

Integrated Report 2022

Year Ended March 31, 2022

SEKISUI

Innovation for the Earth

SEKISUI CHEMICAL CO., LTD.

Innovation for the Earth

To realize a sustainable society, we support the basis of LIFE and will continue to create “peace of mind for the future.”

Viewing changes in the social environment as a business opportunity, SEKISUI CHEMICAL Group is working to continuously generate innovation to help resolve social issues drawing on the solutions created by its varied and diverse technologies as well as the trust it enjoys with its stakeholders. By contributing to the Earth and people’s lives, we are endeavoring to enhance the sustainability of society in concert with efforts to secure our sustainable growth as a company.

SEKISUI CHEMICAL Group’s Principle

Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth’s environment, by continuing to open up new frontiers in Residential and Social Infrastructure Creation and Chemical Solutions.



The 3S Principles

Service

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

Speed

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

Superiority

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

SEKISUI CHEMICAL Group’s Principles comprise the three elements of Corporate Philosophy, Group Vision, and Management Strategy. Far from consistently enjoying a favorable tailwind, SEKISUI CHEMICAL Group has overcome a host of challenges since its foundation in 1947 through the underlying strength of its Corporate Philosophy 3S principles, which were established based on the following intent.

“The difference between people living their lives in accordance with ideals and those simply going where the currents and eddies of life take them becomes ever more apparent as the long years of their lives pass. The same is true of business. Only when employees mass under a common ideal arising from a basic policy of business management can the company demonstrate its great power as a corporate community.”

For the Group to achieve sustainable growth in an increasingly uncertain world, it is imperative that every employee take the initiative and independently participate in constantly overcoming each challenge to respond swiftly to changes in the market, and that efforts are made to accelerate preparations for anticipated future megatrends and to steadily implement measures that contribute to solving social issues. Adopting a long-term outlook, we will work to continue generating innovations that contribute to social issues.

▼ SEKISUI CHEMICAL Group’s Principle

<https://www.sekisuichechemical.com/about/outline/vision/principles/>

Five stakeholders for SEKISUI CHEMICAL Group: Customers, Shareholders, Employees, Business Partners, Local Communities and Environment

Positioning its five stakeholders as partners in improving corporate value and assessing their expectations and requests, as well as resolving society-wide issues together with them, leads to great opportunities for SEKISUI CHEMICAL Group.

We will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.



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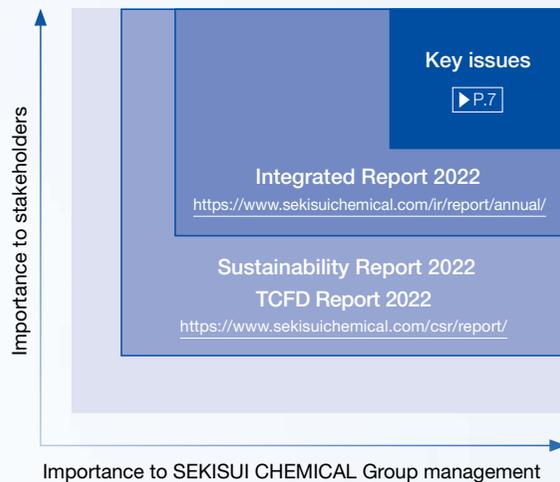
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[Disclosure Policy]



◀ In this Integrated Report, we explain how we are working to create corporate value and contribute to solving social issues with the aim of achieving our 2030 Long-term Vision of realizing a sustainable society and the sustainable growth of SEKISUI CHEMICAL Group itself from the perspective of investment decisions.

◀ Please see the Sustainability Report and the TCFD Report for more detailed information on the Group's ESG management and non-financial information.

▼ Please refer to the Annual Securities Report for detailed information on such matters as the Group's consolidated financial statements and business overview for fiscal 2021. https://www.sekisuichemical.com/ir/report/financial_report/

Forward-looking statements

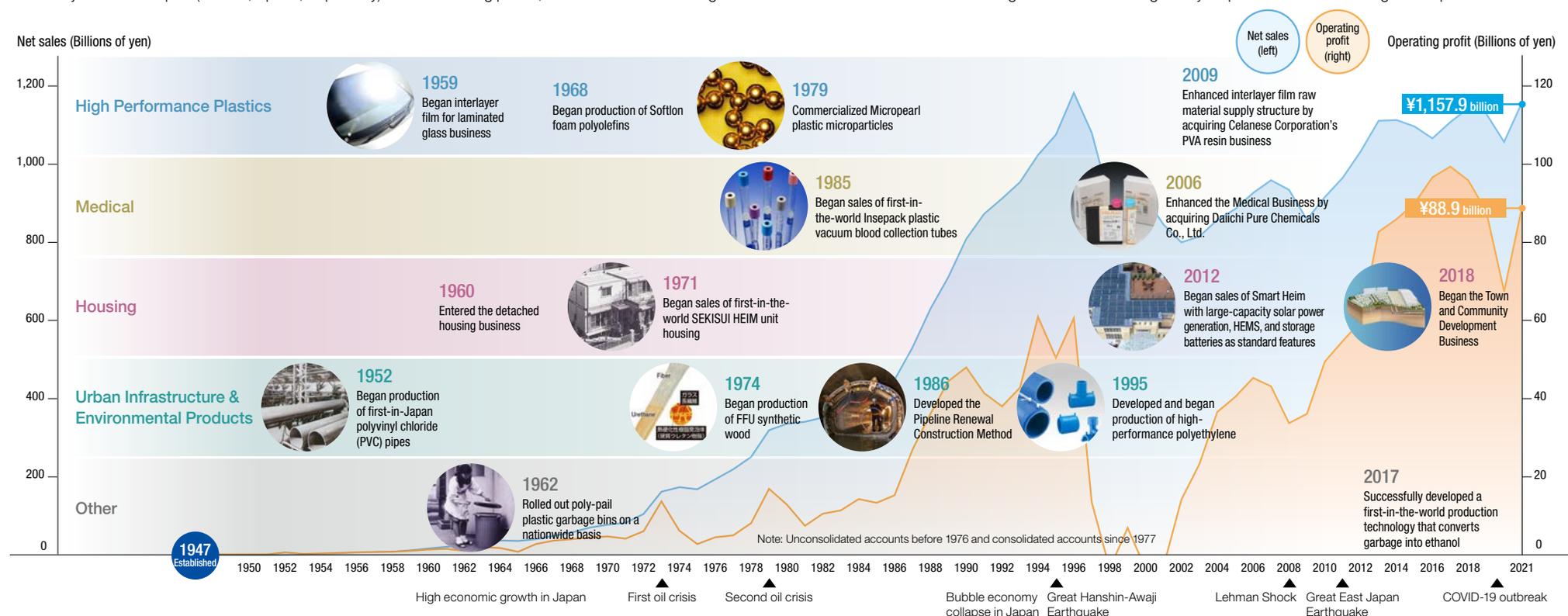
The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management's judgment of information available at the time this report was produced. Changes in key factors could cause actual performance results to differ materially from these forward-looking statements.

Figures in the Integrated Report

Figures denominated in 100 million yen in this integrated report are rounded off to the nearest hundred million. In addition, those denominated in millions of yen are rounded down to the nearest million yen.

SEKISUI CHEMICAL Group Accomplishments

With its roots in Nippon Chisso Hiryo K.K., founded by Shitagau Noguchi, SEKISUI CHEMICAL Group was established in 1947 by seven young employees aiming to comprehensively launch a business based on plastics, a new miracle material at the time. Guided by our 3S Principles (Service, Speed, Superiority) over the ensuing period, we have dared to challenge new businesses and frontiers while ushering in a new era focusing mainly on plastic-related technologies and products.



1947-: Foundation

Established Process Creation Business as Pioneers in Plastics

SEKISUI CHEMICAL Group took on the challenge of being the first in Japan to engage in plastic processing using domestically produced injection molding machines. We contributed to Japan's postwar reconstruction by bringing new changes to people's lives through plastic products such as daily necessities, tapes and films, PVC pipes, and poly-pail plastic garbage bins. In 1960, SEKISUI House Sangyo Co., Ltd. (now SEKISUI House Co., Ltd.), was spun off as a separate company after we entered the housing field. In 1963, we aggressively expanded operations, which included becoming the first Japanese manufacturer to make a foray into the United States.

1966-: Development

Improved Management Framework and Developed Next-generation Businesses

With high economic growth in Japan drawing to a close, we improved our management framework based on restructuring and our basic philosophy of respecting employees and business partners while contributing to society through plastics. We began Sekisui Heim industrialized modular houses and the Medical Business as the next wave of growth businesses. The Company was awarded the Deming Prize, the highest honor for TQC,* in 1979 for company-wide TQC activities.

* TQC: Total Quality Control

1980-: Growth

Launched High-performance Products and Expanded the Housing Business

With commercialization of next-generation products progressing since the late 1970s, we saw growth particularly in the social infrastructure, housing, and medical fields. We implemented organizational reforms to enhance our ability to meet customer needs, while launching new materials, technologies, and products to address more sophisticated user needs and social issues. We expanded after-sales services in the Housing Business, through which strong growth has driven earnings. In 1997, we began selling houses equipped with solar-power generation systems.

1999-: Resurgence

Adopted a Three Company System and Initiated CSR Management

The Company reorganized from a seven-division to a three-company system, engaged in business selection and concentration, and pursued globalization to overcome the business crisis following the collapse of the bubble economy in Japan. At the same time, we promoted CSR management under the Three Prominences: Environment to achieve sustainable growth by balancing the economy and ecology; CS & Quality to improve CS (customer satisfaction) together with enhancing quality; and Human Resources to support the growth of employees to maximize their strengths.

2008 onward: Transformation

Proactively Pursuing Strategic Investment and Evolving from CSR to ESG Management

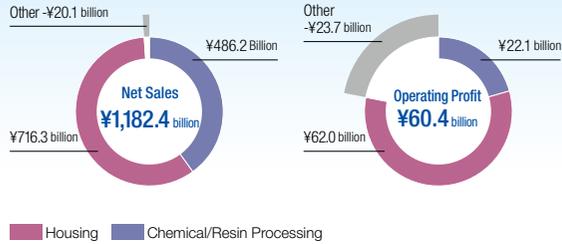
We are improving profitability along with expanding our businesses by pursuing investment strategies that clarify strategic fields and by enhancing our business structure. We have significantly increased sales of the high-performance plastics company by expanding our lineups of high-performance products. In 2020, we formulated our new Long-term Vision. As part of this, we are pursuing the evolution of CSR management—an integral part of our operations—into ESG management to realize social and corporate sustainability by taking a more strategic approach to environmental and social issues.

SEKISUI CHEMICAL Group Accomplishments

Performance Changes by Segment

Seven Business Divisions System

Fiscal 1996



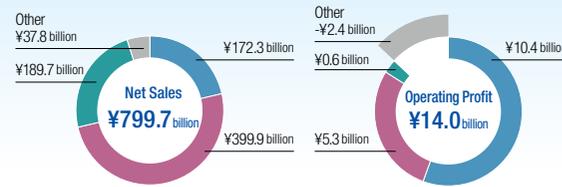
Housing Business led the Group to record high sales

Housing Business
Chemical/Resin Processing Business

Began transformation to overcome the business crisis following the collapse of Japan's bubble economy
March 2001
Introduced a Divisional Company System

Post-introduction of the Divisional Company System

Fiscal 2002



Identified, selected, and concentrated on core competencies ahead of changes in society and business. Transformed the business portfolio to achieve growth (adaptability)

Business domain per company (Strategic fields)

Housing Company ▶ Housing

UIEP Company ▶ Water infrastructure

HPP Company ▶ AT/IT/MD¹

▶ Housing/Stock (Renovation, Real estate)/Town and Community Development, etc.

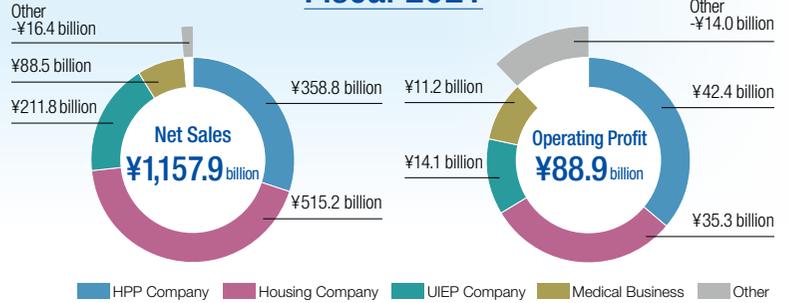
▶ Piping and Infrastructure/Building and Living Environment/Advanced Materials

▶ Electronics/Mobility/Building and Infrastructure

Medical Business²

¹ AT (automotive materials), IT (IT-related materials), MD (medical products) ² The Medical Business was spun off from the High Performance Plastics Company in fiscal 2019 as new company candidate to accelerate growth.

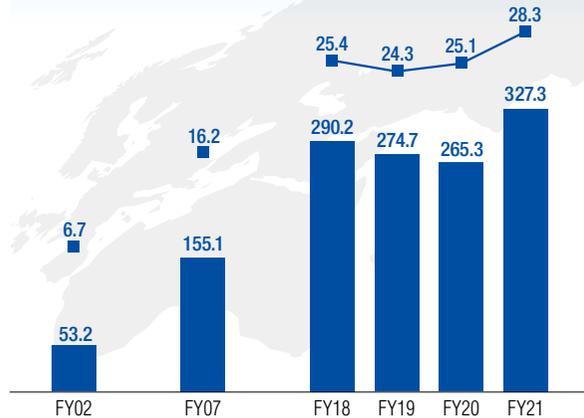
Fiscal 2021



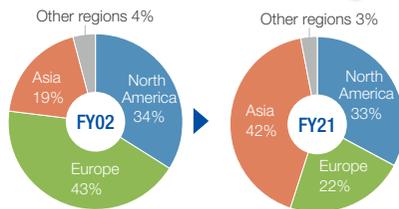
Global Expansion

Overseas Sales/Overseas Sales Ratio

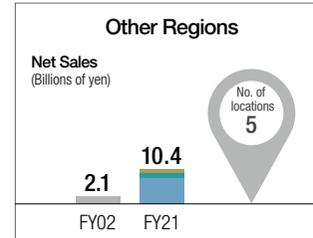
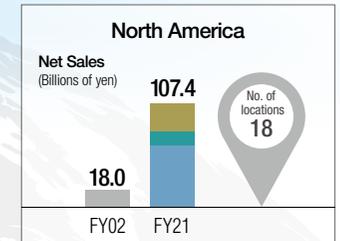
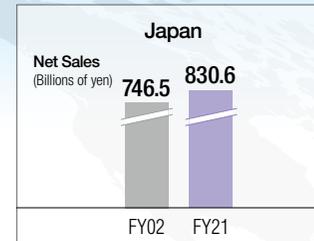
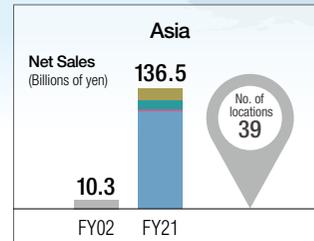
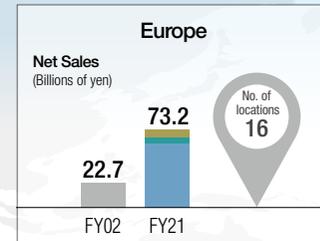
Overseas Sales (Billions of yen)
Overseas Sales Ratio (%)



Overseas Sales Ratio by Region



HPP Company Housing Company UIEP Company Medical Business Other



Value Creation Process

Vision 2030 Innovation for the Earth To realize a sustainable society, we support the basis of LIFE and will continue to create "peace of mind for the future."

Value created together with stakeholders

Peace of mind for the future

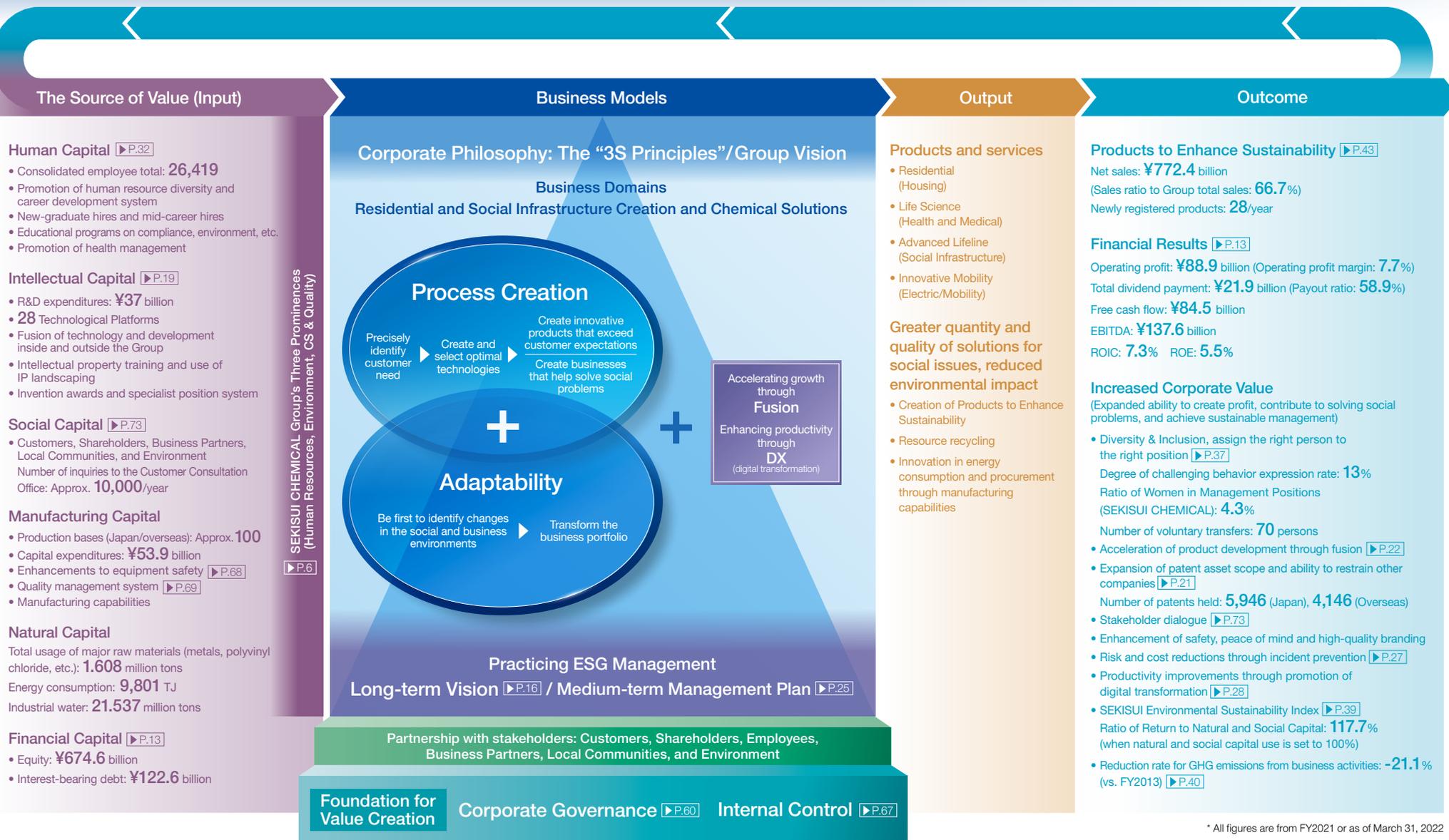
Peace of mind, safety, and comfort

Resilient social infrastructure

Comfortable mobility and communication

Health and longevity

Envisioned Macro Trends
More devastating natural disasters due to climate change
Resource and energy exhaustion
Longer healthy life spans



* All figures are from FY2021 or as of March 31, 2022

Commentary SEKISUI CHEMICAL Group's Value Creation Process

SEKISUI CHEMICAL Group's Business Domains and Products to Solve Social Issues

SEKISUI CHEMICAL Group maintains BtoC businesses primarily in new housing construction and BtoB businesses that handle conductive fine particles, interlayer films for automotive laminated glass and other materials in advanced fields, sewage pipes, and diagnostic reagents. Similarly, we carry out business through the three High Performance Plastics, Housing, and Urban Infrastructure & Environmental Products divisional companies as well as the Medical Business, with the aim of expanding business opportunities in the four domains of Residential, Advanced Lifeline, Innovative Mobility, and

Life Science within the business domains of Residential and Social Infrastructure Creation as well as Chemical Solutions.

We are creating value through Process Creation that extends from the capturing of customers' needs to the development of products and businesses, as well as by creating Products to Enhance Sustainability that increase the quantity and quality of our contribution to solving social issues through Adaptability that entails portfolio reform in line with changes in the social environment.

Business Domains	Residential and Social Infrastructure Creation				Chemical Solutions			
Domains	Residential (Housing)		Advanced Lifeline (Social Infrastructure)		Innovative Mobility (Electric/Mobility)		Life Science (Health and Medical)	
Growth Trajectory	Providing more people with peace of mind, safety and comfort through high-performance housing and housing-related services		Solving infrastructure issues and improving social infrastructure on a global scale with advanced materials and methods		Providing high-value added materials for equipment that contributes to both sustainable society and lifestyles		Supporting global health and longevity with products, systems and services that contribute to healthcare advancements	
Existing Businesses	Housing Company Housing, Renovation, Town and Community Development, Residential Services, Overseas		Urban Infrastructure & Environmental Products Company Piping and Infrastructure, Building and Living Environment, Advanced Materials		High Performance Plastics (HPP) Company Electronics, Mobility, Building and Infrastructure, Industry		Medical Business (Headquarters) Diagnostics, Pharmaceutical Sciences	
	 The Smart Power station series aimed at enabling energy self-sufficiency	 Smart and resilient town and community development	 High-performance seismic polyethylene pipe	 Reinforced plastic composite pipe (ESLON RCP)	 Conductive fine particles for displays and electronic devices	 Component packaging materials for semiconductors	 Blood coagulation analyzers S400CF	 Blood coagulation diagnostic reagent (Nanopia P-FDP)
	 In-house production in progress inside the Housing production factory	 Housing production factory (unit)	 Pipeline renewal method (SPR method)	 High flow rate drainage system	 Double-sided fixed LCD placement tape used in smartphones and tablets	 Moldings for automobile bumpers	 Diabetes diagnostic reagent (NORUDIA N HbA1c)	 SARS Coronavirus Antigen Test Kit
	 Lifeline and energy renovations for Sekisui Heim owners	 Renovation through the De Heim Sekisui Heim purchase and resale scheme	 Synthetic Sleepers for Railroads (FFU)	 Plastic molding sheets for aircraft cabin interiors	 Interlayer film for automotive laminated glass	 Aircraft components	 Plastic vacuum blood collection tubes	 Drug development solution testing
	 Serviced housing for the elderly	 Purchase and effective use of excess solar power generated by Sekisui Heim owners	 Plastic sheet for medical devices	 High-performance resin tatami (MIGUSA)	 Rainwater storage system	 Thermal expansion fire-chlorinated materials	 Active Pharmaceutical Ingredients (APIs)	 Raw material contract manufacturing for protein drugs

Creating products and services in the four domains to solve social issues while giving rise to fusion and synergy in existing businesses

Commentary SEKISUI CHEMICAL Group's Value Creation Process

The Three Prominences and R&D Capabilities That Serve as the Source (Input) of the Group's Value

Human Resources

Based on the belief that employees are precious assets bestowed on us by society, SEKISUI CHEMICAL Group has supported employees who take it upon themselves to pursue new challenges on their own initiatives.

In working to achieve the Long-term Vision, the Group positions its human resources as the driving force that generates innovation, and endeavors to develop human resources that undertake challenges in consideration of diversity and the workplace environment.

▶ P.32

Environment

SEKISUI CHEMICAL Group has recognized the environment as an important issue since the 1990s. In addition to ongoing efforts to prevent pollution, every effort has been made to reduce the environmental impact of the Group's business activities. Since 2003, we have worked diligently to practice Environment Management on an increasingly fully fledged basis with the aim of achieving sustainable growth that balanced ecology with the economy. We continue to strive to build a sustainable business base that includes ties of trust with our stakeholders through various measures including the acquisition of SBT certification and endorsement of the TCFD.

▶ P.39

CS & Quality

Since 1999, SEKISUI CHEMICAL Group has engaged in CS management that places emphasis on customer satisfaction (CS). The Group consistently innovates to maintain the quality of products, provides value (goods and services) that meets customer expectations, strives for selection by our customers on an ongoing basis, and develops and grows with the customer over the long term.

▶ P.69

▶ P.73

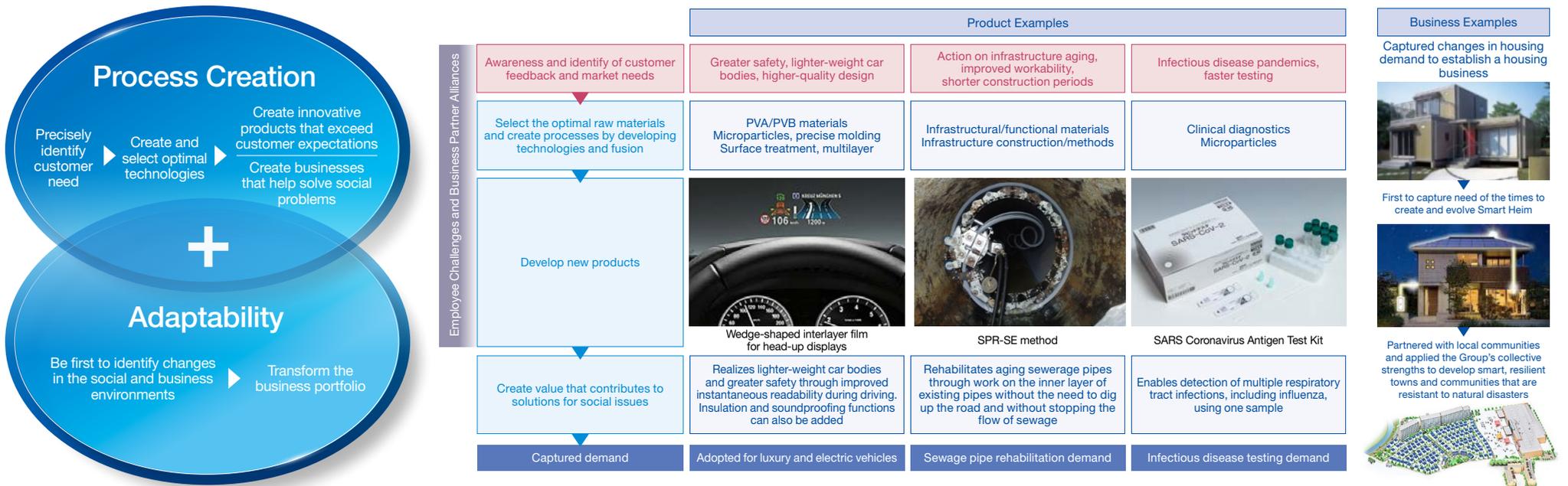
R&D Capabilities

SEKISUI CHEMICAL Group recognizes that maintaining a prominence in technology is the bedrock for creating value. Forming the basis of these efforts are the 28 technological platforms with direct links to the Group's two business domains: Residential and Social Infrastructure Creation and Chemical Solutions. These are the core technological platforms that support the Group's product lineup and could even be said to be the source of the competitiveness that has been cultivated over many years.

▶ P.19

Value Created with Stakeholders through Process Creation and Adaptability

SEKISUI CHEMICAL Group possesses almost none of its own raw materials, and instead selects the optimal materials as needed from outside. To create value, the Group therefore applies its two strengths, namely the ability to Process Creation in a way that creates value-added products and services through advanced technologies using the optimal materials and Adaptability in a way that captures the requests of customers and the need for solutions to social issues, incorporates these into development ahead of the competition, and transforms the business portfolio. And this value is created by working with business partners and as a result of employees taking on the challenge of and overcoming many difficulties. SEKISUI CHEMICAL Group creates high-value-added products and businesses that contribute to solutions for social issues as a means of enhancing its safety, peace of mind and high-quality branding, capturing further demand, and expanding business.

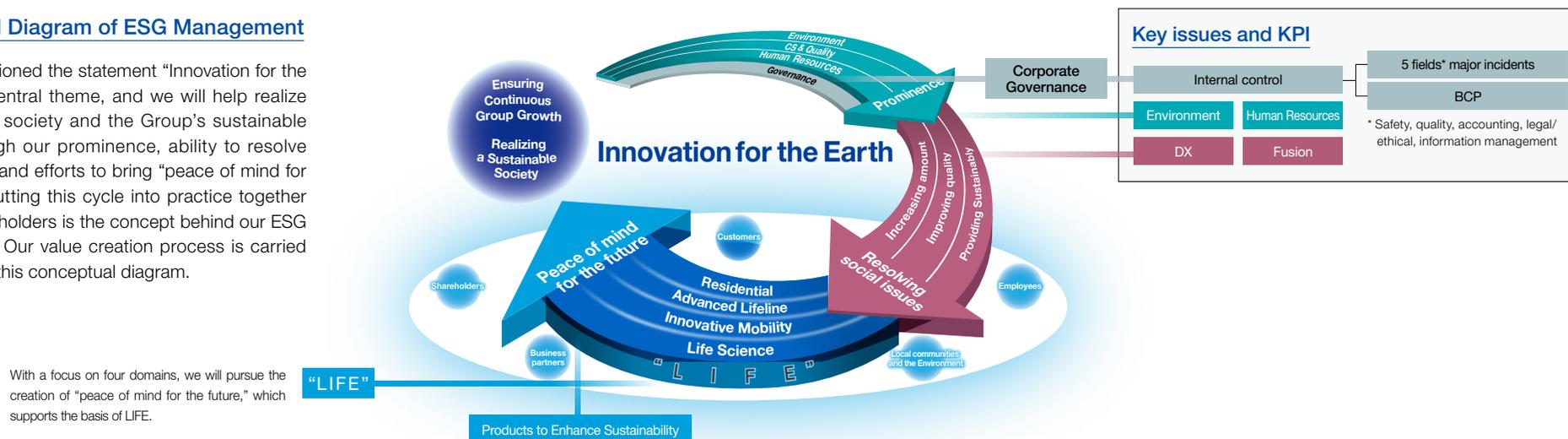


ESG Management at SEKISUI CHEMICAL Group

The efforts of SEKISUI CHEMICAL Group to contribute to resolving social issues directly connect to the greater sustainability of society, while the net sales gained in exchange for these contributions indicate the degree to which the Group helps resolve social issues. By raising this degree of contribution, the Group can ensure its own profitable sustainable growth and in turn enable the further expansion of its contributions to customers, shareholders, employees, business partners, local communities, the environment, and all other stakeholders.

Conceptual Diagram of ESG Management

We have positioned the statement “Innovation for the Earth” as a central theme, and we will help realize a sustainable society and the Group’s sustainable growth through our prominence, ability to resolve social issues, and efforts to bring “peace of mind for the future.” Putting this cycle into practice together with our stakeholders is the concept behind our ESG management. Our value creation process is carried out based on this conceptual diagram.



Key ESG Management Issues (Materiality)

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 (materiality), and is promoting ESG management under the fiscal 2020 to fiscal 2022 Medium-term Management Plan, Drive 2022. To identify key issues, the Group extracts issues from the UN Global Compact and other international guidelines, the ESG/CSR survey, and trends among other companies, and analyzes the opinions and expectations of stakeholders. Moreover, it comprehensively evaluates the candidates and decides upon the key issues from the two axes of Importance to Stakeholders and Importance to SEKISUI CHEMICAL Group management.

				KPI	Fiscal 2021 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	¥772.4 billion Includes Premium Framework ¥381.2 billion	¥800 billion Includes Premium Framework ¥440 billion	▶P.43	
Key Issues (Materiality)	Risk reduction/avoidance	Internal control	Reducing major incidents in the 5 fields	Safety Quality Accounting Legal/ethical Information management	Prevent or minimize the impact of major incidents on our corporate value	Number of major incidents in the 5 fields	0	0	▶P.68
			Business Continuity Planning (BCP)		Mitigate the impact of earthquakes, pandemics, and other incidents	BCP operating rate	BCP (initial action) establishment rate 100%	BCP operating rate 100% (Establishment of PDCA)	▶P.67
	Investment for the future (Improving 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.28	
		Environment		Address climate change	Renewable energy as a percentage of purchased power	19.7%	20%	▶P.39	
		Human Resources		Aim to be an excellent and vibrant company where employees thrive on challenges	Degree of challenging behavior expression rate	13%	17%	▶P.37	
Fusion		Promote technology and business opportunities through internal and external fusion	Increasing net sales through fusion	+¥29.9 billion (from FY2019)	+¥50.0 billion (from FY2019)	▶P.22			



Message from the President & CEO

Steadfastly strengthening the Group's earning power even when faced with the pandemic through products and technologies that help solve social issues

SEKISUI CHEMICAL Group celebrated its 75th anniversary in 2022. On behalf of the Group, I would like to express my sincere gratitude for the support we have received from all stakeholders including shareholders.

With the aim of achieving both the realization of a sustainable society and the sustainable growth of the Group itself, we are proactively pursuing solutions to social issues while taking a more strategic approach and continuously promoting innovation. Solving social issues through products and technological innovation is also in the Group's DNA, which has been passed down from generation to generation since its foundation. Typical products that embody this DNA include automotive interlayer films that contribute to automobile safety, driving comfort, and weight reduction, and SEKISUI HEIM, homes that are distinguished by their high earthquake resistance and prominence in energy creation, conservation, and storage. Other products include piping and infrastructure materials that deliver essential resources including water and gas to every corner of the world even amid increasingly intense disasters, and diagnostic reagents that contribute to human health and longevity.

Through these products and services, we have successfully expanded our business to date. This track record continues to the current day and into the future.

Since assuming the position of president and CEO in March 2020, we have continued to confront the impact of the COVID-19 pandemic. To this day, the world as a whole continues to suffer, buffeted by the repeated spread of virus variants. Under these circumstances, we have worked diligently to minimize the impact on our business while protecting our employees, business partners, and customers. Even as signs of a recovery in economic activity began to emerge, we were confronted by a series of new challenges including shortages in the supply of semiconductors and a sharp rise in raw material prices.

Against the backdrop of a constantly changing environment and increasing uncertainty surrounding the future, we have pushed forward with a sound sense of crisis. Under these circumstances, we remain committed to improving profitability, restructuring underperforming businesses and creating markets through the development of high-value-added products. Despite the impact of the pandemic, which is now in its third year, I am convinced that the Group's earning power has been strengthened as a result of efforts to implement all appropriate measures in advance.

In addition, development themes and efforts to commercialize businesses are progressing as we prepare for future growth. I have always believed that addressing ESG concerns is SEKISUI CHEMICAL Group's business itself. With this in mind, Products to Enhance Sustainability continue to grow substantially as we engage in ESG management. We are also making steady progress with efforts to implement human resources and DX initiatives, which we have identified as key issues.

While the future business environment remains shrouded in uncertainty, we will first work to achieve targets in this final fiscal year of the Medium-term Management Plan, Drive 2022. Each and every member of the Group will also work in unison to continuously take on new challenges while securing sustainable growth into the future.

August 2022

President & CEO *Keita Kato*

Message from the President & CEO

Fiscal 2021: In the second year of the Medium-term Management Plan, sales and profit in the three divisional companies and the Medical Business recovered to the same levels recorded prior to COVID-19.

Looking back at fiscal 2021, the second year of our Medium-term Management Plan, in addition to the prolonged impact of COVID-19 on the business environment, conditions were exacerbated by a variety of factors including signs of production delays attributable to difficulties in the supply chain as a result of a shortage in the supply of semiconductors and sluggish logistics. Despite these difficulties, there were indications of a recovery in market conditions in the automobile-, electronics-, and construction-related sectors in Japan and overseas. Moreover, new housing starts in Japan increased for the first time in three years.

Against this backdrop, net sales grew 9.6% year on year to ¥1,157.9 billion, the second highest recorded after fiscal 1996. Although prices for raw materials and components rose significantly more than expected, from a profit perspective, operating profit climbed 32.1% to ¥88.9 billion and ordinary profit surged 54.6% to a record high of ¥97.0 billion owing to higher sales volumes, improving selling prices, and successful efforts to reduce costs.

In contrast, profit attributable to owners of parent decreased 10.8% year on year to ¥37.1 billion. This largely reflected the recording of impairment losses following the acquisition of SEKISUI AEROSPACE CORPORATION in 2019. SEKISUI AEROSPACE CORPORATION, a company based in the United States that handles such composite molded products as carbon fiber reinforced plastics (CFRP) for use in the manufacture of aircraft, was impacted by the substantial decline in aircraft demand as a result of the COVID-19 pandemic. Despite this harsh operating environment, the company is promoting the structural reform of its production systems to meet prevailing demand, and is diversifying its sources of revenue by developing applications outside the aircraft field including medical devices. Based on these endeavors and the anticipated recovery in aircraft demand, we remain convinced that this is a promising business domain.

Looking at each segment, net sales increased in the High Performance Plastics (HPP) Company on the back of a partial recovery in automobile and electronics market conditions. Despite the effects from prices for raw materials rising more than anticipated, the HPP Company was able to return to a growth trajectory by expanding sales volume, mainly of high-performance products, improving selling prices, and reducing costs. Notwithstanding the impact of a surge in component prices, the Housing Company reported record high net sales and an increase in earnings. In addition to efforts aimed at increasing the number of new houses sold and reducing costs, these results were attributable to the recovery in new construction and renovation orders as well as contributions from the Town and Community Development and Real Estate Business.

In the Urban Infrastructure & Environmental Products (UIEP) Company, there were indications that activities suffered under the prolonged impact of COVID-19 and the sharp rise in raw material prices. Buoyed by increases in sales volumes and improvements in selling prices due to firm domestic housing market conditions as well as robust capital investment demand in such areas as semiconductors in Japan and overseas, together with a recovery in overseas sales, the UIEP Company secured increases in sales and profit. In the Medical Business profits hit a record high. This was due to the recovery in

demand from outpatients suffering from lifestyle-related diseases in Japan and overseas, higher sales of COVID-19 test kits in the United States, and firm sales of new active pharmaceutical ingredients in the Pharmaceutical Sciences Business.

Accounting for each of these factors, SEKISUI CHEMICAL Group has decided to increase the cash dividend to shareholders by ¥2 per share for an annual cash dividend of ¥49 per share. This represents the 12th consecutive year of a cash dividend increase.

Fiscal 2022: Targeting a new record high in profit by responding flexibly to change and strengthening our earning power

In fiscal 2022, the final year of our Medium-term Management Plan, we will accelerate the pace of measures aimed at generating growth. While the actions taken in Ukraine by Russia are expected to have little or no direct impact on the business environment, there are concerns surrounding the effects of subsequent shortages in the supply of resources, an extended period of increase in raw material and fuel prices, and other factors including the slump in automobile market conditions in Europe. Although these uncertainties are expected to linger, global demand for such items as automobiles and smartphones, as well as domestic demand including housing starts, is projected to exhibit a modest recovery in conjunction with the decrease in the impact of COVID-19.

In the HPP Company, we will promote further growth centered on the three strategic Electronics, Mobility, and Building and Infrastructure fields. In the Housing Company, we will work to expand net sales through efforts aimed at utilizing web-based marketing and enhancing smart and resilient functions. Turning to the UIEP Company, we will take steps to secure growth by expanding both sales of prioritized products that contribute to achieving the SDGs and the Group's overseas business. Looking at the Medical Business, we will focus on ensuring continuous growth through a variety of measures including efforts to increase sales of new blood coagulation analyzer devices and high-value-added products. Through these means, we will endeavor to expand high-value-added businesses and increase sales of high-value-added products that contribute to solving social issues in a bid to achieve record highs in operating profit, ordinary profit, and profit attributable to owners of parent.

SEKISUI CHEMICAL Group is confident that its ability to flexibly address change coupled with its earning power, cultivated against the backdrop of a harsh business environment, will serve as a major driving force that helps propel further growth as it concludes the final year of its Medium-term Management Plan.

Working to achieve net sales of ¥2 trillion, a key component of our Long-term Vision, Vision 2030, we have formulated a strategic area map including the allocation of priority capital.

SEKISUI CHEMICAL Group formulated its Long-term Vision, Vision 2030, in 2020. Recognizing the critical need to bring about and realize change as a Group even amid uncertainties and an unpredictable future, putting in place a long-term vision helps set the direction for change thereby

Message from the President & CEO



addressing the expectations of all stakeholders. Most recently, the business environment has continued to confront difficult conditions due to the further spread of COVID-19 resulting in a series of lockdowns, activities taken by Russia in Ukraine, and soaring raw material and fuel prices. Against the backdrop of this growing uncertainty, we are once again reminded that our thinking when formulating our Long-term Vision in 2020 was not mistaken.

Under the slogan "Innovation for the Earth," SEKISUI CHEMICAL Group has declared its commitment to support the basis of LIFE and create peace of mind for the future to realize a sustainable society in its Long-term Vision. This declaration embodies our strong will to continuously promote innovation and expand our contribution to solving social issues through business growth, reform, and creation centered on ESG management. Supporting the fundamental LIFE of individuals and society, encompassing the life science, residential, and infrastructure fields, our slogan and Long-term Vision highlight our determination to deliver the value of peace of mind for the future for current and future generations through products and services backed by technology.

With the goal of doubling our contributions to solving social issues, we expect as a result to achieve net sales of ¥2 trillion. With this in mind, we recognize the need to expand net sales in each domain to 1.5–3 times current levels. To this end, we will continue to refine and reform our diverse growth engines. As far as business areas are concerned, we will ramp up the pace of expansion with overseas sales as a growth driver with the goal of increasing overseas sales to ¥1 trillion by 2030 and the ratio of overseas sales to total sales to around 50%.

In fiscal 2021, we formulated a strategic map to pinpoint those areas on which to focus as part of

efforts to secure further growth. In addition to clarifying the social issues of importance in each domain, we took steps to undertake the key allocation of capital to expand enhancement areas. Moreover, we will strengthen the combination and integration of future innovation areas. Over and above these endeavors, we will pursue net sales and operating profit growth by contributing to the solution of social issues in each domain. At the same time, we will channel our contributions with a more sustainable society in mind based on operations that focus on the Group's management ability to sustain business.

Adopting ROIC and promoting active investment in growth domains through the efficient use of capital

Under its Long-term Vision, SEKISUI CHEMICAL Group is looking to double its business volume by 2030. At the same time, the Group is targeting an operating profit margin of at least 10%. To achieve sustainable growth commensurate with this profit, we will not only work to secure organic growth but also actively invest management resources in expanding our business by creating and nurturing new products and businesses, and implementing M&As. Looking specifically at M&As, we will focus our considerations primarily on the Innovative Mobility and Life Science fields in line with the recently formulated strategic area map while keeping an eye on overseas business growth.

Under the current Medium-term Management Plan, Drive 2022, we have established a budget of ¥300 billion, which enables us to aggressively consider and implement M&As if viable proposals emerge. We will also flexibly invest in growth while considering the use of debt if required. Meanwhile, when it comes to the allocation of capital, we recognize our responsibility to strictly manage and disclose the degree of return generated. In this context, we have adopted the return on invested capital (ROIC) as a new key performance indicator under our current Medium-term Management Plan.

To increase ROIC, we must improve the profit margin while at the same time boosting the turnover rate. We will place considerable importance on improving the accuracy of returns as we vigorously implement M&As and strategic capital investments. We will also take into consideration the replacement of our ROIC-based business portfolio. We recognize that the scale and quality of invested capital required differs depending on the business. For example, the Town and Community Development Business being undertaken by the Housing Company has a tendency to experience a lower ROIC over the short term due to high initial investment levels. Our policy then is to thoroughly manage the turnover rate for purchased land while increasing the number of projects and expanding the marginal profit.

In regard to other businesses, the Group will first seek to expand marginal profit and control fixed costs as a means of expanding profits, which serve as the numerator for ROIC. We will also raise the profit margin and more efficiently utilize capital through capital investments, M&As, and inventory adjustments.

The ROIC Spread, which represents the difference between ROIC and the cost of capital, is defined as the SEKISUI Sustainable Spread. As an indicator of corporate value, the SEKISUI Sustainable Spread also incorporates SEKISUI CHEMICAL Group's unique non-financial costs into the cost of capital. In this respect, we consider the cost of capital in a broader sense. In addition to appropriate financial strategies and capital policies, we have categorized major incidents under each of the five

Message from the President & CEO

domains—safety, quality, accounting, legal/ethics, and information management—which together help control the occurrence of events with the potential for devastating effects on corporate value. At the same time, we believe that investing for the future in the environment, human resources, digital transformation, and other ESG categories that are crucial to the Company will help control the cost of capital in a broader sense of the term.

Generating innovation and creating new businesses that will lead to long-term growth through the Group's Process Creation and Adaptability capabilities

In working to secure sustainable growth, our strengths are derived from base technologies relating to Residential and Social Infrastructure Creation and Chemical Solutions. We refer to these base technologies as our 28 technology platforms. As a company that holds little or no raw materials, one of our unique strengths is the ability to provide solutions based on our Process Creation capabilities. This encompasses listening carefully to customer feedback, selecting and combining the right materials in response to requests, and imparting added value by leveraging any number of these 28 technologies that are felt to be the best for the job. Our ability to generate a sustainable stream of innovation is based on the trust we have built with our customers over the years and our strengths in responding to new requests.

Another of our strengths is our capacity for Adaptability. This entails the ability of management to foresee changes in the social and business environment, adapt to these changes, advance structural transformations of our business, and reform the business portfolio within each domain. We believe that the act of specializing in areas where these strengths allow us to triumph, as well as our stance of boldly undertaking challenges, has supported the growth of the Company thus far. Currently, we are working to maximize our inherent strengths. In addition to generating synergies between divisional companies, we are creating new businesses by accelerating the pace of open innovation through external alliances.

Steady progress is also being made in the commercialization of biorefinery technology in preparation for long-term growth. Construction of a demonstration plant, approximately 1/10th the size of a commercial plant, was successfully completed in April 2022. In parallel with testing at the demonstration plant, discussions are under way with local municipalities and private companies regarding the supply of waste material as well as ethanol users. In addition to advancing this project with the aim of bringing online the first commercial plant in 2025, we will look further ahead and pursue the realization of an ultimate resource-recycling society. Another example of preparation for long-term growth is the perovskite solar cell currently under development. In recognition of our past achievements in terms of durability and power generation efficiency, we have been selected for the Green Innovation Fund Project of the New Energy and Industrial Technology Development Organization (NEDO).

SEKISUI CHEMICAL Group is committed to commercializing renewable energy sources by 2025 by continuing to conduct demonstrations to make renewable energy a main source of power, which is indispensable for the realization of decarbonization.

ESG Management (E): Raising its environmental target to 1.5°C to achieve its established goals in advance

Addressing ESG concerns is SEKISUI CHEMICAL Group's business itself. Climate change is also an important issue under our Long-term Vision. With this in mind, we are working to accelerate activities aimed at solving environmental issues through our business. With the aim of achieving zero greenhouse gas emissions and an earth with maintained biodiversity by 2050, we formulated the Environmental Medium-term Plan while identifying targets by backcasting from this ideal vision and are promoting initiatives in a bid to realize a sustainable society not only within the Group but also throughout the entire supply chain.

SEKISUI CHEMICAL Group is steering toward raising its targets for 2030, which provide the road map to 2050, with a view to their realization in advance. We reanalyzed the risks and opportunities based on the four scenario assumptions necessary to promote information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As a result, the Company's Board of Directors passed a resolution in July of this year to raise the environmental target assumption for 2030 from the previous 2°C (the target increase in global average temperature above pre-industrial levels) to 1.5°C. Moreover, we will pursue research and development by planning and proposing long-term strategies that help reduce risks and capture opportunities based on scenario analyses.

We believe that expanding our lineup of Products to Enhance Sustainability that contribute to solving a variety of social issues, including those related to the natural environmental as well as the SDGs, is an important part of the Group's efforts to address these issues including climate change and accelerating profit growth. Among Products to Enhance Sustainability, we have established and will continue to promote steady growth of a Premium Framework for products that are particularly profitable and strategically promoted for expansion.

ESG Management (S): Working to further instill the Vision and build a workplace where each employee can shine through engagement with employees

Recognizing that employees are precious assets bestowed on us by society, we have implemented the shift to an HR system from fiscal 2022 to help further draw out the strengths of each and every one of our employees. Through backcasting and clarifying the various missions and roles that are necessary to achieve each individual's ideal form, we are supporting and assigning employees who will take on challenges and improve themselves regardless of their age or year of employment. We have also put in place a program to support the early acquisition of the knowledge, skills, and know-how required to sustainably develop the core human resources who will lead the Group and those who will take on challenges.

Message from the President & CEO

I have been in direct dialogue with our employees since 2020, working to instill our Long-term Vision and the message that addressing ESG concerns is SEKISUI CHEMICAL Group's business itself. We will continue to deepen engagement by disclosing feedback comments on employees' opinions as well as internal information on existing case studies. As far as diversity is concerned, we established the Diversity Promotion Committee as an advisory body to the Board of Directors in June 2022. We will work to ensure and promote further diversity in our human resources.

ESG Management (G): Strengthening corporate governance and returns to shareholders

Transparent, impartial governance is the foundation for advancing sound corporate management. In June 2022, the Company appointed five Independent Outside Directors, including three new appointees, to strengthen the supervisory function of the Board of Directors. As a result, the ratio of Outside Directors on the Board of Directors is 42%. Half of the Company's 12-member Board of Directors serve in a non-executive capacity. In addition, the Company's Chairperson is a non-executive director and chair of the Board of Directors. On top of the aforementioned, we established the Nomination and Remuneration Advisory Committee, which is composed of a majority of Independent Outside Directors. Steps have also been taken to put in place a mechanism to determine executive bonuses by linking the amount of remuneration to the ratio of Products to Enhance Sustainability sales as well as non-financial indicators, in addition to the Group's business performance.

Meanwhile, we have introduced a share-based compensation plan to increase our commitment to improving the Group's medium- and long-term business performance and enhancing shareholder value. In addition, we are working to reduce the number of shares that do not conform to our Cross-Shareholding Policy. Meanwhile, the Board of Directors periodically reviews whether its cross-shareholdings are consistent with its policy from the perspectives of the significance of ownership and the Group's capital policy.

In the current Medium-term Management Plan, we have been working to strengthen shareholder returns after further clarifying our policy. Although today's harsh business environment will continue into fiscal 2022, we intend to increase the annual dividend by ¥4 per share to ¥53 as a clear indication of the priority that we place on shareholders and in a bid to ensure a 13th consecutive period of dividend growth.

At the same time, we will also ensure a dividend payout ratio of 35% or higher on a consolidated basis, a dividend on equity (DOE) ratio of 3% or higher, and a total return ratio of 50% or higher given a D/E ratio of less than 0.5. We will continue to aggressively strengthen the return of profits to our shareholders by achieving sustainable growth.



Continuing to be a company essential to society

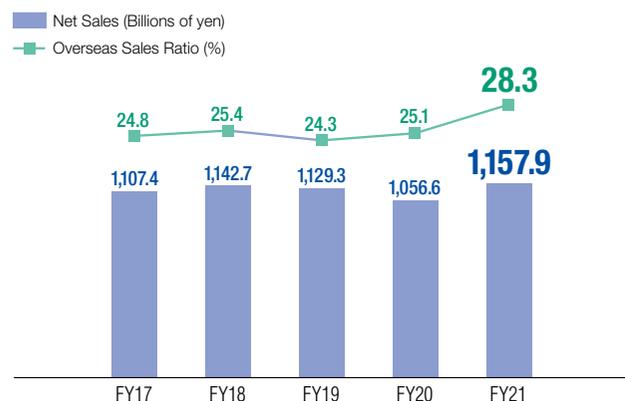
Since our foundation, SEKISUI CHEMICAL Group has continued to grow by contributing to the solution of social issues, working in diverse areas that bring fulfillment and peace of mind to people's lives, ranging from water and the medical field to vehicle safety, residential construction, and social infrastructure. In this era of rapid change and increasing uncertainty, we are convinced that the way forward for the Group is to continue to realize a sustainable society by solving issues. We believe that by expanding our business in this manner, we are better placed to secure sustainable growth as a company.

To remain a company that is essential to society and that continues to provide peace of mind for the future through our products and services, we will do our utmost to promote the dual endeavors of offensive ESG management, which includes human resources who are prominent in their ability to create innovation, the technological skills to solve such social issues as climate change, and a corporate culture that embraces challenge, and defensive ESG management, which encompasses a variety of facets including the reduction of serious incidents and formulating BCPs.

We will continue to create opportunities to proactively engage with our stakeholders to ensure the sustainable growth of the Group and to enhance our corporate value over the medium to long term. As we work toward achieving our goals, we welcome your expectations and ask for the continued support and understanding of all our shareholders and stakeholders.

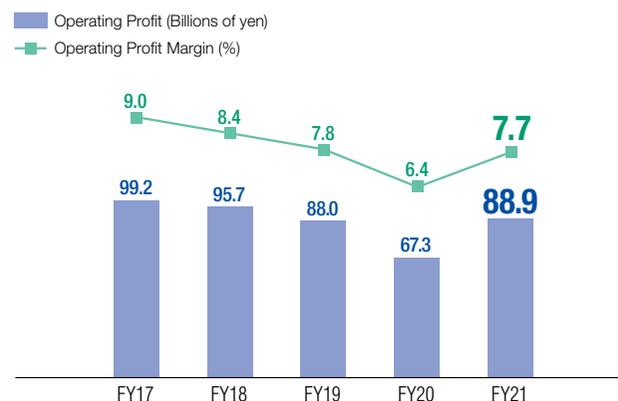
Financial and Non-financial Highlights

Net Sales/Overseas Sales Ratio



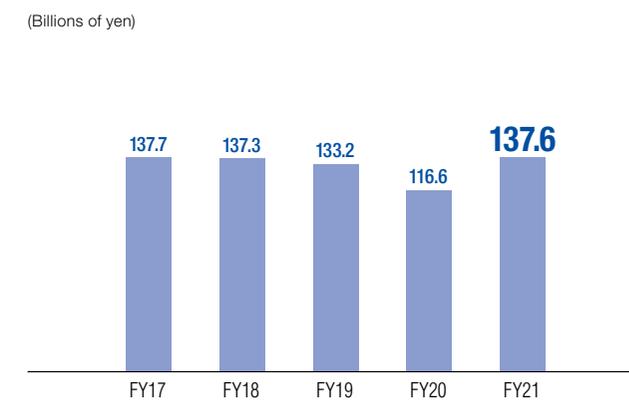
Despite such factors as the prolonged impact of COVID-19 and supply chain production delays due to shortages in the supply of semiconductors and logistics stagnation, net sales in fiscal 2021 increased owing to a certain level of recovery in the domestic and overseas automobile, electronics, and construction markets, an upswing in new housing construction in Japan, and other factors.

Operating Profit/Operating Profit Margin



Although prices for raw materials and components rose significantly more than expected, operating profit in fiscal 2021 recovered to the level recorded in fiscal 2019 owing to higher sales volumes, improving selling prices, the shift to high-value-added products, and successful efforts to control fixed costs.

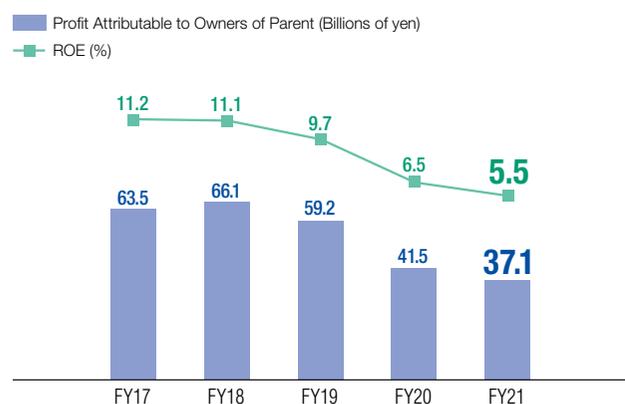
EBITDA



In fiscal 2021, EBITDA came in at ¥137.6 billion falling just short of the record high. This largely reflected sales volume growth, the increase in net sales attributable to the shift to high-value-added products, and successful efforts to reform the structure of business and control costs.

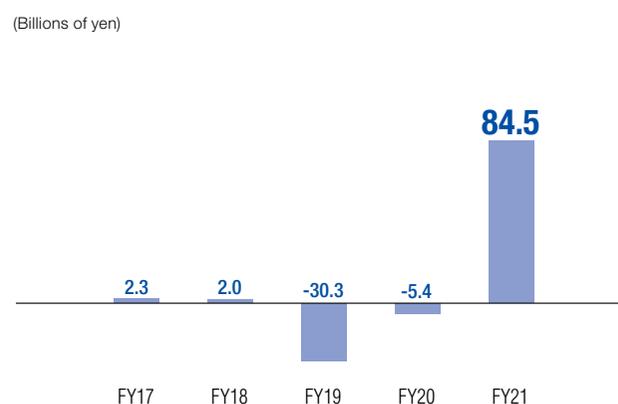
EBITDA = Operating Profit + Depreciation + Amortization of Goodwill

Profit Attributable to Owners of Parent/ROE



In the fiscal year under review, SEKISUI AEROSPACE CORPORATION in the United States posted an impairment loss. As a result, Profit Attributable to Owners of Parent declined in fiscal 2021.

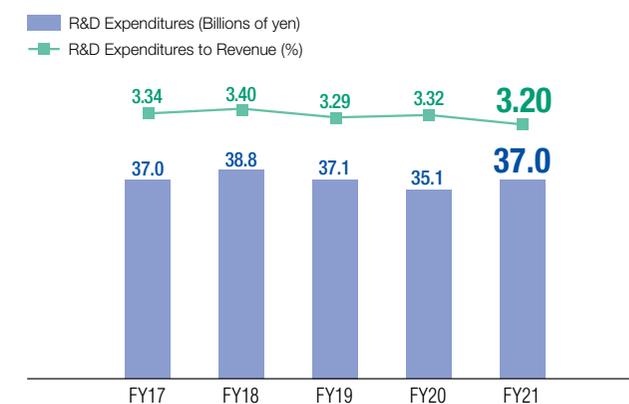
Free Cash Flow



Free cash flow in fiscal 2021 was ¥84.5 billion mainly due to an increase in funds from the sale of cross-shareholdings.

Free Cash Flow = Cash Flows from Operating Activities + Cash Flows from Investing Activities - Dividends Paid

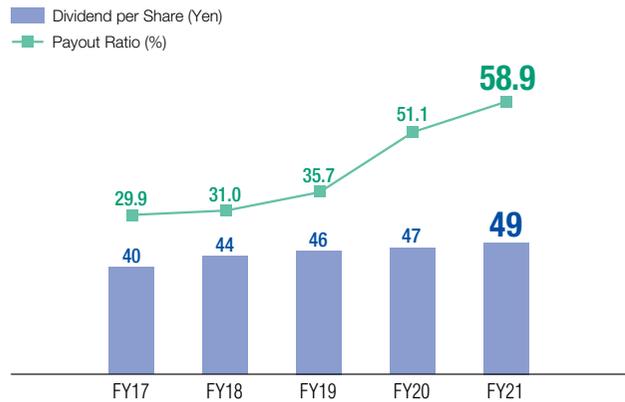
R&D Expenditures/R&D Expenditures to Revenues



Working to promote research and development aimed at ensuring SEKISUI CHEMICAL Group's prominence in advanced technologies, centered on the HPP Company and the Medical Business, R&D expenditures came to ¥37 billion in fiscal 2021.

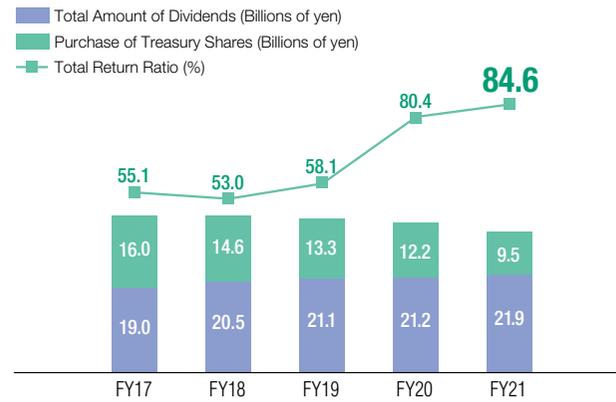
Financial and Non-financial Highlights

Dividend per Share/Payout Ratio



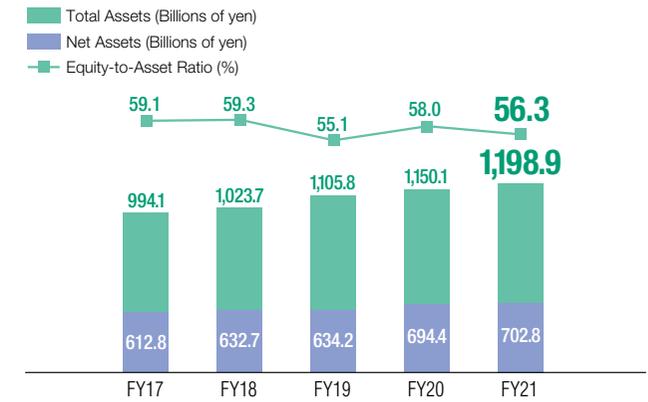
The annual dividend per share for fiscal 2021 was ¥49 per share. This represented the 12th consecutive fiscal year of a dividend increase. We will continue to provide stable and proactive returns to shareholders.

Total Amount of Dividends/ Purchase of Treasury Shares/Total Return Ratio



In addition to implementing flexible capital policies and improving capital efficiency, the Company purchased ¥9.5 billion (5 million shares) of its common stock in fiscal 2021 as part of its proactive efforts to provide returns to shareholders.

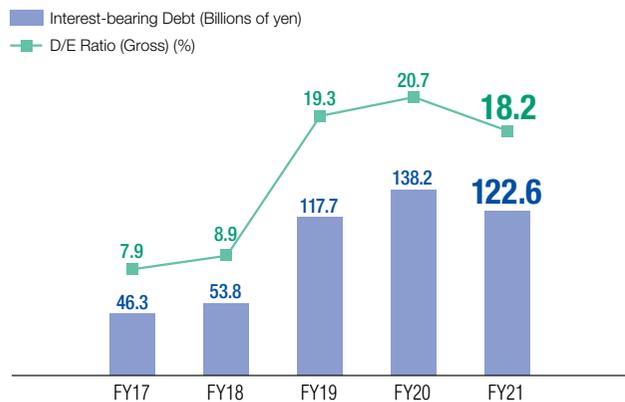
Total Assets/Net Assets/ Equity-to-Asset Ratio



Total assets stood at ¥1,198.9 billion as of the end of fiscal 2021. In addition to increases in the balances of cash and deposits as well as inventories, this was mainly due to the impact of fluctuations in foreign currency exchange rates.

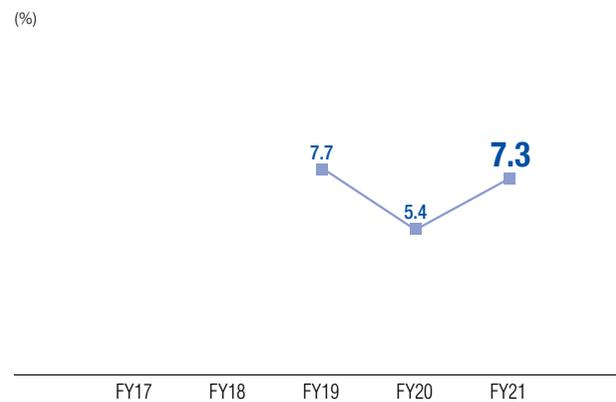
Equity-to-Asset Ratio = Equity/Total assets

Interest-bearing Debt/Debt to Equity Ratio



In fiscal 2021, the D/E ratio improved due to the repayment of interest-bearing debt incurred as a result of the COVID-19 pandemic.

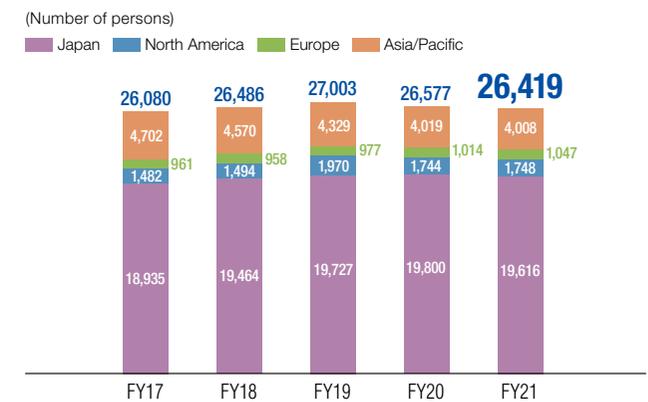
ROIC



In fiscal 2021, ROIC improved 1.9 percentage points compared with the previous year to 7.3%. In addition to the substantial upswing in operating profit and growing awareness toward invested capital turnover in the Company's management, this improvement in ROIC also reflects certain contributions from the decrease in fixed assets, mainly due to impairment losses posted in the first half of fiscal 2021.

Return on Invested Capital (ROIC) = After Tax Operating Profit/Average Invested Capital (Fixed Assets + Working Capital)

Number of Employees

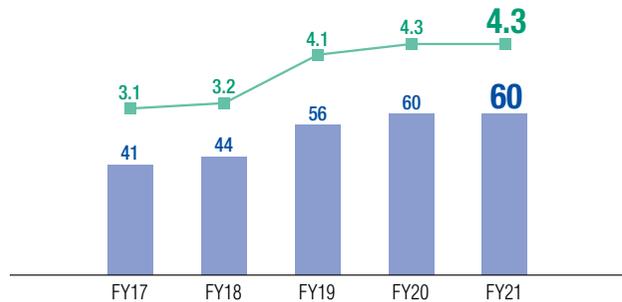


The number of employees in Japan declined owing to steps taken to contain new hiring in light of the COVID-19 pandemic.

Financial and Non-financial Highlights

Number of Women in Management Positions (SEKISUI CHEMICAL Non-consolidated)

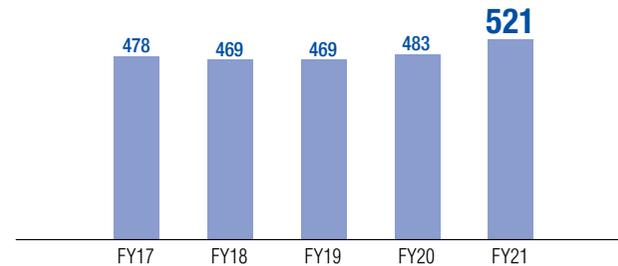
■ Number of Women in Management Positions
 ■ Trends in Number of Women in Management Positions (%)



SEKISUI CHEMICAL Group is working to support the retention and success of female employees as well as the appointment of women to management positions. The number of female Executive Officers came to two.

Loss Costs

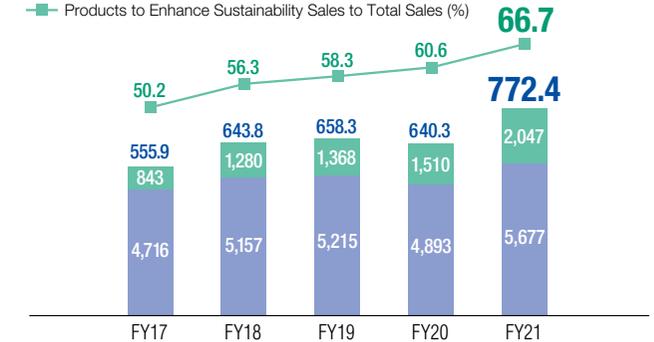
(Millions of yen)



Loss Costs: Domestic production site, R&D facility, Headquarters department, and indirect Company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents, as well as long-term illness absences.

Net Sales of Products to Enhance Sustainability

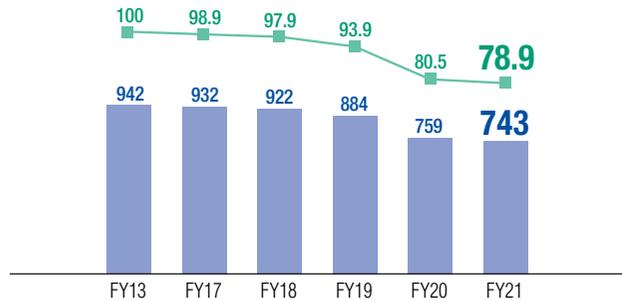
■ Of which contribute to the Natural Environment (Billions of yen)
 ■ Of which contribute to the Social Environment (Billions of yen)
 ■ Products to Enhance Sustainability Sales to Total Sales (%)



Sales of Products to Enhance Sustainability came to ¥772.4 billion in fiscal 2021, accounting for 66.7% of total sales. Under the Company's ESG management, every effort is being made to develop and expand Products to Enhance Sustainability that help drive the Company's growth by solving social issues.

GHG Emissions from Business Activities

■ GHG Emissions (kt-CO₂)
 ■ Ratio of GHG Emissions (FY2013 = 100)

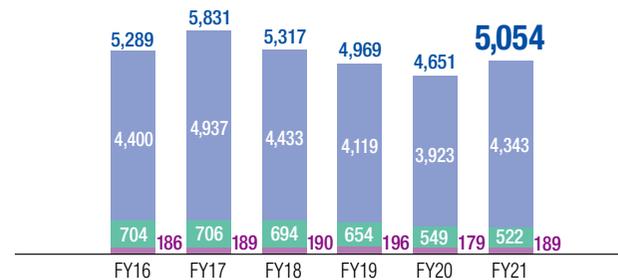


Despite the recovery in production volume, the rate of GHG emissions reduction attributable to business activities was 21.1% in fiscal 2021. In addition to the conversion of purchased power to renewable energy sources and the emerging effects of environmental contribution investments, this was mainly due to the reduction in purchased steam unit of output.

GHG emissions from business activities : SCOPE 1+2 and transport

GHG Emissions from the Supply Chain

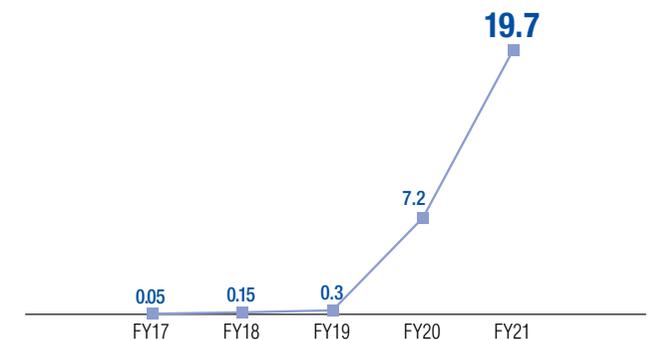
(kt-CO₂)
 ■ SCOPE3
 ■ SCOPE2
 ■ SCOPE1



After including the effects of reducing energy consumption, emission volumes related to the use of sold products declined, and SCOPE3 decreased compared with the previous fiscal year for ZEH-specification housing from fiscal 2018.

Ratio of Purchased Electric Power and Renewable Energy

(%)



In fiscal 2021, 20 business sites in Japan and overseas completed the switchover to 100% renewable energy, bringing the ratio of purchased electric power and renewable energy sources to 19.7%.

Long-term Vision, Vision 2030

Aiming to Double the Group's Business by 2030 Centered on ESG Management

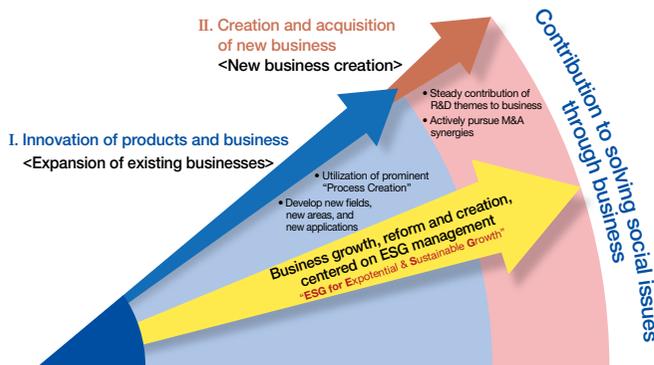
Vision 2030, the Group's Long-term Vision, presents the vision statement of "Innovation for the Earth," which incorporates the Group's resolute will to continuously drive innovation as a means of supporting the basis of LIFE and continuing to create peace of mind for the future to realize a sustainable society.

This Vision lays down the four domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double business by 2030 through the expansion of existing business while taking on the challenge of new domains along the strategy axis of business growth, reform, and creation centered on ESG management.

Contribution to solving social issues

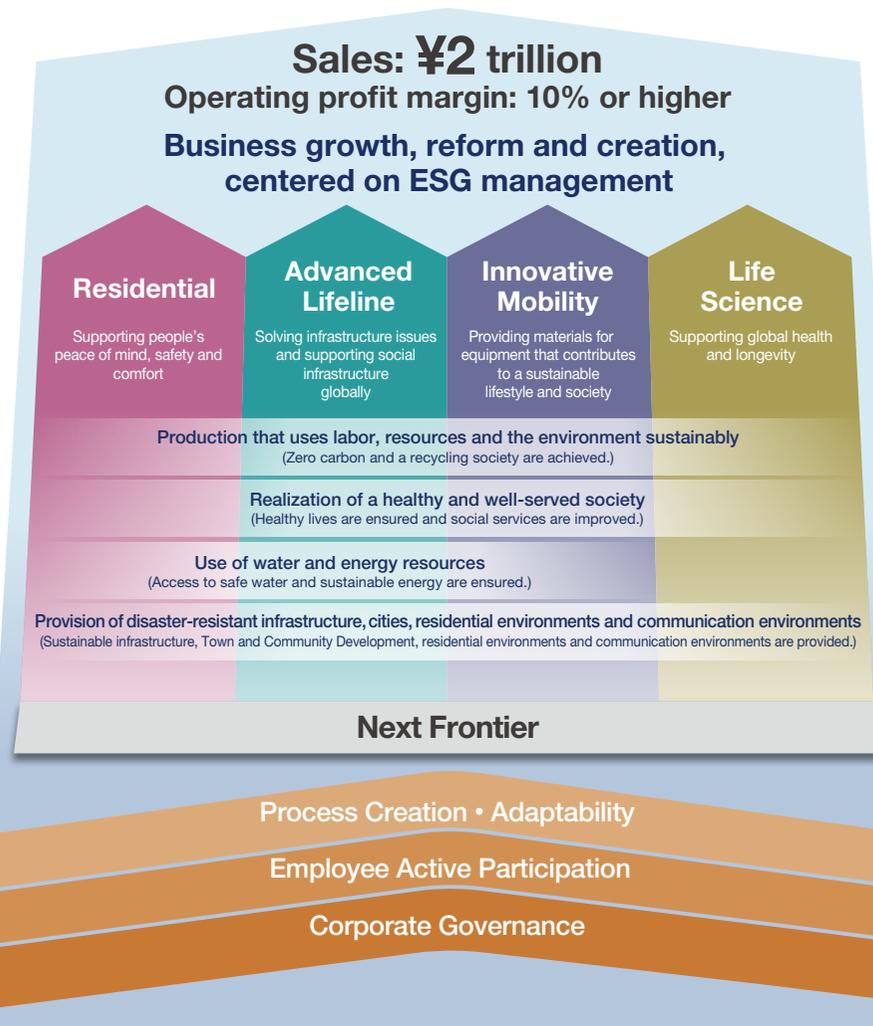
Working to double the Group's business and achieve net sales of ¥2 trillion by 2030, we will seek to increase sales and operating profit based on our contribution to solving social issues in each domain, and endeavor to deliver more sustainable contributions by engaging in operations that take into consideration the Group's management capability to sustain business.

Expand contributions to solving social issues through expansion of existing businesses and new business creation through "business growth & reform and creating new business centered on ESG management"



Innovation for the Earth

To realize a sustainable society, we support the basis of LIFE and will continue to create "peace of mind for the future."



Vision Statement

Targets
(Numerical Targets)
(Strategic Direction)

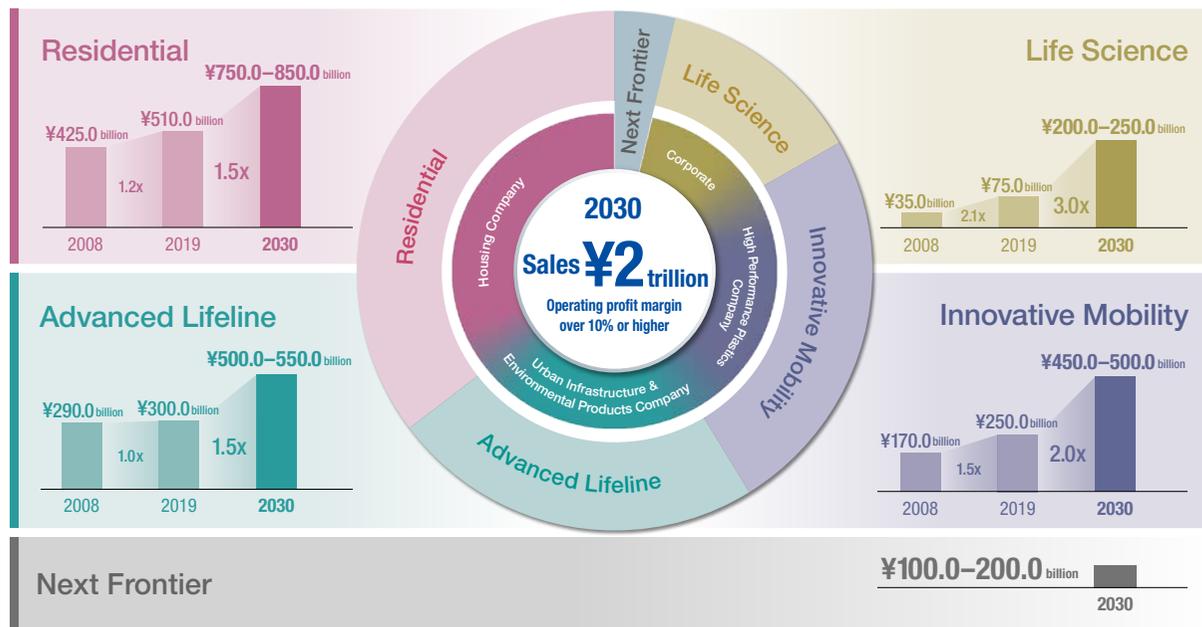
Business Domain

Social Issues

Capability

Long-term Vision, Vision 2030

Growth Image and Strategic Investment

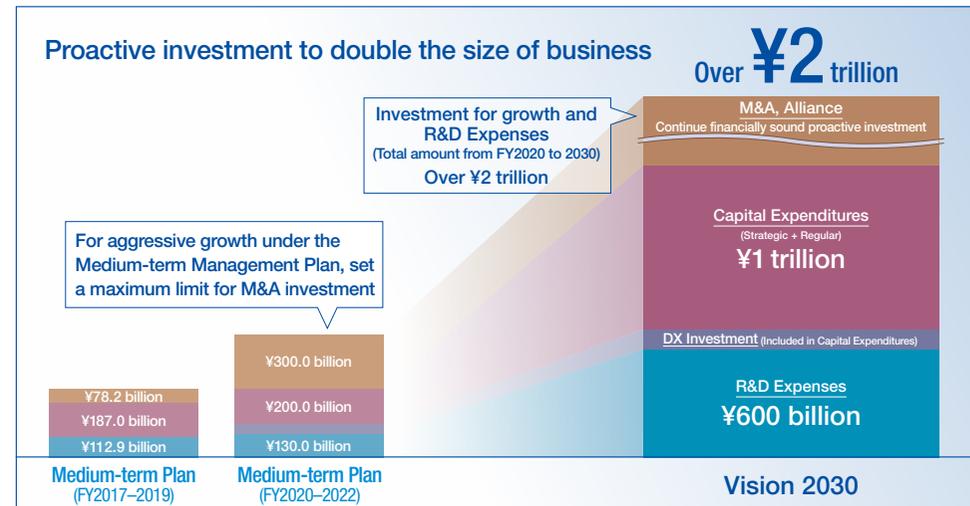
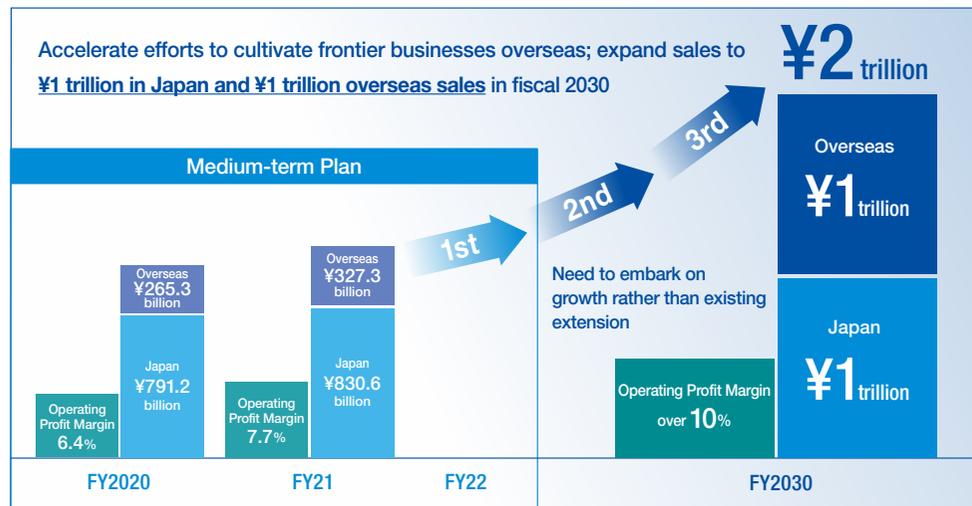


The expansion of business for which the Long-term Vision, Vision 2030, aims can only be achieved through substantial growth rather than the extension of existing businesses. Working to double its business and achieve net sales of ¥2 trillion by 2030, the Group will grow sales by 1.5 to 3 times in each domain and transform into an attractive company with diverse growth engines and a strong presence.

By taking up the challenge of pursuing innovation as an extension of core technologies in each domain, the Group will create new businesses and the next frontier for the new business domains in anticipation of major paradigm shifts.

Along with aiming to achieve a scale of ¥1 trillion through domestic growth, the Group will accelerate efforts to cultivate frontier businesses without slowing its current pace of growth overseas as part of a plan to expand the scale of overseas business to ¥1 trillion, more than three times that of today.

When executing new investments including capital expenditures aimed at growth, the Group considers financial soundness and steps to increase the probability of return in anticipation of making investments exceeding ¥2 trillion in total value over the 10 years through 2030.



Long-term Vision, Vision 2030

Formulating a Strategic Area Map as a compass for realizing the Long-term Vision, Vision 2030

We have developed the Strategic Area Map as a compass for realizing our Long-term Vision, which will guide us in solving the three major issues we have identified in the course of promoting Vision 2030: specification of key areas in each domain, compartmentalization of each divisional company and Group-wide fusion, and the targeted allocation of capital to realize business in key areas. We will move forward with the key allocation of capital to expand enhancement areas with the aim of fusion and composite innovation areas. Management resources will also be allocated in a targeted manner to build the Life Science Business into a fourth divisional company.

Domain	Residential	Advanced Lifeline	Innovative Mobility	Life Science
Strategy	Toward comprehensive housing construction and real estate businesses centered on production technologies	Toward growth businesses that build a sustainable social infrastructure globally	Toward high-value-added businesses that evolve lifestyles	Toward a new pillar of business that supports a healthy, longevity society on a global scale
Concept	<ul style="list-style-type: none"> Housing construction business (Housing, Renovation) Real estate business (Town and community development, Real estate) Frontier (Residential services, Overseas) 	<ul style="list-style-type: none"> Social infrastructure (Establish long-term, stable business) Building and living environment (Establish new business) Advanced materials (Expand into growth markets) New areas (Expand contributions to solving social issues) 	<ul style="list-style-type: none"> Mobility (From a component business to a module business) Electronics (Expansion to mobility and residential infrastructure components) Building and Infrastructure (Labor saving, Data utilization) 	<ul style="list-style-type: none"> Diagnostics business Pharmaceutical sciences business New areas (Cell culture, Pharmaceutical new modalities, Pharmaceutical CDMO)
Expand Enhancement Areas	<ul style="list-style-type: none"> SEKISUI HEIM (Detached houses, Housing renovation) Real estate (Brokerage services, Management, BeHeim) One-stop proposal for living 	<ul style="list-style-type: none"> Disaster aggravation/Anti-aging measures New materials/Sensing Water use/Recycling system 	<ul style="list-style-type: none"> High-performance interlayer films/ Smart materials Semiconductor components Lightweight, high-strength materials Next-generation communication components 	<ul style="list-style-type: none"> Pharmaceutical CDMO POCT Diagnostic systems Pharmaceutical new modalities
Enter Innovation Areas	<ul style="list-style-type: none"> Overseas (New markets) Smart city strategy Town and Community Development Digital utilization (housing that employs digital technology) 	<ul style="list-style-type: none"> i-Construction Healthcare 	<ul style="list-style-type: none"> Sensing devices Data utilization 	<ul style="list-style-type: none"> Cell culture Utilize digital technology Medical Business strategy Digital health/Medical devices
Expand innovative Products to Enhance Sustainability (BR and perovskite solar cells) Utilize digital technology (MI*)				

* Materials informatics

Research & Development/Intellectual Property

Research & Development

28 Technological Platforms

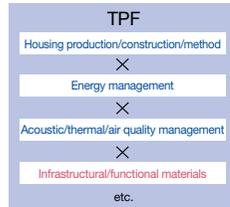
SEKISUI CHEMICAL Group recognizes that maintaining prominence in technology is the bedrock for creating value. In particular, six essential technology groups related to the Residential and Social Infrastructure Creation and Chemical Solutions business fields, as well as 28 more specific technological platforms (TPF), form the foundations of our value creation.

In 2014, SEKISUI CHEMICAL Group identified the TPF as the Group-wide basis for technology development. While refining our prominence in each of these technologies, we are developing products and services that reflect the collective strengths of multiple TPFs while anticipating changes in society and demand and are engaging in various activities including the development of technical human resources. In aiming for sustainable growth amid the changing business environment, we periodically revise the TPF when formulating each Medium-term Management Plan.

Achieving Peace of Mind Even during Disasters without Purchasing Electricity as far as Possible!

Energy self-sufficient homes

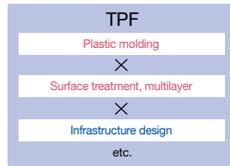
High-capacity solar power systems, film-type storage batteries, and home energy management systems (HEMS) are installed on modular frames with high earthquake resistance, high heat insulation, and high airtightness. Lifestyles that use natural energy as far as possible contribute to the global environment, and at the same time, allow evacuation to housing with peace of mind during disasters.



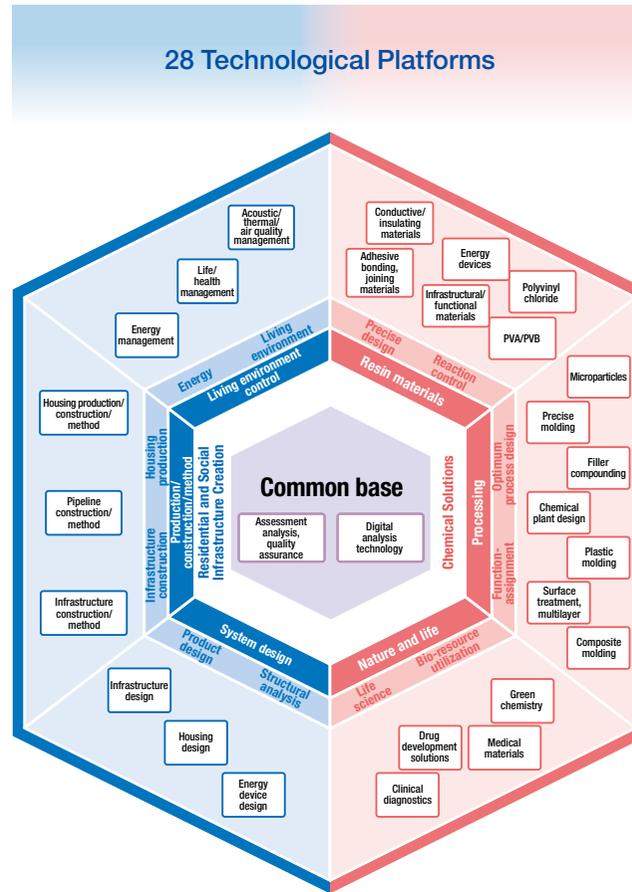
Proprietary Rain Water Drain Pipe Design Achieves High Drainage Performance, Ease of Installation, and Economy!

ESLON Large High-capacity Drainage System

The ESLON Large High-capacity Drainage System combines a Choshin rain gutter with a high-strength, low-expansion PET ultra-extruded sheet core and specially developed parts. The original drain system design uses the siphon principle to achieve high drainage capacity, which makes it possible to reduce the size and number of downpipes compared to earlier systems, offering exceptional ease of installation and economy and contributing to solving various social issues.



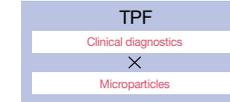
28 Technological Platforms



Contributing to Higher Healthcare Quality through Faster and More Precise Testing

Nanopia IL-2R blood-soluble interleukin-2 receptor test reagent

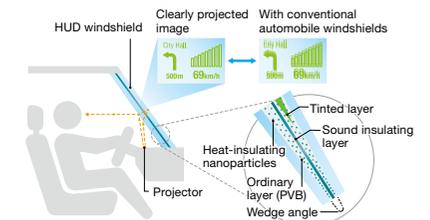
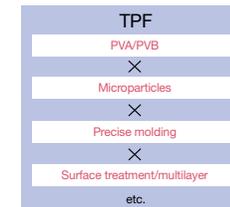
Highly precise fine particles (latex) and antibody acquisition and purification technology enable appropriate diagnosis and follow-up of blood cancers as well as simpler and faster testing.



Contributing to the Enhanced Safety and Comfort of Automobiles!

S-LEC Sounds and Solar Film-W: Wedge-shaped sound insulation/heat shielding interlayer films for Head-up Displays (HUDs)

Wedge-shaped interlayer films for HUDs are used to display necessary information on automobile windshields and also have sound and heat insulating functions. By combining various technologies including wedge angle control technology, multilayer extrusion technology, and raw material mixing and nano-dispersion technology, we achieved multiple functions at high levels, contributing to the enhancement of automobile comfort and safety.



Research & Development/Intellectual Property

R&D and Intellectual Property Management System

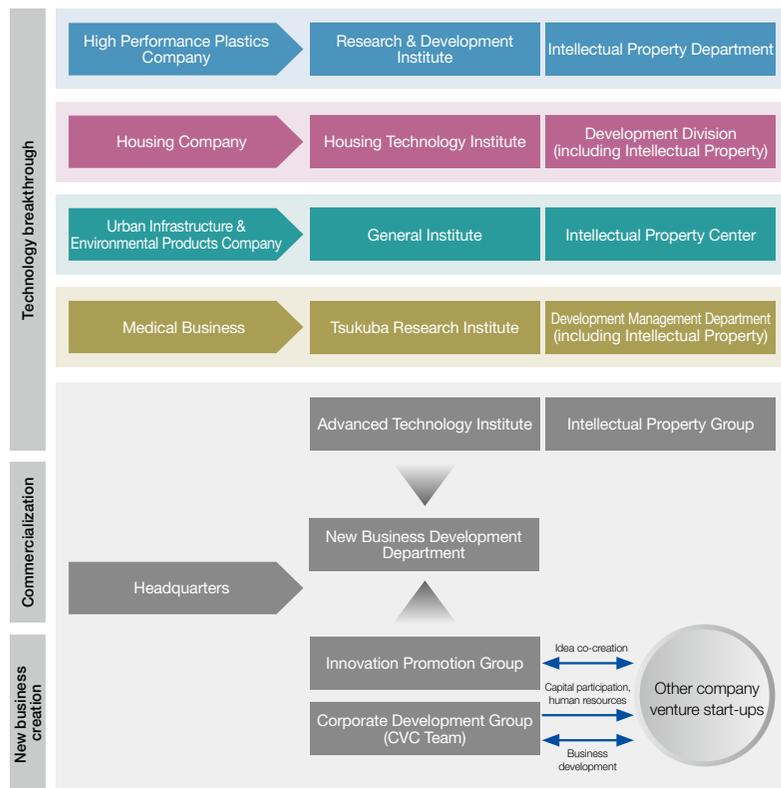
Under our Long-term Vision, we have identified four domains. We are undertaking the challenge of innovations that leverage our core technologies in each domain with the aim of expanding existing businesses and creating new businesses.

The R&D and intellectual property management system that supports this is in place in each segment to enable timely activities in line with each business environment, and is consistent from the stage of acquiring customer needs to the creation of products and businesses by incorporating the perspective of solving social issues in R&D.

Corporate Headquarters is now in charge of medium- to long-term themes, the R&D Center specializes in breakthroughs, and the New Business Development Department is in charge of promoting commercialization. After launching each theme as a business, a system is in place that facilitates the prompt transfer of control to a divisional company.

In addition, the Innovation Promotion Group and the CVC Team* are investing in venture companies as a part of efforts to actively promote exchange and the development of businesses. This in turn is aimed at creating new businesses.

* Corporate Venture Capital (CVC): Venture investment activities by business companies.



Treatment of Human Resources Engaged in R&D

In addition to paying monetary incentives for inventions made by employees, the Technology Award and Invention Grand Prize have been established as a part of our efforts to ensure researchers and engineers receive the evaluations and recognition they deserve.

The Group has also established a specialist position system for researchers and engineers with highly specialized skills.

We appoint prominent human resources with a high level of expertise that is competitive both within and outside the Company to specialist positions. In deepening their skills and developing future employees, these human resources serve as the main source of added value that will become the wellspring of our competitiveness. As of July 2022, 38 people have been appointed. Moving forward, we are promoting technology platform strengthening initiatives with a long-term perspective.

Reference 28 Technological Platforms

Category	Technological Platform	Overview	
Residential and Social Infrastructure Creation	System design	1 Infrastructure design	Builds long-lasting, earthquake-resistant pipe systems and other infrastructure.
		2 Housing design	Provides safe, secure housing that is resistant to natural disasters for both new and renovated houses.
		3 Energy device design	Develops energy creation and energy storage systems to achieve a sustainable society.
	Production/construction/method	4 Housing production/construction/method	Further evolves the Unit Construction Method and provides high cost performance housing.
		5 Infrastructure construction/method	Develops simple construction methods and repair/reinforcement technologies that shorten onsite construction periods.
		6 Pipeline construction/method	Develops optimal pipe systems and develops pipeline rehabilitation methods for rehabilitating aging sewage pipes.
	Living environment control	7 Acoustic/thermal/air quality management	Provides quiet, comfortable living environments.
		8 Life/health management	Evaluates and designs products and environments that help increase the QOL of consumers.
		9 Energy management	Contributes to the environment through the effective use of solar panels and storage batteries, and protects daily life during natural disasters.
Chemical Solutions	Resin materials	10 Adhesive bonding, joining materials	Provides products with a good balance between tack, adhesion, and holding power according to the application.
		11 Conductive/insulating materials	Provides sheets and adhesives with conductive and insulation properties.
		12 PVA/PVB	Grants sound insulation, heat insulation, and other functions to interlayer films for laminated glass, etc.
		13 Polyvinyl chloride	Improves the durability, impact-resistance, chemical resistance, and other properties of PVC resin.
		14 Energy devices	Develops high-performance storage battery materials and solar cell materials.
	Processing	15 Infrastructural/functional materials	Further improves the functionality of products for the infrastructure that supports daily life and society.
		16 Microparticles	Provides microparticles with unique features through particle size control and functionalization.
		17 Precise molding	Extrusion, expanding, stretching, and other precision resin processing methods.
		18 Filler compounding	Expresses new functions by mixing resins with fillers of different sizes in an optimal manner.
		19 Chemical plant design	Develops agitation, separation, drying, and other process technologies that enable safe, consistent production of chemical products.
Nature and life	20 Plastic molding	Develops extrusion, injection molding, and coating technologies for efficiently producing plastic products at low cost.	
	21 Surface treatment, multilayer	Provides manufacturing methods, including optimal surface treatments and multilayers, that modify surfaces and grant functionality.	
	22 Composite molding	Develops products with new functions realized by compounding different materials.	
	23 Green chemistry	Aims to free resin raw materials from their dependence on petroleum to achieve a sustainable society.	
Common base	24 Clinical diagnostics	Provides medical diagnostics reagents in the priority disease areas of lifestyle-related diseases and infectious diseases.	
	25 Drug development solution	Supports drug development using sophisticated technical skills in everything from screening tests to molecular tests.	
Common base	26 Medical materials	Provides pharmaceutical ingredients, medical amino acids, and other substances that serve as the active ingredients in pharmaceuticals.	
	27 Assessment analysis, quality assurance	Ensures quality through state-of-the-art assessment analysis for highly advanced materials and safe, secure product development.	
	28 Digital analysis technology	Engages in innovative material development by leveraging materials informatics.	

Research & Development/Intellectual Property

Intellectual Property

Fundamental Policy

The intellectual property derived from R&D activities is the source of competitiveness and an important management resource that underpins SEKISUI CHEMICAL Group's growth and revenue aimed at optimizing corporate value. At SEKISUI CHEMICAL Group, to utilize the prominence of our technology to its fullest potential and contribute to our business, we conduct competition environment analysis using information related to intellectual property, markets, and competition, and this serves as a starting point for our strategy development, intellectual property portfolio management, and other strategic intellectual property promotion activities.

In addition, we have been working on applications for digital transformation for some time and are now proactively branching out into new intellectual property trends such as materials informatics and AI.

Through the activities above, we are contributing to growth and creation for our business in the intellectual property field in the Medium-term Management Plan, Drive 2022.

Fostering an Intellectual Property Mindset

With the goal of increasing employee awareness of intellectual property, we started a system in fiscal 2010 that grants P-Badges to those who submitted a certain number of patent applications. Currently, our corporate culture considers it a matter of course for all engineers to earn one.

There are a variety of awards systems in place for intellectual property activity achievements, and in addition to awards for inventions that contribute to profits, there are others that use different criteria such as number of patent applications in a year, invention originality, and strength of the application network. We also give awards for actions utilizing licenses and rights, such as earning license revenue and blocking the entry of other companies. These awards systems are intended to increase employee motivation related to intellectual property.

Within this awards framework, there is a special company president award called the Invention Grand Prize, which recognizes the achievements of inventors whose inventions make major contributions to profit for the Group as a whole. The Invention

Grand Prize is divided into four grades ranging from Special Class to 3rd Class, assigned depending on the extent of the invention's profit contribution, and there are bonuses awarded to winners for each grade. The Special Class bonus has no upper limit and is instead defined as a ratio of the profit contribution amount.

This system has been in place since fiscal 1999 and is now in its 22nd year. In fiscal 2021, a third-class certification was granted for a patent related to profiles for the SPR-SE method.

Intellectual Property Training for Employees

We have prepared several educational programs tailored to the level of each developer for engineers during their first three years that covers essential topics ranging from fundamentals of intellectual property to strategy development and is implemented at all companies.

In addition, we provide individual specialized education programs for each divisional company to cultivate practical skills in line with their business. For trademarks and branding issues, the target group for education programs is expanded to include marketing and sales staff as well.

Group-wide Intellectual Property Application (IP Landscaping)

SEKISUI CHEMICAL Group engages in analysis activities that combine markets and technology information with a focus on intellectual property (IP landscaping). This approach supports strategy planning and intellectual property portfolio enhancements in departments that work to strengthen the business competitiveness of existing products, as well as those that create new products and businesses. Meanwhile, it also aids decision-making when undertaking high-level management and business assessments, such as M&As, so we promote the use of this approach throughout the Group.

Performance Data

In each of the recent rankings for Patent Asset Scope and Ability to Restrain Other Companies announced by Patent Result Co., Ltd., the Company ranked fourth in the chemical industry. SEKISUI CHEMICAL has maintained a position in the top 10 for the past five years.

Patent Asset Scope 2020 Ranking

Ranking	Company name	Patent asset scope (points)	Number of patents
1	Fujifilm	60,665.0	1,188
2	LG Chem	25,886.0	658
3	Sumitomo Chemical	25,202.7	464
4	SEKISUI CHEMICAL	19,694.4	507
5	Kao	18,503.7	588
6	DIC	17,854.4	325
7	Mitsubishi Chemical	14,404.1	490
8	Nitto Denko	13,332.0	359
9	Asahi Kasei	13,129.0	315
10	Hitachi Chemical*	12,612.4	353

Source: Patent Result Co., Ltd.

*Chemical Industry: Patent Asset Scope 2020 Ranking"

* Currently Showa Denko Materials Co., Ltd.

Ability to Restrain Other Companies 2021 Ranking

Ranking	Company name	Number of patents
1	Fujifilm	4,001
2	Mitsubishi Chemical	1,887
3	Kao	1,597
4	SEKISUI CHEMICAL	1,262
5	Nitto Denko	1,165
6	Asahi Kasei	1,025
7	Showa Denko Materials	995
8	Sumitomo Chemical	968
9	DIC	755
10	Mitsui Chemical	734

Source: Patent Result Co., Ltd.

Chemical Industry: Ability to Restrain Other Companies 2021 Ranking

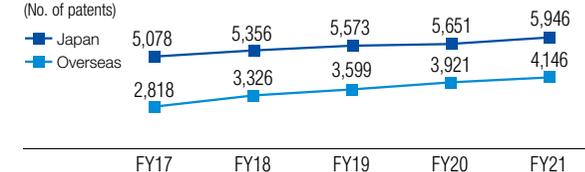
Number of Patent Applications (domestic)

(No. of patents)



Number of Patents Possessed (domestic and international)

(No. of patents)



Fusion—Accelerating Growth through Innovation and New Business Creation

SEKISUI CHEMICAL Group is committed to innovation that contributes to solving such social issues as decarbonization and resource recycling to achieve our Long-term Vision “Vision 2030” and the realization of a sustainable society. We have positioned fusion as a driver to accelerate innovation to realize our Long-term Vision, Vision 2030. We will work to accelerate innovation at an unprecedented pace by focusing more than ever on the fusion of various internal and external stakeholders as well as companies from the perspectives of technology and business opportunities. We are endeavoring to shift away from a self-reliant culture and approach by promoting projects that extend horizontally across internal companies, collaborating with external institutions and other outside parties, and engaging in open innovation.

Internal and Technological Development Fusion

SEKISUI CHEMICAL Group has identified strengthening fusion at its Corporate Headquarters and is promoting fusion with each divisional company from three perspectives: core technology fusion, planning fusion, and development fusion. In addition, we have taken steps to fuse our 28 technological platforms and launched the ESG Task Force as a forum that transcends organizational boundaries. We are promoting the creation of Products to Enhance Sustainability through an internal cross-sectional system that enables development and business proposals aimed at addressing social issues.



In addition to zero energy house (ZEH) specifications, SEKISUI CHEMICAL Group's unique efforts to build smart & resilient residential housing communities that bring to bear infrastructure materials and systems that stand strong against torrential downpours and the suspension of water services is an example of the Company's business development activities through internal fusion.



MINASE INNOVATION CENTER

Internal and External Open Innovation

In addition to generating exchanges that transcend internal divisional companies, MINASE INNOVATION CENTER (MIC), a research facility established in 2020, is engaging in various activities to accelerate internal and external fusion as well as open innovation including actively promoting technological exchanges with start-up companies that possess low-carbon technologies together with materials and technologies that contribute to resource conversion.

Moreover, we set up a new entity with the goal of spurring on innovation in 2021, and have been promoting efforts to ramp up 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, and are taking on the challenge of creating new businesses in collaboration with companies' new business departments as well as promising start-up companies. By skillfully leveraging such relationships as trading posts, 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 that we incorporate to accelerate the creation of value.

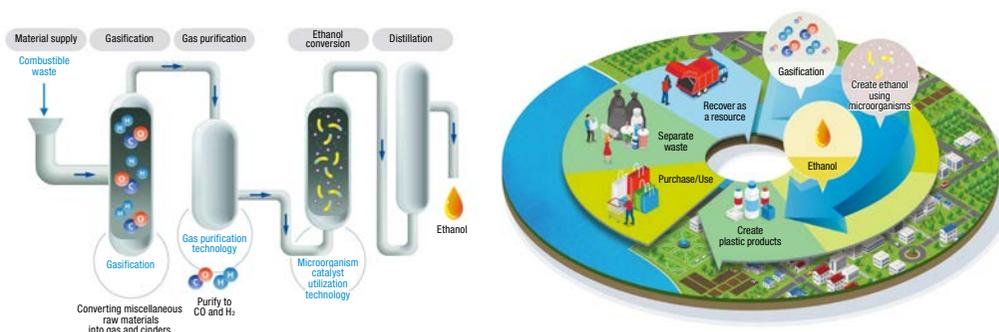
Innovation and New Business Creation

CASE 1: Biorefinery Technology Demonstration

SEKISUI CHEMICAL Group is accelerating efforts toward the social implementation of carbon cycle technologies that recycle the carbon contained in raw materials. In specific terms, we jointly developed a biorefinery (BR) technology that converts combustible waste, including marine plastics, without separation into gas and then converts that gas into ethanol as a raw material for plastic using a microbial catalyst in collaboration with U.S.-based venture company LanzaTech NZ, Inc. Upon receiving investment from INCJ, Inc. (Innovation Network Corporation of Japan), SEKISUI CHEMICAL Group established SEKISUI BIO REFINERY CO., LTD., in April 2020. Steps are currently being taken to conduct a demonstration at a plant that is 1/10th the size of a commercial plant completed in April 2022 in Kuji City, Iwata Prefecture, as the final stage in verifying the technology for practical application and commercialization. The first commercial-scale facility is targeted to begin production in 2025.

Plans are in place for the ethanol produced at the plant to be recycled as a plastic raw material in collaboration with SUMITOMO CHEMICAL CO., LTD., which is already under way. Ethanol is converted to ethylene and then to plastic, and the products from the plastic are used and disposed of, collected as

combustible waste, and returned to the BR plant. The aim is to create a resource recycling system that can be repeated over and over.



Fusion—Accelerating Growth through Innovation and New Business Creation

CASE 2: Transparent and Flexible Radio Wave Reflection Film

Transparent flexible radio wave reflective films developed from studies of the brilliance of Morpho butterfly wings recognize the importance and necessity of learning from nature's wisdom. Positioning electromagnetic wave management as a business domain, we entered the Electromagnetic Wave Control business as a first step through fusion with the technologies of Metamaterial Inc. (headquartered in Canada).

Realizing diffuse reflection characteristics equivalent to or in excess of aluminum plates, our transparent flexible radio wave reflective films are highly effective for such high frequencies as 5G and 6G and also play a role in delivering radio waves to blind spots in rooms.

Looking ahead, we aim to expand into the next-generation components and equipment business and enter the electromagnetic wave environment design service business.



* Technically supported by Meta Materials Inc.

CASE 3: Perovskite Solar Cells

Next-generation solar cells, which are said to be the key to realizing a decarbonized society, use semiconductors with a perovskite crystal structure as materials for power generation. Unlike conventional silicon-based solar cells, materials can be applied to the film as if it were printed. In manufacturing these solar cells, the Company leverages its proprietary encapsulation, process, material, and film deposition technologies. To date, we have conducted accelerated tests according to the standards for solar cell reliability and confirmed durability equivalent to 10 years of outdoor exposure.

Ultra-lightweight and flexible, perovskite solar cells can be installed on the walls of buildings and on roofs with weight restrictions.

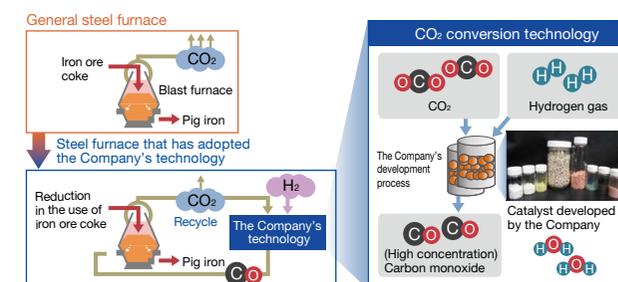
Working in collaboration with the University of Tokyo and Ritsumeikan University, our technology has been adopted for a New Energy and Industrial Technology Development Organization (NEDO) project. SEKISUI CHEMICAL Group has also initiated steps to develop a general-purpose width roll-to-roll manufacturing line. Moving forward, the goal is to achieve commercialization, after conducting verification tests, around 2025 while continuing to engage in research to further improve durability.



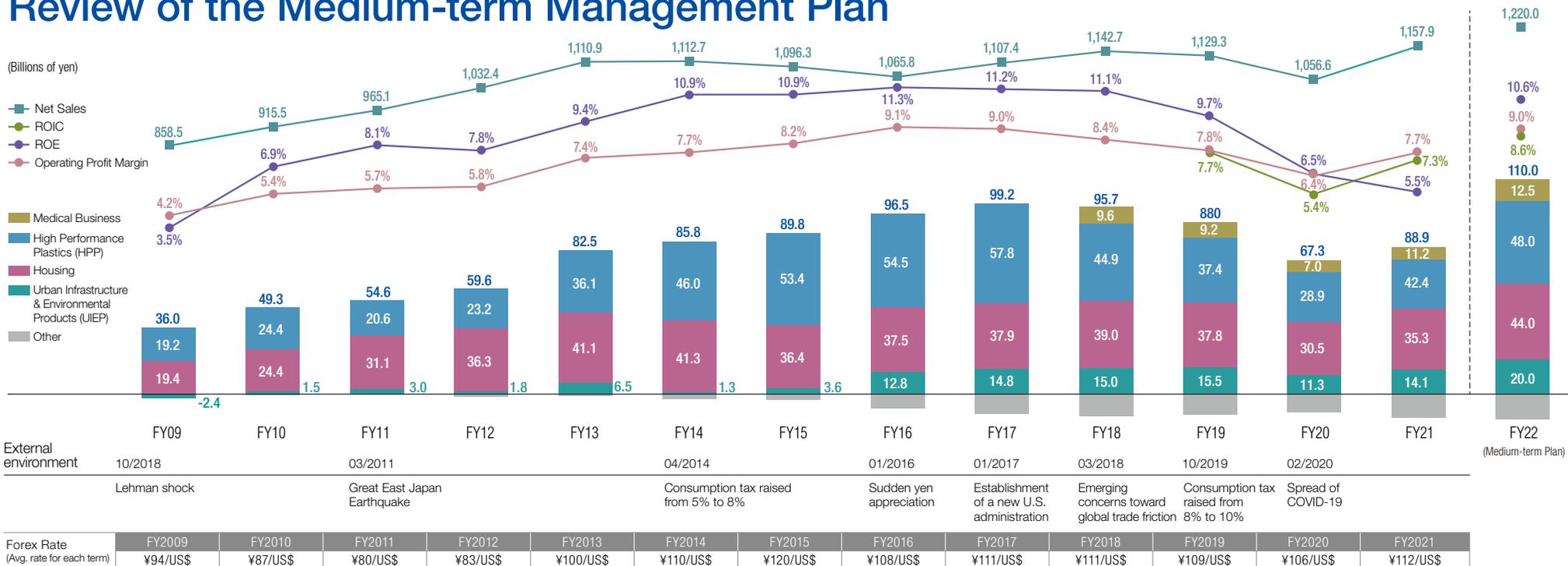
Case 4: Carbon Capture Utilization (CCU) Technology (Carbon Dioxide Recovery and Effective Use)

Reducing CO₂ emissions in the steelmaking process is a longstanding issue. SEKISUI CHEMICAL Group's innovative CCU technology separates and recovers CO₂ from the gas emitted during steelmaking and converts it to a carbon monoxide rich synthesis gas with a high yield. This synthesis gas with a high carbon monoxide content can be reused as a reduction agent for iron ore, thereby lowering the volume of fossil resource required in the steelmaking process.

The Company concluded a partnership agreement with ArcelorMittal of Spain, one of the world's largest steel companies, for this project. Currently, we are working on the initial study of this technology over a three-year period starting in 2021, after which we will proceed with studies toward practical application while scaling up in stages.



Review of the Medium-term Management Plan



GS-21-SHINKA! (FY2009–2013)

Measures and Results

We strengthened the earnings power of the core domestic businesses. We have been actively developing our global business presence. Over the period of the Plan, we have transformed our CSR management and raised the level of revenue gained from Environment-Contributing Products.

Challenges

- Opening up frontier domains [see next column]
- Overseas business adapting to local society

SHINKA!-Advance 2016 (FY2014–2016)

Measures and Results

By specializing in strategic businesses and products and implementing structural reforms we were able to achieve growth in profit. We pioneered new markets and new fields through internal and external alliances. Over the period of the Plan, we commenced penetration of CSR management, initiated efforts to enhance governance, and established the Nomination and Remuneration Advisory Committee, etc.

Challenges

- Return to sales growth
- Commercialization and building of frontier domains
- CSR management rollout and further penetration among employees

SHIFT 2019 -Fusion- (FY2017–2019)

Measures and Results

Fusion accelerated over the period of the Plan under review, during which we targeted a balance between quantitative and qualitative growth. We made aggressive investments to achieve growth, and net sales attributable to M&As rose. Strengthening ESG initiatives aimed at building a sustainable business base, we continuously earned high evaluations from GLOBAL100 and others.

Challenges

- Delays in securing returns on growth investments
- The speed of structural reform
- Strengthening ESG management

Drive 2022 (FY2020–2022)

Measures

Structural reforms: We aim to increase Group-wide operating profit margin to the 10% level. We aim to improve capital efficiency and introduced ROIC as a KPI.

About SEKISUI AEROSPACE CORPORATION

Although we acquired this company in fiscal 2019 for approximately US\$500 million, we posted an impairment loss in September 2021 due to poor aircraft demand as a result of the prolonged COVID-19 pandemic.

Major Past M&As

July 2009

Acquired the PVA resin business from Celanese Corporation

January 2011

Acquired the diagnostic reagents business from Genzyme Corporation

December 2012

Acquired the piping business from Mitsubishi Plastics, Inc.

December 2015

Acquired EIDIA Co., Ltd.

October 2017

Capital investment in Tien Phong Plastic JSC

August 2017

Acquired management rights to Polymatech Japan Co., Ltd.

December 2018

Acquired Veredes Laboratories Pte. Ltd.

December 2017

Acquired SoflanWiz Co., Ltd.

November 2019

Acquired AIM Aerospace, Inc.

Medium-term Management Plan, Drive 2022

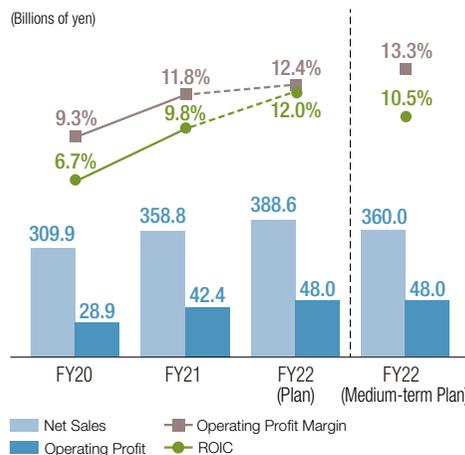
Progress during FY2020–2022

Policy	Drive sustainable growth/reform/preparation for doubling the Group's business by expanding its contribution to resolving social issues
Basic Strategies	<ul style="list-style-type: none"> Promote ESG management and build a corporate structure that is able to enhance corporate value on a sustainable basis Engage in the Three Drives as a first step toward realizing the Long-term Vision <ol style="list-style-type: none"> Existing Business Drive: Business growth and reform ▶P.26 New Business Drive: Preparations for long-term growth ▶P.26 Business Base Drive: Strengthening the ESG management base ▶P.27 Accelerate through Fusion ▶P.22 and digital transformation ▶P.28

	FY2020 Results	FY2021 Results	FY2022 Plan ¹	FY2022 Medium-term Plan ²
Net Sales	¥1,056.6 billion	¥1,157.9 billion	¥1,241.6 billion	¥1,220.0 billion
Operating Profit (Margin)	¥67.3 billion (6.4%)	¥88.9 billion (7.7%)	¥100.0 billion (8.1%)	¥110.0 billion (9.0%)
Profit Attributable to Owners of Parent	¥41.5 billion	¥37.1 billion	¥66.5 billion	¥70.0 billion
ROIC	5.4%	7.3%	8.6%	8.6%
ROE	6.5%	5.5%	9.7%	10.6%
Overseas Sales (Ratio)	¥265.3 billion (25.1%)	¥327.3 billion (28.3%)	¥350.0 billion (28%)	¥320.0 billion (26%)
EBITDA	¥116.6 billion	¥137.6 billion	¥150.0 billion	¥170.0 billion

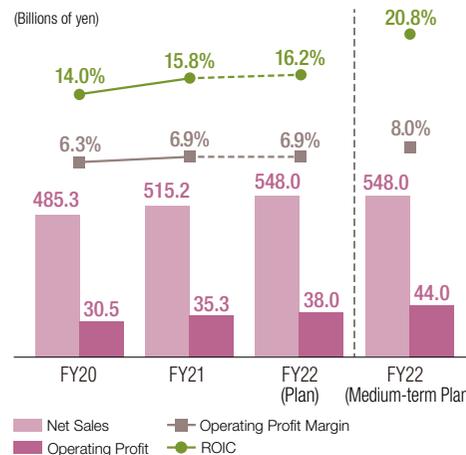
¹ FY2022 Plan: Disclosed at the April 27, 2022, financial results briefing ² Excluding new M&As, etc.

High Performance Plastics Company



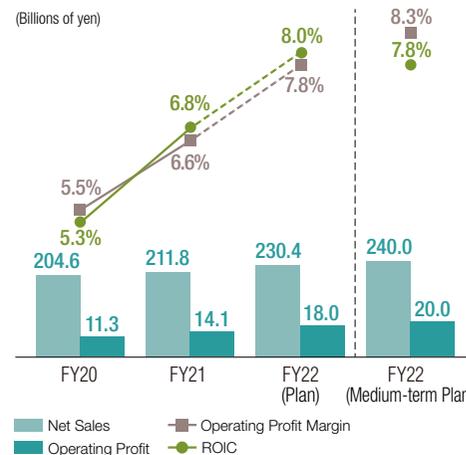
Aircraft-related demand declined due to the prolonged COVID-19 pandemic. Strengthened earnings power through a shift to high-performance products

Housing Company



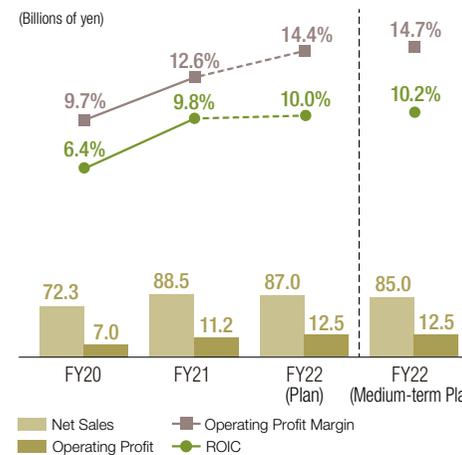
Strongly affected by a sharp rise in component costs due to the impact of the prolonged COVID-19 pandemic

Urban Infrastructure & Environmental Products Company



Affected by a decline in demand (aircraft, non-residential) due to a sharp rise in raw material costs and to the prolonged COVID-19 pandemic

Medical Business



Growth in COVID-19 testing kits. Strengthened earnings power by reducing fixed costs

Medium-term Management Plan, Drive 2022

Basic Strategies

(1) Existing Business Drive: Business growth and reform



- In the Housing Company, we place a special emphasis on further boosting sales capabilities for ready-built houses, and together with investigating a “successful model” that can take maximum advantage of plant-production merits gained through leveling, we are moving forward on preparations for the long term, notably with town and community development.
- Turning to the UIEP Company, we will accelerate efforts to create prioritized products that help solve social issues and achieve SDGs. In addition, we will strengthen the company’s portfolio by promoting a business expansion strategy overseas.
- The HPP Company will fully seize upon the results of investments to date, including investments to expand production capacity mainly overseas as well as M&As. Energies will also be directed toward promoting a growth strategy and ramping up the pace of preparations aimed at further sustainable growth.
- In the Medical Business, we will expand our operations in a bid to become a divisional company. We will also promote efforts to build a foundation for growth by strengthening the global development system as well as through various measures including strengthening the CDMO and other businesses in the Pharmaceutical Sciences Business and other measures.

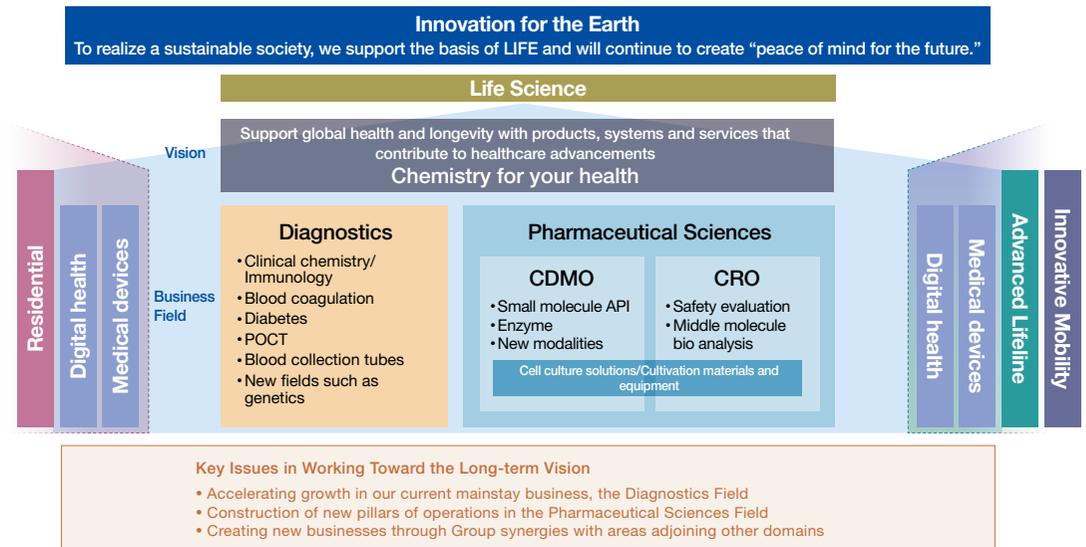
(2) New Business Drive: Preparations for long-term growth

The Life Science domain, including the Medical Business, is an area in which we are focusing efforts on tripling growth by 2030, from current sales levels.

The long-term vision for the Life Science domain is chemistry for your health by supporting global health and longevity with products, systems and services that contribute to healthcare advancements. By maximally leveraging the power of technology and process creation as the strengths of the Group, we aim to expand our contributions to solving issues in the industrial fields of medicine and life science, which support the health of people.

With the aim of further expanding the diagnostics field using the strengths of our existing businesses, we have illustrated a vision for growth that places a particular focus on overseas markets.

In the pharmaceuticals field, we will be one of the first companies to establish an API CDMO business base, which lies adjacent to our existing businesses. Moreover, we will nurture this field overall into a core pillar of business by commercializing the development topics in which we have engaged through R&D centered on that business base. As a result of these efforts, we aim to establish a life science business that is founded on the two pillars of diagnostics and pharmaceuticals. Under the current Medium-term Management Plan, we are also executing strategic capital investments in the Iwate Plant and the U.K. Plant as part of our preparations for long-term growth.



Strategic Capital Investments

- Increase in capacity for production of APIs and intermediates for small molecule drugs (Iwate Plant: Expected to start operations in March 2023)
- Establishment of a CDMO system for materials for use in protein drugs (U.K. Plant: Expected to start operations in March 2024)

Medium-term Management Plan, Drive 2022

(3) Business Base Drive: Strengthening the ESG management base

Strengthening Management Ability to Sustain Business

Third indicator after sales and operating profit
Increase ROIC (return on invested capital) **Target an increase of approx. 1% on an actual basis**

after-tax
Operating profit
 Invested capital

=

after-tax
Operating profit
 Sales

×

Sales
 Invested capital
(working capital* + fixed assets)

[Development of Measures]

- Expand marginal profit
- Improve productivity, reduce fixed costs

Working capital = Accounts Receivable + Inventory – Trade Payables – Advances Received

- Improve the probability of securing a return through effective capital investment
- Achieve optimal plant utilization, optimize inventory, etc.
- Manage asset levels and turnover ratios by expanding built-for-sale housing sales

Consider identifying businesses and products that are below the cost of capital

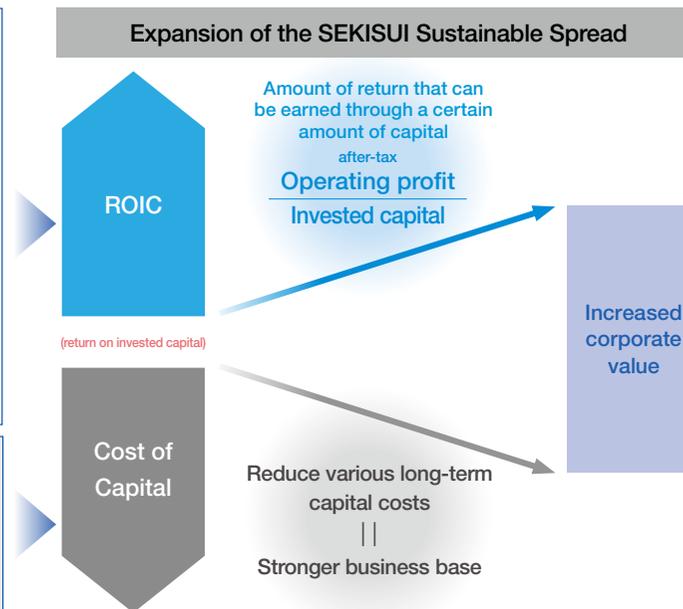
Support long-term growth; Control financial and non-financial capital costs **Forward-looking investments in financial and non-financial capital from a medium-to long-term perspective**

Financial strategies/capital policies: Leverage debt to invest aggressively in growth

Risk reduction/avoidance: Reduce risk by thoroughly implementing Safety, Quality, Accounting, Legal/Ethical, and Information Management

Investment for the future: ESG investment

(Undertake up-front investments in digitization and contributions to the environment; reform the corporate culture (HR system reform, etc.))



Return on invested capital (ROIC), a newly adopted key performance indicator in the Medium-term Management Plan, will be applied to reform the business portfolio. Moreover, we will monitor how effectively each initiative related to long-term sustainability, which was stipulated as a Key ESG issue, is helping to control capital costs.

SEKISUI CHEMICAL Group defines the difference between ROIC and the cost of capital as the SEKISUI Sustainable Spread, which measures the improvement of the Group's corporate value. We believe that if each employee is aware that his or her work contributes to reducing the cost of capital, this will ultimately lead to an increase in our corporate value and enhance our management ability to sustain business.

▶ P.7 Key issues (materiality)

Investment and Financial Strategies

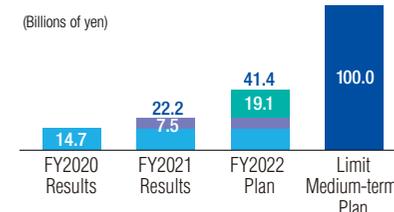
In addition to the cash generated during the three years of the Medium-term Management Plan, Drive 2022, the Company established an investment limit of ¥500 billion in order to procure funds in an appropriate and flexible manner.

Strategic investment has been raised to ¥400 billion, more than doubling that under the previous medium-term management plan. Of this total, ¥300 billion was set aside as the M&A investment limit, but only a small amount was actually invested through fiscal 2021.

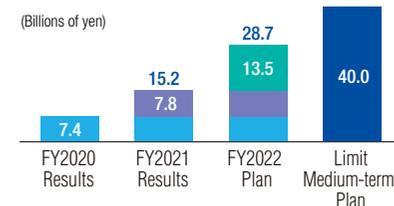
Moreover, we set the new ESG investment limit at ¥40 billion. This ESG investment serves to control long-term capital costs and contribute to greater corporate value through reduced environmental impact, work-style reforms, and digital transformation (DX). In fiscal 2020 and fiscal 2021, however, investment progress stagnated due to the prolonged impact of COVID-19.

Investment Plan	Medium-term Plan
(Billions of yen)	
Strategic Investment	Limit 400.0
M&A, etc.	Limit 300.0
Capital Expenditures	100.0
ESG Investment <small>(including strategic capital expenditures and normal investments)</small>	40.0
Normal Investment	100.0
Investment Limit Totals	500.0
R&D Expenses	130.0

Strategic Capital Investments



ESG Investments



Major strategic capital investments

- Urban Infrastructure & Environmental Products: New European production base for FFU
- High Performance Plastics: Enhanced foam production capacity (US)
- Medical Products: Enhanced production capacity at the Iwate Plant, established a production system at the U.K. Plant

Domain/Investment Segment

- Human Resources** Work-style reforms
- Governance** DX
Safety and disaster prevention
- Environment** Renewable energy
Environmental preservation

Digital Transformation (DX)

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,¹ productivity increase, and sophistication.

¹ Visualization and standardization: Standardized operations, introduction of ERP², renewed infrastructure and networks

² 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.

Initiatives to Promote DX

		FY20 Results	FY21 Results	FY22	FY25
Global Management Foundation Reform	<p>Renovation of the core system (global ERP²)</p> <p>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.</p>	We defined the requirements for more sophisticated and standardized business management controls and implemented global ERP introduction contracts.	We defined the requirements for target business processes to determine the priority of site implementation	Complete the transfer of accounting operations at major sites in Japan	Complete overseas site rollout preparations
Purchasing	<p>Standardization of purchasing operations and the visualization of transaction data on a global basis</p> <p>Enables deterrence and early detection of fraudulent activities. In addition, steps will be taken to establish the 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.</p>	We decided to introduce an indirect purchasing system.	We demonstrated an indirect purchasing system at a model factory and advanced preparations to deploy the system at sites	Conclude rollout at major sites in Japan	Expand rollout to overseas sites
Sales and Marketing	<p>Standardization of efficient business models and visualization of business processes</p> <p>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.</p>	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 advancing information security measures that are essential to DX initiatives.	<p>We completed a demonstration of an enhanced order expansion process that uses data analysis</p> <p>We deployed this process to sales offices in Japan</p>		
Remote Work	<p>Promotion of remote work</p> <p>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.</p>	We put in place MobileNET, IT infrastructure that enables safe and secure access to in-house operating systems anywhere in the world	We balanced work productivity and information security for employees working from home by deploying MobileNET as part of the IT infrastructure and by building an integrated authentication infrastructure		

Systems to Promote DX

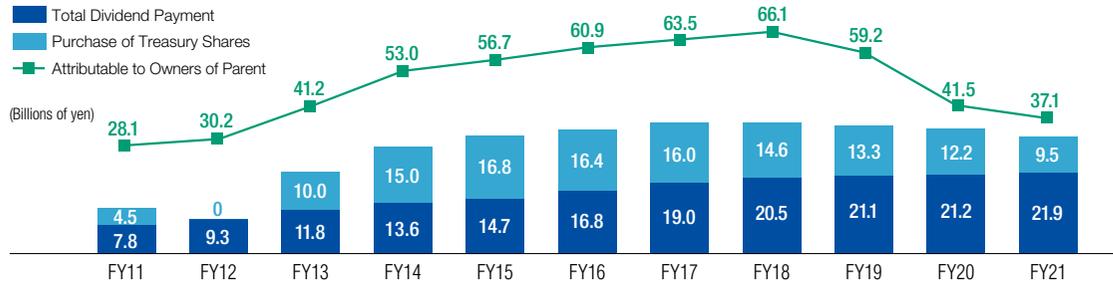
To promote DX Company-wide in unison throughout the Company and Group, SEKISUI CHEMICAL Group established the Digital Transformation Department in April 2020. In SEKISUI CHEMICAL Group, which is engaged in a variety of different businesses, we have established a promotion system headed by our CEO and senior managing executive officer to steadily advance the standardization and greater sophistication of business operations. The Digital Transformation Department functions as the project leader in this system. In establishing the Digital Transformation Department at divisional companies in April 2021, SEKISUI CHEMICAL Group is strengthening competitiveness in areas that leverage the strengths of each business.

In addition, the DX Subcommittee, chaired by the executive officer of the Digital Transformation Department, has been newly established under the Sustainability Committee. 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.

Returns to Shareholders

Under the Medium-term Management Plan, SEKISUI CHEMICAL Group will return profits to its shareholders more aggressively than ever before. The Company seeks to secure a dividend-on-equity (DOE) ratio of 3% or higher while targeting a payout ratio of 35% or higher on a consolidated basis, as a part of efforts to implement stable dividend measures in line with its performance. In addition, SEKISUI CHEMICAL Group has set a target of 50% or higher for its total return ratio, which includes the buyback of shares, so long as its D/E ratio is 0.5 or less. Moreover, the Company plans to retire treasury shares to no more than 5% of the total number of shares outstanding.

Returns to Shareholders Track Record



	Previous Medium-term Plan	Medium-term Plan (FY2020–2022)
Payout ratio	30% target	35% or higher
DOE	Around 3%	3% or higher
Total return ratio	—	50% or higher if the D/E ratio is 0.5 or less
Cancellation of treasury shares	—	Cancel acquired treasury shares to a level equivalent to less than 5% of the total number of shares issued and outstanding

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Profit attributable to owners of the parent per share (yen)	54.0	58.5	80.1	104.7	115.1	126.1	133.8	141.7	128.8	91.9	83.2
Dividend per share (yen)	15	18	23	27	30	35	40	44	46	47	49
Payout ratio	27.8%	30.8%	28.7%	25.8%	26.1%	27.7%	29.9%	31.0%	35.7%	51.1%	58.9%
Purchase of treasury shares (billions of yen)	4.5	0	10.0	15.0	16.8	16.4	16.0	14.6	13.3	12.2	9.5
Total return ratio ^{*1}	43.7%	30.8%	52.9%	54.0%	55.5%	54.5%	55.1%	53.0%	58.1%	80.4%	84.6%
DOE ^{*2}	2.3%	2.4%	2.7%	2.8%	2.8%	3.1%	3.3%	3.4%	3.5%	3.3%	3.3%
Cancellation of treasury shares (thousands of shares)	—	7,000	—	12,000	10,000	—	10,000	8,000	8,000	8,000	5,000

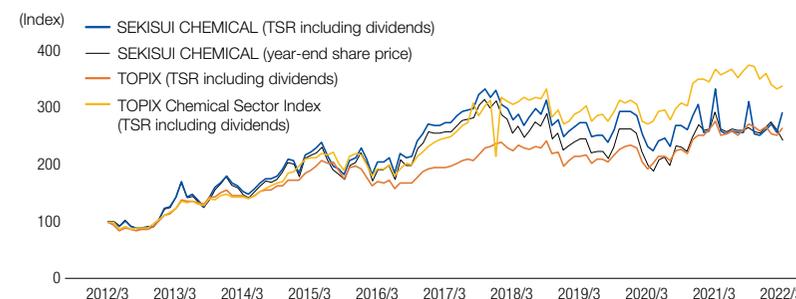
*1 Total return ratio = (Amount of treasury shares acquired + Total dividends) / Net income attributable to owners of parent *2 DOE = Total dividend payment (full year) / Average equity

Details of SEKISUI CHEMICAL Group's total shareholders' return (TSR), including dividend and stock price fluctuation trends, are presented as follows. In the case of investments made at the end of March 2012, return on investment, taking into account dividends and the share price as of the end of March 2022, has generally exceeded TOPIX over the past 10 years. We will continue to strive to maintain a stable dividend for shareholders and to increase corporate value.

Total Shareholders' Return (TSR including dividends)

	Past 1 year	Past 3 years		Past 5 years		Past 10 years	
	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
SEKISUI CHEMICAL	85.1%	106.9%	102.2%	106.1%	101.2%	295.0%	111.4%
TOPIX	102.0%	131.2%	109.5%	144.3%	107.6%	283.3%	111.0%
TOPIX Chemical Sector Index	92.1%	115.6%	105.0%	137.3%	106.6%	341.0%	113.1%

TSR and Share Price Performance over the Past 10 Years*



* Figures are indexed to data as of March 31, 2012, as 100.

Share Price Trends

	High (yen)	Low (yen)	Closing (yen)
FY11	731	553	718
FY12	1,042	590	1,032
FY13	1,448	900	1,073
FY14	1,619	1,002	1,559
FY15	1,752	1,193	1,386
FY16	1,983	1,215	1,871
FY17	2,350	1,732	1,856
FY18	2,114	1,532	1,779
FY19	1,986	1,142	1,433
FY20	2,243	1,267	2,125
FY21	2,187	1,648	1,759

Addressing Risks and Opportunities

To identify the risks for which SEKISUI CHEMICAL Group should prepare, we have broadly categorized each into business environment, strategic, and operational risks, and have further subdivided each category to comprehensively identify each. In light of geopolitical risks, new social demands, and other changes, we regularly conduct quantitative risk level assessments using a risk matrix composed of risk probability (frequency) and impact (result). 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. [▶ P.67 Risk Management](#)

	Major Risks and Opportunities	Major Responses/Actions by SEKISUI CHEMICAL Group
Business environment risks	Major market trends Risk <ul style="list-style-type: none"> • Downturn in demand due to economic slowdowns in areas throughout the world where the Group does business, changes in public policy, and unforeseen events Mobility, electronics, housing, construction, infrastructure, and other markets ▶ P.50-57	<ul style="list-style-type: none"> • Capture demand by introducing high-value-added products that solve social issues to the market and by pioneering applications for these • Strengthen earnings power by reducing costs
	Raw material price volatility and procurement Risk <ul style="list-style-type: none"> • Volatility in steel, wood, and petroleum-related (PVC, olefin, etc.) raw material market prices due to fluctuations in the global economy, supply-demand balance, and foreign currency exchange rates • Supply shortages due to fluctuations in scarce resources demand trends 	<ul style="list-style-type: none"> • Implement cost-reduction measures • Maintain the margin between selling and raw material prices
	Foreign currency, interest rate, and owned asset price fluctuation Risk <ul style="list-style-type: none"> • Lower sales and higher raw material procurement costs due to fluctuations in the value of the yen against foreign currencies • Impact on the amounts of interest income and interest expense due to interest rate fluctuations • Losses on owned assets due to changes in the market and business environments, etc. 	<ul style="list-style-type: none"> • Reduce risks by transitioning businesses deployed globally to local production; converting foreign currency holdings to yen, and controlling the balance of the Group's foreign currency holdings through the use of intra-Group loans
	Major earthquake, natural disaster, industrial accident, and other incidents Risk <ul style="list-style-type: none"> • Damage to credibility and opportunity loss due to major industrial accidents affecting the areas surrounding the Group's factories and R&D facilities • Suspension of business activities coinciding with major earthquakes, tsunamis, and other natural disasters, as well as the spread of infectious diseases, at business sites 	<ul style="list-style-type: none"> • Identify natural disaster and other anticipated risks, conduct onsite audits, and make regular improvements to prevent industrial accidents at production sites • Build an emergency contact network and strengthen employee training to ensure an appropriate initial response
	Climate change and environmental issues ▶ P.31 Addressing Risks and Opportunities: Climate Change Risks Impact Analyses	
	Politics and Society Risk <ul style="list-style-type: none"> • Incidence of social and political turmoil due to terrorism, war, tariff retaliation measures, unexpected changes in policies, laws and regulations, racial discrimination, product boycotts, and other factors 	<ul style="list-style-type: none"> • Collect trends and information in each country through regional headquarters (United States, Europe, China, ASEAN) • Establish swift response measures (ERM) • Human rights initiatives
	Impact of COVID-19 Risk <ul style="list-style-type: none"> • Restrictions on business activities due to the spread of infections • Stagnation of and delayed demand in markets Opportunity <ul style="list-style-type: none"> • Greater demand for COVID-19 diagnostic reagents and new-normal compliant housing, etc. • Fewer working hours due to a shift to online work 	<ul style="list-style-type: none"> • Promote the transition to online meetings, training, and business trips, etc. • Promote remote work ▶ P.38 • Develop and market adaptive products

	Major Risks and Opportunities	Major Responses/Actions by SEKISUI CHEMICAL Group
Strategic risk	M&A/New Business/R&D Risk <ul style="list-style-type: none"> • Manifestation of business environment risks • Delays in development and business launch Opportunity <ul style="list-style-type: none"> • Expanded business scale and manifestation of synergy 	<ul style="list-style-type: none"> • Strengthen preliminary investigations of potential M&A targets • Strengthen monitoring after M&A execution • Accelerate development through internal and external technology fusion • Effectively implement business reviews and design reviews
	Information management Risk <ul style="list-style-type: none"> • Customer, technology, and other information leaks • Business suspension due to system failures resulting from cyberattacks or natural disasters, etc. 	▶ P.71 <ul style="list-style-type: none"> • Strengthen cybersecurity monitoring systems • Formulate guidelines for handling personal information and build a data protection framework • Regularly strengthen employee training and ensure thorough information management by importance • Completely duplicate mission-critical systems
Operational risk	Quality Risk <ul style="list-style-type: none"> • Higher response costs and damage to reputation due to major product-related incidents • Product recalls or discontinuation due to questions over safety, the environment, or statutory and regulatory compliance 	▶ P.69 <ul style="list-style-type: none"> • Implement quality management across the entire process, from product development to design, production, and sales, and work to improve quality levels • Establish systems to thoroughly prevent quality data irregularities and falsification • Prevent quality issues through preliminary reviews at the development stage
	Safety Risk <ul style="list-style-type: none"> • Incidence of major workplace accidents • Fire, explosion, or hazardous substance leaks 	▶ P.68 <ul style="list-style-type: none"> • Improve equipment safety • Develop human resources to take the initiatives in safety activities and create a culture for this • Improve emergency response measure skill levels • Implement regular safety and disaster-preparedness audits
	Laws/Compliance Risk <ul style="list-style-type: none"> • Unethical or criminal behavior • Violations of the Monopolies Act or fraudulent transactions • Unauthorized overwriting of data • Bribery • Harassment, etc. 	▶ P.70 <ul style="list-style-type: none"> • Instill compliance awareness • Build and employ a whistleblowing system for internal and external use • Provide legal and compliance training for employees • Enact risk management and internal regulations, and provide education on guidelines • Reinforce the global legal affairs structure
	Intellectual Property Risk <ul style="list-style-type: none"> • Costs involved in fighting disputes related to intellectual property and damage to reputation Opportunity <ul style="list-style-type: none"> • Management resources that support growth and profits 	▶ P.21 <ul style="list-style-type: none"> • Secure strategic intellectual property, and maintain and manage acquired intellectual property • Conduct intellectual property training for employees • Conduct timely investigations to avoid intellectual property infringement • Implement strategic intellectual property management through the use of IP landscaping

Addressing Risks and Opportunities Climate Change Risks Impact Analyses*

* Since fiscal 2021, we have adopted 1.5°C and 4°C scenarios.

Regarding climate change, we are investigating steps we can take to become aware of risks and opportunities, reduce risks, and turn risks into opportunities. We recognize climate change as a serious external risk. Accordingly, we have considered policies and countermeasures to address this risk when exploring medium- to long-term strategies and established an environmental medium-term plan. The environmental medium-term plan is then approved by the Board of Directors. We have implemented PDCA cycles to pursue climate change-related initiatives, based on the indicators and goals for the plans to promote addressing climate change-related risks. [▶ P.39 Environment](#) [▶ P.65 Sustainability Promotion Framework](#)

Bold type: Innovation-related items

Type	Climate Change Risks	Financial Impacts	Business Risks	Business Opportunities	Response/Actions by SEKISUI CHEMICAL Group
Transition	Carbon tax increase	Large	<Medium to long term> <ul style="list-style-type: none"> Increase in energy procurement costs Decrease in sales due to adding costs to product prices 	<Medium to long term> <ul style="list-style-type: none"> Acquire business opportunities by differentiating through early response Stabilization of energy costs by introducing renewable energy 	<ul style="list-style-type: none"> Accelerate the conversion to renewable energy and transform internal awareness by implementing an internal carbon pricing scheme under the Policy to Facilitate Renewable Energy Adoption Improve effectiveness through public commitments such as SBT certification
	Regulations for energy savings/low carbon	Large	<Short term> <ul style="list-style-type: none"> Increase in capital investment to strengthen energy conservation and renewable energy <Medium to long term> <ul style="list-style-type: none"> Increase in introduction costs for renewable energy certificates, etc. 	<Short term> <ul style="list-style-type: none"> Increased sales from energy conservation/storage/creation businesses Increased sales from CO₂-regulation compliant products 	<ul style="list-style-type: none"> Establish an ESG investment framework (¥40 billion/three years), including climate change action Develop new energy creation technologies (e.g., perovskite solar cells) ▶ P.23 Review green procurement standards as appropriate Standardize housing with ZEH specifications
	Policies	Large	<Short term> <ul style="list-style-type: none"> Increase in renewable energy procurement and waste treatment costs <Medium to long term> <ul style="list-style-type: none"> Lose market share from loss of differentiation due to mandating of low-carbon products such as ZEH Reduction of business opportunities due to stricter laws and regulations related to resource recycling 	<Short term> <ul style="list-style-type: none"> Increased need for technologies to reduce CO₂ during waste incineration <Medium to long term> <ul style="list-style-type: none"> Increase in sales of new homes due to expansion of ZEH market from mandatory ZEH specs Expanding opportunities for horizontally recycled products such as in-house and industry-wide collection 	<ul style="list-style-type: none"> Develop technology for creating ethanol from garbage (e.g., BR) ▶ P.22 Use purchased power after FIT (e.g., Smart Heim DENKI) Expand Products to Enhance Sustainability ▶ P.43 Consideration of expanding horizontal recycling of in-house plastic products (e.g., KYDEX buyback system, etc.) Development of services to improve the recycling value of housing products (e.g., Be-Heim) ▶ P.53
	Litigation	Medium	<Medium to long term> <ul style="list-style-type: none"> Lawsuits against companies using fossil fuels 	<Medium to long term> <ul style="list-style-type: none"> Increase in business opportunities due to consumer trust earned from commitments to society 	<ul style="list-style-type: none"> Disclose environmental vision and 2050 GHG emissions reduction targets Improve scores in various external benchmarking systems
	Technologies	Large	<Short term> <ul style="list-style-type: none"> Increase in re-certification costs due to change of low-carbon materials <Medium to long term> <ul style="list-style-type: none"> Changeover to lower carbon materials and processes 	<Short to medium term> <ul style="list-style-type: none"> Increase in business opportunities for Products to Enhance Sustainability that contribute to low carbonization <Long term> <ul style="list-style-type: none"> Business expansion through prioritized procurement of resource recycling friendly designed products 	<ul style="list-style-type: none"> Use of LCA in planning, development and marketing (CFP, environmental impact other than climate change) Use of learn from nature technologies and continuation of researcher subsidies Promotion of renewable energy in factories (e.g., Smart Heim DENKI) Reduction of factory waste and acceleration of resource recycling Product development using bio-derived materials Product development using recycled materials and increasing their use
	Development of decarbonization technology	Large	<Medium to long term> <ul style="list-style-type: none"> Opportunity loss due to delay in introduction of decarbonization technologies 	<Medium to long term> <ul style="list-style-type: none"> Expand business opportunities by decarbonizing products Creation of new businesses utilizing decarbonization technologies 	<ul style="list-style-type: none"> Development of CCU technologies in collaboration with different industries (e.g., collaboration with ArcelorMittal, S.A.) ▶ P.23
	Change in consumer behavior	Medium	<Long term> <ul style="list-style-type: none"> Decrease in sale of new cars Opportunity loss due to inability to recycle resources and use decarbonization incentives 	<Medium term> <ul style="list-style-type: none"> Acquisition of incentives through resource recycling and visualization of decarbonized value <Long term> <ul style="list-style-type: none"> Increase in profitability from shift to higher-performance products Expansion of market for ICT-related products 	<ul style="list-style-type: none"> Efforts to improve resource recycling value through industry collaboration (e.g., CLOMA (for marine plastic issues)) Development of highly heat-resistant, durable, and other high-performance products Development of lightweight solar cells, heat release products
	Market uncertainty	Medium	<Long term> <ul style="list-style-type: none"> Investments to stabilize power supply for dispersed renewable energies 	<Long term> <ul style="list-style-type: none"> Increase in sales of products to support a more dispersed society 	<ul style="list-style-type: none"> Sales of houses that realize energy self-sufficiency Development of resource recycling technologies (e.g., BR, material waste recycle)
	Changes in consumer preferences	Medium	<Short to medium term> <ul style="list-style-type: none"> Sales decline due to inability to keep up with sustainable lifestyle preferences <Long term> <ul style="list-style-type: none"> Decrease in sales due to increased preference for sharing over owning 	<Short to medium term> <ul style="list-style-type: none"> Improve corporate brand and expand sales with products that support sustainable living <Long term> <ul style="list-style-type: none"> Creation of new businesses to meet consumer preferences 	<ul style="list-style-type: none"> Promotion of sustainable town development businesses (e.g., ABINC certification of Asaka Lead Town) Begin services using housing big data (e.g., Smart Heim DENKI)
	Industry criticism	Large	<Medium to long term> <ul style="list-style-type: none"> Investor valuation decline for companies that do not decarbonize <Long term> <ul style="list-style-type: none"> Decline in evaluation of companies that do not understand the biodiversity impact of decarbonization solutions 	<Short to medium term> <ul style="list-style-type: none"> Secure stable financing by demonstrating compatibility with resource circulation <Long term> <ul style="list-style-type: none"> Consideration of nature-positive decarbonization solutions and high evaluation for product development 	<ul style="list-style-type: none"> Use of renewable energy by purchasing electricity after FIT Promotion of reform and use of in-house system for planning and R&D (product environmental impact assessment) Promotion of efforts to reduce the impact on nature and information disclosure (e.g., use of Land Use Score Card™)
Physical	Frequent typhoons	Large	<Short term> <ul style="list-style-type: none"> Increase in damage such as in plant shutdowns and sales decrease 	<Short term> <ul style="list-style-type: none"> Increase in needs for resilient infrastructure 	<ul style="list-style-type: none"> Understand water risks and implement countermeasures Development of highly durable infrastructure Accelerate infrastructure renewal in developed nations (e.g., SPR method) Expand infrastructural business in developing nations Development of disaster response products (e.g., drinking water storage systems) ▶ P.46 In-house fusion mechanism for adaptive product development, task force projects
	Heavy rain/droughts	Large	<Medium to long term> <ul style="list-style-type: none"> Increase in costs to control flooding and overflows Decrease in sales due to supply chain disruption <Long term> <ul style="list-style-type: none"> Increase in insurance premiums 	<Short term> <ul style="list-style-type: none"> Increase in sales of products in areas with a high level of water-related risks <Long term> <ul style="list-style-type: none"> Increase in needs for equipment/facilities for disaster preparedness 	
	Changes in rainfall patterns	Medium	<Short term> <ul style="list-style-type: none"> Increase in costs for restructuring supply chain 	<Short term> <ul style="list-style-type: none"> Increase in sales of heat insulating/heat shielding products 	<ul style="list-style-type: none"> Explain procurement guidelines to raw material suppliers Globally disperse production bases Reinforcement of OEM structure in accordance with increase in illness
Chronic	Rise in sea level	Medium	<Medium to long term> <ul style="list-style-type: none"> Increase in heat stroke/other illnesses related to warming 	<Medium to long term> <ul style="list-style-type: none"> Increase in needs for pharmaceutical products/diagnostic drugs that contribute to treatments 	
	Rise in average temperatures	Medium	<Long term> <ul style="list-style-type: none"> Increase in air-conditioning/cooling costs 		

The Financial Impacts in the table were evaluated in three categories: large, medium, and small, in light of the magnitude of the impact on related financial indicators. The risks and opportunities that become apparent are described in three stages: Short term (less than 3 years), medium-term (3 to less than 6 years), and long-term (6 years or more).

Special Feature

New Human Resources Strategy



Interview with the Director who heads the Human Resources Department

SEKISUI CHEMICAL Group is committed to ensuring that its challenge-oriented corporate culture continues to take root through HR policies that allow diverse human resources to excel

Kazuya Murakami

Director, Executive Officer,
Head of the Human Resources Department

Q Tell us about SEKISUI CHEMICAL Group's approach to human resources management.

Based on our belief that employees are precious assets bestowed on us by society, we adopt a fundamental five-tier approach: (1) support employees who take it upon themselves to pursue new challenges, (2) value employees who are willing to grow through their own initiatives, and we provide support while expanding education and training programs, (3) prize employees who honor their commitments with fair and equitable evaluations and by providing incentives, (4) acknowledge and respect diverse work styles, and (5) value the well-being of employees by striving to create safe and secure work environments.

Unlike other human resources systems that are subject to periodic review and revision, this approach underpins every facet of our human resources management. Drawing from each of the five tiers, we develop human resources strategies linked to our business activities.

Q What qualities do you look for in the human resources who will play a central role in the Group?

SEKISUI CHEMICAL Group comprises roughly 27,000 employees. Around 5,000 of this total serve in key positions and play a central role in advancing the Group's business strategies. Rather than accept the status quo, we would hope that these key leaders will continue to provide the impetus for continuous change. Among these leaders, a smaller group of approximately 300 major line managers are responsible for driving the Group forward. As the core personnel charged with triggering innovation through growth and evolution, we would expect this core group to promote the reform of existing businesses while constantly pursuing opportunities in new frontier fields. As the principal group that unites and leads an organization comprised of diverse human resources, this top tier of managers is also required to strengthen and optimize the Group's organizational prowess while raising employee morale and the level of human resources capabilities.

Since transitioning to a divisional company organization system more than two decades ago in 2000, SEKISUI CHEMICAL Group has worked diligently to fortify its competitive advantage in each of its business market fields. As a processing manufacturer that holds few raw materials, each of the Group's businesses share the same concern of how to provide ongoing added value. Based on the knowledge that the value added now will inevitably become obsolete, top managers frequently communicate to leadership personnel the need to approach business with a healthy sense of crisis and an understanding that remaining stationary will lead to the extinction of value. Taking into consideration the aforementioned, I am convinced that the notion individual business units must continue to refine their prominence is steadily becoming entrenched throughout the entire Group.

Q What are your thoughts on investing in human capital?

Turning first to the level of compensation, we have historically incorporated research data on industry standards as well as companies of a similar scale into our human resources structure and systems. I believe we maintain a certain degree of competitiveness at this time. Taking into consideration any impact on the Company's current compensation, we took steps to renew our system in April 2022. Moving forward, we are looking to also position human resources investment as a non-financial indicator in our ESG management, after taking into account total personnel costs and the growth rate of marginal profit per employee.

As far as human resources education and training as an investment in human capital is concerned, the Group already provides a program developed in-house and conducted by employees as instructors, which we believe is reasonably effective. Looking ahead, we will continue to focus on human resources development that enables an increasingly diverse workforce to maximize the potential of their individual strengths, with an eye to both quality and cost.

Q What led to the renewal of the Group's human resources system in April 2022, and what do you hope to achieve?

Having initiated steps to consider a renewal of its approach toward human resources from 2020, SEKISUI CHEMICAL Group unveiled a new system in April 2022. In addition to clarifying the various missions and roles required to achieve the ideal forms set forth in the Long-term Vision, our goals in renewing the system are to support and assign our diverse pool of employees, who will take on challenges and improve themselves regardless of their age or year of employment, and to transform the system into one that genuinely puts the right person in the right place at the right time. Turning first to SEKISUI CHEMICAL on a stand-alone basis, we targeted approximately 1,300 key employees. Here, we see certain benefits from various perspectives including organizational management. We believe, for example, that it will be easier for human resources from the younger generation to picture their own career paths and vision of the future in greater detail by clarifying what each individual is committed to when carrying out his or her duties.

Naturally, we can expect a temporary negative effect on the motivation of employees as compensation declines depending on the individual. However, I expect that under the new human resources system, we will be better placed to change the awareness of each and every employee. With this in mind, I am convinced that the growth potential of each individual will become more apparent. Ultimately, we hope to create an environment in which employees are keen to work for a long period of time while experiencing both joy and hope as a member of SEKISUI CHEMICAL Group and contributing to society through the Group's business.

As a company that boasts a diverse and wide range of business fields in which employees can play an active role, I believe that SEKISUI CHEMICAL Group offers considerable appeal. Even as our business evolves with the changing times, I would hope that the Company will continue to provide a place in which

Special Feature New Human Resources Strategy

Interview with the Director who heads the Human Resources Department

each and every employee can excel while realizing their full potential through self-improvement.

Q Under the Company's Long-term Vision, SEKISUI CHEMICAL Group is targeting sales growth in the global market. Tell us about the Company's human resources strategies and challenges related to global talent employees.

Historically, each divisional company has taken the lead in recruiting and training human resources at overseas locations with regard to global talent employees. Currently, there are only a few non-Japanese staff in top management positions at the Group's overseas bases. With this in mind, how to best develop a global human resources strategy that incorporates the Group-wide perspective of corporate headquarters is a major issue. The goal should not be simply to increase the number of non-Japanese employees. Focus should also be placed on promoting the development of local staff with a view toward succession planning while lifting the capabilities of existing key personnel. This is expected to bring the Group one step closer to appointing large numbers of local staff to top management positions at overseas bases in the future.

Certain non-Japanese managers are already taking on top management positions at multiple Group companies overseeing not only a single local subsidiary but also overseas regions as a whole. There is no so-called glass ceiling at SEKISUI CHEMICAL Group. The hope here is that locally hired employees realize that there are ample opportunities for human resources, who have high aspirations and are looking to take on senior roles.

Q Tell us about the degree of employee challenging behavior expression rate, which the Company has identified as a KPI for achieving the Long-term Vision.

A SEKISUI CHEMICAL Group has set a high bar under its Long-term Vision. In specific terms, the Company is targeting net sales of ¥2 trillion and operating profit of at least ¥200 billion in 2030. These targets are based on the premise that each and every employee will not simply act in accordance with top-down instructions but rather understand and share an affinity with the Company's vision and business strategy. In this regard, employees are expected to act on their own initiative. With its human resources strategy linked closely to the Company's business plans, SEKISUI CHEMICAL Group recognizes the need to clarify the critical role that taking on challenges plays in realizing its goals. For this reason, we have positioned the degree of employee challenging behavior expression rate as a KPI.

To measure this degree of challenging behavior expression, SEKISUI CHEMICAL Group conducts an employee survey. This survey is designed to identify whether each employee recognizes, understands, and shares an affinity with the Company's Vision. In addition to clarifying whether employees are making their own plans while taking action to meet each challenge, the survey looks at whether employees see the outcomes of their actions, sense any change, or are producing results. Through this survey, we understand the degree of employee challenging behavior expression, and place ourselves in a better position to reflect that in our measures.

Q Tell us about your own challenges.

I moved from the Human Resources Development Division of the HPP Company* to the Company's Human Resources Department at Corporate Headquarters in October 2020. In carrying out human resources strategies from a Group-wide perspective, it is vital that I understand the strengths and issues of our business as a whole as well as its people and the organization. This applies not only to the HPP Company but also to those divisional companies where I have no experience. On a personal note, one challenge is therefore to fulfill my responsibility and reflect this understanding in what needs to be accomplished going forward. Owing

to COVID-19, concepts regarding human capital are changing at an accelerated pace including the ways in which people work. Conventional Japanese wage and human resources systems that have been based on a predetermined number of working hours might no longer hold sway for certain occupations. Taking the aforementioned into consideration, I continue to think daily about what I should do and constantly stay in motion while feeling a strong sense of responsibility to put in place forward-looking human resources strategies.

* HPP Company: High Performance Plastics Company

Q What measures are you promoting to ensure work-style reform? How are you working to upgrade and expand diversity?

We have been promoting steps to set common Group-wide targets for total working hours, yearly days off, and paid leave take-up rates since fiscal 2018. As teleworking has increasingly become the norm amid the COVID-19 era, we have pushed forward measures to improve productivity from the dual perspectives of autonomous work styles by each employee and autonomous management support by superiors under the banner of Work-Style Reforms 2.0 from fiscal 2021.

With a view to upgrading and expanding diversity, we are looking to increase the number of women, which is currently low in absolute terms. This in turn will lift the number of female managers. As far as the hiring of people with disabilities is concerned, our goal is not only to meet statutory requirements but also to put in place a system that leads to permanent employment. From a health management perspective, we are working with employees to improve the seven health habits* in a bid to maintain sound health. Drawing on employee surveys, we are endeavoring to improve the health of employees while keeping track of the percentage of our workforce that requires care and attention.

SEKISUI CHEMICAL Group has received a certain level of recognition from external organizations for its efforts to upgrade and expand diversity. The Company has, for example, been selected as a Semi-Nadeshiko Brand and certified as a Health and Productivity Stock as well as a White 500 Health and Productivity Management Organization. Moving forward, we will continue to engage in activities that live up to this recognition and pursue measures with a sense of urgency.

* Seven health habits: The seven items of breakfast, snacks, exercise, weight, sleep, smoking, and drinking considered significant in determining the degree of physical health advocated by Dr. Lester Breslow of the University of California, Los Angeles, in the United States.

Q In closing, do you have a message for stakeholders?

SEKISUI CHEMICAL Group has a large number of attractive businesses. We believe that many of these businesses offer considerable promise for the future. As far as the human resources strategies that support the human capital required to realize these businesses are concerned, we will continue to adopt the approach that employees are precious assets bestowed on us by society maintaining the Group's unwavering DNA to consistently take on challenges. Having said this, we will not hesitate to make the necessary changes in line with conditions as our business evolves, while adding our own unique brand of innovation.

From a human rights perspective, which for many has been taken for granted in the past, I believe the time has come for us to reexamine our thinking and to communicate our approach both internally and externally throughout the entire supply chain. A decade from now, when the digital native generation takes prominence, I am also convinced that the DX infrastructure that we are currently advancing Group-wide will continue to evolve around that generation's exploits.

More than ever before, I am conscious of the need to cast a wide antenna. In these ever-changing times, I hope to help create an organization in which each and every employee can fully demonstrate his or her unique strengths and continue to take on challenges.

Special Feature New Human Resources Strategy

Employee Comments

SEKISUI CHEMICAL Group comprises employees with diverse backgrounds who are committed to achieving the Company's Long-term Vision. Rather than simply act in accordance with top-down instructions, employees take proactive steps based on an understanding of the Company's vision and business strategy. SEKISUI CHEMICAL Group has identified the degree of employee challenging behavior expression rate as a KPI to measure whether employees see the outcomes of their actions, sense any change, or are producing results. In the section that follows, we provide details of interviews conducted with employees who are well positioned to comment objectively on SEKISUI CHEMICAL Group, including staff hired mid-career and non-Japanese personnel. We focus on how each employee has embraced and taken ownership of the Long-term Vision.

- Q1** Tell us about your career to date.
- Q2** Why did you decide to join the SEKISUI CHEMICAL Group?
- Q3** What are your thoughts on SEKISUI CHEMICAL Group's corporate culture?
- Q4** How do you perceive the connection between the Company's Long-term Vision and your own work?
- Q5** What challenges would you like to take on going forward?



Kazunobu Kumeda

Head of Sales Group, Sales Promotion Office
Town and Community Development Department
Housing Company

A1 After working at a housing-related company for approximately 20 years engaging in a wide range of subdivision housing, condominium, detached housing, and other town and community development activities, I joined SEKISUI CHEMICAL Group in April 2021.

A2 Much like the representative Asaka Lead Town, SEKISUI CHEMICAL Group is working to expand its Town and Community Development business, which is based on the smart and resilient concept, by mobilizing the collective strengths of the Group. I decided to join the Company because I thought it would open the door to a host of opportunities that would allow me to demonstrate my know-how, knowledge, and experience. I have always been attracted to the Company's Housing Business as an industry leader in the energy conservation, energy creation, and other environmentally conscious housing construction fields. Drawing on the Company's Mission, technologies, and attractive products, I hope to participate in Town and Community Development that will bring as much joy as possible to local residents and people in the surrounding area.

A3 I believe that the Company's insistence on quality and the speed with which it carries out its business is indicative of a corporate culture that is unique to SEKISUI CHEMICAL Group. In addition, each and every employee is highly motivated to take on challenges for the sake of their own and

the Company's growth. By placing myself in this environment, I feel that I am able to take on various challenges and grow every day. Meanwhile, our town and community development activities are still structured under a new business and organization. As such, we remain in a nurturing phase. Making the most of my experience to date, I hope to contribute to the expansion of the business and growth of the organization.

A4 Town and community development is one pillar of SEKISUI CHEMICAL Group's growth strategy. Despite the pressure that comes with knowing failure is not an option, my goal is to help expand the business, conscious of the need for both a definitive outcome and speed, while accepting the responsibility of ensuring success. Even when considered as a single project, the development of a town and community affects a substantial number of people. The children living in an area or town under development, for example, gain an affinity with the landscape and parks that are created. As these children grow in the developed towns and communities, they come to regard the area as their hometown with all the importance that this entails. I believe this is one social contribution with the responsibility to develop attractive towns and communities while envisioning such a future.

A5 The Company is looking to expand its town and community development endeavors to many other areas. Looking beyond just the town and community development concept, I believe that our efforts in the town management business are a feature that distinguishes SEKISUI CHEMICAL Group within the industry and a defining strength. Our work does not end with the development of a town. Extending to various areas including the protection of landscapes and creation of safe and comfortable living environments, we have put in place a structure and systems that are designed to satisfy long after taking up residence. My hope is that large numbers of people will feel great joy in living in a SEKISUI CHEMICAL Group town. The Town and Community Development business requires considerable investment including the purchase of land, development, and construction. Adding to this is the long-term nature of each project, I hope to help the Company in fulfilling its responsibility by carrying out uncompromising community development while at the same time contributing to society.

Special Feature New Human Resources Strategy

Employee Comments



Miriam Stadje

Human Resources Development Department
Urban Infrastructure & Environmental Products Company

A1 After joining SEKISUI CHEMICAL in 2018, I spent about two years in the Corporate Human Resources Department attending to various HR-related functions including employee language training and recruitment. Since fiscal 2019, I have been working at the UIEP Company, mainly in the area of global human resources development, and have been involved in the development of a career road map for global talent management. In addition, I created a platform on our SEKISUI Communication intranet that enables knowledge sharing and mutual communication among employees of the UIEP Company* worldwide.

* UIEP Company: Urban Infrastructure & Environmental Products Company

A2 Originally from Essen, Germany, I participated in an exchange program in Russia while still at university. At that time, I quickly recognized that traveling abroad and building connections with people paved the way for personal growth. Despite not even knowing the SEKISUI CHEMICAL name before entering the Company, I decided to join because I was attracted by the opportunity to be involved in global talent development and communication on the global stage.

A3 The Company is full of friendly people. Welcomed as a member of the SEKISUI family from my first day, I feel comfortable in this supportive corporate culture. Every day, I am impressed with the many employees who voluntarily strive to make a positive impact on society. In addition, the number of employees in the UIEP Company, especially of the younger generation, who have studied abroad or have high language skills is far greater than I had imagined. I feel that there is significant potential for global expansion in the future. Meanwhile, diversity encompasses much more than just age, gender or nationality. Take, for example, the wide range of approaches that can be taken to arrive at a solution. A culture that is more flexible and accepts individual differences can help ensure that we become a better company.

A4 SEKISUI CHEMICAL Group is looking to generate half of its total sales from overseas under its Long-term Vision, Vision 2030. To achieve this goal, I believe my mission is to create a climate in which global human resources can play an even more active role.

A5 My challenge for the future is to fully utilize the global talent management system and communication platform that we have built so far and establish workshops that lead to mutual exchanges between domestic and foreign employees, as well as set up a system for transferring

personnel from overseas. It is a big challenge to increase active communication, especially with people from countries where there is a time difference and English is not the native language, but I hope to contribute by providing many opportunities and stages for employees in Japan and overseas to interact and learn from each other, so that individual growth will lead to the organization's expansion.



Arturo Rios

Deputy General Managing Director
SEKISUI S-LEC MEXICO S.A. de C.V.
High Performance Plastics Company

A1 Since joining SEKISUI S-LEC MEXICO 25 years ago, I have served in a variety of capacities including process engineer and plant manager. Despite these various positions, my duties have consistently revolved around the manufacture and sale of interlayer films, a core product of SEKISUI CHEMICAL Group. Recognizing that I was at a loss due to the language and cultural barriers I encountered when training at the Group's Shiga-Minakuchi Plant in Japan in 1999, Mr. Kato, the Company's current president and S-Lec Production Director/Manager at that time, left a lasting impression through his support from both the work and life perspectives.

A2 My father worked for a Japanese company, and I had a strong interest in Japanese culture. After six months as a trainee, I received an offer and decided to join the company.

A3 Despite engaging in a wide array of businesses, the Group shares a corporate philosophy and 3S Principles, which form a common axis across the entire Group. I am also impressed by the Group's ability to generate higher profits while continuing to evolve its management style in tune with the changing times. While promoting global management that incorporates not only domestic but also overseas trends and perspectives, I believe it would be beneficial to further leverage the diversity of the Group's human resources and deepen integration by transferring employees and promoting interaction across companies, countries, and regional boundaries.

A4 SEKISUI S-LEC's interlayer films are widely used in car windshields and building materials thanks to the company's technological strength and high quality. Interlayer films contribute significantly to society. In addition to enhancing people's safety by preventing glass from shattering, interlayer films help reduce environmental impact due to their sound and heat insulation as well as lightweight properties. I also recognize that the company is contributing to society by creating local employment opportunities.

A5 My challenge is to put in place a system that ensures that the Group's corporate philosophy and business strategies are firmly entrenched throughout the organization, and not just at the executive and managerial levels. My role is to help develop and strengthen human resources who share these goals, which I believe will lead to profits across the entire Group.

Special Feature New Human Resources Strategy

Employee Comments



Reiko Tanaka

Life Science Strategy Group
Business Strategy Department
Headquarters

A1 After completing my post-graduate studies, I joined a pharmaceutical company thinking that a career in the health-related field would be my life's work. Involved in a wide range of activities including non-prescription drug technology research, product development, and licensing, I joined SEKISUI CHEMICAL in February 2021.

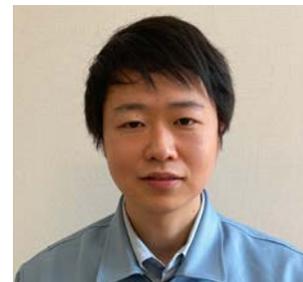
A2 Pharmaceutical companies in general focus mainly on providing treatments for people who are ill or inflicted with a disease. I believe that the key to extending healthy life spans is to get deeply involved in people's daily lives and prevent illnesses and diseases before they occur. Houses, in particular, where people eat and sleep, provide this close connection and an environment in which to gather considerable health-related information. Through the Housing Company, SEKISUI CHEMICAL Group is engaged in sustainable town and community development, which takes into consideration people's safety and security as well as the environment. With the extension of the Group's activities into the Life Science area, I joined the Company to become involved.

A3 SEKISUI CHEMICAL Group engages in a wide range of businesses, and the specialized skills of its employees are extremely diverse. In consulting with staff, I have learned and am extremely impressed with the ideas and knowledge that accumulate throughout the Company in unexpected places. I believe that SEKISUI CHEMICAL Group has established an environment that is conducive to innovation.

A4 I strongly believe that good health is a prerequisite for people to live a happy life that is true to themselves. I can think of nothing better than contributing to people remaining in good health for as long as possible through technologies and services that I have helped to develop. I am also convinced that efforts to extend people's healthy life spans and maintain a sound social security system while reducing Japan's healthcare and long-term care benefit costs will translate and lead to a reduction in each individual's social security payment. In carrying out my daily duties, I hope to help achieve the Company's goal of tripling its business scale in the Life Science Business by 2030, which in turn will contribute to people's health and society as a whole.

A5 Through involvement in and support of people's daily lives, there are ways that can be expected to improve the treatment effectiveness of certain diseases where there is currently no satisfactory medical reply. While we have initiated steps to cultivate the digital health field using the platform provided by SEKISUI CHEMICAL Group's Housing Business, plans are in place to steadily nurture these steps into

a viable commercial enterprise as a new business pillar in the Life Science Business going forward. The next challenge is to realize town and community as well as housing development where people can lead healthy lives just by living there. This is the dream I had when I joined SEKISUI CHEMICAL, a dream that I will never abandon as I continue to challenge myself.



Tatsuhiko Kasai

BR Business Group
New Business Development Department
Headquarters

A1 After completing my post-graduate studies, I worked at a plant engineering company designing and constructing pharmaceutical plants before joining SEKISUI CHEMICAL Group in May 2020. I am currently engaged in the start-up of a biorefinery (BR) plant in Kuji City, Iwate Prefecture.

A2 I have always had a keen interest in environmental businesses. SEKISUI CHEMICAL Group is not only involved in the planning, design, and construction of plants but also plays an active role after delivery to the customer. This includes every facet through to the plant coming online including test operation and ethanol production. Drawn by the attractive opportunities that this provides, I decided to join the Company.

A3 The department is built around a flat structure that makes it easy to express one's opinion. Working in the field, each individual is afforded considerable discretion, which I find extremely rewarding. The department itself is still in its infancy, and as such there are a host of details that must be covered. Having said this, I believe that the improvements made will help as we transition to the next phase.

A4 I believe that the BR business is distinguished by its high sense of social responsibility. In addition to the efficient disposal of unneeded waste, this waste can at the same time be converted into value-added basic chemical products in a manner that has minimal environmental impact. Seeing the plant I helped design come to fruition right in front of my eyes is a source of tremendous excitement. Currently in a position to conduct demonstration trials and to finally contribute to society, I can only expect this excitement will grow as the plant officially comes online and reaches the stage of commercial production.

A5 As I mentioned, my challenge is to steadily launch the demonstration plant and bring the project through to commercial production. Building on these achievements, the goal is to then embark on the start-up of the next new plant. Based on the experience and knowledge gained from the process of planning and design to commercialization, coupled with the empirical data obtained after the plant comes online, I would like to become a person who can undertake the management of an entire BR plant while coordinating with the customer.

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

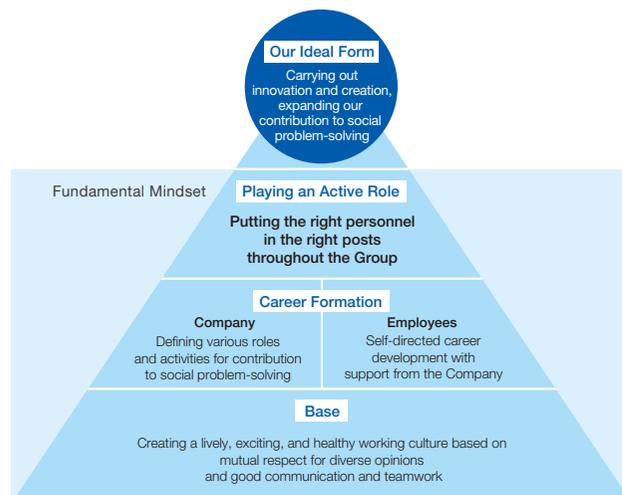
SEKISUI CHEMICAL Group positions human resources as the driving force behind its ability to generate innovation and realize its Long-term Vision. Accordingly, we are working to put in place vibrant workplaces that enable diverse human resources to take on challenges and play an active role.

Stance Toward Human Resources

Based on our belief that employees are precious assets bestowed on us by society, the Group offers various opportunities to support individuals pursue career autonomy* 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. For the Group to contribute more than ever to solving social issues in the face of mounting hurdles to realize a sustainable society, we are undertaking the following measures outlined in our Medium-term Management Plan through to 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

Human Resources Management Principles



* 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.

Vision Management and KPIs

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 rate as a KPI in terms of human resources and measure the level by questionnaires while aiming for improvements.

We will look to ascertain on a regular basis whether employees are in fact engaging in challenging behavior and whether the organization is conducive to taking on challenges. Our findings will then be used to make improvements at each workplace.

	Fiscal 2021 Results	Fiscal 2022 Target
Rate of challenging behavior expression*	13%	17%

* The percentage of respondents who replied in the affirmative to the question: "Are you taking concrete actions to take on challenges toward realizing Vision 2030?"

To roll out 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 workplace workshops, and incorporated this vision into the visions of each department and in the business plans for the fiscal year. The impressions and opinions from the workshops were then fed back to management. Following on from these endeavors, steps are taken to share the collective advice and know-how of the managers of each workplace. This is then used to by each workplace to reconsider and put in practice action plans.



SEKISUI CHEMICAL Group also periodically conducts an engagement survey targeting all employees. The results of each survey are analyzed and used as the basis for policy planning. With the aim of increasing engagement, we launched the Engagement Drive Project, made up of members from the human resources departments of each organization in fiscal 2020. From fiscal 2021, we are accelerating activities, including efforts to foster a culture that encourages challenges.

Employee Career Development and Ensuring the Right Person Is Assigned to the Right Place

SEKISUI CHEMICAL revised its human resources system in fiscal 2022. Through backcasting, steps were taken to clarify the missions and roles that are necessary to achieve the ideal form. Efforts are also being made to support employees to challenge and improve themselves regardless of age or year of employment while shifting to a system for human resources that ensures that the right person is assigned to the right place. Moreover, SEKISUI CHEMICAL transitioned its career training from a conventional framework based on the axes of age and continuous service to one based on the axes of role and occupation.

SEKISUI CHEMICAL has initiated steps to conduct career interviews from fiscal 2022 in an effort to promote the development of career autonomy by individual employees. Each individual employee makes a declaration on his or her career based on past experience, future roles, and expectations. Based on this declaration, superiors conduct interviews with each employee, and will support employees in acquiring the necessary skills and experience required to realize career plans when considering systematic training and work assignments in collaboration with the Human Resources Department.

Improving Human Resources Capabilities

SEKISUI CHEMICAL Group is working to develop both business leaders, who will someday shoulder management, and human resources, who support its manufacturing processes. We are putting in place a support program to help employees acquire the necessary knowledge, skills, and know-how at an early stage in a bid to sustainably develop the next generation of leaders. In addition to creating an environment that is conducive to human resources, who will support the foundations of management in practical terms in the workplace, accumulate experience over the long term and acquire highly specialized knowledge and skills, we are deploying the Meister System to strengthen the abilities of human resources in the workplace.

The Group has established a training manager (brother/sister) program aimed at enabling new employees to smoothly adapt to their assigned workplaces and quickly hit the ground running. This experience of training junior staff also promotes the growth of young employees who later take on these responsibilities. To acquire knowledge from outside the Company and enhance its business potential, the Group is increasingly active in the hiring of mid-career employees (experienced personnel). Moreover, we conduct follow-up training that covers various areas including basic knowledge of the Group as a part of efforts to put in place an environment in which mid-career hires can quickly demonstrate the high levels of competence and specialized skills they have accumulated in previous positions.

Human Resources

Diversity and Inclusion

Not only perceiving diversity by differences understood from such attributes as gender, age, and race, we also focus on differences that include careers, values, and personality, based on SEKISUI CHEMICAL Group's Diversity Management Policy. We understand, recognize, and utilize the differences between each and every employee as strengths.

Allowing Diverse Human Resources to Excel (Women's Empowerment)

With regard to promoting the empowerment of women, we are advancing initiatives divided into four stages: enhancement of the employment of women, retention and active participation, promotion to managerial positions, and follow-up training for promotion to post-managerial positions (executive directors). By, for example, increasing the hiring of women who will play key roles and implementing training programs including hands-on training cycles and career building, we are working to foster greater awareness while enabling women to take on the challenges of leadership and learning by themselves from an early stage.

After their promotion to managerial positions, we aim to raise awareness of higher-ranking positions at exchange meetings for women in management positions and to systematically develop them by, for example, having them provide their experiences to line managers. From April 2021, there were two female executive officers. We are endeavoring to foster the next generation, such as by opening an in-house academy.



▼ Selection as a Semi-Nadeshiko Brand

https://www.sekisuichemical.com/news/2022/1372870_38754.html

Trends in the Number of Employees and Ratio of Women (SEKISUI CHEMICAL Non-consolidated)

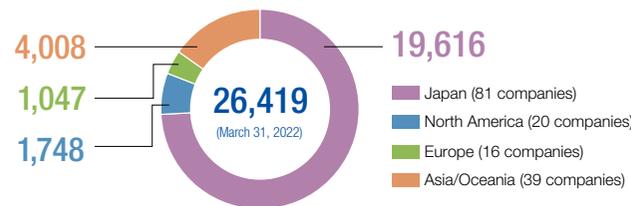
	FY2018	FY2019	FY2020	FY2021
Total number of employees	3,918	3,956	3,960	3,902
Ratio of women	15.0%	15.9%	16.5%	16.7%
Total number of managerial positions	1,366	1,376	1,381	1,395
Ratio of women	3.2%	4.1%	4.3%	4.3%
Number of women in management positions	44	56	60	60

Targets for promotion of women's activities	FY2025	FY2030
Number of women in management positions (goals)	80	120

Allowing Diverse Human Resources to Excel (Global)

Expanding our business overseas is key to realizing our Long-term Vision. Not only is it important to globalize employees in Japan, but we also recognize the need 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. We have introduced and are promoting the use 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 a measure to roll out our Long-term Vision, the presidents of our local subsidiaries in each region held internal vision caravans in fiscal 2021 laying the groundwork for employees around the world to head in the same direction.

Number of Employees by Region



Allowing Diverse Human Resources to Excel (Seniors/People with Disabilities)

(Seniors) The retirement age was extended from 60 to 65 at SEKISUI CHEMICAL and eight Group companies in October 2021. To increase opportunities for employees regardless of age. Plans are in place to complete the extension of the retirement age across the entire Group during fiscal 2025.

(People with Disabilities) We incorporate support from experts for hiring people with disabilities to meet the needs of each Group company, extending from career development to putting in place working environments.

Allowing Diverse Human Resources to Excel (Balanced Support)

SEKISUI CHEMICAL Group is introducing a variety of systems designed to enable employees to work flexibly in tune with their life events and lifestyles including child and nursing care. To encourage male employees to take childcare leave, we are promoting such initiatives as message videos by the Director of the Human Resources Department and e-learning geared toward those in managerial positions.

Promotion of Work-style Reforms

As a part of its Work-style Reforms 1.0 initiative, SEKISUI CHEMICAL Group has been actively channeling management resources to such endeavors as capital investment and the introduction of systems aimed at improving productivity since 2018. At the same time, management and employees have worked in unison to reduce working hours by pooling their knowledge and expertise across the Group. From fiscal 2021, as part of the Work-style Reforms 2.0 initiative, ESG investments have been made to reduce working hours. Steps are also being taken to improve the quality of work and increase productivity by encouraging employees to work independently. Moreover, we are working to create a flexible work environment that allows employees to work irrespective of location both in the office and remotely, and are revising our work system. In fiscal 2021, we accelerated the deployment of each system to each Group company and made great progress in the introduction of working from home/flexible hours systems. We are also working to optimize working hours, paid leave utilization, and flexible work styles throughout the Group, which are linked to the Work-style Reforms.

Promotion of Health Management

Based on the belief that employees are precious assets bestowed on us by society, we are promoting activities in the following five segments in a bid to achieve the physical, mental, and social well-being of all employees.

1. **Physical health: Health checkups and measures to prevent lifestyle diseases**
2. **Mental health: Stress checks, training program and counseling center**
3. **Organization: Systems and workplaces where people can work with peace of mind**
4. **Group-wide initiatives**
5. **Increase motivation and productivity**



▼ Selection as a 2022 Health & Productivity Stock

https://www.sekisuichemical.com/news/2022/1372336_38754.html

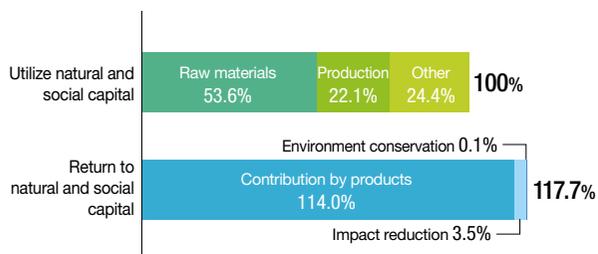
Environment—Addressing Climate Change

SEKISUI CHEMICAL Group is working on environmental issues from a long-term viewpoint toward the realization of a sustainable society. Our vision for the planet in 2050 is one where biodiversity is maintained in which many of the issues facing us have been resolved, and biodiversity is preserved in a healthy condition. Recognizing that our corporate activities rely on the planet's natural and social capital, we will work to resolve global issues such as climate change, resource recycling, water risks, and biodiversity, and to contribute to the return of natural and social capital through three activities: (1) expand and create markets for Products to Enhance Sustainability; (2) reduce environmental impacts; and (3) conserve the natural environment. To accelerate the Group's contribution to returns, we will pursue initiatives not only as the Group but also in cooperation with our stakeholders.

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

We set goals and implement each measure for our environmental medium-term plans by backcasting from the Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. In the Medium-term Environmental Plan SEKISUI Environment Sustainability Plan Accelerate II, which runs through fiscal 2022, climate change, water risk, and resource recycling are being advanced as priority environmental issues.

Integrated Index: Sekisui Environment Sustainability Index



Fiscal 2021 Results

Rate of return to natural and social capital through corporate activities **117.7%***

* The goal for fiscal 2022 under the Medium-term Plan is 100% or higher

Breakdown of the rate of return to impacts regarding the aspect of nature

Rate of return to biodiversity **49.7%**

Rate of return to plant biomass **41.0%**

Note: Calculated using LIME2, a damage calculation-based impact assessment method for use in Japan

For details on climate change initiatives and scenario analyses, see the TCFD Report.

▼ TCFD Report

<https://www.sekisuichemical.com/csr/report/>

Efforts on Environmental Issues

- Promote innovation contributing to low carbon and decarbonization
- Reduce energy consumption in manufacturing (energy consumption innovation)
- Use electricity from renewable sources
- Convert purchased electricity to renewable energy (energy procurement innovation)
- Reduce SCOPE 3 emissions by cooperation from supply chain
 - Purchased products & services (main resins)
 - Reduce GHG emissions in use of sold products (houses)
- Expand GHG reduction contributed by products in the life cycle

- Expanded use of non-fossil-derived and recycled materials
- Promote innovation that contributes to resource recycling
- Maximize the material recycling rate



To verify progress toward the Long-term Environmental Management Vision, we calculate the rate of return to natural and social capital using the Sekisui Environment Sustainability Index as an integrated indicator. As a breakdown of this calculation, in addition to climate change issues, the effects on plant biomass (primary production of plants) and biodiversity (number of extinct species) are being estimated, and the impact on natural capital (aspects of nature) monitored. While neither aspect has yet reached a rate of return of 100% or higher, SEKISUI CHEMICAL Group is steadily promoting corporate activities that will help realize a nature-positive future by addressing such environmental issues as climate change and resource recycling.

The aspects of the Group that place a heavy burden on biodiversity include raw materials, chemical substance emissions, and the disposal of sold products. We also acknowledge that paper derived from biomass and materials derived from petroleum, in particular, place a significant burden on plant biomass. To reduce the impact of these, we recognize the importance of strengthening procurement that takes into account the sustainability of non-fossil resources, and therefore prepared the Sustainable Procurement Guidelines for raw materials. Similarly, we initiated activities aimed at reducing environmental impact and corporate risks in cooperation with suppliers.

Moreover, to reduce the impact on nature and expand return to nature, we recognize the importance of developing products and technologies that contribute to decarbonization, as well as of perfecting services and technologies that reduce disposal of sold products and promote resource recycling. We are therefore engaged in expanding Products to Enhance Sustainability.

Environment

Efforts to Address Climate Change

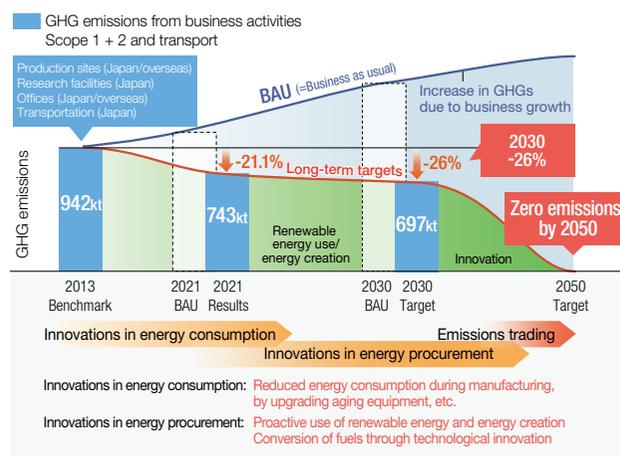
Based on the results of scenario analyses conducted in line with the recommendations of the TCFD in fiscal 2019, we identified climate change issues as risks and opportunities (▶P.31) that could have a major impact on business, which is why we define the environment as one of the key issues for the Group.

In response to the recent demand to accelerate climate change mitigation and adaptation measures, the Group determined to raise the target for GHG reductions for 2030 to 1.5°C at the Board of Directors meeting in July 2022. Although we adopted 2°C and 4°C scenarios for TCFD scenario analyses through 2020, we reanalyzed our position assuming a 1.5°C mitigation scenario to reconfirm our strategies based on a revision to the 2030 milestones. Since fiscal 2021, we have adopted 1.5°C and 4°C scenarios for our analyses.

SEKISUI CHEMICAL Group is working to reduce not only its own GHG emissions but also those of its entire supply chain, from the procurement of raw materials to the transportation and use of its products. In moving toward the long-term goal of achieving effectively zero GHG emissions from our business activities by 2050, we aim to convert all electricity purchased within Scope 2 to renewable energy sources by 2030. In addition, we will strive to reduce GHG emissions to zero by 2050, through proactive steps such as creating energy and changing fuel sources through technological innovations.

In fiscal 2020, we progressed to the stage of innovating energy procurement. In fiscal 2021, solar power generation equipment had been installed at 12 business sites in Japan and overseas (total generated output of 7.7 MW), while electricity purchased from outside had been fully converted to renewable energy at 20

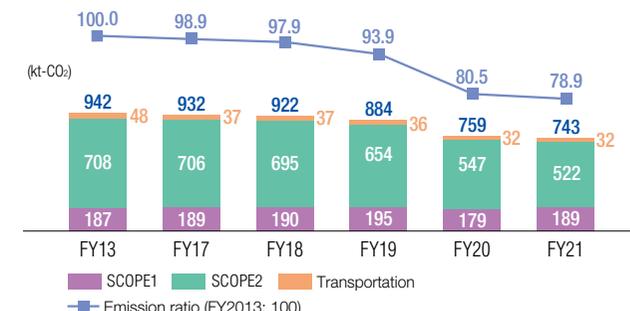
Roadmap to Reducing GHG Emissions



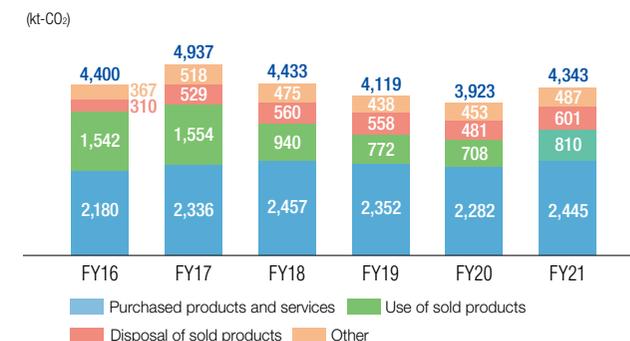
business sites in Japan and overseas. As a result, the renewable energy rate of purchased electricity increased to 19.7%. Moreover, the volume of GHG emissions reduced in fiscal 2021 as a result of updating equipment through the Environment-Contributing Investments Incentive Program* from fiscal 2017 to fiscal 2019 amounted to 34.8 kt-CO₂. While production volumes recovered, by converting purchased electricity to renewable energy, the effects of the Environment-Contributing Investments program and reducing the unit of CO₂ emissions of purchased steam, resulted in a 21.1% reduction rate for GHG emissions from business activities in fiscal 2021.

* Environment-Contributing Investments Incentive Program: Environmental investments strategically implemented to promote reductions in GHG emissions. This program is a form of internal carbon pricing, by which SEKISUI headquarters provides financial support to investing departments at a conversion rate of ¥30,000 per t-CO₂ of GHG emissions reduced.

Greenhouse Gas (GHG) Emissions from Business Activities



GHG Emissions from the Supply Chain (SCOPE3)



We aim to reduce GHG emissions in the supply chain (SCOPE3) by 27% in 2030 compared with fiscal 2016. In 2016, purchased products and services accounted for approximately 50% of SCOPE3 emissions, while use of sold products accounted for approximately 35%. In regard to purchased products and services, we have been reviewing our procurement standards since 2018 and asking raw material suppliers about the setting of GHG emissions reduction targets and monitoring progress toward those goals. At the same time, we also began collaborations through the CDP Supply Chain program, and have actively created opportunities for dialogue with raw material suppliers regarding GHG emissions, long-term goals, and reduction efforts, in order to build relationships that promote reductions by both parties. Furthermore, we are aiming to reduce emissions by 20% in 2030, by switching to bio-based and recycled materials. In addition in regard to the use of sold products, we aim to reduce emissions by 50% by 2030 through expanding sales of housing with ZEH specifications. ▶P.45

Medium- to Long-term GHG Emissions Reduction Targets

Initiatives	Indicators	Fiscal 2021 Results	Medium-term Target (FY2022)	2030	2050	Remarks
Reduction of GHG emissions	Rate of renewable energy of purchased electricity	19.7%	20%	100%	Maintain 100% (Convert all energy used to renewable sources)	Joined RE100
	Reduction of GHG emissions from business activities	21.1% reduction (vs. FY2013)	Reduction of 9% or more (vs. FY2013)	Reduction of 26% or more (vs. FY2013)	Zero emissions	Obtained SBT certification (Until 2030)
	Reduction of GHG emissions from the supply chain	Reduction of 1.3% (vs. FY2016)	—	Reduction of 27% or more (vs. FY2016)	—	
Energy savings	Energy consumption per unit of production	Reduction of 1.5% (vs. FY2019)	Reduction of 3% or more (vs. FY2019)	Reduction of 10% or more (vs. FY2019)	—	

* SEKISUI CHEMICAL Group is currently considering raising its 2030 GHG emissions reduction environmental target assumption to 1.5°C.

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.

▶ P.31 Addressing Risks and Opportunities Climate Change Risks Impact Analysis

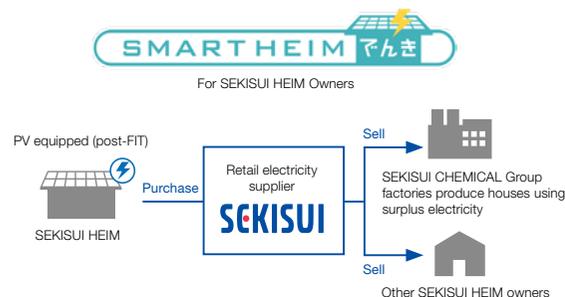
Case Study: SMART HEIM DENKI Power Trading Service

Risks

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

Measure to turn risk into opportunity

Purchase surplus electricity generated by SEKISUI HEIM owners with solar panel-equipped homes for use in our housing factories



Case Study: Research and Development Investments

All R&D projects are planned in a long-term, strategic manner to ensure their ability to contribute to solutions for issues in the natural and social environments, such as climate change.

Perovskite solar cells

Risks

Depletion of scarce resources, demand to reduce energy use, installation restrictions, etc.

Measure to turn risk into opportunity

Perovskite solar cells, currently under development, are lightweight and more efficient, so are expected to expand the freedom of installation.

▶ P.23

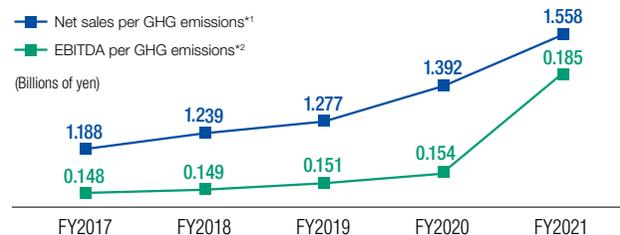
Effects of Climate Change Efforts on Management

We verified how efforts that contribute to climate change mitigation and adaptation are affecting management using the trends in carbon efficiency (environmental) over time and using the correlation between carbon efficiency (environmental) and economic efficiency.

First, the relationship between GHG emissions, sales, and EBITDA is shown by changes in net sales per GHG emissions and EBITDA per GHG emissions. An increasing trend has been observed in two indicators in business activities. Although these indicators temporarily turned negative in fiscal 2020 when looked at across the supply chain, we believe this decline stems primarily from the global spread of COVID-19. Through these indicators, we have confirmed that management based on our business strategies is heading in the envisioned direction.

We verified the impact on management using the relationship between net sales per GHG emissions as an indicator of carbon

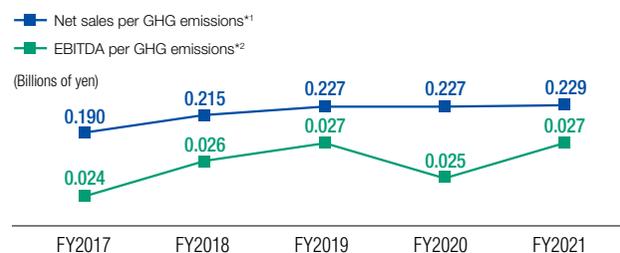
Carbon Efficiency in Business Activities



*1 Net sales per GHG emissions: Net sales (Billions of yen) / GHG emissions (kt-CO₂)

*2 Revenue per GHG emissions: EBITDA (Billions of yen) / GHG emissions (kt-CO₂)

Carbon Efficiency in the Supply Chain



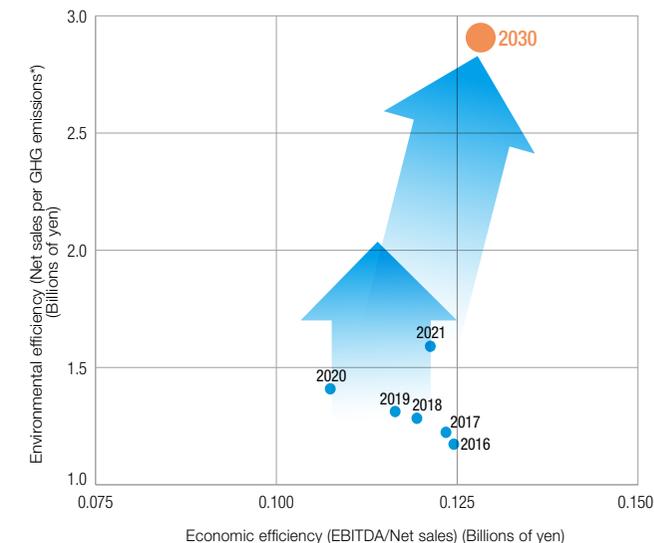
*1 Net sales per GHG emissions: Net sales (Billions of yen) / GHG emissions (kt-CO₂)

*2 EBITDA per GHG emissions: EBITDA (Billions of yen) / GHG emissions (kt-CO₂)

efficiency (environmental) and EBITDA margin as an indicator of economic efficiency. The actual values of the two indicators in business activities from FY2016 to FY2021 are plotted, along with the target based on the FY2030 long-term vision. With ESG Management as our business strategies through fiscal 2020, we increased net sales per GHG emissions while maintaining stable earnings. Moreover, we confirmed that in fiscal 2021 we achieved growth that balances economic with environmental efficiency in working toward the goals illustrated in the Vision. The results of this investigation indicate that the business strategies being advanced based on the Long-Term Vision for fiscal 2030 are correct. We will further accelerate initiatives, as well as investigate the potential for moving up initiative schedules and undertaking new measures to improve profitability versus carbon.

For details on the analyses of comprehensive income for stakeholders using impact-weighted accounting as part of the investigation into the impact from other multi-stakeholder perspectives, please see the [TCFD report 2022](#).

Correlation between Economic Efficiency and Environmental Efficiency



* EBITDA per GHG emissions: Net sales/GHG emissions in business activities (kt-CO₂)

Environment

Initiatives for Resource Recycling

We promote resource recycling initiatives that will help accelerate decarbonization efforts. In fiscal 2020, we formulated a resource recycling policy, strategy and roadmap for the realization of a circular economy in 2050.

Plastics are one of the major materials used in SEKISUI CHEMICAL Group's business domains. Up until now, in the production process, we have continually made efforts year after year to reduce the amount of waste generated, using waste per unit of production as an indicator for these efforts. In addition, we have carried out, for example, internal recycling to reuse scraps generated and implemented processing for reuse of resources including energy when disposing of materials as waste.

In our newly determined resource recycling policy, we will expand the ratio of plastic materials we use comprised of bio-plastics and other recycled materials that are not derived from fossil fuels. Regarding our production processes, we will promote internal recycling more than ever before, intensifying initiatives to minimize the waste products emitted from our construction projects. In addition, in both the use and recovery stages, we will work on our product design and supply chain to ensure products can be disposed of with thorough sorting and separation. In this way, we will promote initiatives to maximize reuse of material resources through mechanical recycle, chemical recycle, and other recycling methods.

Within these life cycles, we believe that innovation at the product design stage is important for driving the promotion of resource circulation. By designing new products and revising the various processes for existing products, we are promoting initiatives for innovation that will accelerate resource circulation.

Road Map for Achievement of Long-Term Resource Recycling Targets

		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 using recycled materials	¥3.0 billion	¥10.0 billion	¥100.0 billion
Resource recycling of waste	Ratios for recycling waste plastic into new materials	Analyze current conditions and set baselines	Double	100%

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

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, in regard to water resources in the watersheds where business sites are located, we will select locations/suppliers where the business impact is substantial and locations where the water risks are substantial and minimize the environmental impact by 2030.

In fiscal 2020, we conducted assessments of the likely impact on business from water-related risks at all SEKISUI CHEMICAL Group production sites and research institutes. In fiscal 2021, we identified five domestic and overseas sites that were evaluated as having a large business impact, and established guidelines for business impact and water conservation level initiatives that should be minimized.

In fiscal 2021, water intake at production sites increased by 4.3% compared with fiscal 2016 and by 8.3% compared with the previous year. This increase is due to the addition of four new production sites overseas and to an increase in production volume at factories that produce synthetic resins, which have high water intake volumes. The COD of water discharged declined by 1.2% compared with results of fiscal 2016 and increased by 12.0% over fiscal 2020 due to an increase in water discharge coinciding with higher production volumes.

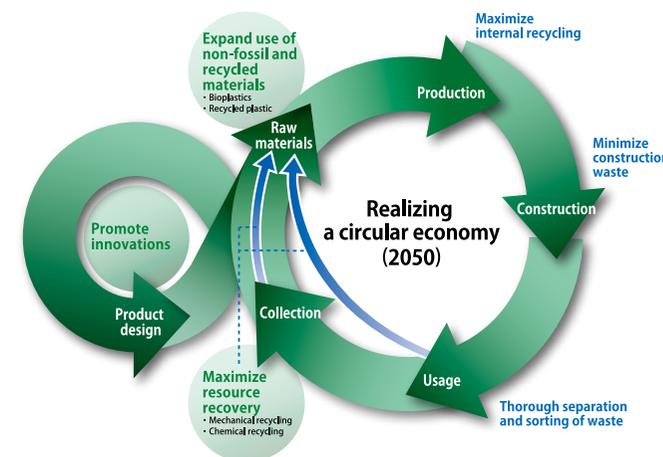
Engaged in the production of synthetic resins, the Shiga-Minakuchi Plant accounts for approximately 30% of the total water intake volume from all Group business sites in Japan, a figure that has been increasing every year since fiscal 2015. To improve this situation, we undertook comprehensive capital investments aimed at reducing the water intake from fiscal 2018. All investment plans were

completed in 2020. As a result of these efforts, we are now able to ascertain where industrial water is used and the usage volumes, as well as make adjustments to usage volumes. We are also working to reduce the water intake volume by reusing purified water in the cooling towers installed within the site.

Examples of Capex Using the Environmental Contribution Investment Framework

	Site	Reduction strategy	Result (plan) compared with FY2016
Reduction in water intake	Shiga-Minakuchi Plant	Introduced filtration equipment allowing the reuse of recycled wastewater as a coolant Strengthened management and promoted visualization of water use at the facility	Reduction of 9%
	Iwate Plant of SEKISUI MEDICAL CO., LTD.	Automated the industrial water intake adjustment system	Reduction of 10%
Reduction in wastewater COD volume	SEKISUI NANO COAT TECHNOLOGY CO., LTD.	Improved treatment capacity by upgrading wastewater treatment facilities	Reduction of 25%

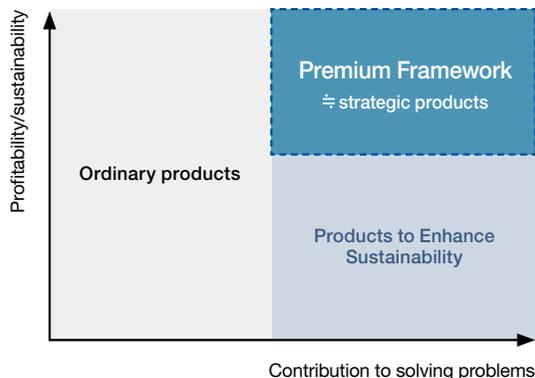
Outline of the Resource Recycling Strategy



Products to Enhance Sustainability

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.

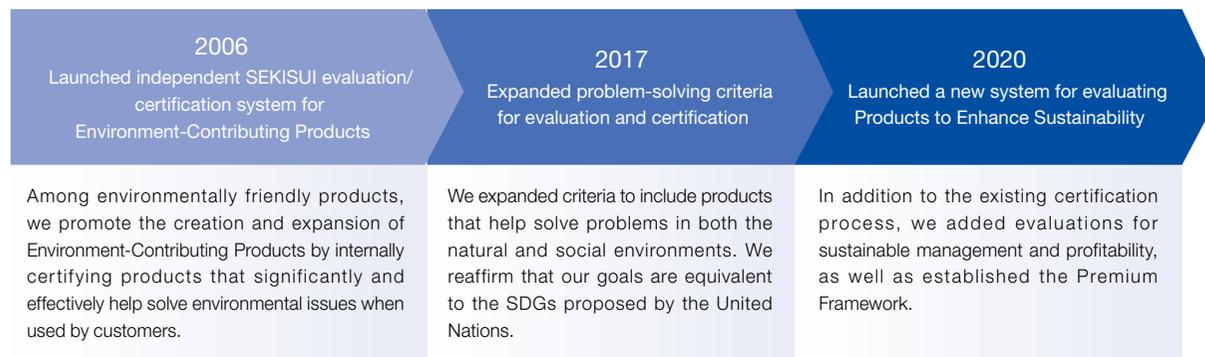
Products to Enhance Sustainability Concept



Typical Premium Framework products
 ZEH-specification housing (Housing), FFU (UIEP)
 HUD+ insulation interlayer films (HPP), blood coagulation/
 POCT/pharmaceutical ingredients (Medical)

In fiscal 2020, we evolved the existing Environment-Contributing Products system into the Products to Enhance Sustainability system, since which we have verified and assessed sustainability across the supply chain from the perspectives of profitability, process evaluation, and internal control. In addition, we established a new Premium Framework to strategically expand products that balance greater profitability with contributions to solving issues.

Evolution of System for Evaluating Products to Enhance Sustainability

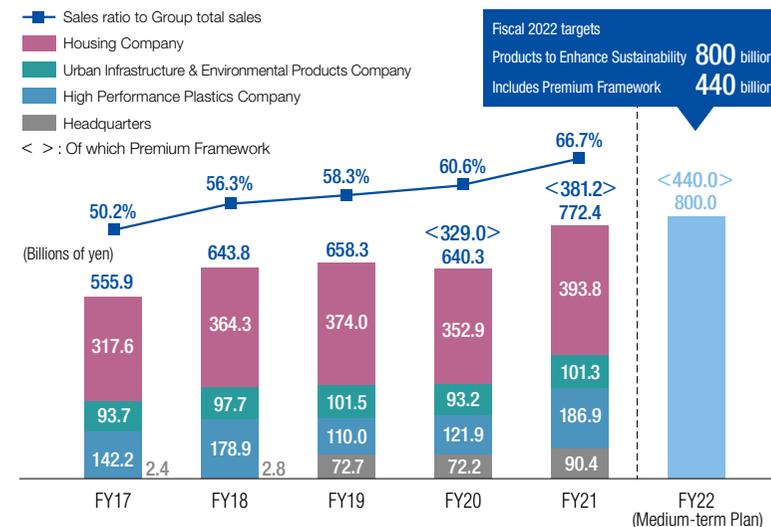


Conduct Product Environmental Impact Assessments

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.



Products to Enhance Sustainability Net Sales/Sales Ratio



Evaluations to Verify Sustainability

Internal Control

Is there a business plan or framework in place for handling accidents or disasters with serious business impacts that also considers issues such as safety, the environment, quality, compliance, and human rights?

Customer Satisfaction

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?

Supply Chain Management

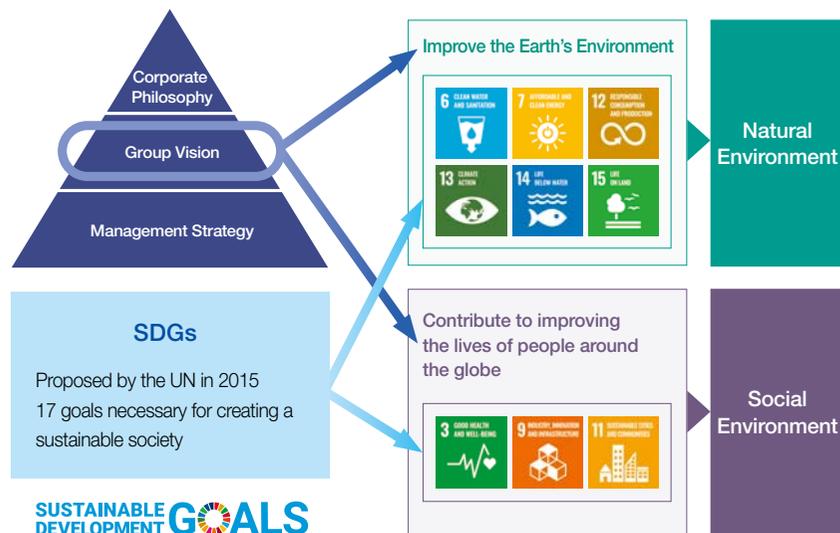
Are there structures or frameworks in place to prevent accidents or disasters that have serious business impacts on both this Company and the product-related supply chain?

Profitability

How much room is there to grow and what potential does the business have?

Reference Products to Enhance Sustainability Certification

Products to Enhance Sustainability Definition



Social Environment Products to Enhance Sustainability Certification Criteria

Steps taken to consider scoring factors that contribute to the prominence of each item with certification based on the level of contribution.

Category	Response Method (Example)
Longer healthy life spans	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
	Mitigate natural disaster risks
Resilience of social infrastructure	Develop and provide infrastructure
	Enhance responses to disasters and emergencies
	Enhance resilience to disasters and emergencies
Strengthening the safety and disaster-preparedness of communities	Support low-income countries
	Promote sustainable cities and residences
	Improve sustainability of residences and livelihoods
	Improve livelihood safety
	Make residences and livelihoods more comfortable
	Innovate local communities

Products to Enhance Sustainability are products that make a significant contribution to solving social issues in the natural and social environments and are certified 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 to ensure high standards and transparency.

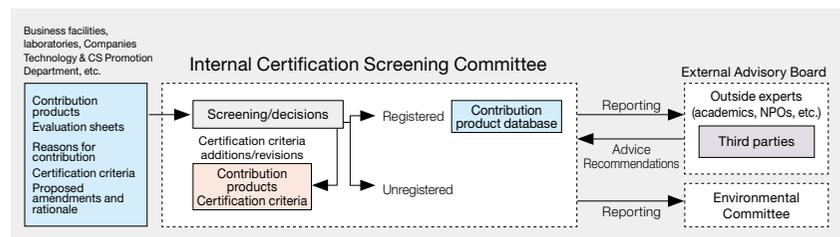
We received advice on the significance of contributions made to the natural and social environments by newly registered products and how best to convey that significance. Advice was also received on the evolution and direction of the product system based on various inputs including confirmation of the need for consideration of multiple issues, which is also required by the EU Taxonomy.

Natural Environment Products to Enhance Sustainability Certification Criteria

Certification decisions are made based on certification criteria established for each issue category and response method that contributes to solutions.

Category	Response Method (Example)
Reduce GHG emissions	Increase energy conservation performance
	Use unutilized energy
	Find alternatives to freon gas
	Reduce use in product life cycles
	Use of non-fossil resource-derived plastics
	Develop energy creation/storage functions
	Implement energy management in urban spaces
Reduce waste	Reduce customer production processes
	Increase durability (extend service life, etc.)
	Adopt low volume waste methods
Reduce raw materials use	Reduce scrap, defects, and unnecessary materials
	Conserve raw materials
	Use recycled resources (waste from other products)
Conserve water/aquatic environments	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 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	Use 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

Outside Expert Members * Honorifics omitted

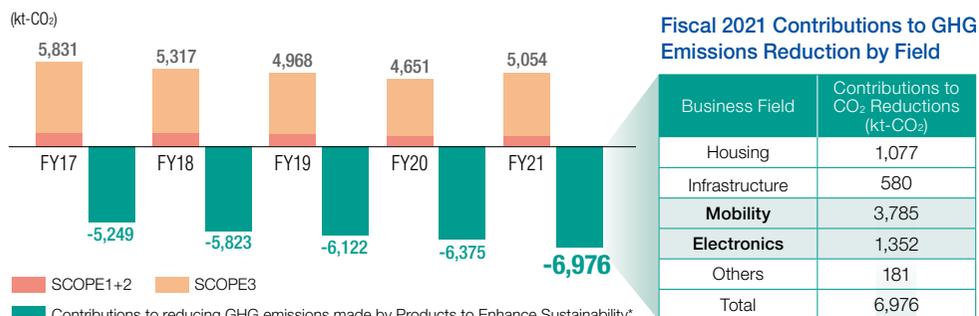
Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Masatsugu Taniguchi	Representative of the Resource and Environment Strategic Planning Office	<ul style="list-style-type: none"> Experience as a company manager Well versed in resource-centered environmental strategies, a leading figure who advocated natural capital management from an early stage 	The giving of opinions/advice on management including natural capital and the product portfolio
Juichi Shibusawa	President of the specified nonprofit corporation Network for Coexistence with Nature	<ul style="list-style-type: none"> Experience in business as a Doctor of Agriculture As president of an NPO, implements activities for forest, community, and human resource development with environmental NPOs in Japan and other countries 	The giving of opinions/advice on business related to the solving of social issues based on the spirit of three-way benefits (the buyer, seller, and society as a whole) The giving of opinions from a nature-positive perspective
Takehisa Kabeya	Senior Managing Director Sustainable Management Promotion Organization (SuMPO)	<ul style="list-style-type: none"> Experience as a government official at Japan's Ministry of Economy, Trade and Industry Promotes social change activities through environmental values, such as LCAs and support for regional revitalization 	The giving of opinions from a life cycle perspective, the giving of opinions/advice based on regulations regarding environmental value and global trends

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Minako Oishi	Representative Director, Deputy Chairperson Nippon Association of Consumer Specialists (public corporation)	<ul style="list-style-type: none"> Knowledge and experience concerning consumers and their demands Promotes activities that connect consumers, businesses, and government 	From the standpoint of using products, the giving of opinions/advice based on requests, expectations, and matters of concern
Shoichi Saito	Executive Director, ESG Management Forum Nikkei Business Publications, Inc.	<ul style="list-style-type: none"> Media experience Ascertains and disseminates global trends in all areas of sustainability 	From a comprehensive perspective, the giving of opinions on future trends with regard to risks and opportunities in ESG management
Mari Yoshitaka	Principal Sustainability Strategist, Research and Development Division, Mitsubishi UFJ Research and Consulting Co., Ltd. Representative Director, Virtue Design	<ul style="list-style-type: none"> Experience with regard to ESG investment in financial institutions Leading figure in SDGs, green business, and climate change finance 	Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/green business

Products to Enhance Sustainability



GHG Emissions from Corporate Activities and Contributions to Reducing GHG Emissions Made by Products to Enhance Sustainability



* Contributions to reducing GHG emissions made by Products to Enhance Sustainability are calculated using general-purpose products as a comparison, where the calculation indicates the contribution to reduction as the difference from comparison products given by MILCA (Japan Environmental Management Association for Industry), a calculation system based on the concept of LIME2. For details on the calculation methods used for Scopes 1, 2, and 3, see the [Sustainability Report](#).

Mobility Field, Electronics Field

In these fields, we contribute to reducing GHG emissions at the production and usage stages of our customers' products. We are further expanding the degree to which we contribute by working to convert the electricity consumed at our production plants to renewable energy and by switching to alternative resources for our raw materials.

Mobility Field

Reduce fuel consumption and CO₂ by decreasing vehicle weights and through heat insulation

- Sound and heat insulation interlayer films
- Alveosoft vehicle floor material, etc.



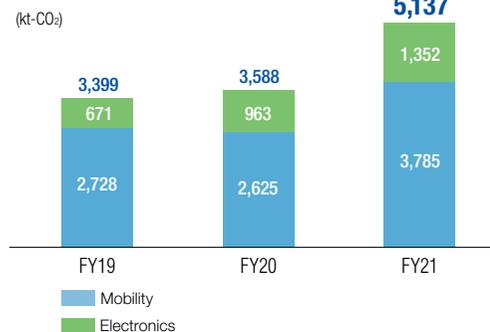
Electronics Field

Contribute to the performance of energy-efficient products and reduce CO₂

- Micropearl
- Conductive fine particles
- White solder resist
- UV sealants
- Heat-release materials



Contributions to GHG Emissions Reduction in the Mobility and Electronics Fields Are Increasing Yearly



Improve product durability and reduce CO₂ over the life cycle

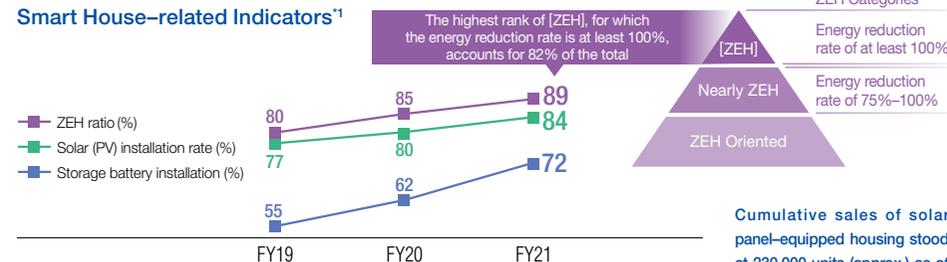
- Foam tape
- Double-faced adhesive tape for fixing of LCD components



Housing

As one of the first companies to tackle environmental issues, we began selling houses equipped with solar panels in 1997. In 2012, we began contributing to energy creation, conservation, and storage through solar panels, HEMS (Home energy management system), and storage battery-equipped housing. By utilizing high-capacity storage batteries and large-capacity solar panels, we propose advanced lifestyles that eliminate electricity purchases wherever possible.

Smart House-related Indicators¹



¹ Rate of installation for detached housing orders

Cumulative sales of solar panel-equipped housing stood at 230,000 units (approx.) as of March 31, 2022



We also promote the effective use of renewable energy through the SMART HEIM DENKI Power Trading Service business and manage the BeHeim brand, through which we purchase and resell homes in a way that circulates upcycled housing, in order to contribute to building a sustainable, recycling-oriented society.



Infrastructure

In this field, we contribute to mitigating environmental impact by reducing CO₂ throughout life cycles, from raw materials to production, by replacing conventional materials with plastic and by reducing waste, for example, through the SPR pipeline renewal method that eliminates the need to excavate roads during construction.

Reference Image CO₂ Emissions throughout the ESLO Hyper High-performance Polyethylene Pipe Life Cycle



Notes: 1 Figures for metal pipes are inferred from publicly available information. These figures are for reference purposes only, and are not collected as data from the production process. 2 CO₂ emissions by material and product are calculated using impact assessment coefficients (GHG emissions per unit production) cited from IDEAv2 of the National Institute of Advanced Industrial Science and Technology and the Sustainable Management Promotion Organization

Products to Enhance Sustainability

Promoting Resilient Infrastructure, Cities as well as Living and Communications Environments

Spreading and Promoting Resilient Social Infrastructure and Safe, Secure Lifelines

We provide products and construction methods that contribute to solutions for social issues, including aging structures, disaster prevention and mitigation, and labor shortage countermeasures, as part of water supply and sewage lines, agriculture, electric power, and other aspects of social infrastructure. We also provide lightweight, highly durable, high-strength materials in the aircraft, railway, and other transportation infrastructure fields in order to contribute to building safe, secure lifelines.



Polyethylene pipes for earthquake resistant water supply



SPR Method contributes to aging infrastructure, including sewage pipes



Reinforced plastic composite pipes are also used as rainwater storage pipes



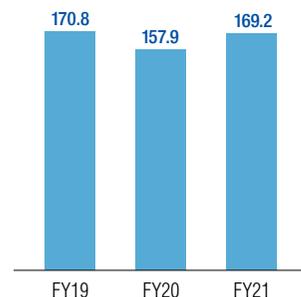
Rainwater storage systems contribute to torrential rain countermeasures



Synthetic sleepers for railroads have exceptional water resistance and durability

Water-related Business Net Sales Trends

(Billions of yen)



High flowrate drainage systems contribute to torrential rain countermeasures, etc.



Fire-resistant VP Rigid PVC pipes for buildings



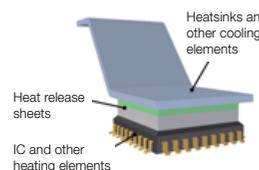
Drinking water storage system



Non-combustible certified material, thermal insulating urethane foam material for onsite use

Resilient Communications Infrastructure

Products that contribute to improving the durability and performance of related parts, which are becoming increasingly important with the development of 5G connectivity, also contribute to more sophisticated ICT.



IC and other heating elements

MANION high thermal conductivity heat release sheet
Contributes to exercising the performance of high-speed communications and high-density semiconductors



Selfa semiconductor processing material
Contributes to realizing high-density, ultra-thin wafers

Providing Smart, Resilient Living Environments, and Town and Community Development



SEKISUI HEIM are made from high-durability structures that are resistant to natural disasters as the result of a highly industrialized unit construction method



New e-PocketGREEN high-capacity storage battery
A high-capacity, compact storage battery that can be installed indoors

In addition to communities where all residences are equipped with storage batteries and built to zero energy house (ZEH) specifications, we are deploying smart, resilient town and community development throughout Japan by bringing to bear the 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.

SEKISUI CHEMICAL Group Infrastructure Technologies



Support for Health and Longevity

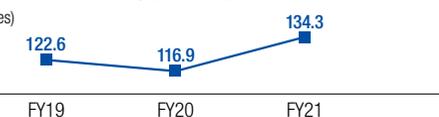
Contributing to the Early Detection of Diseases

We support healthy lifestyles by detecting illness and infectious diseases early on through our product lineups of clinical reagents for diabetes and infectious diseases, analysis equipment, and plastic blood collection tubes.



Reference Image

Number of tests made using SEKISUI CHEMICAL Group diagnostic reagents in the clinical chemistry (HDL, LDL), diabetes, and POCT fields* (Millions of times)



* Estimate from Company data

Lightens the Burden on Those Receiving and Providing Elderly Care



Large-scale prefabricated bath for independence support and nursing care



Nursing care motion sensor for patients

Proposing Lifestyles with Little Temperature Difference Risk



Comfortable air ventilation and air-conditioning systems

Addressing the New Normal



Virus removal spray with a virus removal effect that lasts approximately one month

Roundtable Discussion between Divisional Company Presidents and the Head of the Business Strategy Department

Fusion within the Group and demonstration of its collective strengths

A roundtable discussion was held on progress under the Medium-term Management Plan Drive 2022 as well as efforts to strengthen the ESG management base and demonstrate the Group's collective strengths through fusion with a view to achieving the goals set forth in the Long-term Vision 2030.



Ikusuke Shimizu
President of High Performance
Plastics Company

Toshiyuki Kamiyoshi
President of Housing
Company

Yoshiyuki Hirai
President of Urban
Infrastructure & Environmental
Products Company

Futoshi Kamiwaki
Head of Business Strategy
Department

—Evaluating progress and strategies under the Medium-term Management Plan by divisional company—

Shifting our focus to growth strategies, centered on the HPP Company while aiming to expand business

Shimizu The HPP Company has been working on both improving profitability, centered on supply chain cost innovation, and our growth strategy through M&A, etc. We have improved our operating profit margin, break-even point sales ratio, and other figures to almost the targeted level. Shifting our focus to growth strategies and global expansion, which is the main battleground of the HPP Company, we will aim to expand our business focusing on three strategic fields: Mobility, Electronics, and Building and Infrastructure. All of these areas are current market trends where our technologies can be put to use, so we will continue to develop them further.

Kamiyoshi Despite dealing with unprecedented risks such as the spread of COVID-19, soaring raw material prices, and a parts supply shortage, results are gradually beginning to emerge from concentrated efforts to implement measures surrounding ready-built and subdivision houses in the Housing Business as well as Town and Community Development in the Housing Company's

other businesses. Looking toward 2030, in addition to the housing business centered on the industrialization technologies cultivated by SEKISUI HEIM, we will take the lead in resolving housing-related social issues by maximizing the fusion of SEKISUI HEIM's knowledge and the Group's infrastructure technologies to develop into a comprehensive housing construction and real estate business.

Hirai The UIEP Company has focused on structural reforms, including the withdrawal from unprofitable businesses and reorganization of bases. As a result, we have seen reductions in fixed costs in excess of the Medium-term Management Plan. In addition, we have promoted reforms in each department, including the promotion of automation and labor saving in the production department, sales and logistics reforms that utilize DX, and a shift to product development to generate new demand. As a result, the marginal profit ratio has improved to the Company's record level, and an operating profit margin of 10% has now come into view. Toward 2030, when the effects of climate change and an aging infrastructure will become more serious, we will expand our business and actively develop Products to Enhance Sustainability that also can be adopted overseas.

Kamiwaki In the Medical Business, we brought the COVID-19 Testing Kit to market quickly during the pandemic, which contributed to society and propping up our business performance. We recognize that ensuring that the seeds of new businesses

properly take root is the most important thing toward 2030. In the Medical Business, we are developing a Life Science Business with a strong presence based on unique technologies and envision growing it into a fourth Company.

—Steady progress in strengthening the ESG management base—

Our sustainable growth contributes to the realization of a sustainable society

Kamiwaki The biggest change in the past two years has been our approach to ESG. Under the strong will of our top management, I believe that taking on ESG management as the core of our Long-term Vision has sent a strong message both internally and externally.

Kamiyoshi Our employees have been supporting this evolution. Our employees have all come to understand the importance and necessity of ESG management. The entire Housing Company is committed to expanding sales of one of its key products, the advanced smart house, to help realize carbon neutrality.

Shimizu I totally agree. For example, while there are some aspects of things such as renewable energy that conflict with profit margins, we are working on profit margins based on

Roundtable Discussion between Divisional Company Presidents and the Head of the Business Strategy Department

this premise. I feel that the mindset of taking on challenges is increasing, including tackling these new hurdles. Ever since I took office, I have continued to say, "Be prepared to take on challenges and promote innovation." We



are promoting new initiatives to foster this challenge mindset, such as training to praise each other and the establishment of a challenge award that evaluates process reforms in the award system. We want to continue raising this mindset throughout the Company.

Hirai As you have already mentioned, we are also making progress with raising ESG awareness within the Company that our products and businesses will help resolve social issues. Moreover, I feel that our customers have become more and more demanding of our Products to Enhance Sustainability of late due to their growing environmental awareness. In this regard, I believe we are taking positive steps to realize both a sustainable society and the sustainable growth of the Group itself.

—Solving social issues through innovation—

A DNA of innovation that is handed down from generation to generation

Kamiwaki In 2050, I expect the world to be on a path to carbon neutrality thanks to the wisdom of humanity. To do that, we must make tremendous innovations in all areas over the next 25 years. Innovation will therefore become increasingly important.



Shimizu In my view, the direction of innovation is to refine the technology platform of core technologies through innovation and change the output. For example, butyral resin technology has become interlayer films

and products for semiconductors, and its application has recently expanded to becoming a culture medium for iPS cells in the field of life science. Our core technologies are technologies that can differentiate globally, and we would like to change the world by building up this core.

Hirai Of course, while we do aim to create new products and new businesses, we also have many long-selling products, some of which have been on the market for more than 50 years. These products continue to be supported because of repeated improvements and refinements. I believe that we have innovation in our DNA that has been handed down from our predecessors. Embodying this DNA is the source of our growth.

Kamiyoshi The innovation DNA inherent in exploring new frontiers and sustainability is embodied in the Town and Community Development Business. In its 50th anniversary, HEIM remains at the forefront of the times. The Company continues to engage in unprecedented disaster-resistant town development through the fusion of a robust infrastructure that brings together the products and technologies of the Group. Employing the Town and Community Development Business as a breakthrough initiative, we are accelerating the development of synergies among our businesses.



—Fusion within the Group and demonstration of its collective strength to set clear themes—

As fusion progresses our sense of sharing a common mission increases

Kamiwaki We are creating a framework to further accelerate fusion between businesses and introducing management resources. We have also established the MINASE INNOVATION CENTER as a base for creating open innovation. Each divisional company has many ideas and resources, and we would like to strongly promote initiatives where the ideas and resources of each Company can mutually inspire each other.

Hirai The ability to fuse together and customize our own products and technologies to suit prevailing conditions as well as the needs of our customers is one of our strengths. Collaboration within the Group means that each divisional company will look closely at the essence of its products and work together to come up with better products and services. Looking at a specific example, the application of certain products in the Town and Community Development Business has led to improvements in specifications.

In this way, the fruits of Group fusion are arguably the creation of new ideas and themes that could not have been identified by each business on its own.

Kamiyoshi To further accelerate this fusion, we would like to actively develop cross-sectional projects. Several projects have already established systems to fuse the Group's excellent technologies and bring products to market. In the process of launching these products, we provide feedback on the information and issues we have learned from the market, and we are promoting initiatives to have the feedback utilized in the development of the next product. As fusion progresses, our sense of sharing a common mission increases. In this sense, we would like to initiate cross-sectional projects.

Shimizu As you said, fusion is a means to an end, and we need to fuse to achieve a certain result. For example, if we say, "Let's export the town and community development of the future," a variety of plans can be developed for condominiums, infrastructure, and telecommunications that are needed to achieve this. We must set a clear theme for the fusion that is needed, and in this sense, I believe that the four of us have a significant role to play. Let's set clear targets and themes toward the future and continue to promote fusion.

Kamiwaki The Company is celebrating its 75th anniversary in 2022. We are here today because our predecessors refined our products and businesses over the past 75 years. It is our duty to further refine our current products and businesses or create new products and businesses toward our 100th anniversary. Let us create the future by all of our hands.



Business Strategies by Segment

At a Glance

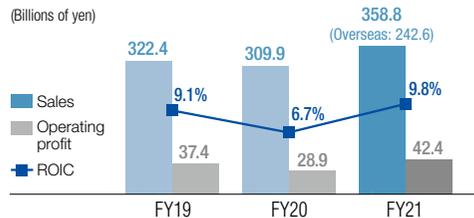
High Performance Plastics Company

Business Activities

Leveraging our proprietary fine particle, adhesion, precise molding, and other technologies, we provide advanced high-performance materials on a global basis that help bring about the further evolution of our customers' products and services for application in the Electronics, Mobility, and Building and Infrastructure material fields as well as various other industries.

No. of employees and consolidated subsidiaries: **7,506/60** (FY21)

Performance Trends



Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Accelerate improvements in selling prices and further strengthen profitability by shifting to high-performance products

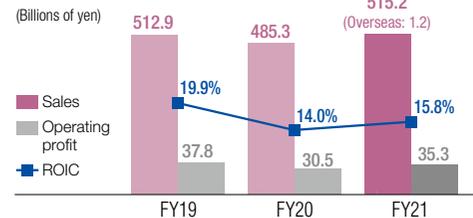
Housing Company

Business Activities

The Housing Company is engaged in new housing construction activities as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. As of the end of fiscal 2021, the cumulative total of houses sold exceeded 600,000. Drawing on SEKISUI CHEMICAL Group's prominence in infrastructure materials, the Housing Company is engaged in the nationwide development of smart and resilient cities in its Town and Community Development Business.

No. of employees and consolidated subsidiaries: **11,017/38** (FY21)

Performance Trends



Main ROIC Improvement Measures

- Improve the land and stock of ready-built houses turnover rate
- Promote comprehensive measures to hedge against the sharp rise in raw material prices

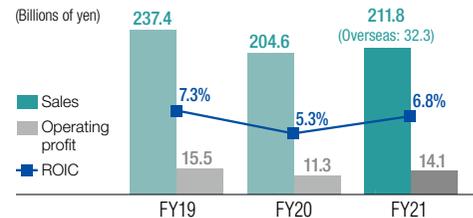
Urban Infrastructure & Environmental Products Company

Business Activities

The 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.

No. of employees and consolidated subsidiaries: **4,897/38** (FY21)

Performance Trends



Main ROIC Improvement Measures

- Accelerate improvements in selling prices
- Level out production and sales and optimize inventory
- Improve productivity by accelerating DX investment

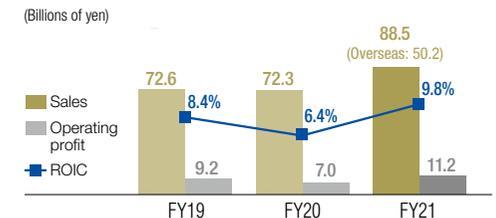
Medical Business

Business Activities

Consisting of the Diagnostics Business, which sells diagnostic reagents and equipment, and the Pharmaceutical Sciences Business, which is broken down into the pharmaceutical and fine chemicals business, which manufactures active pharmaceutical ingredients (APIs), etc., under contract, the drug development solutions business, which supports the R&D efforts of pharmaceutical companies, and the enzymes business, which manufactures precursors for diagnostic reagents and manufactures enzymes for the manufacture of biopharmaceuticals, the Medical Business is expanding its business globally.

No. of employees and consolidated subsidiaries: **2,214/9** (FY21)

Performance Trends



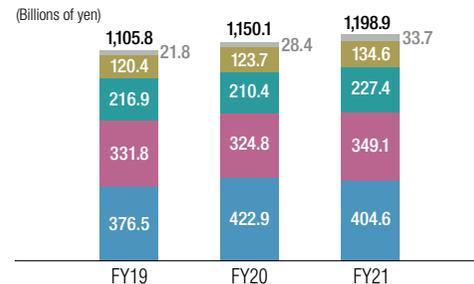
Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Maintain appropriate inventory levels by product

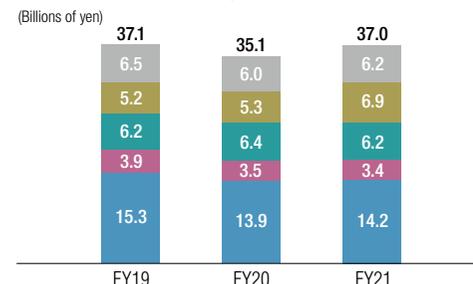
Various Data

Legend: High Performance Plastics Company (Blue), Housing Company (Pink), Urban Infrastructure & Environmental Products Company (Teal), Medical Business (Olive), Other (Grey)

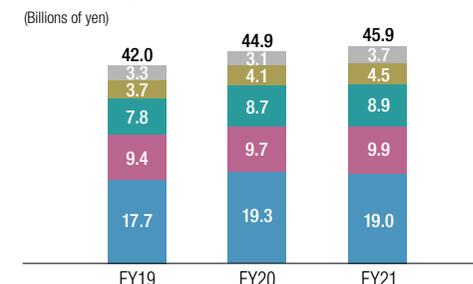
Total Assets



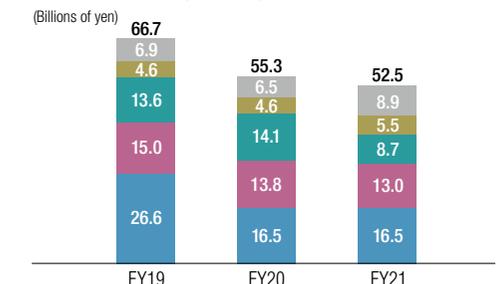
R&D Expenditures



Depreciation and Amortization



Capital Expenditures



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 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 achieved 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 the establishment of 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.

Major M&As and Strategic Investments in Recent Years

Jun. 2015	Operations commence at a CPVC plant in Thailand	2018–2019	Operations commence at new foam plants in Thailand and China
Sep. 2017	Acquired Polymatech Japan Co., Ltd.	Nov. 2019	Acquired AIM Aerospace Corporation
Dec. 2017	Acquired SoflanWiz Co., Ltd.	Aug. 2020	MINASE INNOVATION CENTER opened
Dec. 2017	Operations commence at a new interlayer film production line (Mexico)	Oct. 2020	Operations commence at a new interlayer film plant in Europe in earnest
Apr. 2018	Operations commence at a new automotive exterior parts plant in Japan		

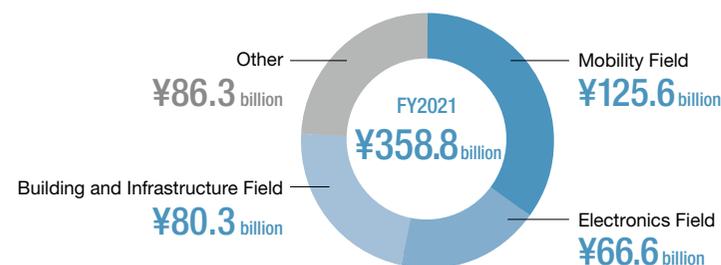
History of Adaptability

Until now, we have expanded profits by capturing and responding ahead of time to changes in society and the business environment, and by focusing and specializing on growth areas. One example is the device materials-related business. By successfully perceiving the technological turning points in the emergence of smartphones, building relationships of trust with customers, and replacing product portfolios, we have achieved substantial 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&As with companies in areas where we can expect synergies 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 processing such high-performance resins as heat dissipation materials for automotive and electronics applications. We will continue to vigorously expand our business through new product development and M&As with the aim of exceeding the rate of market growth.

Review of Fiscal 2021

Profits recovered to a level higher than in fiscal 2019 prior to the outbreak of COVID-19 owing to the effects of overall cost innovation, the shift to high-value-added products, and successful efforts to reduce fixed costs. Looking at each of the three strategic fields, profits increased from products for Electronics application. This largely reflects extremely strong semiconductor-related and other Non-LCD demand and firm demand trends for liquid crystal panels. In the Mobility field, despite prolonged global automobile production cutbacks due to shortages in the supply of semiconductors, we achieved substantial profit growth due to expanded sales of high-performance interlayer films and an increase in our share of the market. Profits also grew substantially in the Building and Infrastructure field. In addition to firm trends in overseas construction market conditions and a recovery in Japan, this substantial growth was attributable to timely steps to improve selling prices in response to the surge in raw material prices.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Electronics Field

- Expand non-LCD sales of mainly semiconductor products
- Expand into the next-generation telecommunications field, including 5G transparent reflection films

Mobility Field

- Improve the functional complexity and high performance of interlayer films
- Expand applications of CFRP products in the next-generation mobility field

Building and Infrastructure Field

- Expand sales of CPVC resins
- Continue to expand sales of noncombustible urethane/thermal insulation materials

Important Indicators from a Management Perspective

- Global smartphone shipments
- Next-generation telecommunications infrastructure improvement
- Volume of semiconductor shipments
- Global automobile production volume
- EV production volume
- Ratio of SEKISUI AEROSPACE CORPORATION sales to non-aircraft-related fields
- Domestic and global construction market conditions
- Noncombustible urethane/thermal insulation material sales

Business Strategies by Segment High Performance Plastics Company

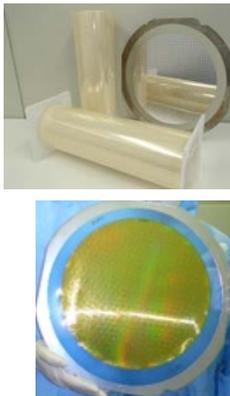
Electronics Field

Expansion mainly in semiconductor-related products

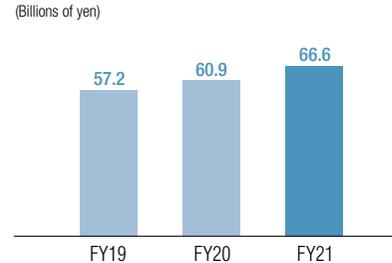
With the upswing in global semiconductor demand, the Electronics field is also performing well, especially for semiconductor-related products. In particular, the application of heat resistant Selfa®, a processing material that addresses the further miniaturization of semiconductors and interlayer insulation films that boast high transmission performance (low dielectric properties) as well as strengths in suppressing substrate warpage required for multi-layered CPUs, is steadily increasing. In addition, we are aiming for further growth and the strengthening of our portfolio through the development of new products and entry into the market for next-generation displays that make use of the knowledge we have cultivated in the development and sale of liquid crystal products.

Product example: Heat resistant Selfa® (semiconductor processing material)

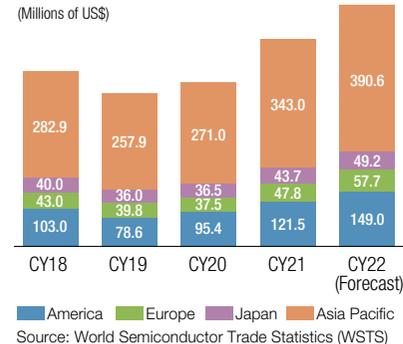
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components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



Electronics Field Net Sales



Value of Semiconductor Shipments Market Forecast by Global Region

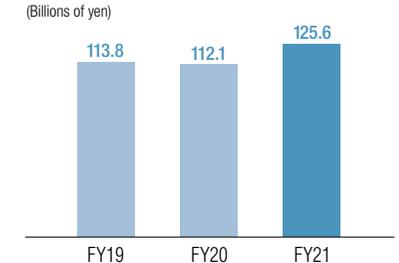


Mobility Field

Shift to high-value-added products

There are clear indications of a growth trajectory against the backdrop of a pickup in interest toward the electrification of automobiles and automated driving. In our mainstay interlayer film business, we are working to improve profitability by shifting to high-value-added products such as heat and sound insulation films and wedge-shaped interlayer films for head-up displays (HUDs), while further increasing added value by combining interlayer film functions.

Mobility Field Net Sales

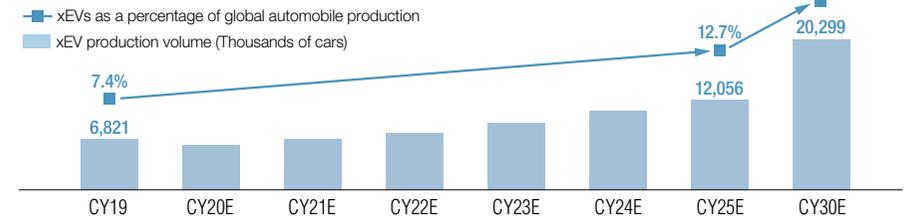


Product example: HUD + insulation functionality

Heat insulation interlayer films reduce the rise in temperature inside vehicles attributable to direct sunlight while reducing air-conditioning load. Practical EV evaluations confirm a reduction in power consumption of approximately 20%. This in turn helps extend the cruising range of EVs.



Trends in xEV Production Volume



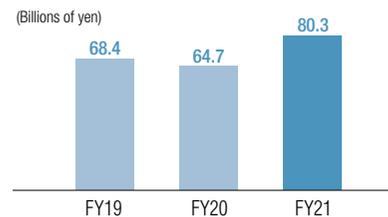
Source: Prepared by the Company drawing from market-based forecast data in the xEV Market 2020 Report issued by Yano Research Institute Ltd.

Building and Infrastructure Field

Expansion of CPVC resin and thermal insulation/ noncombustible material sales

In light of the upswing in capital investment by the manufacturing industry attributable to such factors as growing global demand for semiconductors, the application of CPVC resins with outstanding heat- and corrosion-resistant properties is expanding. The company has gained a high market share in India, where construction demand is particularly strong in line with economic growth, and demand is expected to continue to expand in the future. In Japan, we will continue to expand sales of thermal insulation/noncombustible materials on which we are focusing.

Building and Infrastructure Field Net Sales



Product example: CPVC resin

CPVC is a special type of polyvinyl chloride (PVC) with added chloride and is mainly used as a raw material in pipes for supplying hot water, industry, and sprinklers, etc., which require heat resistance.



Housing Company

History in Process Creation

Since the launch of our first product SEKISUI HEIM M1 in 1971, 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. In fiscal 2021, the Net Zero Energy House (ZEH) ratio of the Group's new detached houses sold came to 89%. Looking ahead, we will continue to provide housing where people can live comfortably and with peace of mind by strengthening our product development and proposal capabilities for new detached houses as well as sustainable town and community development centered on the promotion of ZEH.

Major Strategic Investments and the Structural Reform of Business in Recent Years

Apr. 2017 Merged real estate companies in Tokyo, Nagoya, and Osaka
 May 2018 Launched the Town and Community Development Business in earnest
 Jun. 2018 Commenced the nationwide rollout of experience-based showrooms
 Nov. 2019 Launched SEKISUI's SMARTHEIM DENKI power trading service

History of Adaptability

As the number of new housing starts in Japan declined from the late 1990s due to the declining birth rate, 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 increasing efficiency. The Company has also worked diligently to bolster its Renovation and other Stock businesses and to expand its business overseas.

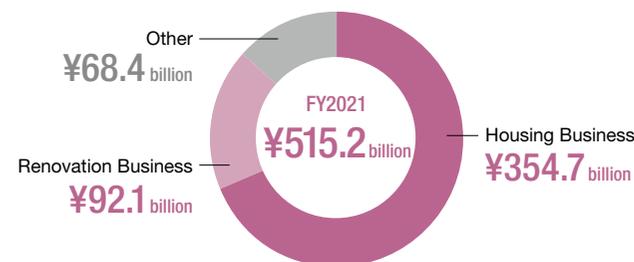
Over the past few years, the Company has made an unwavering commitment to structural reforms in a bid to stay ahead of changes in the business environment. These reforms include investing in automation and integrating the operations of housing production plants in each region to further improve productivity.

* HEMS: Smart Heim Navi Home Energy Management System

Review of Fiscal 2021

Despite a harsh business environment owing to the substantial impacts of the COVID-19 pandemic, high raw material prices, and natural disasters, the Housing Company reentered a growth trajectory in fiscal 2021. In addition to the recovery in new house and renovation orders, this return to an expansion trend also reflected contributions from the Town and Community Development and Real Estate Businesses. By business segment, orders for subdivision and ready-built houses, where demand is firm, exceeded the previous fiscal year in the Housing Business. In the Stock Business, sales increased on the back of steady efforts to implement periodic renovation diagnoses, coupled with steps to strengthen proposal capabilities including the use of showrooms. Moreover, sales of the purchase and resale brand, BeHeim, launched in fiscal 2020, are also expanding. The Housing Company is committed to accelerate the pace of the nationwide rollout. Turning to the Town and Community Development Business, work commenced on the sale of four new projects. At the same time, orders substantially surpassed the previous year.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Housing Business

- Strengthen WEB marketing
- Strengthen the appeal of Smart House and resilience
- Promote subdivisions and ready-built houses as well as detached housing town planning

Renovation Business

- Upgrade and expand periodic diagnosis; strengthen proposal capabilities
- Expand sales of strategic products (Smart House and resilience; new normal)

Common/Other

- Common: Process leveling
- Real Estate: Expand sales of BeHeim (purchase and resale)
- Town and Community Development: Strengthen systems for such endeavors as the procurement of sites (land)

Important Indicators from a Management Perspective

- Visitors
- Smart facilities installation rate/ZEH ratio
- Land and ready-built house inventory/turnover rate
- Level of periodic diagnosis satisfaction
- Orders by product
- Leveling ratio
- Purchases

Business Strategies by Segment Housing Company

Housing Business

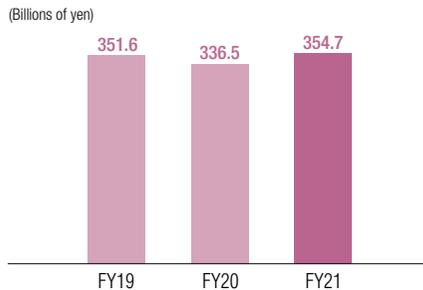
Aiming for the top share in the detached housing market

The Company 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. In the housing market, the Unit Construction Method is highly advantageous with the aging of craftsmen, labor shortages, and the ongoing upswing in construction labor costs.

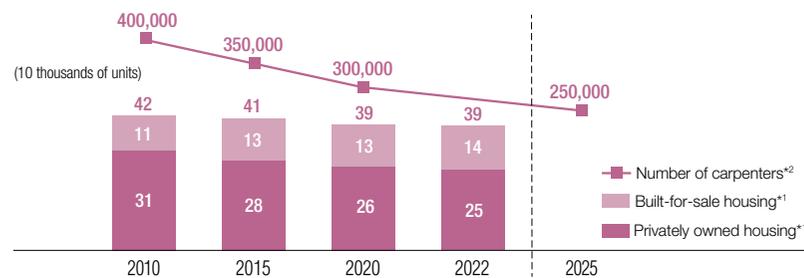
Although the domestic housing market is shrinking, the market share of major prefab manufacturers remains small at around 15%. Based on the aforementioned, there is significant room for expansion.

In addition to developing products that meet smart and resilient needs, as well as demands in line with the new normal, the Company has focused its energies on expanding sales of subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers in recent years. Over and above capturing the volume zone, progress is being made in leveling out sales and improving costs by controlling the uneven number of properties constructed at different times of the year through efforts to systematically roll out ready-built houses.

Housing Business Net Sales



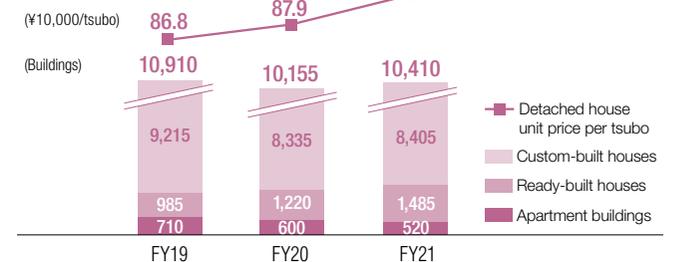
Trends in detached housing starts and the number of carpenters



*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

Trends in the number of units sold and detached house unit price per tsubo¹



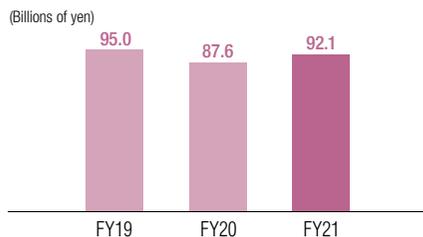
*1 1 tsubo = 3.3 square meters

Renovation Business

Improve CS and maximize net sales

In addition to increasing the number of orders and improving CS (Customer Satisfaction), the Company will target growth in renovation of non-Heim houses in the Renovation Business.

Renovation Business Net Sales



Real Estate Business

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

Purchase and resale of Heim



Launched in fiscal 2020, the purchase and resale BeHeim brand is comprised of SEKISUI HEIM houses purchased from customers at an appropriate price, based on a SumStock appraisal, and resold after renovation to enhance quality and performance. By passing on the value of real estate to the next generation, the Company generates benefits to both buyers and sellers while contributing to the development of a sustainable, recycling-oriented society by breaking away from the concept of scrap and build.

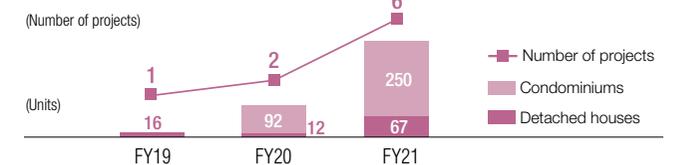
* Houses built by manufacturers participating in the Provision of Quality Housing Stock Association that meet certain standards including the possession of a housing history database are certified as SumStock.

Town and Community Development Business

Nationwide rollout of smart and resilient town and community development

In the Town and Community Development Business, the Company will bring together the Group's prominence in infrastructure materials to differentiate itself from its competitors by creating disaster-resistant and sustainable communities. With the number of projects steadily increasing, the Company will work to further expand the business.

Trends in the number of Town and Community Development business projects and the number of units



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, we 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.

Major Strategic Investments and the Structural Reform of Business in Recent Years

Oct. 2019 Transferred shares of KYUSHU SEKISUI KOHAN CO., LTD.

Jun. 2020 Opened the Ritto Development Building General Institute

Aug./Oct. 2020 Transferred the agri and food container molding product businesses of Sekisui Hinomaru Co., Ltd.

Oct. 2020 Decision made to establish a sleeper (FFU) production plant in Europe

Jul. 2021 Opened the Chiba Solution Center General Institute

History of Adaptability

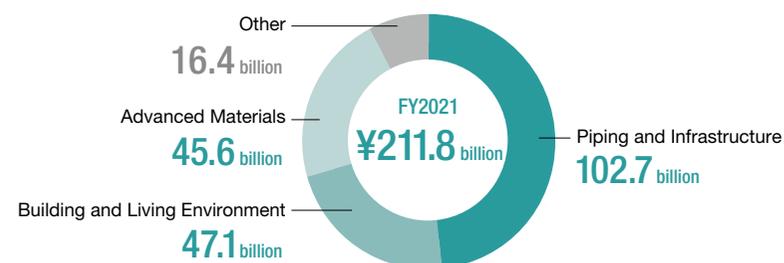
To address the problem of aging sewer pipes in urban areas and other locations, in 1986 we developed the sewer pipe renewal (SPR) method jointly with Tokyo Metropolitan Sewerage Service Corporation and Adachi Construction & Industry Co., Ltd. Requiring no excavation, this method achieved a significant 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 tremors that occurred, 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. Historically, metallic high-pressure fire extinguishing pipes were considered the only option. Today, the application of ESLO Hyper has been approved, and its adoption has expanded to include piping for important buildings and plants. Turning to the overseas sheet business, application was extended to exterior materials after establishing a business foundation in interior materials for aircraft and vehicles. We are currently promoting the development of a variety of applications, such as for medical equipment.

Review of Fiscal 2021

In fiscal 2021, the domestic non-residential market was sluggish due to the prolonged effects of COVID-19. Activities by the UIEP Company were also impacted by delays in construction projects both in Japan and overseas. Despite the greater-than-anticipated upswing in raw material prices, sales volume increased owing to firm domestic housing market conditions and robust semiconductor and other capital investment demand in Japan and overseas as well as steady progress in improving selling prices. As a result, the UIEP Company secured increases in sales and profit. By sub-segment, results in the Piping and Infrastructure field were affected by delays in construction projects as well as sluggish domestic non-residential demand. This was more than offset by firm sales trends for products targeting the domestic housing market and semiconductor and liquid crystal plants in Japan and overseas. Accordingly, net sales were up year on year. In the Building and Living Environment field, products for detached houses, apartment buildings, and renovation were steady. As a result, net sales were up year on year. In the Advanced Materials field, sales of sleepers (FFU) were significantly affected by such factors as sluggish domestic demand and delays in overseas construction projects. On a positive note, liquid transportation container sales trends for medical, semiconductor, and other applications were firm. As a result, net sales increased on an actual basis when the impact of structural reforms (business transfers) is excluded.

While also focusing on structural reforms, steps were taken to transform the business portfolio and improve profitability. Based on these endeavors, the UIEP Company achieved reductions in fixed costs totaling ¥4.7 billion over the two-year period from fiscal 2020. In fiscal 2022, we will continue to implement structural reforms while taking into consideration synergies and work to strengthen the UIEP Company's overall earnings structure.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Piping and Infrastructure

- Capture metal replacement (weight saving, workability) demand
- Expand sales of aging infrastructure countermeasure products

Building and Living Environment

- Expand sales of climate change countermeasure products
- Capture care instrument demand

Advanced Materials

- Promote the multipurpose development of plastic molding sheets for interior materials
- Accelerate the rollout of sleepers (FFU) overseas

Important Indicators from a Management Perspective

- Number of new housing starts
- Operating profit per employee
- Overseas sales ratio
- Non-residential construction starts floor area
- Domestic PVC market share
- Prioritized product sales

Business Strategies by Segment

Urban Infrastructure & Environmental Products Company

Strengthening Profitability by Expanding Sales of
Prioritized Products* and Increasing Overseas Sales

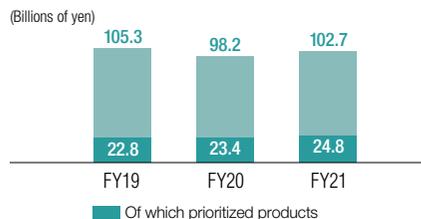
* High-value-added products with the potential for market growth and substitutability

Piping and Infrastructure

Capture metal replacement demand and expand sales of products that address aging infrastructure

In the Piping and Infrastructure field, we supply 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 as well as other pipes for such social infrastructure as water supply/sewerage and gas supply systems that are easy to install and help shorten construction periods. In addition to construction materials for repair, rehabilitation, and renewal to help solve the social problem of aging infrastructure, we also provide manhole toilets and other products for use in the event of a disaster. In addition to our existing strengths in earthquake and corrosion resistance, we will enhance features, such as pressure resistance and high drainage, to accelerate and promote substitution from metal piping. Moreover, we aim to expand sales by capturing increased demand for capital investment in plants.

Piping and Infrastructure Net Sales



Product example: Ultra-pure water piping

Smooth surface roughness on the inner surface of the pipe inhibits the growth of organisms and the risk of contamination. Orders are expanding for cutting-edge industries that require ultrapure water, especially in the semiconductor field, where miniaturization is advancing.

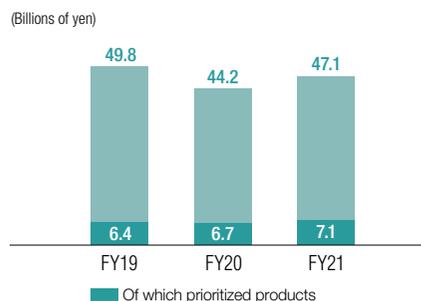


Building and Living Environment

Expand sales of prioritized products for a variety of applications including climate change prevention and products for nursing care facilities

In the Building and Living Environment field, we provide 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) and nursing care/independence support equipment.

Building and Living Environment Net Sales



Product example: wells large-scale 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. wells reduces the burden of caregivers by supporting independent living to dealing with serious illnesses.

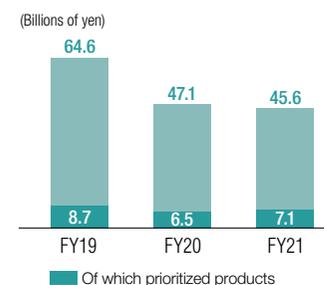


Advanced Materials

Expand applications of plastic molding sheets for materials and accelerate the overseas rollout of railway sleepers

In the Advanced Materials field, we provide 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.

Advanced Materials Net Sales



SEW (Shield Earth Retaining Wall)

In shield work, SEW is a temporary component for direct shield launch that entails the incorporation of a synthetic wood FFU in the section of the earth retaining wall where the shield tunnel is constructed and shield equipment passes.



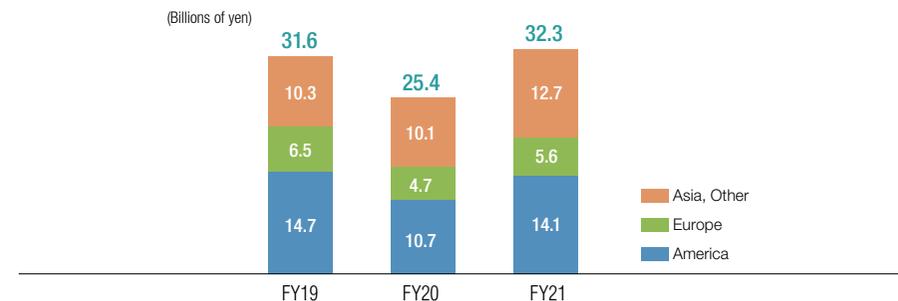
Overseas Net Sales

Overseas sales on an increasing trend

In its FFU activities, the UIEP Company is working on the launch of new products with European specifications and the development of a processing system in preparation for the start of operations at a production base in the Netherlands in fiscal 2022.

In the pipeline renewal business, we will promote the introduction of new products that are easier to install. In the plant piping business, we aim to steadily capture semiconductor demand and expand business.

Sales by Overseas Area



Medical Business

History in Process Creation

In 1977, SEKISUI CHEMICAL Group decided to enter the growing medical business market by applying its polymer technology. In addition to research on diabetes testing, steps were also taken to acquire skills in various areas including clinical testing and biotechnology at universities in Japan and overseas. As a result of its persistent development endeavors, the Group developed the Glyco-hemoglobin Automatic Analyzer AUTO A1c HA-8110 in 1981 realizing the world's first fully automated measurement of hemoglobin A1c. Following this milestone, the Group launched INSEPACK, the world's first unbreakable plastic vacuum blood collection tubes in 1985. INSEPACK helps reduce the risk of infection due to broken tubes and blood splatter during testing. After acquiring Daiichi Pure Chemical Co., Ltd., the Group launched SEKISUI MEDICAL CO., LTD., in 2008. Through these measures, positive steps were made to complete a supply chain that extends from materials to sales. Over the ensuing period, the Medical Business has further accelerated efforts to refine its core technologies focusing on fine particle control technology.

Major M&As and Strategic Investments in Recent Years

Feb. 2010 Established Sekisui Medical Technology
Dec. 2015 Acquired EIDIA Co., Ltd.
Aug. 2017 Participated in the establishment of PeptiStar

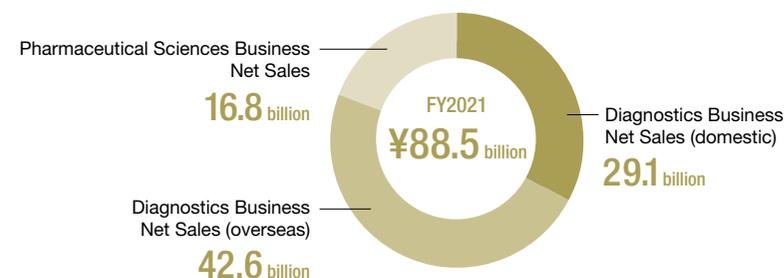
History of Adaptability

Since the establishment of SEKISUI MEDICAL, we have promoted the selection and concentration of businesses from the perspectives of growth potential and the ability to develop business overseas. Through these endeavors, we have steadily expanded the scale of our business through strategic investments including M&As. With the acquisition of the Diagnostic Pharmaceuticals Division of Genzyme Corporation in the United States in 2011, EIDIA Co., Ltd., in 2015, and Veredus Laboratories Pte. Ltd. in Singapore in 2018, SEKISUI CHEMICAL Group put in place an ASEAN sales network. After exceeding an overseas sales ratio of 50% in fiscal 2019, the Group has increased its overseas sales annually. 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.

Review of Fiscal 2021

The Medical Business reported increases in both sales and profit in fiscal 2021. Profit in fact hit a record high on the back of the recovery in demand from outpatients suffering from lifestyle-related diseases in Japan and overseas, increased sales of COVID-19 test kits in the United States, and growth in new active pharmaceutical ingredients in the Pharmaceutical Sciences Business. By business segment, sales and profit increased in the Diagnostics Business in Japan owing to a recovery in the number of outpatients, growth in the immunology field, and an upswing in sales of infectious disease diagnostic reagents following outbreaks of the RS virus and COVID-19. In the Overseas Diagnostics Business, sales and profit also increased. This largely reflects the growth in sales of diagnostic reagents in China as well as the substantial pickup in demand for testing kits following the further spread of COVID-19 in the United States. Sales and profit increased in the Pharmaceutical Sciences Business owing to firm trends in sales of new active pharmaceutical ingredients. In addition, the Group initiated steps to enhance production capacity at its Iwate Plant in August 2020. Work is progressing smoothly with operations scheduled to commence in March 2023 in line with plans.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Diagnostics Business

- Actively introduce new products
- Continue to expand blood coagulation activities and enter new domains in China
- Expand alliances with major companies in North America and Europe
- Enter the genetic POCT field

Pharmaceutical Sciences Business

- Strengthen the base of the API CDMO business
- Respond to the growing diversification in drug modalities

Important Indicators from a Management Perspective

- Domestic and global clinical testing market conditions
- Number of new products brought to the market and net sales
- Contract active pharmaceutical ingredients (APIs), etc., manufacturing market conditions
- Overseas sales ratio

Business Strategies by Segment Medical Business

Diagnostics Business

Expanding sales of new diagnostic reagents and analyzers mainly overseas while strengthening local production

In its Diagnostics Business, SEKISUI CHEMICAL Group engages in the development, manufacture, and sale of diagnostic reagents and equipment for areas including clinical chemistry, immunology, diabetes and blood coagulation, as well as for vacuum blood collection tubes. We have gained a high market share in clinical

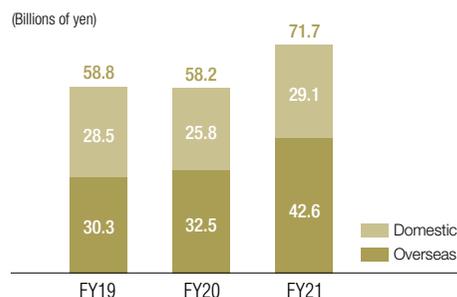
chemistry, diabetes, and blood coagulation testing, where we have an edge in terms of quality. Moving forward, we aim to increase the scale of our business by expanding sales of new diagnostic reagents and analyzers overseas and strengthening local production while growing our existing business and entering new fields in Japan.

Focus Areas

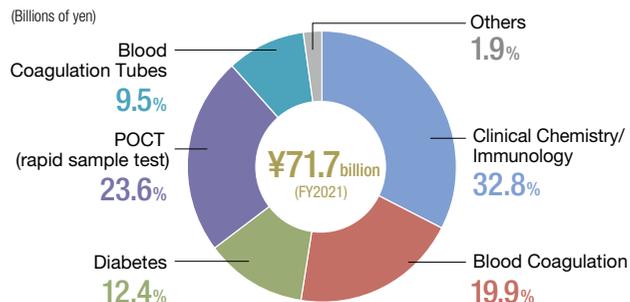
Focus Areas	Clinical Chemistry/ Immunology	Blood Coagulation	Diabetes	Infectious Disease POCT*	Blood Collection Tubes
Main Products	Diagnostics reagents for cholesterol, neutral lipids, and syphilis	Instruments and diagnostic reagents for coagulation and fibrinolysis	Diagnostic reagents for HbA1c	Diagnostics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

* POCT: Point of Care Testing; refers to timely on-site (clinics, etc.) testing

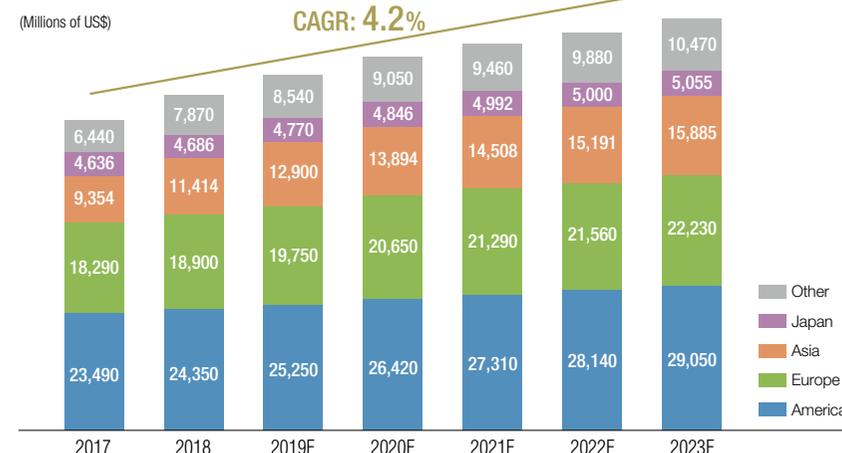
Diagnostics Business Net Sales



Breakdown of Diagnostics Business Sales



Clinical Testing Market by Region



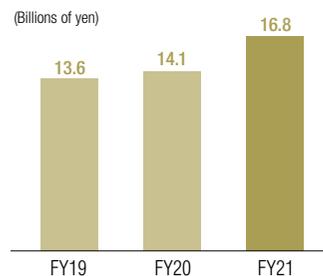
Source: Fuji Keizai, Worldwide Clinical Reagent Market in 2019 (in Japanese)
Fuji Keizai, Clinical Reagent Market in 2019 No. 4: General Analysis and Corporate Strategy (in Japanese)

Pharmaceutical Sciences Business (pharmaceutical and fine chemicals, enzymes)

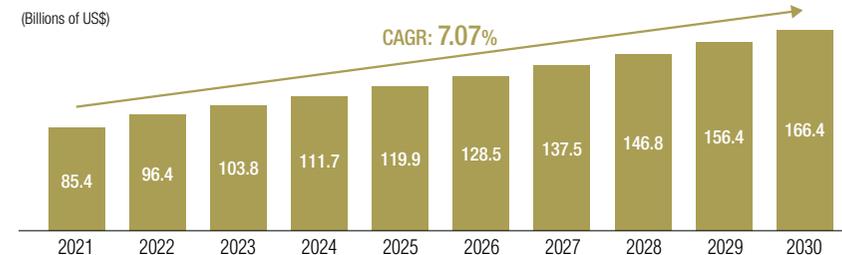
Contract manufacturing and development of diverse APIs from contractors in Japan and overseas

The Pharmaceutical Sciences Business consists of the pharmaceutical and fine chemicals business, which produces APIs under contract (CMO); the drug development solutions business (CRO); and the enzymes business, which manufactures and sells precursors for diagnostic reagents and manufactures recombinant proteins under contract (CDMO). In August 2020, the decision was made to expand production facilities at two major plants in Japan and overseas to establish a supply system across a wide range of areas against the backdrop of the accelerated outsourcing of development work and API manufacturing operations by pharmaceutical companies. In addition to our strength in small molecule drugs, peptides, protein drugs, and various other modalities, we aim to boost our presence and share by reinforcing our production systems in Japan and overseas.

Pharmaceutical Sciences Business Net Sales



Forecast of the Contract Manufacturing Market for APIs



Source: Grand View Research
"Pharmaceutical Contract Manufacturing & Research services market MARKET ESTIMATES & TREND ANALYSIS FROM 2018 TO 2030"

Interview with an Outside Director



Supporting ESG management from an objective perspective under a highly effective governance structure

Hiroshi Oeda

Independent Outside Director

Since Mr. Hiroshi Oeda was appointed as an Outside Director in June 2018, he has been providing advice with respect to the business management of the Company at Board of Directors meetings and supervising business execution appropriately by leveraging his abundant experience and skill regarding global corporate management, business strategies, execution of overseas M&A, etc., gained from serving as a management executive of the largest milling company in Japan.

Q First, what is your role as an Outside Director as you see it?

In general, outside directors are expected to supervise the execution of business from an independent and objective standpoint. Within this broad mandate, I consider the creation of an environment in which executives can adopt risks while still engaging in business activities in a sound manner to be of paramount importance. Earlier in my career, I served as president and chairman of the board of a food company for six years. Drawing from my experience during this period, I believe that the difference between an outside director and an executive president is objectivity. During my tenure as president, I placed considerable emphasis on the need to remain competitive whenever decisions were made under extremely stressful conditions. As part of this decision-making process, I clearly recall that outside directors offered their calm and objective advice from a broad perspective while adopting a supportive stance.

Four years have now passed since I assumed the position of Outside Director at SEKISUI CHEMICAL Group. During this period, the Company has engaged in sound management as it vigorously pursued business while prudently adopting risks. Risks are inherent in any and all business decisions. I am

therefore mindful of the need to respect both the decisions made by executives and the review and monitoring process. As serious risks arise, I encourage the Company to take the necessary steps to implement countermeasures from a calm and objective perspective.

Q How do you evaluate the effectiveness of the Company's governance function?

At the time of my appointment as Outside Director, Mr. Koge served concurrently as SEKISUI CHEMICAL Group president and Chair of the Board of Directors. Two years ago, Mr. Kato replaced Mr. Koge as president. Mr. Koge then became non-executive Chairman and Chair of the Board of Directors. Currently, the Board of Directors consists of six executive and six non-executive members. The fact that the Board of Directors is chaired by a non-executive is also indicative of effective governance through the separation of executive and oversight functions. Outside Directors are provided with detailed explanations of agenda items prior to Board of Directors' meetings. Armed with an understanding of the content of agenda items, Outside Directors are well positioned to offer their opinions in a lively manner. I am therefore confident that deliberations by the Board of Directors are of a high quality.

The chairperson is also highly skilled at organizing Board of Directors' meetings, listening carefully to opinions, summarizing discussions, and, when necessary, commenting on issues to be addressed in the future. Taking into consideration these factors, I rate the effectiveness of the Company's governance function as very high.

As far as diversity is concerned, three new female Outside Directors joined the Board in June of this year. Five of the Company's Outside Directors have corporate management experience. Despite this common experience in the corporate sector, their careers and strengths differ. As such, I am confident that discussions will be further invigorated by the diversity of perspectives. I believe that the Board of Directors is distinguished by its high degree of diversity. This includes the skill sets of Audit and Supervisory Board members. With the growth of our overseas business, I hope that SEKISUI CHEMICAL Group will appoint Directors from diverse nationalities.

Q What do you see as SEKISUI CHEMICAL Group's strengths?

Each of the Company's existing segments including the Housing, UIEP, and HPP Companies as well as the Medical Business, have strengths in their respective industries and continue to grow steadily. One of SEKISUI CHEMICAL Group's major strengths is its portfolio. Leveraging its unique Unit Construction Method, the Housing Company continues to expand its share in the housing market. The high value-added interlayer films manufactured by the HPP Company are also highly regarded across the world. In addition, the Medical Business has evolved to the stage where it could readily become a fourth divisional company through M&As and other means. This will inevitably help further bolster the portfolio. I am also looking forward to the full-scale commercialization of the new biorefinery and other businesses that contribute to solving global environmental issues.

Another strength is the Group's abundant human resources and corporate culture of developing people. This corporate culture that places the utmost importance on developing human resources is evident in the Board of Directors as well as the dialogue between employees, which is a mixture of severity and warmth, that can be seen during visits to business sites. Many of the Group's employees are both earnest and courteous. Successful efforts have been made to develop a sufficient number of executive candidates, who are recognized as important assets.

Interview with an Outside Director

Q What are your thoughts on the challenges to be faced from a governance perspective, and in which areas do you see room for improvement?

SEKISUI CHEMICAL Group comprises business sector divisional companies and the Corporate Headquarters that serves an organizational function. My impression is that divisional companies are afforded significant authority while the Corporate Headquarters provides support. Certain companies maintain governance systems where the Corporate Headquarters exercises its authority over the entire company. I cannot say which is better. As the Group's overseas business continues to expand, steps must be taken to manage the subsequent risks from a compliance perspective. With this in mind, it might be prudent to consider an organizational structure in which the Corporate Headquarters exhibits greater oversight over the Group as a whole.

SEKISUI CHEMICAL Group's Long-term Vision and Medium-term Management Plan were formulated by the president and management team in their own words and as such is easy to understand. At the same time, positive steps continue to be made in the separation of the executive and supervisory functions. In categorizing challenges into short-term as well as medium- and long-term issues going forward, I believe it would be better for the Board of Directors to spend more time deliberating on and increasing their involvement in setting the direction and framework for medium- and long-term issues.

Q Drawing on your extensive experience in M&As as well as global business, what are your recommendations for expanding the Group's overseas business?

As far as the Group's overseas business is concerned, rather than the organic growth of existing businesses, I believe the execution of M&As is vital in achieving the net sales target of ¥2 trillion and operating profit ratio target of 10% or higher identified under the Long-term Vision, Vision 2030. SEKISUI CHEMICAL Group entered the aircraft sector in earnest with the acquisition of U.S.-based AIM Aerospace Corporation, a leading aircraft components company, at a record-high acquisition price in 2019. Shortly thereafter, the airline industry was severely impacted by COVID-19 with the Group incurring an impairment loss in the previous fiscal year as a result. From a long-term perspective, however, I believe that this acquisition, which allowed the Group to enter the aircraft industry, was the right business decision for future growth. I hope that SEKISUI CHEMICAL Group will continue to expand its business with confidence as it proactively pursues M&As.

Q How do you evaluate the Company's ESG management?

Both Mr. Koge, the Company's former president, and Mr. Kato, its current chief executive, have repeatedly stated their views on the importance of ESG management in extremely easy-to-understand terms. The former positioned ESG management at the heart of the Group's business activities and the latter sees ESG as SEKISUI CHEMICAL Group's business itself. SEKISUI CHEMICAL Group is distinguished by its leading technological capabilities and its ability to solve environmental issues. Led mainly by Outside Directors, the Diversity Promotion Committee established in June 2022 is working fervently to further strengthen diversity and inclusion (D&I), an area in which considerable success has already been achieved. It comes as no surprise that the Company is highly regarded by investors and others for its steadfast commitment to ESG management.



As the Group expands its global business in the future, particular emphasis will be placed on addressing social (S) concerns. In specific terms, the Group will promote a wide range of initiatives including human rights due diligence and D&I throughout the supply chain to prevent risks before they occur. I look forward to seeing the Group continue to grow by building a robust global management system.

Corporate Governance

Basic Policy

SEKISUI CHEMICAL Group has put in place a basic philosophy regarding corporate governance that lays out efforts for securing sustainable growth and increasing corporate value over the medium to long term. To help achieve these goals, we are increasing the transparency and fairness of our management and pursuing swift decision-making and will do so while continuing to meet—through the creation of value for society that is part of our Corporate Philosophy—the needs of the five types of stakeholders the Group emphasizes: customers, shareholders, employees, business partners, and local communities and the environment.

Corporate Governance System

Board of Directors

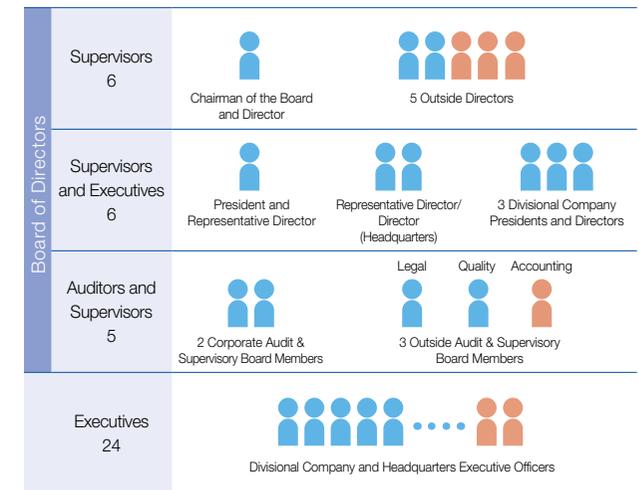
The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies, handling upper-level management judgments and supervising the execution of business. In addition to the Company's Chairman, who is a non-executive director and serves as its chair, the Board of Directors has in place a highly effective supervisory system for Directors by appointing sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations.

Together with Directors, Audit & Supervisory Board members, including outside Audit & Supervisory Board members, shall attend the meetings of

the Board of Directors. The Group ensures diversity among board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size.

The Board of Directors maintains a balance between diversity, optimal size, and capabilities while effectively fulfilling its role and responsibilities. This includes the appointment of presidents of the divisional companies, who are the top management of each business, as inside Directors, and senior corporate officers with significant experience and strong expertise, as well as independent Outside Directors, who have broad knowledge and experience, and Audit & Supervisory Board members with strong expertise.

Management System (As of June 22, 2022)

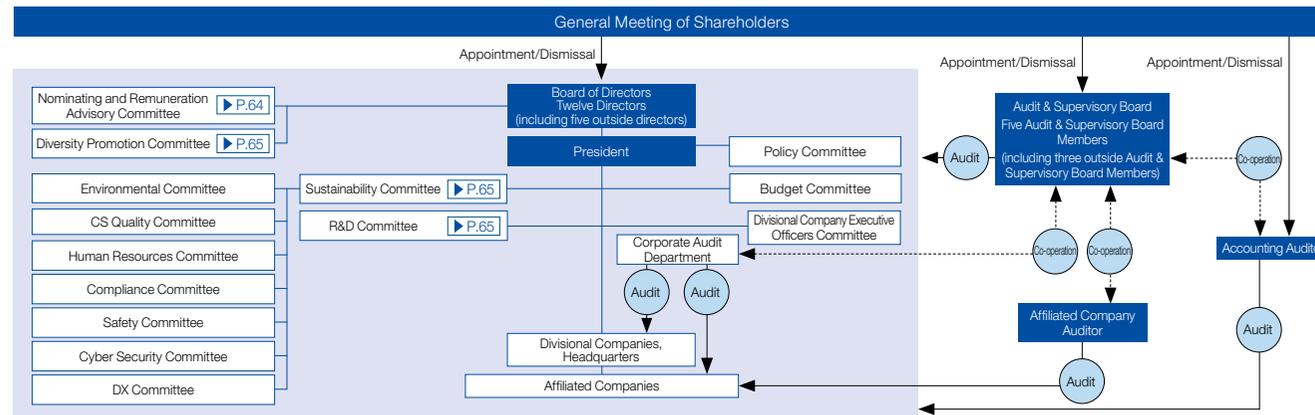


Note: All Audit & Supervisory Board members also attend meetings of the Board of Directors.

Male Female

As an organizational structure under the Companies Act, the Company has chosen to be a company with an Audit & Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System to clearly distinguish the business execution function (executive officers) from the supervisory function (directors) in order to respond quickly to changes in the business environment of each divisional company.

Corporate Governance System Chart (As of June 22, 2022)



Initiatives Taken to Enhance Corporate Governance



Organizational structure	A company with an Audit & Supervisory Board
Total number of directors*	12 (In-house: 7; Outside: 5) including 3 female directors
Ratio of outside (independent) directors	41.7%
Ratio of female directors	25.0%
Director's term of office	1 year
Executive officer system introduced	Yes
Organization to assist the president in making decisions	Policy Committee
Voluntary advisory board to the Board of Directors	Nomination and Remuneration Advisory Committee and Diversity Promotion Committee established

* The number of Directors shall not exceed 15

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2022)

N : Nomination and Remuneration Advisory Committee **D** : Diversity Promotion Committee



**Teiji
Koge**

Chairman of the Board
and Director
Date of birth:
November 14, 1953

Number of Shares of the Company Owned: 132,063 shares
Tenure as Director: 17 years **N D**

Since Mr. Teiji Koge was appointed as President and Representative Director in 2015, he has served as the driving force of the Group by implementing his strong leadership in demonstrating the new long-term vision that aims for ESG management and doubling the business scale.

Since June 2018, he has presided over Board of Directors meetings, encouraged constructive discussions on management strategies by increasing the involvement of Outside Directors, executed governance reform, and endeavored to ensure the effectiveness of the Board of Directors.

Furthermore, since he was appointed as Chairman of the Board and Director in March 2020, he has been properly supervising the Company's management as an Inside Director who is not concurrently responsible for business execution.



**Keita
Kato**

President and
Representative Director
Chief Executive Officer
Date of birth:
January 11, 1958

Number of Shares of the Company Owned: 90,174 shares
Tenure as Director: 8 years **N D**

Since Mr. Keita Kato was appointed as Director in 2014, he has implemented his leadership and made significant achievements as President of High Performance Plastics Company.

In addition, as Head of Business Strategy Department since January 2019, he has overseen SEKISUI CHEMICAL Group's management in general as well as administrative supervision functions of overseas businesses and properly supervising business execution from a global perspective.

Since he was appointed as President and Representative Director in March 2020, he has been engaged in formulation/deliberation and supervision of management strategies, etc., at Board of Directors meetings while also promoting the long-term vision, which aims for ESG management and doubling the business scale.



**Futoshi
Kamiwaki**

Representative Director
Senior Managing
Executive Officer
Date of birth:
August 10, 1960

Number of Shares of the Company Owned: 82,243 shares
Tenure as Director: 2 years **D**

Mr. Futoshi Kamiwaki has been engaged in the operations of product development, sales management, and administrative management and control as Head of Product Research & Development Department, Head of Housing Renovation Sales Management Division, and Head of Administrative Management & Control Department of the Housing Company, and has abundant experience in strategy planning and management. Since he was appointed as Head of New Business Development Department within the Company's headquarters in January 2020 and Head of Business Strategy Department in March 2020, he has been performing his duties by applying his deep insight and advanced management capabilities. Following his appointment to the Board of Directors in 2020, he has used his experience in the areas of promoting ESG management and digital transformation, in particular, to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

Responsible for ESG Management Department, Digital Transformation Department and New Business Development Department; Head of Business Strategy Department



**Yoshiyuki
Hirai**

Director
Senior Managing
Executive Officer
Date of birth:
February 4, 1963

Number of Shares of the Company Owned: 45,861 shares
Tenure as Director: 7 years

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of the global management structure and promoting constructive engagement with shareholders as Head of Business Strategy Department by leveraging the knowledge fostered through his abundant experience.

As President of the Urban Infrastructure & Environmental Products Company since January 2019, he has been performing his duties by applying his deep insight. He is also highly knowledgeable of the stakeholders' expectations and issues surrounding SEKISUI CHEMICAL Group and has been performing his duties by applying his advanced management capabilities.

Areas of Responsibility

President of Urban Infrastructure & Environmental Products Company



**Toshiyuki
Kamiyoshi**

Director
Senior Managing
Executive Officer
Date of birth:
March 1, 1961

Number of Shares of the Company Owned: 64,213 shares
Tenure as Director: 3 years

Mr. Toshiyuki Kamiyoshi has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM TOHOKU CO., LTD., President of TOKYO SEKISUIHEIM CO., LTD., and Head of Housing Sales Management Division of the Housing Company.

Since he was appointed as President of the Housing Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used these experiences to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

President of Housing Company



**Ikusuke
Shimizu**

Director
Senior Managing
Executive Officer
Date of birth:
December 12, 1964

Number of Shares of the Company Owned: 53,552 shares
Tenure as Director: 3 years

Mr. Ikusuke Shimizu is highly knowledgeable of the High Performance Plastics Company's strategic fields including the overseas segment, having served as Head of Foam Division, Responsible for Automobiles & Transportation field, Responsible for Electronic Device Materials field of High Performance Plastics Company as well as President of SEKISUI TA INDUSTRIES, LLC, etc.

Since he was appointed as President of High Performance Plastics Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment to the Board of Directors in 2019, he has used his experience in global business, in particular, to deliberate and oversee business strategies at Board of Directors meetings.

Areas of Responsibility

President of High Performance Plastics Company



**Kazuya
Murakami**

Director
Executive Officer
Date of birth:
June 4, 1966

Number of Shares of the Company Owned: 12,704 shares
Tenure as Director: 1 year **D**

Mr. Kazuya Murakami has been engaged in back-office operations mainly at the Human Resources Department, including serving as Head of Human Resources Development Division of High Performance Plastics Company, and has abundant experience in global policy enforcement and management. Since his appointment as Head of Human Resources Department in October 2020, he has exercised his strong leadership in personnel system reform and in the promotion of diversity management, as well as working to create the Company's organizational culture and to improve employees' engagement. He has utilized the experience he has acquired thus far, and performed his duties by applying his deep insight and advanced management capabilities. In addition, following his appointment to the Board of Directors in 2021, he has engaged in personnel system reforms, as well as in health and productivity management.

Areas of Responsibility

Head of Human Resources Department



**Yutaka
Kase**

Independent Outside
Director
Date of birth:
February 19, 1947

Number of Shares of the Company Owned: —
Tenure as Director: 6 years **N D**

Mr. Yutaka Kase possesses abundant experience and past achievements in global corporate management and business strategy fostered through his time as a corporate manager of a general trading company, including his positions as President & CEO, and Representative Director and Chairman of Sojitz Corporation. Since his appointment as Outside Director in June 2016, he has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings.

Important Position of Other Organizations Concurrently Assumed

Advisor of Sojitz Corporation
Outside Director of JAC Recruitment Co., Ltd.

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2022)

N : Nomination and Remuneration Advisory Committee **D** : Diversity Promotion Committee **A** : Audit & Supervisory Board



**Hiroshi
Oeda**

Outside Director
Independent Outside
Director
Date of birth:
March 12, 1957

Number of Shares of the Company Owned: 7,000 shares
Tenure as Director: 4 years

N **D**

Mr. Hiroshi Oeda served as Director & President of Nisshin Seifun Group Inc., and has used his broad experience and skill in global corporate management, business strategy, and execution of overseas M&A, etc., acquired during his time as a management executive of the largest milling company in Japan, to provide advice with respect to business management of the Company and to appropriately supervise business execution.

Important Position of Other Organizations Concurrently Assumed

Special Advisor of Nisshin Seifun Group Inc.
Outside Director of EBARA CORPORATION
President of Hitotsubashi University Koenkai



**Haruko
Nozaki**

Independent Outside
Director
Date of birth:
June 19, 1955

Number of Shares of the Company Owned: —

New **N** **D**

Ms. Haruko Nozaki possesses experience in personnel affairs and education at HORIBA, Ltd., and deep insight on the promotion of diversity, as well as on development of the next generation, etc. The Company has judged that she will provide pertinent advice at meetings of the Company's Board of Directors regarding medium- to long-term issues based on her insight on human resources, and therefore elected her as an Outside Director.

Important Position of Other Organizations Concurrently Assumed

Executive Vice-President of Kyoto University
External Director of West Japan Railway Company



**Miharu
Koezuka**

Independent Outside
Director
Date of birth:
September 2, 1955

Number of Shares of the Company Owned: 4,000 shares

New **N** **D**

Ms. Miharu Koezuka held positions of Representative Director and General Manager of Planning Headquarters and General Manager of Sales Headquarters of Takashimaya Company, Limited, and was involved in management of the said company for many years. She currently serves as Outside Director of several companies. The Company has judged that Ms. Koezuka will utilize her experience in diverse industries in the Company's Board of Directors meetings to provide multifaceted and pertinent advice, and therefore elected her as an Outside Director.

Important Position of Other Organizations Concurrently Assumed

Outside Director of Japan Post Holdings Co., Ltd.
Outside Director of Nankai Electric Railway Co., Ltd.
Outside Director of Nippon Paint Holdings Co., Ltd.



**Machiko
Miyai**

Independent Outside
Director
Date of birth:
September 29, 1960

Number of Shares of the Company Owned: —

New **N** **D**

Ms. Machiko Miyai held executive positions at Panasonic Corporation and then has served as Director and the head of the marketing department at MORINAGA & CO., LTD. As such, Ms. Miyai possesses broad job experience mainly in consumer-conscious duties in industries that are different from that of the Company. The Company has judged that she will utilize her abundant experience and wide-ranging knowledge in the Company's Board of Directors meetings to provide pertinent advice, and therefore elected her as an Outside Director.

Important Position of Other Organizations Concurrently Assumed

Director, Managing Operating Officer of MORINAGA & CO., LTD.
Chairman of Sustainability Forum Japan
Auditor of Ochanomizu University



**Hiroyuki
Taketomo**

Full-time Audit &
Supervisory Board
Member
Date of birth:
July 8, 1961

Number of Shares
of the Company Owned: 29,391 shares

A

Tenure as Audit & Supervisory Board Member: 1 year

Since his appointment as Director in 2016, Mr. Hiroyuki Taketomo has performed his duties, including carrying out measures in accordance with corporate governance, as Head of Human Resources Department and Head of Legal Department by applying his deep insight and advanced management capabilities. He has also made sufficient achievements in supervising business execution status, such as enhancing compliance from a global perspective as the executive in charge of company-wide compliance. By leveraging this abundant experience, he undertakes daily auditing activities as a full-time Audit & Supervisory Board Member and provides useful opinions and suggestions during deliberations on agenda items.



**Toshitaka
Fukunaga**

Full-time Audit &
Supervisory Board
Member
Date of birth:
April 7, 1956

Number of Shares
of the Company Owned: 80,962 shares

A

Tenure as Audit & Supervisory Board Member: 2 years

Mr. Toshitaka Fukunaga undertakes daily auditing activities and provides useful opinions and suggestions during deliberations on agenda items as appropriate as a Full-time Audit & Supervisory Board member by leveraging his abundant management experience with the Company, including his time as Managing Executive Officer of High Performance Plastics Company, and his knowledge of the manufacturing field, including capital investment, production technology, digitalization, and quality management.



**Kazuyuki
Suzuki**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
August 12, 1950

Number of Shares
of the Company Owned: —

A

Tenure as Audit & Supervisory Board Member: 7 years

Mr. Kazuyuki Suzuki has contributed to business management, including by providing guidance to companies being considered for the Deming Prize in Japan and abroad as a long-standing member of the Deming Prize committee.

He has deep insight and abundant experience in quality control and reliability engineering. He continues to give useful opinions and suggestions, especially on the Group's safety and quality initiatives.

Important Position of Other Organizations Concurrently Assumed

Professor Emeritus of The University of Electro-Communications, Specially-appointed Professor of Graduate School of Informatics and Engineering of the University of Electro-Communications
Visiting Professor of Institute of Statistical Mathematics, Research Organization of Information and Systems



**Ryoko
Shimizu**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
September 7, 1958

Number of Shares
of the Company Owned: —

A

Tenure as Audit & Supervisory Board Member: 3 years

Ms. Ryoko Shimizu possesses specialized knowledge in accounting in and outside Japan and a wealth of audit experience.

Making the most of her specialized knowledge as a certified public accountant mainly in the fields of finance and accounting, she provides useful opinions and suggestions, especially with regard to improving the reliability of the Group's financial reporting and establishing and maintaining internal controls.

Important Position of Other Organizations Concurrently Assumed

Full-time Professor of Graduate School of Accountancy and Faculty of Business and Commerce, Kansai University
Outside Director of Sumitomo Densetsu Co., Ltd.



**Yoshikazu
Minomo**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
December 13, 1969

Number of Shares
of the Company Owned: —

New **A**

Mr. Yoshikazu Minomo as an attorney at law is equipped with a wealth of achievements and significant knowledge concerning overall corporate legal affairs such as business revitalization, corporate reorganization, mergers & acquisitions, compliance, and internal control. The Company has judged that he will reflect such a proven record and insight in audits of the Company, check appropriateness of management judgment particularly from the perspective of compliance, and contribute to improvement of the Company's social trust, and therefore elected Mr. Minomo as an Outside Audit & Supervisory Board member.

Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 22, 2022)

Name	Position in the Company	Board of Directors (Fiscal 2021 Attendance)	Audit & Supervisory Board (Fiscal 2021 Attendance)	Nomination and Remuneration Advisory Committee (Fiscal 2021 Attendance)	Diversity Promotion Committee ³	Policy Committee	Sustainability Committee R&D Committee	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities ²									
								Core Function of Manufacturing Business		Preparations for Long-term Growth				Strengthening the Management Base			
								Management	Manufacturing Business	Marketing/Sales	Environment	Innovation (Research & Development/New Business Development/Alliance)	Global Business	DX (Digital Transformation)	Legal Affairs/Compliance	Financial Affairs/Accounting	Human Resources/Diversity
Teiji Koge	Chairman of the Board and Director	● ¹ (17 out of 17)	—	○ (6 out of 6)	○	—	—	✓		✓	✓						✓
Keita Kato	President and Representative Director Chief Executive Officer	○ (17 out of 17)	—	○ (6 out of 6)	○	● ¹	● ¹	✓	✓			✓	✓				✓
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	○	○	○	✓			✓		✓				✓
Yoshiyuki Hirai	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	✓		✓			✓				✓
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	✓		✓	✓						
Ikusuke Shimizu	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	✓	✓			✓	✓				
Kazuya Murakami	Director Executive Officer	○ (13 out of 13)	—	—	○	○	○	✓					✓				✓
Yutaka Kase	Independent Outside Director	○ (17 out of 17)	—	● ¹ (6 out of 6)	○	—	—	✓					✓				
Hiroshi Oeda	Independent Outside Director	○ (17 out of 17)	—	○ (6 out of 6)	○	—	—	✓					✓				
Haruko Nozaki	Independent Outside Director	○ (—)	—	○ (—)	● ¹	—	—	✓									✓
Miharu Koezuka	Independent Outside Director	○ (—)	—	○ (—)	○	—	—	✓		✓	✓		✓				
Machiko Miyai	Independent Outside Director	○ (—)	—	○ (—)	○	—	—	✓		✓	✓	✓	✓				
Hiroyuki Taketomo	Full-time Audit & Supervisory Board Member	○ (17 out of 17)	● ¹ (13 out of 13)	—	—	○	—	✓								✓	✓
Toshitaka Fukunaga	Full-time Audit & Supervisory Board Member	○ (17 out of 17)	○ (19 out of 19)	—	—	○	—	✓	✓			✓		✓			
Kazuyuki Suzuki	Independent Outside Audit & Supervisory Board Member	○ (16 out of 17)	○ (18 out of 19)	—	—	—	—		✓			✓	✓	✓			
Ryoko Shimizu	Independent Outside Audit & Supervisory Board Member	○ (17 out of 17)	○ (19 out of 19)	—	—	—	—						✓			✓	
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	○ (—)	○ (—)	—	—	—	—									✓	

*1 ●: The solid blue circle indicates the chairman or committee chairman

*2 The list above does not reflect the full range of expertise possessed by the Directors and Audit & Supervisory Board Members. The Company updates the items for skills and other capabilities to be possessed by Directors in line with the business strategy in the Medium-term Management Plan. For details on these updates, please see the [Convocation Notice](#).

*3 Launched June 2022

Corporate Governance

Nomination and Remuneration Advisory Committee

The Company has established an optional advisory committee concerning nomination and remuneration to complement the functions of the Board of Directors and to further enhance the fairness and transparency of management. This Committee comprises seven members, the majority of whom are independent outside directors. The Chairperson is elected from the independent outside directors.

Roles of the Nomination and Remuneration Advisory Committee

- Appoints and dismisses Representative Directors, Directors, and other senior executives; appoints and dismisses Audit & Supervisory Board member candidates; and appoints and dismisses advisors and executive advisors, including former Representative Directors and Presidents
- Deliberates on the adequacy of the Director remuneration system and remuneration levels, etc.
- Deliberates on Board of Director effectiveness enhancements and on important management issues, etc.

This committee reports opinions and provides advice to the Board of Directors regarding the details of these deliberations.

Fiscal 2021 Activities

- Selection of candidates for Directors and Audit & Supervisory Board members, and individual evaluations and remuneration
- Composition and effectiveness of the Board of Directors, and governance enhancement initiatives, etc.

Succession Planning for SEKISUI CHEMICAL Group's President

Supervision and planning for SEKISUI CHEMICAL Group President's successor is conducted in appropriate consideration of its management principles and strategies. To enhance the objectivity, timeliness, and transparency of the procedures, the Nomination and Remuneration Advisory Committee deliberates on the eligibility of a candidate for the office of President over an appropriate period of time, and makes recommendations to the Board of Directors, which then makes a final decision regarding succession.

Support for and Collaboration with Outside Directors

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's wide range of businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites. In fiscal 2021, the Company held R&D topic briefings. In addition, Outside Directors and the senior executives of the Company, and Audit & Supervisory Board members (including outside Audit & Supervisory Board members) and the accounting auditor, regularly exchange opinions to deepen cooperation.

Assessment Relating to the Board's Effectiveness

The Company evaluates and works to enhance the effectiveness of the Board of Directors every year. Having set an appropriate agenda, the Board of Directors engages in sufficient discussion with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit & Supervisory Board members. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and functioning properly.

The important management issues taken up and deliberated by the Board of Directors in fiscal 2021

Growth strategies (including R&D, large new businesses, etc.), capital policies, human resource strategies, and fundamental strategies (Sustainability Committee reports, digital transformation, safety, Compliance and CS & quality)

Initiative for enhancing effectiveness using a Survey to evaluate the effectiveness of the Board of Directors

Survey details

- Do you think the Board of Directors' composition is appropriate for improving corporate value?
- Do you think that agendas are appropriately set?
- Do you think that sufficient time for deliberations is secured?
- Do you think that opinions and suggestions are actively presented?
- Do you think that the support framework for Outside Directors is appropriate?

Measures implemented in 2021 to enhance effectiveness based on the results of the survey

[Example] Changes to agenda setting and time allocation

Expanded deliberations on ESG-related agenda items as a company-wide management issue (GHG reductions, human resource strategies, risk management, DX, fusion, synergy, etc.)

Review of agenda items to secure deliberation time

Revised the monetary value criteria for agenda items related to low-risk capital investments, etc., delegated authority to the Executive Committee, and reduced the number of agenda items

+

Investigated and introduced measures to enhance the effectiveness of the Executive Committee (expanded the content of study sessions, etc.)

The results of the survey (conducted in January 2022) conducted after these measures were implemented indicate that sufficient deliberation time has been secured at the Board of Directors. Reflecting the details of the survey, the Company also revised the composition of the Board of Directors in June 2022, thereby increasing the number of Outside Directors from two to five for the purpose of securing the ratio and diversity of the Outside Directors.

Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of five members comprising two full-time Audit & Supervisory Board Members and three part-time Outside Audit & Supervisory Board Members. We have elected an attorney at law, a CPA, and a quality expert as Outside Audit & Supervisory Board Members.

The main subjects to be considered at Audit & Supervisory Board meetings include: i) decision-making procedures for M&As and strategic investments along with subsequent follow-up measures, ii) verification and confirmation of execution of duties by Directors through an investigation into the preparation and operational status of internal control systems, and iii) confirmation of the methods and results of audits by the Accounting Auditor.

In May 2022, the Audit & Supervisory Board resolved to change the Accounting Auditor, after which the Company elected KPMG AZSA LLC as the new Accounting Auditor during the June General Meeting of Shareholders under the expectation of making audits from a new standpoint, and for the purpose of further improving accounting governance for the Group. This decision was made as a result of comprehensively examining the quality control system, auditing system including global measures, auditing methods, and independence, etc., of the candidates.

Thinking on Concurrent Service by Directors and Audit & Supervisory Board Members

When a Director or an Audit & Supervisory Board member intends to serve concurrently as an officer at another listed company, he/she is allowed to do so at only up to four companies, an extent not inconveniencing the Company's operations, as the officer is required to secure time and effort needed for fulfilling his/her roles and responsibilities appropriately. Moreover, the Company laid down the "Criteria for Independence of Outside Board Members." Any Outside Officer not meeting any of the requirements is judged to be not sufficiently independent for the Company.

▼ Convocation Notice

https://www.sekisuichemical.com/ir/stock/shareholder_info/pdf/NoticeConvocation_2022.pdf

Executive Committee

An Executive Committee has been established as the top decision-making body for each divisional company. The Board of Directors delegates a broad degree of authority to this Committee to enable a rapid response to changes in the business environment among divisional companies. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

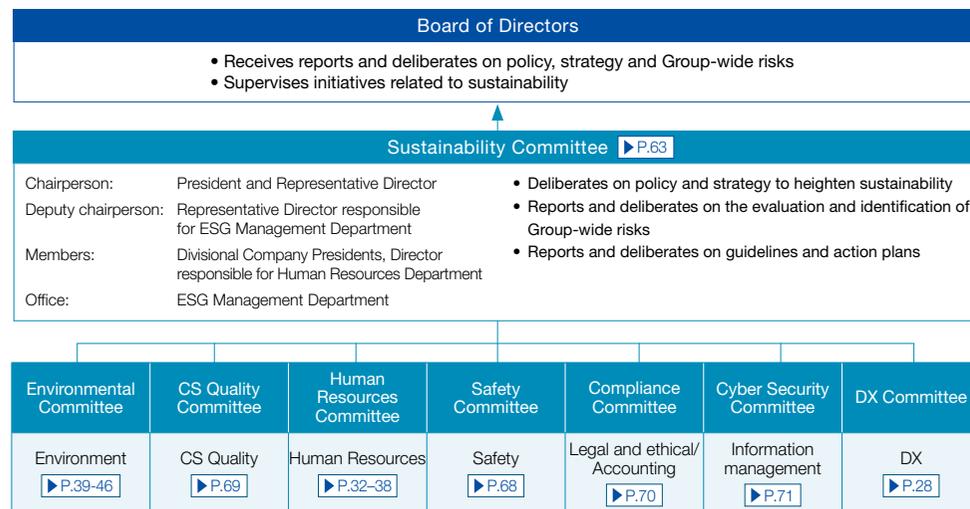
► List of officers <https://www.sekisuichemical.com/about/outline/management/>

Corporate Governance

Sustainability Promotion Framework

To achieve the Long-term Vision, Vision 2030, the Group promotes ESG management to realize both a sustainable society and the sustainable growth of the Group itself.

Chaired by the President and served by the Director responsible for the ESG Management Department as deputy chairperson, when implementing these initiatives, the Sustainability Committee deliberates on extracting risks and opportunities that the Group might face in the future, Group-wide policies, and strategies. Major items and Group-wide risks determined by the Committee are reported to and deliberated by the Policy Committee and the Board of Directors. These initiatives are then deployed Group-wide following discussions at each of the seven subcommittees, namely "Environment," "CS & Quality," "Human Resources," "Safety," "Compliance," "Cyber Security," and "DX," and incorporated into the action plans of each organization. [▶ P.7 Key ESG Management Issues \(Materiality\)](#)



Each subcommittee drafts specific measures, incorporates them into action plans, and conducts monitoring.

Group-wide Deployment

Other Management Committees

Policy Committee	This committee meets once a month to deliberate on important management policies, strategic items, and proposals to be presented to the Board of Directors.
Diversity Promotion Committee	This committee was launched in June 2022 as an advisory body to the Board of Directors, and serves (i) to enhance supervision and advice regarding the execution of basic policies and various measures for accelerating the promotion of diversity and for securing diversity among the Company's human resources and (ii) to strengthen the supervisory function and objectivity of the Board of Directors (Chairman: Outside Director Haruko Nozaki ▶ P.63).
R&D Committee	This committee meets at least once per year for the purpose of deliberating and determining Group-wide R&D basic policies regarding next-generation business creation, important matters, themes, and action plans.

Basic Policy on Cross-Shareholdings and Criteria for the Exercise of Voting Rights

Basic policy on cross-shareholdings

SEKISUI CHEMICAL strategically holds shares of other companies, to a limited extent, that are important business partners provided that it made the judgment on such holdings to be beneficial for the purpose of maximizing its medium- to long-term enhancement of corporate value as well as that of business partners. The strategic rationale shall be reviewed in an appropriate and timely manner, and we will reduce those holdings without sufficient strategic benefits or that are inconsistent with our capital policies as necessary.

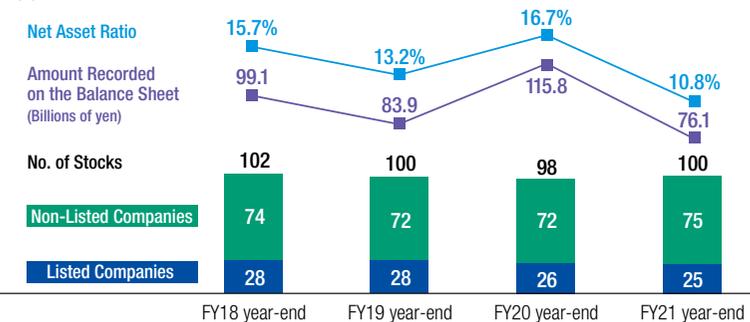
Verification of the necessity of cross-shareholdings

SEKISUI CHEMICAL conducted an assessment of the individual holdings in accordance with the basic policy to examine specific benefits by such shareholdings (listed companies) and consistency with the risk-benefit evaluation of such individual holdings over the cost of capital and other factors, and made a judgment for appropriateness of holding them at the Board meeting held on June 10, 2021. The total number of shareholdings of listed companies was 25 as of the end of March 2022, compared with 26 holdings as of the end of March 2021 as a result of the disposition of one holding during fiscal 2021. Cross-shareholdings of non-listed companies increased by three holdings as of the end of March 2022, compared with holdings as of the end of March 2021. All non-listed company stocks are held for strategic investment purposes.

Criteria for the exercise of voting rights concerning cross-shareholdings

SEKISUI CHEMICAL performs its monitoring function as a shareholder by exercising voting rights at shareholder meetings of the shareholding companies in accordance with the specific standards with respect to its established voting rights to reflect perspectives of connecting the medium- to long-term enhancement of its corporate value after taking into consideration the strategic position of such holding and dialogue and so forth with them. As to the exercise of voting rights, SEKISUI CHEMICAL applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items, etc.), business performance (equity ratio, profit/loss condition, etc.) in their current fiscal year, and their business sustainability. SEKISUI CHEMICAL then makes the final comprehensive decision on proposals based in part on dialogue with those companies.

Changes in the Number of Stock Holdings and the Amount of Holdings Recorded on the Balance Sheet



Corporate Governance

Remuneration for Officers

Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

- The remuneration system should contribute to sustainable growth and the medium- to long-term improvement of corporate value for the Group
- The remuneration system should make the officers of the Company share value with shareholders and increase their awareness of shareholder-focused management
- The remuneration system should be highly connected to business performance, providing motivation for officers of the Company to achieve management plan goals
- The remuneration system should provide a framework and baseline that enables the Company to acquire and keep on staff a diverse variety of management talent in order to increase the competitiveness of the Group

Remuneration mindset

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and share remuneration. For Outside Directors and Audit & Supervisory Board members, remuneration is made up of basic remuneration only.

For the indicators for performance-based remuneration, the Company has selected operating profit, which is the business performance target of the Company; the business performance of the divisional companies; ROE and ROIC, assessment criteria for the improvement of the Group's corporate value; and dividends, which provide incentive to return these management results to shareholders as these will enable the performance-based remuneration to function effectively as an incentive for the Directors of the Company to improve the Group's corporate value and achieve the management plan, as well as to ensure a high level of objectivity and transparency of the remuneration process. Since fiscal 2021, the Company has included the sales ratio of Products to Enhance Sustainability and other non-financial indicators as a further incentive.

Short-term incentive (Bonuses)

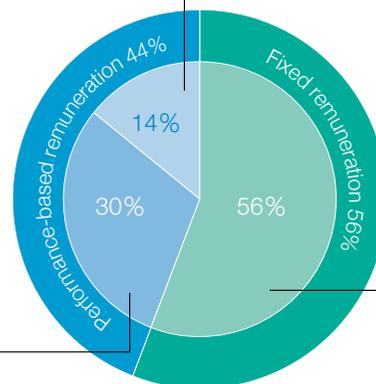
Paid in accordance with the results for the fiscal year under review

1. Linked to financial results: operating profit, bottom line, ROE, ROIC, etc.

2. Linked to ESG-related non-financial indicators: KPI for key issues [▶P.7](#)

(Sales ratio of Products to Enhance Sustainability, rate of renewable energy, etc.)

Financial results-linked indicators (fiscal 2021)		Targets	Results
Group financial results (operating profit)		86.0 billion yen	88.9 billion yen
Housing		37.0 billion yen	35.3 billion yen
Financial results by business segment (operating profit)	Urban Infrastructure & Environmental Products	15.0 billion yen	14.1 billion yen
	High Performance Plastics	38.0 billion yen	42.4 billion yen
	Medical	10.0 billion yen	11.2 billion yen
ROE		8.8%	5.5%
ROIC		6.8%	7.3%
Dividend per share		49 yen	49 yen



Medium- and long-term incentive (Share remuneration)

The incentive plan in which the number of shares to be granted is specified by officer responsibility in order to motivate officers to contribute to improving the Group's financial results and growing its corporate value in the medium to long term. Share remuneration is designed to more closely track the Group's medium- to long-term shareholder value, and is structured to give shares mirrored by share value at the time of the officer resigning as a reward for having contributed to improving the Group's corporate value in the medium to long term.

Basic Remuneration

Paid in a certain fixed amount corresponding to the roles and responsibilities of each Director within the limits on officers' remuneration. For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's shares through the Officers Stock Ownership Plan, thereby raising their business awareness that attaches importance to the stock price.

Process of determining officers' remuneration

In determining the amount of remuneration, etc., to the Company's Directors and the policy on determining calculation methods, the matter is deliberated by the Nomination and Remuneration Advisory Committee in advance and the results of the deliberation are recommended to the Board of Directors. The Board of Directors determines the policy based on the recommendation of the said advisory committee. The following is a summary of the procedures taken by the Nomination and Remuneration Advisory Committee.

- The chairperson (Outside Director) convenes a meeting of the Nomination and Remuneration Advisory Committee.
- Proposals to the meeting are put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc., is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and they must not aim for their own individual interests or those of a third party such as the Company's management.
- The specific amounts of individual remuneration of Directors, the payment timing, and the payment methods, etc., are left to the discretion of the President and Representative Director.

The Board of Directors obtains an opinion from the Nomination and Remuneration Advisory Committee as described above to ensure that the authority is exercised properly.

Officer Remuneration in Fiscal 2021

(Millions of yen)

Classification	Basic remuneration		Bonus		Share remuneration		Total	
	Number of eligible officers (persons)	Amount						
Directors	11	340	7	161	7	76	11	578
(Of which Outside Directors)	3	34	–	–	–	–	3	34
Audit & Supervisory Board Members	6	76	–	–	–	–	6	76
(Of which Outside Audit & Supervisory Board Members)	3	36	–	–	–	–	3	36

Note: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to ¥86 million for directors who concurrently serve as employees (2 persons).

Internal Control – Risk Management

SEKISUI CHEMICAL Group has promoted a Group-wide risk management (ERM) structure for the integrated management of measures to prevent risk events from occurring (risk management) and to respond when risk events occur (crisis management). Through this unification of concepts, we are creating a system that can be brought to bear on ever-changing risks and crises according to the status of the organization.

Since April 2020, ultimate responsibility for SEKISUI CHEMICAL Group risk management has resided with the Managing Director of the ESG Management Department. The same department's Risk Management Group serves as a dedicated office and ensures that the SEKISUI CHEMICAL Group Risk Management Guidelines, which were established based on the SEKISUI CHEMICAL Basic Policy on Internal Control System revised in April 2015, are thoroughly instilled in the directors, executive officers, and employees of the Company and Group companies. The Risk Management Group also strives to identify significant risks and to prevent them from manifesting by centrally and comprehensively collecting and evaluating information about risks.

Having started in fiscal 2011 with 27 organizations, mainly businesses affiliated with Divisional Companies, in fiscal 2021, the Group implemented risk management activities at 173 organizations, including affiliated subsidiaries in Japan and overseas, and continuously runs PDCA cycles in line with the ISO 31000 international standard for risk management. The dedicated office classifies and organizes any risks identified by these organizations and deliberates on Group-wide countermeasures.

Since fiscal 2020, we have been promoting a Company-wide ERM system that integrates these organizational risk management activities with an all-company perspective of risk management activities. As Company-wide risk management, we have newly implemented risk assessments by each specialized area and, based on the identification and evaluation of Company-wide serious risks, are working on incorporating them into action plans, designing Company-wide numerical targets, and monitoring progress.

In the event of an emergency occurring that is found to affect the business continuity of the Group, the Crisis-management System establishes an Emergency Response Headquarters based on the SEKISUI CHEMICAL Group Crisis Management Guidelines and creates a framework capable of swiftly and appropriately handling the situation. The Group also periodically works to revise this system and provides training. In addition, a framework has been established for appropriately reporting to the Board of Directors when a serious incident, or the risk thereof, occurs. Although it is extremely difficult to accurately assess the risks that might emerge moving forward, we ensure that employees share a code of conduct they should reference in preparation for an emergency, and raise their awareness through position-level-based training. This is in the belief that it is essential to step up employees' risk sensitivity.

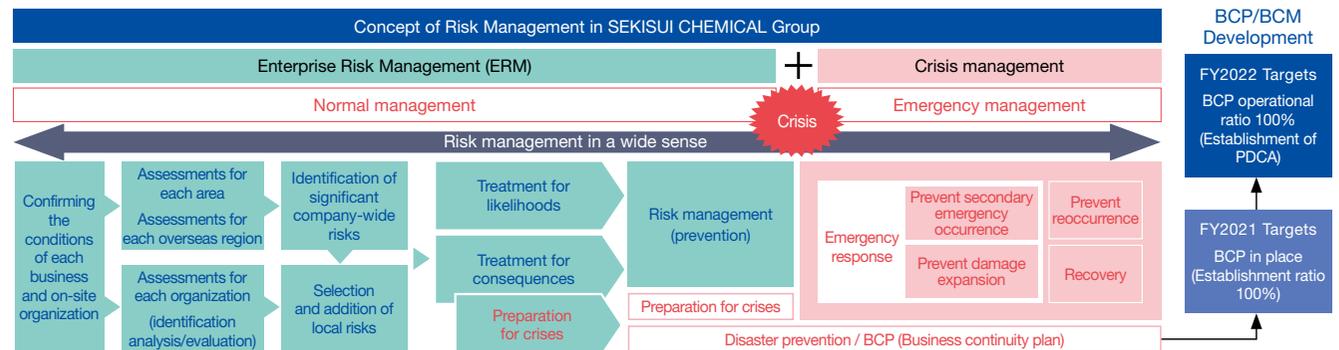
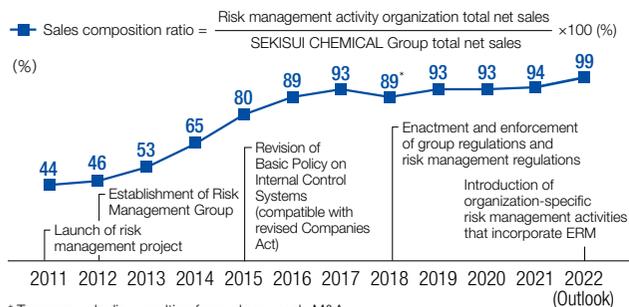
Since fiscal 2021, as a Company-wide initiative, the Group has been revising and developing documents for an emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations. In addition, major business organizations throughout the Group are promoting efforts to put in place resource-based all-hazard BCPs to address every type of crisis event. Plans are in place to establish ERPs in all organizations during the period of the current medium-term plan, and we aim to establish a BCM system that can be regularly reviewed through training and other means within each organization. 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.

Given that our overseas locations have increased in number and importance with each passing year, SEKISUI CHEMICAL Group divides the world into six crisis management regions. We established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. The Global Crisis Management Office cooperates with the Regional Headquarters and leads the response to any crises that occur overseas. SEKISUI CHEMICAL Group supports employees traveling abroad, those stationed abroad, and locally based employees in a variety of ways. This support includes sharing crisis management-related information spearheaded mainly by the Overseas Crisis Management Office, calling for caution and attention to important matters in a timely manner, instructing employees about travel restrictions, and implementing other emergency response measures.

Status of Risk Management Activities by Organization



Internal Control — Major Incidents in Five Fields

In aiming to improve its management ability to sustain business, SEKISUI CHEMICAL Group has defined major incidents in five 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 lessening the frequency of incidence and of mitigating the degree of impact following an incident.

Safety

We recognize that ensuring the safety of our employees and all related personnel we work with is essential to achieving sustainable growth. We aim to be a Safe and Secure enterprise that establishes safe and secure working environments that has the full trust of not only all those who work together with us, but also our customers, our communities.

SEKISUI CHEMICAL Group is 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.

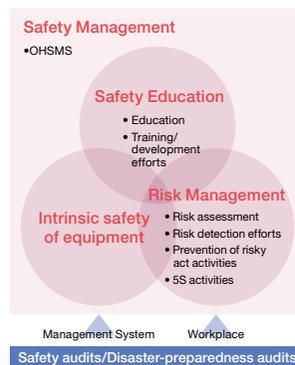
At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves. For this reason, we are making concerted efforts at safety education and raising sensitivity to risks while creating a corporate culture in which employees observe and enforce rules that have been established.

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

Theme 1 Safety management using OHSMS

In terms of our efforts related to occupational health and safety, policies and activity guidelines are formulated by the Safety Subcommittee established under the Sustainability Committee. Each site puts into practice and promotes these policies and activities under the guidance of the Safety & Environment Group of the Manufacturing Infrastructure Enhancement Center. In the event of operational injury, information including the form of employment of the injured party is collected. Improvements as required are also sought when there is a problem with the management of a business site.



Having determined the necessity of ISO 45001 certification for each business site, we promote the acquisition of and acquisition activities for this certification. Business sites that have not acquired this certification also build and apply health and safety management systems that reflect ISO and Occupational Health and Safety Assessment Series (OHSAS) requirements. Activity status is monitored through safety audits and disaster-preparedness audits to encourage the continuation and vitalization of safety management activities.

Theme 2 Intrinsic Equipment Safety* efforts

- Along with formulating the Equipment Design Safety Standards, which summarize the safety specifications necessary for the production equipment used by the Group, we verify workplace safety standards.
- Ensuring the safety of newly installed equipment by requiring that the manufacturers that supply production equipment submit Equipment Design Safety Guidelines checklists.
- Encouraging employees to obtain safety assessor and safety sub-assessor qualifications to promote equipment safety activities and improve equipment safety by sharing information between business sites

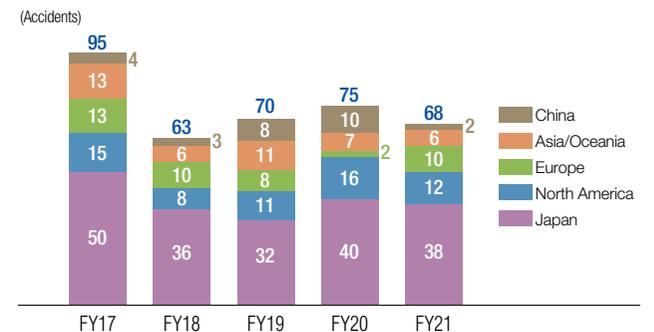
Number of facility accidents: 0

* Intrinsic Equipment Safety: The name given to the machine safety activities promoted by SEKISUI CHEMICAL Group. Promoting improvements through intrinsically safe design measures and safety protection for unsafe locations in production equipment

Theme 3 Safety education of employees

- Set leading example in safety activities
- Promoting the uncovering of risk and improvements by fostering key safety leaders who lead safety activities and promoting their placement at each base
- Enhancing safety education by having safety leaders share information between workplaces
- Sharing safety policies with the supply chain and providing occupational safety training (Housing Company)

Number of Occupational Accidents



Theme 4 Risk management and control, etc.

- Having set high-risk scenarios* on which particular emphasis should be focused on prevention, strengthening skills for responding to unexpected risks by implementing training to improve emergency response skills and passing on safety know-how
- Uncovering and becoming more aware of and sensitive to risk through cooperation between business sites and acceleration of horizontal deployment
- Based on the lessons learned from past occupational accidents, preventing them by disseminating the Basic Safety Principles, which summarize the basic compliance matters to be observed during operations

* High-risk scenarios on which particular emphasis should be focused on prevention: (1) getting caught or entangled in machinery at a production facility; (2) falling off equipment or falling over at a business site; and (3) a chemical process-related fire or explosion

Theme 5 Safety audits/Disaster-preparedness audits

- Having disaster prevention audits conducted by outside experts to prevent disasters involving fires and explosions and materials detailing how the issues raised at previous audits have been addressed
- Establishing global safety standards for overseas production plants and on-site patrols (conducted online at 13 business sites in FY2021)
- Conducting occupational health and safety management audits at new overseas business sites

Internal Control — Major Incidents in Five Fields

Quality

We recognize that it is the fields of manufacturing development that support quality and, in turn, emphasize adhering to quality compliance.

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. Relating to the quality of goods purchased from suppliers, we are also building a quality assurance system while conducting activities to ensure quality.

Quality Assurance System and Quality Management System

SEKISUI CHEMICAL Group has built quality assurance systems that extend across all processes, from product development to design, production, and sales. We have developed a quality assurance system for each process and promote standards-based controls on a daily basis. At the same time, we recognize that it is the fields of manufacturing development that support quality and focus our efforts on innovation in production activities. In developing products and making improvements to quality, we conduct strict design screening from a variety of perspectives, such as those of quality assurance and safety, and have established a system that enables maintenance and management of after-sale 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. In addition to conducting hands-on training to improve the quality of internal audits on an ongoing basis, by producing a manual explaining how to use the SPMC together with rules for SPMC operation, we successfully raised the level of SPMC use in fiscal 2021.

Fiscal 2021 Status

In fiscal 2021, one major quality issue¹ occurred.

As a result, external failure costs² increased 20% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will promote the application of development risk prevention methods (such as QFD and DRBFM)³ to reduce external failure costs.

The rate of application of development risk prevention methods in fiscal 2021 was 100%.

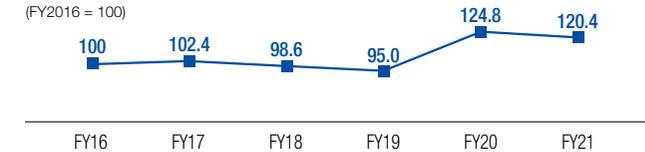
¹ Major quality issues: Problems related to product, technology, and service quality that could cause significant damage to customers, society, or SEKISUI CHEMICAL Group if not thoroughly resolved on an urgent basis.

² External failure costs: Costs arising from responding to product-related complaints

³ QFD: Quality Function Deployment; DRBFM: Design Review Based on Failure Mode (a preventive approach in which problems in new designs are discovered and solved by focusing on points of modification and change)

External Failure Costs

(FY2016 = 100)



Initiatives to Prevent Data Quality Irregularities and Falsification

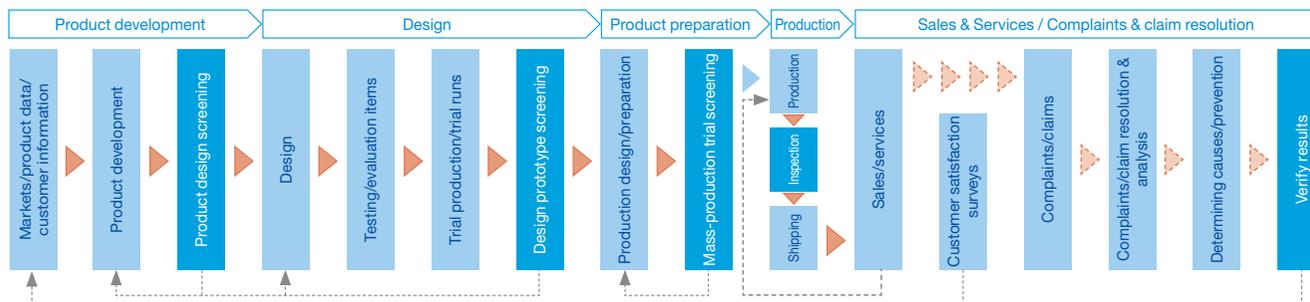
SEKISUI CHEMICAL Group is putting in place a DX-based framework for the thorough prevention of data irregularities and falsification based on the CS & Quality Medium-term Plan from fiscal 2020. For the purpose of ensuring the reliability and transparency of data, particularly with regard to product inspections and the drafting of reports to ensure that the specifications agreed upon with our customers are observed, we are developing systems to make data input errors and falsification impossible and revamping daily management work. At the same time, we are also focusing our efforts on digitalizing and using inspection data. In addition, to improve our quality assurance capabilities, we will reinforce compliance awareness and strengthen 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 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 – Major Incidents in Five Fields

Legal/Ethical

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. In October 2020, under the leadership of the President of SEKISUI CHEMICAL Group, the Group declared that it regards compliance as the foundation for growth, and that each and every director and employee must act with a high sense of ethics and responsibility and behave in ways that conform to community expectations. We will continue to carry out initiatives for strengthening compliance management 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.

Since fiscal 2020, we have been working to strengthen our compliance management foundation by controlling critical compliance risks and strengthening internal controls on a global scale.

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 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.

Globally, having deployed the system in North Africa, China, the EU, ASEAN, South Korea, and Taiwan, we are setting up dedicated points of contact for employees of our foreign affiliates.

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 2021 Number of Whistleblowing Cases and Consultations

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

Efforts to Prevent Corruption and Bribery

In the spirit of the UN Global Compact, we promote efforts to prevent bribery and corruption. In addition to the introduction of Group-wide internal regulations to prevent bribery and corruption, SEKISUI CHEMICAL Group formulated anti-bribery guidelines, which outlines rules that employees should follow when doing business in Japan, the United States, and China. 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 in connection with business transactions, including those involving public officials from other countries, confirmation that fees do not constitute bribes must be obtained. In fiscal 2021, we conducted an e-learning program on bribery for employees of domestic subsidiary companies.

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 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. Theme examples: Anti-bribery and anti-monopoly laws, harassment, awareness-raising activities regarding information leakage, whistleblower system, etc.

Internal Control – Major Incidents in Five Fields

Information Management

We recognize that cyber assets—information received from a wide range of parties, confidential corporate information, and systems for managing this information—are an important management resource and a source of our competitiveness. We believe that preparations against cyberattacks threatening these assets are an important management responsibility, and strive to continually undertake cybersecurity measures as defined in the basic policy, to ensure a stable management foundation.

To strengthen our efforts in cybersecurity measures, we have formulated an information security policy, make disclosures internally and externally, and are taking measures against information leakage risk and natural disaster risk.

We established a CSIRT^{*1}, which reports to the Sustainability Committee, 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.

Having posted at least one cyber system administrator on site at each business, we have established a comprehensive Group-wide cyber management system.

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 backbone systems to earthquake-resistant, seismically isolated data centers, so that business operations

can be continued even in the event that social infrastructure is damaged by a major earthquake or other disaster. As a precaution, the data centers are also being dispersed among multiple locations so that business will not be disrupted even if a specific data center becomes unavailable. By taking steps toward their complete duplication, in the case of mission-critical systems the Company is working to shorten the lead time needed up to the completion of repairs and recovery of business operations.

Preventing Leakage of Technical Information

In 2019, a then employee leaked technical information about conductive fine particles to an external third party.

After this incident was discovered, information management and employee training were enhanced. To prevent recurrence, we not only take measures to prevent data leakage through IT but also implement a wide array of measures, such as introducing risk management activities in departments that handle confidential technical information, providing moral education and training for engineers, and thoroughly educating employees on their confidentiality obligations upon hiring.

As for the overall progress of these recurrence prevention measures, we monitor information leak risks while consolidating the activities of both the Cyber Security Subcommittee and Compliance Subcommittee.

Measures to Address Information Leakage Risks

The Company takes both system measures, such as the fortification of data centers and enhanced monitoring of internal networks, and human measures 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 in CSIRTs.

Human-related Measures to Prevent Information Leaks

- Thorough information management by degree of importance
- Thorough enforcement of duty of confidentiality for retiring employees and new hires
- Conduct regular e-learning programs for all employees
- Augment moral education and training for important technology development workers

Protecting Personal Information

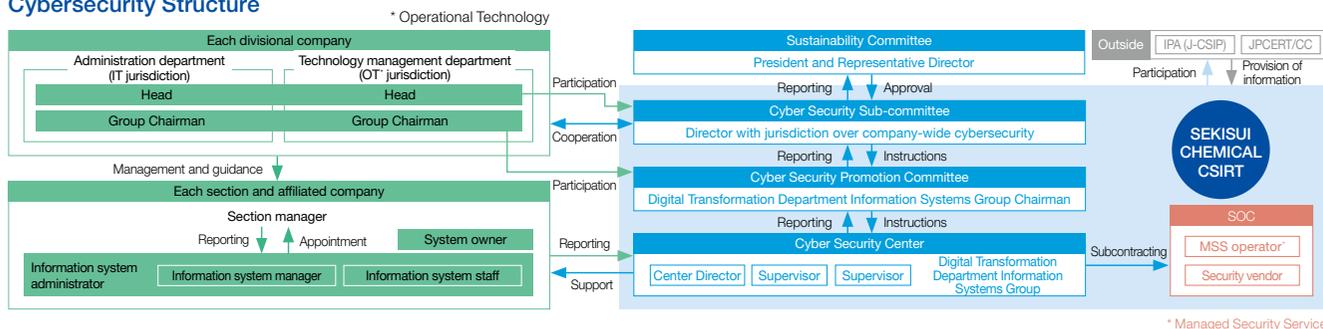
We handle the personal information of our customers based on our Privacy Policy, which is available on the Company's website.

The Company complies with legal regulations and norms regarding personal information and, by voluntarily putting in place rules and systems based on internal confidential information management regulations, strives to appropriately protect such information.

We have also formulated Guidelines for Web Server Construction and Management, and endeavor to protect servers managed at relevant companies and each work site. At the same time, we ensure thorough management by limiting access rights and other management authority according to the importance of the information handled.

Concurrently, we are strengthening governance over the handling of personal (customer) information by raising employee compliance awareness and providing training.

Cybersecurity Structure



Respect for Human Rights

To contribute to the realization of a sustainable society, we will respect the human rights of people affected by the Group and establish a framework to prevent and mitigate human rights violations on a global basis.

Human Rights Initiatives

SEKISUI CHEMICAL Group formulated the SEKISUI CHEMICAL Group Human Rights Policy in May 2019. This policy is consistent with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council and is distinguished by its commitment to firmly respecting human rights across the board, including the value chain beyond the Group. The scope of human rights due diligence and education initiatives stipulated in the policy was expanded in fiscal 2021. We consider human rights initiatives for not only employees of the Group but also our business partners and other stakeholders to be essential for solidifying our sustainable management platform. Going forward, we will therefore continue to work toward achieving an understanding of and instill this Human Rights Policy among all employees of the Group, as well as our suppliers and business partners.

▼ Please refer to the following webpage for details of the SEKISUI CHEMICAL Group Human Rights Policy.

https://www.sekisuichechemical.com/csr/pdf/report_2022/sustainability_report2022e_15.pdf

Actions in Regard to the UK Modern Slavery Act

In accordance with section 54(1) of the UK Modern Slavery Act, which came into force in the UK in 2015, we disclose a statement, adopted by our Board of Directors, regarding our efforts to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains. SEKISUI CHEMICAL Group will also take appropriate measures to comply with human rights laws and regulations in countries and regions other than the UK that are relevant to its operations.

Human Rights Due Diligence

When conducting human rights due diligence,* including the identification of human rights issues, we will apply expert human rights knowledge from independent third parties and engage in earnest dialogue and consultation with our stakeholders.

* Human rights due diligence is the ongoing management process of identifying and assessing any potential negative impact on human rights (human rights risks) from a company's business activities, and if there are human rights risks, the process of creating mechanisms to prevent or mitigate the impact from such risks.

Initiatives to Build a Human Rights Due Diligence Framework

From fiscal 2018 to fiscal 2019:

Employed a specialized agency to analyze potential human rights risks in major businesses and conducted internal hearings based on the results of analysis.

Fiscal 2020:

Implemented human rights interviews at domestic production sites.

In fiscal 2021, conducted the human rights risk assessments set out below on a global basis.

Format:	Two types: one for management and one for general employees
Scope:	Our Group companies, including joint ventures, in all global areas (North and Central America, Europe, Asia, Australia) and on-site outsourcing companies
Targets:	For management and for general as well as indirect employees at selected business locations
Objective:	Select priority human rights topics by conducting an exhaustive survey and gathering the opinions of both management and general employees

Although the results of the assessment did not reveal any human rights issues requiring a critical or immediate response within the scope of the survey, priority human rights issues that were identified as requiring further review included working conditions for foreign nationality employees, fair wages, respect for religious practices, and inequalities in hiring and promotion. For each site where issues were identified, we will confirm the status of each situation on an individual basis and take corrective actions as necessary.

Caring About Human Rights Issues across the Entire Supply Chain

In fiscal 2021, we formulated the SEKISUI CHEMICAL Group Sustainable Procurement Guidelines (Supplier Code of Conduct), which are in line with the United Nations Global Compact 10 Principles, the Guiding Principles on Business and Human Rights, and the SEKISUI CHEMICAL Group Human Rights Policy. In addition to asking our direct suppliers to

extend this Code of Conduct to their secondary and tertiary suppliers, we have requested that suppliers sign on to acknowledge compliance with the guidelines. In this regard, we have obtained the agreement of 61% of our key suppliers in Japan and overseas to work with us to achieve the Code of Conduct. Concerning the conventional survey designed to confirm social responsibility-related efforts, from fiscal 2021 we have significantly revised the content of the Sustainable Procurement survey so that suppliers can evaluate and verify for themselves the compliance status of the Group's new guidelines. In having substantially increased the number of questions and made it more difficult to reply, 336 of the 499 domestic and overseas companies surveyed responded in fiscal 2021. In the years to come, we will consider measures to improve the collection rate, check the status of business partners with low scores, and work together to improve issues as necessary.

We have also been concerned about the issue of conflict minerals in the Democratic Republic of Congo and neighboring countries and have conducted surveys on the use of conflict minerals throughout the supply chain from a CSR perspective. However, in light of recent events, from fiscal 2021 we have conducted surveys that include cobalt and mica in Japan. In addition to conventional sources for the funding of armed forces, we will identify smelters and respond in accordance with risk levels in order to eliminate the procurement of minerals related to such risks as child labor and other human rights abuses.

▼ Procurement

<https://www.sekisuichechemical.com/about/outline/suggestion/>

Conducting Educational Programs That Include Preventing Harassment

To conduct human rights-conscious management, we provide training and education on human rights to our employees. In particular, we incorporate content that raises awareness of human rights-related issues such as forced labor, child labor, and harassment into training programs conducted at milestones such as being hired and promotions.

In fiscal 2020, we launched the Business and Human Rights E-Learning program using the Company intranet and in fiscal 2021 advanced the multilingualization of the program for all global areas. We are thus promoting awareness of our stance to respect the human rights of all people affected by our business activities.

Stakeholder Engagement

We will build relationships of mutual prosperity with our five stakeholders—customers, shareholders, employees, business partners as well as local communities and the environment—while continuing to promote stable growth.

Creating Attractive Products and Services Based on Customer Feedback

Our Customer Consultation Office receives approximately 10,000 inquiries and comments every year. We directly answer each inquiry and analyze the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers.

Since 2015, we have been publishing VOICE, which summarizes the comments received by the Customer Consultation Office with the intent of raising awareness and understanding across all of the Group's businesses and extending beyond the boundaries of each employee's working area. In fiscal 2021, we published case study interviews showcasing products and services developed on the basis of customer feedback.



Enhancing Corporate Value by Direct Dialogue with Investors

We believe it is extremely important to engage in constructive dialogue with shareholders and investors in order to achieve sustainable growth and enhance corporate value over the medium to long term.

We therefore have put in place Active Engagement between Investors and Management as one of our key issues, while the president and director in charge of the Business Strategy Department are taking the lead in proactively holding financial results briefings and direct dialogues with shareholders and institutional investors to leverage our management strategy to enhance corporate value.

We are strengthening information dissemination on our website with an awareness of fair disclosure while striving to reflect as much as possible the opinions and questions received through dialogue with shareholders and investors in the Integrated Report and other IR materials. In December 2021, we held an ESG Management Briefing and a Presentation of Strategic Area Map & Life Science Business for institutional investors and analysts in June 2022 to promote understanding of our initiatives aimed at achieving our Long-term Vision. In addition, we made this briefing available on our website.



Vision Caravan Dialogue between Management and Employees

To disseminate our Long-term Vision and ESG management, which is the key to realizing that vision, we are conducting the Vision Caravan as an opportunity for dialogue between management and employees. At fiscal 2021 Vision Caravan events, management explained their own thoughts on realizing the Long-term Vision and ESG management, while employees deepened their understanding by discussing among themselves the connection between their work and ESG management. Then, executives commented and gave feedback on the presentations and questions on the content of the discussions, promoting a lively two-way dialogue.



President Kato and directors interact online with employees.

Aiming for Coexistence in Mutual Prosperity and Collaboration throughout the Supply Chain

In March 2022, we signed the Declaration of Partnership Building to promote coexistence in mutual prosperity and collaboration with business partners in the supply chain and operators of businesses that create value. To assist in resolving social issues in the supply chain and achieve sustainable procurement, we have formulated Sustainable Procurement Guidelines and are working together with our business partners to realize a sustainable society.

▼ Declaration of Partnership Building

<https://www.biz-partnership.jp/declaration/8555-05-08-tokyo.pdf>

Use of Sustainable Timber and Ensuring Traceability

To contribute to the eradication of deforestation and the sustainable use of timber resources, at SEKISUI CHEMICAL Group every effort is made to ensure that the timber used in products is logged in accordance with statutory and regulatory

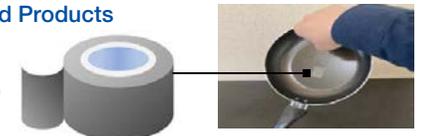
requirements, such as FSC-certified wood. In addition, the Group conducts investigations into commercial distribution with regard to the logging area, tree species and quantity of timber materials to ensure traceability. For recycled materials, we use timber- and wood-based products that are already used in markets, as well as unused thinnings and branches.

Product Creation That Learns from Nature's Wisdom

Believing that learning from nature's wisdom has the potential to create fundamental innovations that differ from conventional energy-consuming technologies, we support manufacturing that learns from nature for researchers outside the Company in the development of biomimicry technology. Amid efforts to promote development based on this understanding, some products have already emerged.

Examples of Created Products

Fluoroplastic-compatible adhesive tape developed from the study of mussel secretions



Distributing Value to Stakeholders (Fiscal 2021)

SEKISUI CHEMICAL Group calculates the status of distribution based on financial statements by stakeholder, using GRI and other standards as a reference.

(Millions of yen)

Stakeholder	Method of Calculating Amounts	
Shareholders	Dividends	23,177
Business partners	Cost of Sales, Selling Costs/General Administrative Costs (Excluding Personnel Costs)	858,944
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	210,122
Local communities	Donations	198
Global environment	Environmental conservation costs	27,522
Government and administrative bodies	Corporate taxes, local taxes, business taxes	31,099
Creditors	Interest paid as part of costs apart from sales	774

External Evaluations in Fiscal 2021 As of June 30, 2022

Incorporated into SRI/ESG Indices

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA



FTSE Blossom Japan

<https://www.ftserussell.com/products/indices/blossom-japan>



FTSE4Good

<https://www.ftserussell.com/products/indices/FTSE4Good>



FTSE Blossom Japan Sector Relative Index

<https://www.ftserussell.com/products/indices/blossom-japan>

2021 MSCI ESG Leaders Indexes Constituent

THE INCLUSION OF SEKISUI CHEMICAL CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SEKISUI CHEMICAL CO., LTD., BY MSCI OR ANY OF ITS AFFILIATES.
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

ESG-related Ranking, Awards, etc.

Sustainability Award Silver Class 2022

S&P Global



<http://www.corporateknights.com/reports/global-100/>

Environment



CLIMATE WATER



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



2021



Human Resources



Key Financial and Non-financial Data

Financial Data

	(Unit)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net Sales	Millions of yen	965,090	1,032,431	1,110,851	1,112,748	1,096,317	1,065,776	1,107,429	1,142,713	1,129,254	1,056,560	1,157,945
Housing	Millions of yen	449,391	469,036	496,790	494,116	473,441	484,975	497,782	506,729	512,937	485,265	515,191
Urban Infrastructure & Environmental Products	Millions of yen	200,002	214,516	239,941	227,689	226,279	240,332	239,241	239,193	237,380	204,586	211,776
High Performance Plastics	Millions of yen	296,876	332,017	353,782	372,296	378,552	357,526	386,154	341,290	322,421	309,867	358,809
Medical*	Millions of yen								70,721	72,588	72,342	88,517
Operating Profit	Millions of yen	54,610	59,621	82,541	85,764	89,823	96,476	99,231	95,686	87,974	67,300	88,879
Operating Profit Margin	%	5.7	5.8	7.4	7.7	8.2	9.1	9.0	8.4	7.8	6.4	7.7
Housing	Millions of yen	31,090	36,333	41,108	41,327	36,387	37,549	37,935	39,002	37,792	30,546	35,318
Urban Infrastructure & Environmental Products	Millions of yen	2,957	1,800	6,460	1,264	3,610	12,827	14,791	15,007	15,480	11,251	14,061
High Performance Plastics	Millions of yen	20,582	23,249	36,098	45,951	53,353	54,537	57,821	44,855	37,374	28,935	42,351
Medical*	Millions of yen								9,623	9,204	7,010	11,180
Ordinary Profit	Millions of yen	54,158	60,670	83,310	87,978	81,213	91,513	93,929	93,146	87,202	62,649	97,001
Profit Attributable to Owners of Parent	Millions of yen	28,116	30,174	41,190	52,995	56,653	60,850	63,459	66,093	59,181	41,544	37,067
Comprehensive Income	Millions of yen	24,652	77,437	57,944	91,587	37,080	57,638	73,898	55,648	36,364	93,956	41,509
Total Assets	Millions of yen	827,103	901,564	961,009	968,011	936,043	943,640	994,137	1,023,706	1,105,781	1,150,143	1,198,921
Total Net Assets	Millions of yen	363,299	433,228	473,555	535,292	544,156	570,549	612,757	632,746	634,219	694,392	702,753
R&D Expenditures	Millions of yen	25,611	25,894	27,720	29,452	31,693	34,169	36,974	38,838	37,146	35,110	37,010
Capital Expenditures	Millions of yen	33,076	36,842	41,827	46,993	49,740	43,868	53,518	73,595	66,667	55,326	52,540
Depreciation	Millions of yen	35,102	34,895	34,376	31,203	34,735	34,843	36,016	38,789	42,018	44,926	45,912
Amortization of Goodwill	Millions of yen	3,422	3,232	2,957	2,348	2,156	2,118	2,416	2,848	3,238	4,419	2,792
Cash Flows from Operating Activities	Millions of yen	66,652	71,016	97,720	67,760	71,389	108,229	82,272	85,213	92,647	75,271	105,023
Cash Flows from Investing Activities	Millions of yen	-70,727	-31,133	-60,914	4,127	-23,715	-44,057	-60,881	-62,553	-100,562	-58,495	2,694
Cash Flows from Financing Activities	Millions of yen	-16,077	-30,520	-49,803	-63,856	-41,726	-39,633	-35,981	-31,539	15,450	-19,157	-54,729
Net Assets per Share	Yen	682	811	897	1,033	1,071	1,148	1,246	1,308	1,334	1,486	1,519
Profit Attributable to Owners of Parent per Share	Yen	53.96	58.53	80.13	104.73	115.08	126.13	133.80	141.74	128.80	91.92	83.17
Dividend per Share	Yen	15	18	23	27	30	35	40	44	46	47	49
Payout Ratio	%	27.8	30.8	28.7	25.8	26.1	27.7	29.9	31.0	35.7	51.1	58.9

* The Medical Business was separated from the High Performance Plastics Company from fiscal 2019. (Prior to fiscal 2017, the Medical Business was included in the High Performance Plastics Company.)

Key Financial and Non-financial Data

Financial Data

(Unit)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	
Financial Index												
Dividend on Equity Ratio	%	2.3	2.4	2.7	2.8	2.8	3.1	3.3	3.4	3.5	3.3	3.3
Equity-to-asset Ratio	%	42.5	46.4	47.5	53.3	55.9	58.2	59.1	59.3	55.1	58.0	56.3
Current Ratio	%	123.5	131.1	127.4	139.8	138.0	160.7	153.6	151.0	147.2	179.1	184.8
Fixed Ratio	%	121.4	110.3	102.1	97.2	95.9	86.9	91.0	91.2	100.8	96.6	87.4
Interest-Bearing Debt	Millions of yen	127,188	115,320	94,010	63,120	52,338	43,734	46,326	53,848	117,665	138,168	122,557
Debt/Equity Ratio	%	36.2	27.6	20.6	12.2	10.0	8.0	7.9	8.9	19.3	20.7	18.2
Interest Coverage Ratio	Times	20.7	21.7	33.2	51.7	64.5	100.4	109.9	113.5	85.3	58.2	120.4
Total Assets Turnover	Times	1.19	1.19	1.19	1.15	1.15	1.13	1.14	1.13	1.06	0.94	0.99
Inventory Turnover	Times	7.71	7.57	7.50	7.09	7.11	7.00	6.84	6.30	5.52	4.80	4.96
Tangible Fixed Assets Turnover	Times	4.13	4.38	4.51	4.31	4.11	4.01	4.09	3.88	3.49	3.07	3.23
R&D Expenditures to Revenues	%	2.65	2.51	2.50	2.65	2.89	3.21	3.34	3.40	3.29	3.32	3.20
Return on Equity (ROE)	%	8.1	7.8	9.4	10.9	10.9	11.3	11.2	11.1	9.7	6.5	5.5
Return on Total Assets (ROA)	%	6.7	7.0	8.9	9.1	8.5	9.7	9.7	9.2	8.2	5.6	8.3
Return on Invested Capital (ROIC)	%									7.7	5.4	7.3
EBITDA	Millions of yen	93,135	97,749	119,875	119,316	126,714	133,437	137,665	137,324	133,231	116,647	137,584
PER	Times	13.31	17.63	13.39	14.89	12.04	14.83	13.87	12.55	11.17	23.12	21.15
Net Sales per Employee	Millions of yen	47.51	47.96	49.13	47.44	45.88	45.44	45.12	43.47	42.22	39.43	43.69
Operating Profit per Employee	Millions of yen	2.68	2.76	3.65	3.65	3.75	4.11	4.04	3.64	3.28	2.51	3.35

Equity = Shareholders' Equity including Accumulated Other Comprehensive Income

Equity-to-Asset Ratio = Equity/Total assets

Current Ratio = Current Assets/Current Liabilities

Fixed Ratio = Fixed Assets/Equity

Debt/Equity Ratio = Interest-bearing Debt/Equity

Interest Coverage Ratio = (Operating profit + Interest and Dividends)/Interest Expense

Total Assets Turnover = Net Sales/Average Total Assets

Inventory Turnover = Net Sales/Average Inventory

Tangible Fixed Assets Turnover = Net Sales/Average Tangible Fixed Assets

R&D Expenditures to Revenues = R&D Expenditures/Net Sales

Return on Equity (ROE) = Profit Attributable to Owners of Parent/Average Equity

Return on Total Assets (ROA) = Ordinary Profit/Average Total Assets

Return on Invested Capital (ROIC) = After-Tax Operating Profit/Average Invested Capital (Fixed Assets + Working Capital)

EBITDA = Operating Profit + Depreciation + Amortization of Goodwill

PER = Stock Prices at the End of Fiscal Year/Profit Attributable to Owners of Parent per Share

Net Sales per Employee = Net Sales/Average Number of Employees

Operating Profit per Employee = Operating Profit/Average Number of Employees

Please refer to the Financial Highlights (11 years) of the FACT BOOK for detailed financial data.

<https://www.sekisuichemical.com/ir/financial/factbook/>

Key Financial and Non-financial Data

Human Resources

	(Unit)	FY2017	FY2018	FY2019	FY2020	FY2021
Number of Employees	Persons	26,080	26,486	27,003	26,577	26,419
By Divisional Company						
Housing	Persons	10,698	10,891	10,937	11,182	11,017
Urban Infrastructure & Environmental Products	Persons	4,945	5,139	5,242	4,959	4,897
High Performance Plastics	Persons	9,735	7,795	8,078	7,541	7,506
Medical ^{*1}	Persons		1,907	2,050	2,160	2,214
By Region						
Japan	Persons	18,935	19,464	19,727	19,800	19,616
North America	Persons	1,482	1,494	1,970	1,744	1,748
Europe	Persons	961	958	977	1,014	1,047
Asia/Pacific	Persons	4,702	4,570	4,329	4,019	4,008
Diversity						
Ratio of Women among New Graduate Hires (SEKISUI CHEMICAL Group in Japan) ^{*2}	%	29.8	29.7	31.4	29.5	28.7
Ratio of Women in Management Positions (SEKISUI CHEMICAL in Japan)	%	3.1	3.2	4.1	4.3	4.3
Employment Ratio of People with Disabilities (SEKISUI CHEMICAL) ^{*3}	%	2.29	2.81	2.84	2.75	2.34
Number of Elderly Employees Reemployed (SEKISUI CHEMICAL) ^{*4}	Persons	21	49	46	77	8
Global Talent Employees ^{*5}	Persons	340	326	335	340	354
Work-life Balance						
Number of People Using Work-life Balance Related Programs ^{*6} (SEKISUI CHEMICAL)/Including the Number of Male Users	Persons	253/132	330/186	427/254	357/182	407/229
Fostering Personnel						
Average Hours per FTE of Training and Development (SEKISUI CHEMICAL)	Hours	9.9	9.4	9.4	6.3	7.1
Employee Turnover Rate (SEKISUI CHEMICAL) ^{*7}	%	1.3	1.5	2.0	2.0	2.5

*1 The Medical Business was separated from the High Performance Plastics Company from fiscal 2019. (Prior to fiscal 2017, the Medical Business was included in the High Performance Plastics Company.)

*2 Includes certain affiliates accounted for by the equity method and non-consolidated subsidiaries.

*3 Including a special provision subsidiary

*4 The re-employment rate for applicants is 100%.

*5 Japanese employees with overseas assignment experience (including Global Trainees)

*6 Programs for promoting diverse work styles including childcare leave, shorter working hours, use of flexible working hours, nursing care leave, and family leave

*7 (Annual employee turnover (number of people)/Number of employees as of April of the subject year) x 100

Please refer to the Sustainability Report for detailed non-financial data.

<https://www.sekisuichemical.com/csr/report/>

Key Financial and Non-financial Data

Environment

	(Unit)	FY2017	FY2018	FY2019	FY2020	FY2021
GHG Emissions from the Supply Chain	Kt-CO ₂	5,831	5,317	4,969	4,651	5,054
GHG Emissions from Business Activities	Kt-CO ₂	932	922	884	759	743
GHG Emissions during Manufacturing (Japan)	Kt-CO ₂	326	316	306	273	265
GHG Emissions during Manufacturing (Overseas)	Kt-CO ₂	525	527	497	417	409
Energy Use during Manufacturing (Japan)	TJ	3,663	3,653	3,629	3,772	3,594
Energy Use during Manufacturing (Overseas)	TJ	6,559	6,456	6,229	5,251	6,207
Waste Generated by Production Sites (Japan) ^{*1}	Kt	38.3	40.5	37.5	34.8	35.4
Waste Generated by Production Sites (Overseas)	Kt	30.5	32.8	32.3	26.6	28.9
Waste Generated on Construction Sites of New Housing (Japan)	Tons per unit	2.41	2.45	2.38	2.49	2.23
NOx Emissions (Japan)	Tons	166	199	180	154	143
SOx Emissions (Japan)	Tons	8.6	7.2	7.3	4.2	3.2
Soot and Dust Emissions (Japan)	Tons	17.3	17.4	16.4	16.3	17.6
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan) ^{*1}	Tons	662	653	676	680	630
COD Emission Volume (Japan)	Tons	90.2	84.9	73.9	62.1	69.5
Water Intake at Production Sites (Japan)	Kt	15,679	15,218	14,146	13,719	14,247
Water Intake at Production Sites (Overseas)	Kt	5,607	6,032	6,522	6,167	7,290
Products to Enhance Sustainability						
Ratio of Sales of Products to Enhance Sustainability	%	50.2	56.3	58.3	60.6	66.7
Net Sales	Billions of yen	555.9	643.8	658.3	640.3	772.4
Housing	Billions of yen	317.6	364.3	374.0	352.9	393.8
Urban Infrastructure & Environmental Products	Billions of yen	93.7	97.7	101.5	93.2	101.3
High Performance Plastics	Billions of yen	142.2	178.9	110.0	121.9	186.9
Headquarters ^{*2}	Billions of yen	2.4	2.8	72.7	72.2	90.4

*1 Past figures have been revised due to improvements in precision.

*2 The Medical Business was transferred from the High Performance Plastics Company to the Company's headquarters from fiscal 2019.

Internal Control

	(Unit)	FY2017	FY2018	FY2019	FY2020	FY2021
Safety						
Loss Costs ^{*3}	Millions of yen	478.3	468.9	468.6	482.9	521.0
Compliance						
Number of Employees Participating in e-Learning ^{*4}	Persons	20,934	20,896	22,429	23,622	23,570
Quality						
External Failure Costs (Costs responding to product-related claims) ^{*5}		102.4	98.6	95.0	124.8	120.4
Risk Management						
Number of Organizations Engaged in Risk-management Activities		165	174	175	175	173
Donations	Millions of yen	150	165	158	218	198

*3 Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents, as well as long-term illness absences

*4 Average for the sessions conducted four times during the year. However, as the third and fourth sessions were under way during fiscal 2021, data is the average of the results from the first and second sessions.

*5 FY2016 = 100

Corporate Information and Stock Information

As of March 31, 2022

SEKISUI CHEMICAL CO., LTD.

Head Office: 4-4, Nishitenma 2-chome,
Kita-ku, Osaka
530-8565

Tokyo Head Office: 10-4, Toranomon 2-chome,
Minato-ku, Tokyo
105-8566

Founded: March 3, 1947

Employees: 26,419

Consolidated Subsidiaries: 155

Affiliates (Equity Method): 8

Paid-in Capital: ¥100,002,375,657

Fiscal Year: April 1 to March 31
of the following year

Authorized: 1,187,540,000 shares

Issued: 471,507,285 shares

Listings: Common stock listed on
the Tokyo Stock Exchange

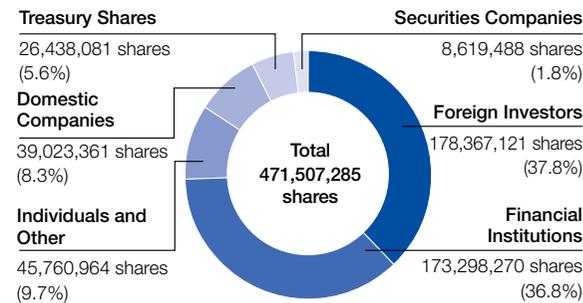
Stock Ticker Number: 4204

Number of Shareholders: 21,535

**Manager of the
Register of Shareholders:** Mitsubishi UFJ Trust and
Banking Corporation

Accounting Auditor: Ernst & Young ShinNihon LLC

Breakdown of Shareholders



Major Shareholders

Name/Company Name	Number of Shares Owned (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	66,404	14.91
Custody Bank of Japan, Ltd. (Trust Account)	23,638	5.31
The Dai-ichi Life Insurance Company, Limited	18,681	4.19
Asahi Kasei Corporation	15,153	3.40
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ FIM/LUXEMBOURG FUNDS/UCITS ASSETS	12,254	2.75
Employees Stock Ownership Plan	10,262	2.30
THE BANK OF NEW YORK MELLON 140042	9,395	2.11
Sekisui House, Ltd.	7,998	1.79
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	7,806	1.75
National Mutual Insurance Federation of Agricultural Cooperatives	7,302	1.64

Notes:

- The Company maintains 26,438,081 shares of treasury shares, which does not include the holdings of the major shareholders.
- The treasury shares excludes 124 thousand shares held by the entrusted Employee Stock Ownership Plan and 532 thousand shares held by the Board Incentive Plan as part of the officer remuneration system.
- The percentage of ownership is calculated after subtracting the treasury shares from the total number of outstanding shares.

Regarding the Publication of the Integrated Report 2022 (Year Ended March 31, 2022)

Amid the lingering effects of COVID-19, the business environment in which companies operate is becoming increasingly uncertain, severe, and complex due to a host of climate change, geopolitical, and other issues. Against this backdrop, we explain how we are working to create corporate value and contribute to solving social issues with the aim of achieving our 2030 Long-term Vision of realizing a sustainable society and the sustainable growth of the Group itself in this Integrated Report.

In editing this Integrated Report, we referred to the International Integrated Report Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade, and Industry (METI). Together with the Company president, Keita Kato, we have also tried to reflect as much as possible the suggestions and opinions received from institutional investors through dialogue.

We hope this Integrated Report will serve as a tool for understanding SEKISUI CHEMICAL Group and contribute to constructive dialogue.

We will continue to provide investors with detailed and easy-to-understand explanations of the Company's status and growth strategies while working to earn the trust of the capital markets and increase our corporate value.

August 2022



Futoshi Kamiwaki

Representative Director,
Senior Managing Executive Officer,
Responsible for ESG Management,
Digital Transformation,
and New Business Development Departments,
Head of Business Strategy Department

Introduction of Tools Related to the Integrated Report

Investor Relations

<https://www.sekisuichemical.com/ir/>



IR Briefing Materials
The latest results presentation materials are available here. An audio recording of the presentation can be listened to online as well.

Fact Book, Financial Analysis Tools
Eleven years of historical financial data and indicators can be viewed in graphs and tables here.



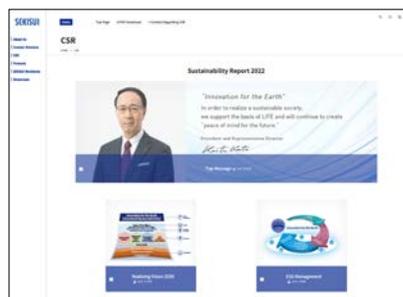
This report is available as a PDF.

▼ Integrated Report (PDF)

<https://www.sekisuichemical.com/ir/report/annual/>

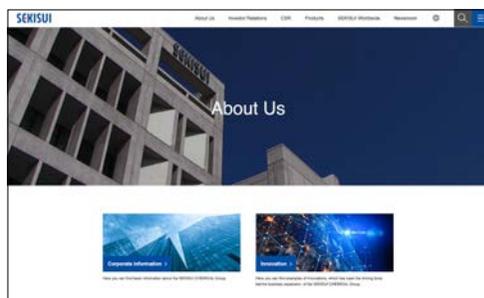
CSR

<https://www.sekisuichemical.com/csr/>



Corporate Information

<https://www.sekisuichemical.com/about/>



SEKISUI CHEMICAL CO., LTD.

10-4, Toranomon 2-chome,
Minato-ku, Tokyo
105-8566

Investor Relations Group, Business Strategy Department
<https://www.sekisuichemical.com>

(Ticker code: 4204)