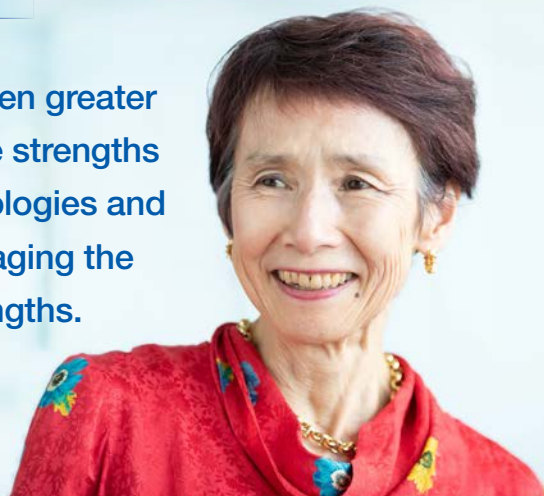


Corporate Governance Initiatives

Message from an Outside Director

We expect to create even greater value by integrating the strengths of our individual technologies and businesses while leveraging the Group's collective strengths.



Outside Director

Yoko Ishikura

Ms. Ishikura has advanced academic expertise in international politics/economics and international corporate strategy, and has served as an outside director of several global companies. Since her appointment as an outside director of the Company in 2019 she has been actively involved in diversity management and the promotion of greater participation of women.

Q Ms. Ishikura, you were appointed to the post of outside director in June 2019. As an outside director, what do you recognize as the role that stakeholders expect of you?

Inside directors are thinking through their company's initiatives, the industries to which individual businesses belong, and the markets to develop. Under such circumstances, I recognize that confirming the areas where opinions and views are likely to be biased when solely from an internal perspective and, from the various perspectives of each outside director, verifying a company's strategy and the status of progress will contribute to improving management transparency and objectivity. For example, faced by the COVID-19 pandemic, the Company's Directors are still taking things seriously from the perspective of how to overcome this crisis. At the same time, from several perspectives—including how the world will have changed when the COVID-19 pandemic is over, what kind of transformations can occur in each of the industries to which SEKISUI CHEMICAL Group's businesses belong, and how we will respond as a company when the world looks completely different from what it did before—I am trying to find signs that could offer hints so that these points will be raised. People have said to me, "What you're saying is formidable," but I think that is exactly what my role is.

Q How do you evaluate the effectiveness of the Board of Directors?

Recently, institutional investors have become more interested in the effectiveness of boards of directors, and I have also had the opportunity to answer questions in surveys and during interviews as well as by talking directly to investors. I rate the effectiveness of SEKISUI CHEMICAL Group's Board of Directors as quite satisfactory. The Board of Directors' meetings have been held online due to the pandemic, but they are being managed in an appropriate manner, with the chairman giving each person an opportunity to speak by taking advantage of the merits of online communications. For example, although investment projects are generally discussed in detail prior to making the investment, it is said that there have been instances in which the post-investment reviews were neglected, but in SEKISUI CHEMICAL Group's case post-investment reviews of progress are rigorously followed up on the basis of KPIs, such as ROI and ROIC. Not limited to the content of the project, lively discussions are always held, and there is an atmosphere in which a range of questions can be freely raised. Prior to a Board of Directors' meeting, the secretariat explains each agenda item, including the backgrounds to them, and there is an opportunity to ask questions at that time as well. At Board of Directors' meetings, regardless of whether they are held on a face-to-face basis or online, there are opportunities to firmly ask questions and express opinions on matters that have arisen during the discussion. Although there are some companies where the superficial function of their boards of directors' meetings is presenting problems, in the case of SEKISUI CHEMICAL Group the chairman himself remains highly aware of the fact that he is being urged to invigorate discussion at the Board of Directors' meetings and is being highly assessed on that aspect.

Q For SEKISUI CHEMICAL Group to further promote the global expansion of its business, what should be done in particular to reinforce its global governance?

The Company's businesses are diverse and its global areas of development are extensive, too, so conducting global governance with a firm grip that works is definitely very difficult to begin with. Under those circumstances, I think that governance is conducted relatively well at the moment. Occasionally, overseas work-related accidents and negative information are reported, but the very fact that these are being reported is proof that even a little can be seen. To my mind, facing any issues that arise head on, which when a problem does arise will lead to the prompt prevention of a reoccurrence, will also lead to the reinforcing of global governance.

Q How do you evaluate the Long-term Vision, Vision 2030, and the Medium-term Management Plan Drive 2022, which were announced in fiscal 2020?

With regard to their content, after a series of discussions on a number of occasions at Board of Directors' meetings, I think we were able to put in both verbal and visual forms the direction we want to aim for as SEKISUI CHEMICAL Group in an easy-to-understand manner. The Long-term Vision is important, but because we do not know what will happen in the future, it is also necessary to review the Long-term Vision as appropriate by making use of the awareness and learning gained during the course of advancing Drive 2022. The most important thing is that each person working in SEKISUI CHEMICAL Group considers the Long-term Vision and Medium-term Management Plan as their own. Each person resolutely thinks about where the tasks in front of them will lead in terms of Drive 2022 and how those

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tasks will contribute to Vision 2030. In the case of the Long-term Vision and Medium-term Management Plan, I think it would be good if we could create the fertile ground in which awareness that they are playing a part in these plans firmly takes hold in everyone.

Q What are your thoughts on the HR policies?

As a matter of fact, even among HR policies, when it comes to performance evaluations, the impression that they are achievement-oriented remains strong, and there is a slight sense of incongruity. Achievements are of course important, but from a long-term perspective, I think that more recognition of the human resources who support the parts that are difficult to see in terms of achievements and the value of such work will lead to us demonstrating the real capabilities of the Company as a whole. Not only should the Company develop human resources in each business division and produce many specialists in those businesses, it should also introduce HR development training programs for their ability to create value and direction for the Company as a whole. In this regard, I hope that more appropriate evaluations will be made. Looking back on SEKISUI CHEMICAL Group's history, I feel a sense of pride at the Company having achieved results, even when confronted with various challenges, of having overcome them without becoming discouraged. In itself, that is all very well and good, but young people, such as the next generation who will be joining the Company from now on, attach more importance to purpose, the "For what am I working for at this company?" I think it would be even better if we were to consider adding HR programs and evaluation items that could be compatible with that.

Q The promotion of digital transformation (DX) is also an important issue.

What do you think will be the key to achieving results?

The key will be to give human resources from the younger generation more and more opportunities to play active roles. The other day, I had the opportunity to talk with Taiwan's Minister without Portfolio for Digital Affairs Ms. Audrey Tang. Rather than having such a young and talented person like her work as an assistant under a manager, I think that having one individual assume ultimate responsibility has brought about a further blossoming of her potential. In Taiwan, they elicit ideas from many people, and if this approach cannot be done or even if they have tried to do that, they will proceed with an iteration (repetition) method that approaches the optimum solution while turning over ideas. When that turns out to have been wrong, it is said to be important to apologize immediately and change the method, and I strongly empathized with that. With regard to the world that we would like to solve with DX, I hear that it is important not to pursue specifics from the beginning, but to first think of something that could be solved by a program from an abstract idea. The Company's businesses encompass a wide range. Even in DX promotion, rather than aiming to unify the whole from the specific objects of each business, it is possible to take a bird's-eye view from a higher level and I think it is important to solve it digitally from an abstract concept to promote digitalization in which humans cannot intervene.

Q In conclusion, could you please briefly sum up what you expect of the Company and what you consider as issues?

SEKISUI CHEMICAL Group is a company that has been steadily refining and accumulating its businesses and technologies. In contrast, because of that solidity, the Company does not convey the feeling that, for example, a big social contribution vision has been adopted, that unbelievable ideas will be born from it, and surprising products are being created. In each and every product or business there is innovation, and SEKISUI CHEMICAL Group provides wonderful products that make society better and show that consideration has been paid to the global environment. And the advanced technologies that led to the creation of each of those products is the Company's greatest strength. Even if you make them attractive individually, however, that does not convey the capabilities of SEKISUI CHEMICAL Group as a whole. What kind of new world can SEKISUI CHEMICAL Group as a whole create for society by bundling and combining into one the individual capabilities at its disposal? Would it not be better if we could adopt a bigger, broader vision for social contribution and showcase the dreams and aspirations that can be realized by concentrating SEKISUI CHEMICAL Group's capabilities?

