an ongoing basis.

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 efficient and effective prevention methods. The DR Reviewer Training Seminars are held to improve the skills of employees who conduct design reviews (DRs), while the Quality Function Deployment Seminars are conducted to teach methods of organizing information on product development. Having also clarified the discussion points during design screenings when new businesses are launched, we created a mechanism for performing strict design reviews called a Gate Review (GR) platform and started its operation on a trial basis in fiscal 2020.

Quality Assurance System



Internal Control

Compliance (Legal/Ethical and Accounting)

Based on principles such as “contributing to society,” “being a trusted company,” and “adherence to the letter and spirit of the law,” SEKISUI CHEMICAL Group established its Compliance Declaration in 2003. 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. From fiscal 2020, we are working to strengthen our compliance management foundation by controlling critical compliance risks and strengthening internal controls on a global scale. To promote compliance management by instilling compliance awareness in each and every employee, we distribute the Compliance Manual and provide education on an ongoing basis. 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. We are also promoting content localization for global local employees and thereby encouraging thorough adherence with these requirements among all employees.

S.C.A.N. Intra-company Whistleblowing System

Established in 2002, the S.C.A.N. (Sekisui Compliance Assist Network) in-house reporting system is available for use by all SEKISUI CHEMICAL Group employees and business partners and also plays a role as a point of contact for consultations, such as whether a specific act would be classed as a compliance violation. Enabling reports to be made directly to an outside law firm in addition to an in-house point of contact, the system also prescribes the protection of the whistleblower and stipulates the protection of whistleblowers, such as the confidentiality of whistleblower information and prohibition of disadvantageous treatment. With regard to the content of reports, we work to resolve organizational issues from a fair standpoint after having first confirmed the claims and facts of the informer and informed. In fiscal 2020, we worked to expand the scope of application of the internal reporting system overseas in cooperation with our regional headquarters in the United States, China, Europe, and Thailand.

Accounting and Tax Compliance Initiatives

SEKISUI CHEMICAL Group is promoting efforts to strengthen monitoring and improve the efficiency of accounting operations toward a solid accounting compliance system. Also providing education on accounting skills and financial knowledge through accounting training and e-learning, in addition to preventing the occurrence of incorrect accounting treatment and accounting fraud, we are working to raise awareness of compliance among the departments and employees involved in accounting operations.

Not using tax havens for tax avoidance purposes, SEKISUI CHEMICAL Group pays taxes appropriately in the countries and regions where it operates, thereby contributing to the economic development of those countries and regions while aiming for harmony and stable development together with them. Transactions with tax risk are checked with external experts as necessary to ensure proper processing and the reduction of tax risk. In regard to transfer pricing risks, transactions within the Group are conducted in accordance with arm's length prices based on the local laws and regulations of each country and region and Organization for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we use the Advance Pricing Arrangement (APA) confirmation system according to the size of the transaction and the degree of tax risk, while working to maintain good relationships with the tax authorities in each country.

Fiscal 2020 Number of Whistleblowing Cases and Consultations

Power harassment	39	Working conditions	29
Sexual harassment	2	Workplace environmental concerns	11
Misuse of expenses	3	Sales methods related	2
Misrepresentation of work performance	3	Collusive relationship with business partners	0
Others	22	Total number of complaints	111

Efforts to Prevent Corruption and Bribery

Based on the spirit of the UN Global Compact, signed and approved by the Group, we promote efforts to prevent acts of bribery and corruption before they occur. Along with introducing Group-wide internal regulations to prevent bribery and corruption, SEKISUI CHEMICAL Group formulated anti-bribery guidelines, which summarize matters concerning bribery and corruption, and that employees should adhere to when doing business in Japan, the United States, and China, and has worked to make these known. We anticipate risks and set and operate rules to prevent violations. For example, a form needs to be submitted in advance to obtain approval when a government official is to be entertained or presented with a gift. In the event of consultancy fees being incurred in connection with business transactions, including those involving public officials from other countries, we stipulate that these can only be undertaken once we have confirmed that there are no reasonable grounds to suspect that payments could constitute bribes. We also provide training to sales and purchasing departments, which are especially at risk from bribery and corruption.

Handling Measures for Anti-Trust Laws

Having been operating a business organization membership payment system, a pre-application and follow-up report system for competitor contact, and a price revision committee system since 2007 as a compliance program for antitrust laws, SEKISUI CHEMICAL Group audits its operational status every year and reviews the program as appropriate.

Reinforcement of Global Legal Affairs Structure

We are reinforcing our global legal affairs structure by expanding legal functions and coordinating between legal departments. The Compliance Reinforcement Month that we hold every year in Japan is deployed in North America, China, Southeast Asia, Europe, and other areas. In those months, the themes to be taken up are those selected by the regional headquarters from the risks that are judged to be high in each region.

Internal Control

Information Management

To strengthen our efforts in cybersecurity measures, we have formulated an information security policy and are taking measures against information leakage risk and natural disaster risk. We established a CSIRT^{*1} as a cybersecurity response system and set up a Cyber Security Center as a working unit. Acting in partnership with an 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. In the years to come, we will enhance domestic operations and advance the development of CSIRTs at Group companies overseas.

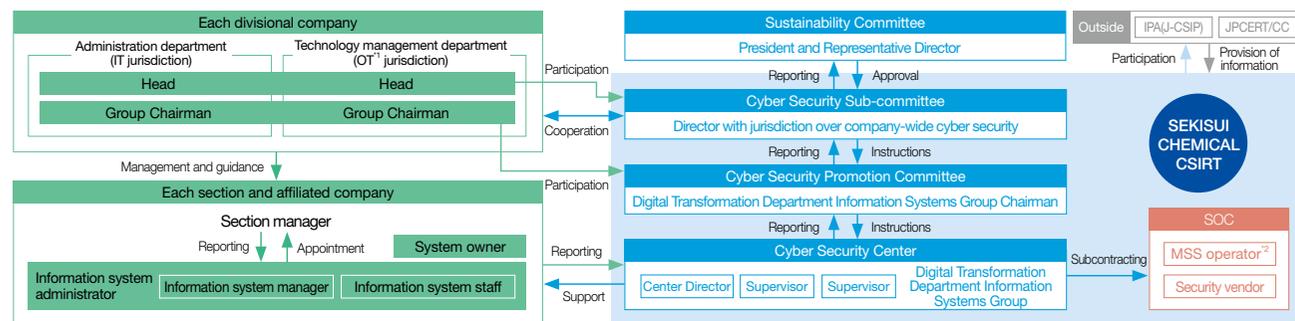
*1 Computer Security Incident Response Team, or CSIRT, is the title given to specialized teams that receive reports, conduct surveys, and enact response measures related to computer security incidents at companies and other organizations.

*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 CSIRTs with their response and recovery efforts.

Measures to Address Natural Disaster-related Risks

We have dispersed earthquake-resistant, seismically isolated data centers among multiple locations, so that business operations can be continued even in the event that backbone systems are damaged by a major earthquake or other disaster. By taking steps to completely duplicate mission-critical systems, the Company is working to shorten the leadtime needed up to the completion of repairs and recovery of business operations.

Cyber Security Structure



*1 Operational Technology *2 Managed Security Service

Measures to Address Information Leakage Risks

The Company takes both system measures, such as the strengthening of data center fortifications and enhanced monitoring, and human measures, such as regular e-learning courses for all employees, to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the SOC plays a primary role in consistently identifying new threats, such as viral infections, and in swiftly taking action to implement appropriate countermeasures. With regard to personal information, we have formulated "Guidelines for Web Server Construction and Management" and endeavor to protect the servers managed at each company and work site.

Measures to Prevent Recurrence after Leakage of Conductive Fine Particle Technical Information (Excerpt)

- Thorough information management by importance
- Limitation of contactable persons by confidential information, access log recording
- Organizational risk management activities in R&D Department
- Enhancement of moral education and training for technology development workers
- Thorough confidentiality obligations for retirees and hires

Identifying 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 environmental, strategic, and operational risk, and have further subdivided each category to comprehensively identify risk. We then quantify by means of a risk matrix of probability (frequency) and impact (result) and, with regard to risks that are likely to lead to Company-wide major incidents, regularly check for uncertainties and verify the effectiveness of our Enterprise Risk Management (ERM).

In fiscal 2020, we reviewed the revisions and corrections made to the serious risks identified in fiscal 2019 and considered changes in the risk matrix in light of geopolitical risks, new social demands, and other changes. The results of the deliberations and the various measures for risk reduction are reported to the Board of Directors after deliberation by the Sustainability Committee and are taken into consideration when making management decisions.

Fields	Risk	Examples of incidents
Business environmental risks ▶ P.76	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 risk, marine plastics
	Politics and society	Political change / terrorism
Strategic risk	M&A / New Business / R&D	
Operational risk	Information-management	Information leaks / technical information outflow
	Quality	Responsibility for manufactured goods / Major Quality Issues
	Safety	Fire and explosions / major workplace accidents / hazardous substance leakage
	Laws / Compliance / Human Rights	Unethical or criminal behavior / violations of the Monopolies Act or fraudulent transactions / unauthorized overwriting of data / bribery / harassment / environmental regulations, etc.
	Intellectual property	IP disputes