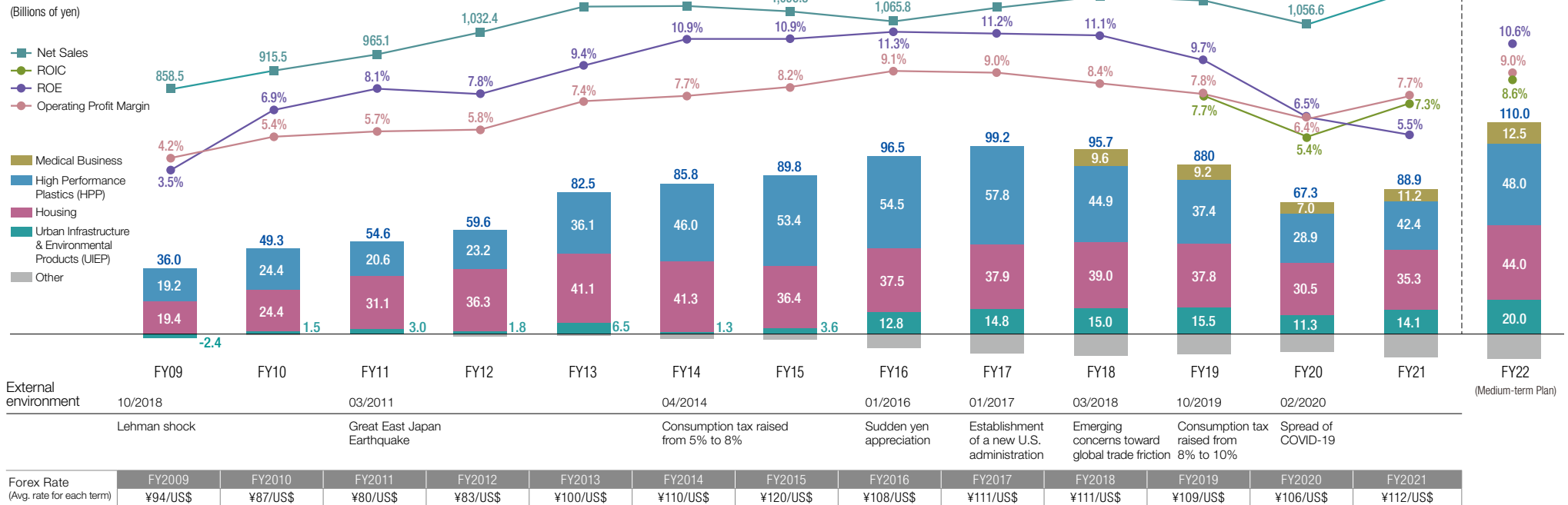


Review of the Medium-term Management Plan



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 Veredus Laboratories Pte. Ltd.

December 2017
Acquired SoflanWiz Co., Ltd.

November 2019
Acquired AIM Aerospace, Inc.

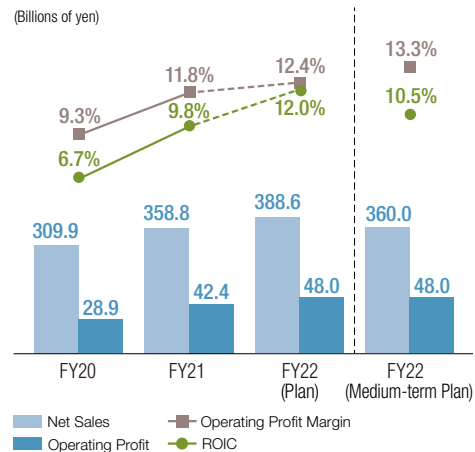
Medium-term Management Plan, Drive 2022

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 <ul style="list-style-type: none"> (1) Existing Business Drive: Business growth and reform ▶P.26 (2) New Business Drive: Preparations for long-term growth ▶P.26 (3) 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

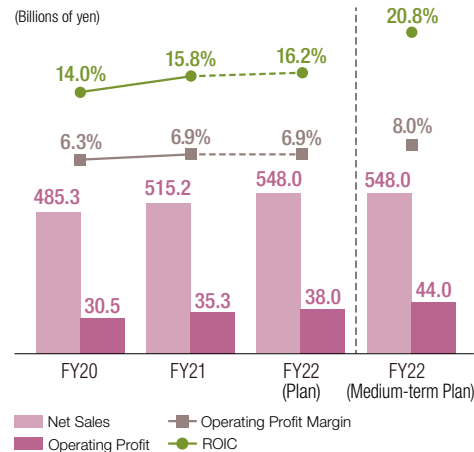
*1 FY2022 Plan: Disclosed at the April 27, 2022, financial results briefing *2 Excluding new M&As, etc.

High Performance Plastics Company



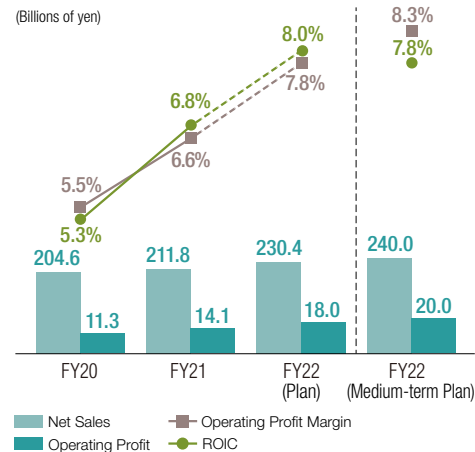
Aircraft-related demand declined due to the prolonged COVID-19 pandemic. Strengthened earnings power through a shift to high-performance products

Housing Company



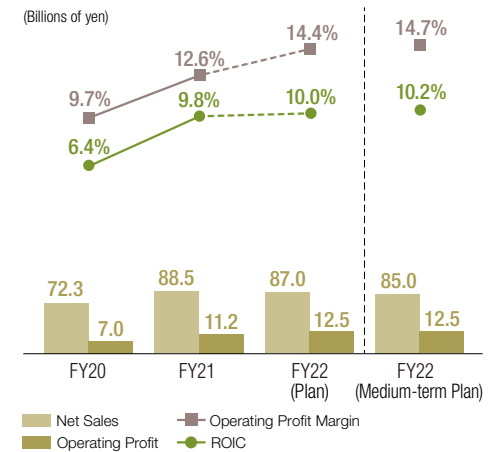
Strongly affected by a sharp rise in component costs due to the impact of the prolonged COVID-19 pandemic

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.

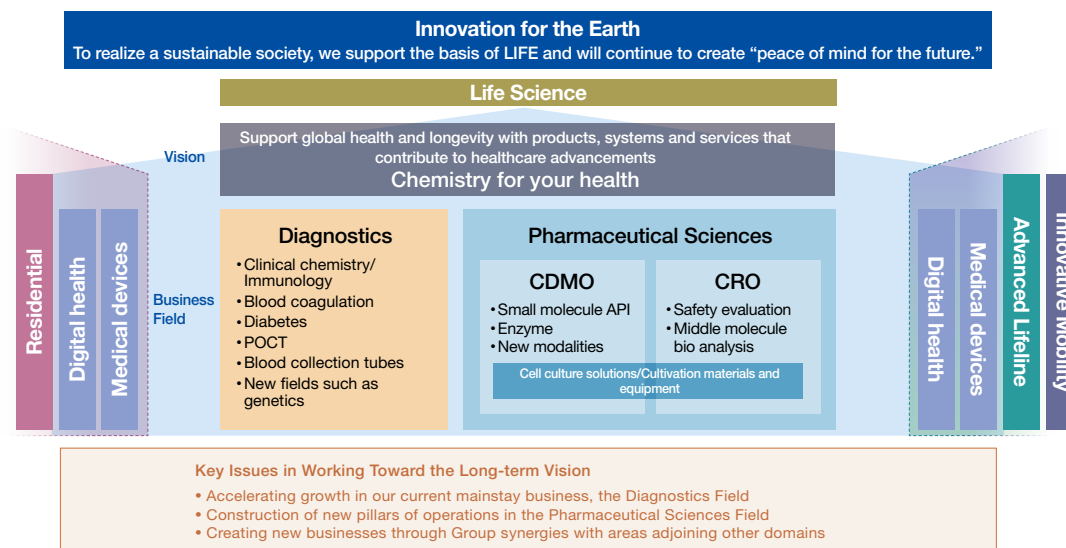
(2) New Business Drive: Preparations for long-term growth

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.

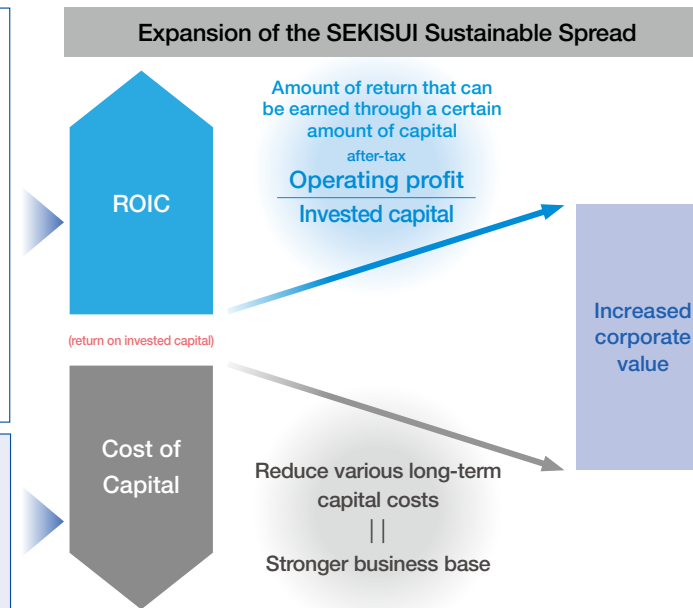
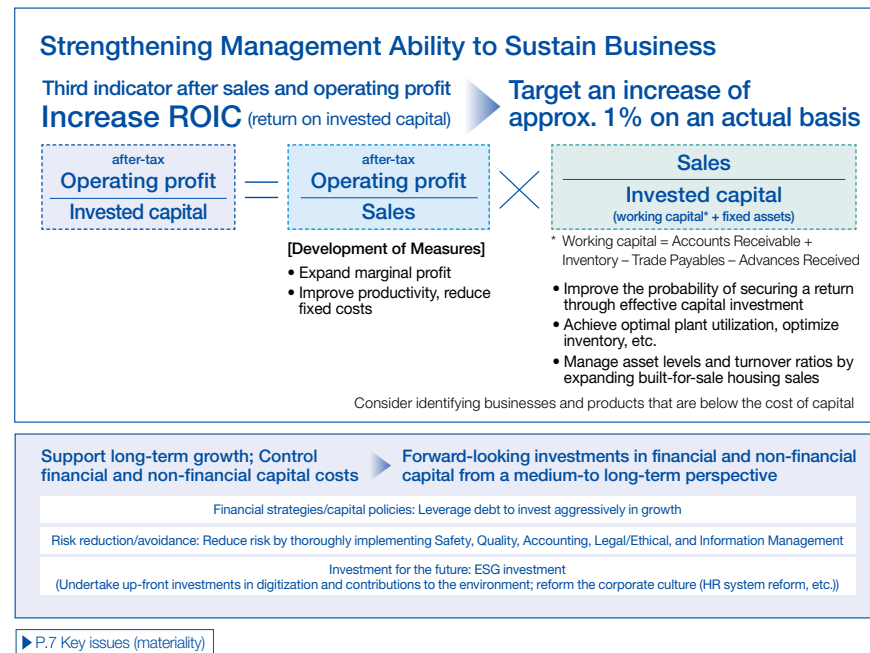


Strategic Capital Investments

- 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



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.

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.

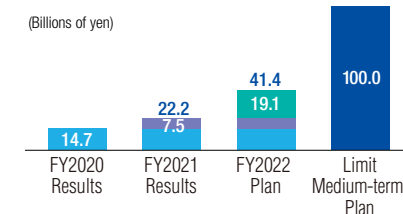
Strategic investment has been raised to ¥400 billion, more than doubling that under the previous medium-term management plan. Of this total, ¥300 billion was set aside as the M&A investment limit, but only a small amount was actually invested through fiscal 2021.

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.

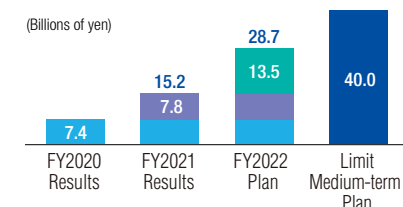
Investment Plan

(Billions of yen)	Medium-term Plan
Strategic Investment	Limit 400.0
M&A, etc.	Limit 300.0
Capital Expenditures	100.0
ESG Investment (including strategic capital expenditures and normal investments)	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

- | | |
|------------------------|--------------------------------|
| <u>Human Resources</u> | Work-style reforms |
| <u>Governance</u> | DX |
| | Safety and disaster prevention |
| <u>Environment</u> | 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 ERP^{*2}, 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	Renovation of the core system (global ERP^{*2}) We are aiming to improve the productivity of indirect business operations—by the visualization and analysis of the data necessary for decision-making, business standardization, and efficiency improvements—while increasing standardization, enhancing internal control and minimizing risk on a global basis.	We defined the requirements for more sophisticated and standardized business management controls and implemented global ERP introduction contracts.	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	Standardization of purchasing operations and the visualization of transaction data on a global basis Enables deterrence and early detection of fraudulent activities. In addition, steps will be taken to establish 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.	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	Standardization of efficient business models and visualization of business processes We aim to solve problems relating to sales and marketing operations, such as the different systems used by each divisional company and many individualized parts, and will work on business standardization and automation to thoroughly streamline and raise productivity.	We are enhancing the order expansion process by utilizing marketing automation, the visualization of the status of customer transactions, and data analysis. We are promoting the introduction of a system that reduces the man-hours required for internal reporting while also advancing information security measures that are essential to DX initiatives.	We completed a demonstration of an enhanced order expansion process that uses data analysis We deployed this process to sales offices in Japan		
Remote Work	Promotion of remote work SEKISUI CHEMICAL Group is promoting remote work in a bid to realize various working styles. In this manner, employees are able to carry out their duties using the Company's in-house operating system from locations other than the office including the home, outside, and satellite offices.	We put in place MobileNET, IT infrastructure that enables safe and secure access to in-house operating systems anywhere in the world	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

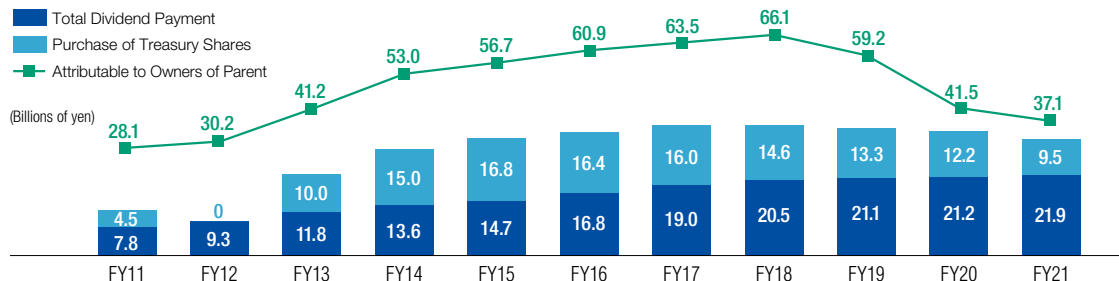
To promote DX Company-wide in unison throughout the Company and Group, SEKISUI CHEMICAL Group established the Digital Transformation Department in April 2020. In SEKISUI CHEMICAL Group, which is engaged in a variety of different businesses, we have established a promotion system headed by our CEO and 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

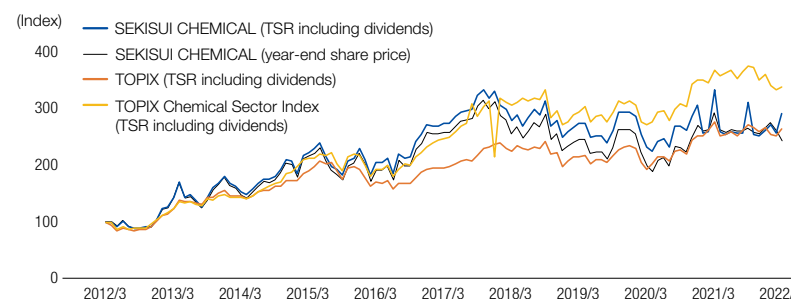
^{*1} Total return ratio = (Amount of treasury shares acquired + Total dividends) / Net income attributable to owners of parent ^{*2} DOE = Total dividend payment (full year) / Average equity

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> • Increase in energy procurement costs • Decrease in sales due to adding costs to product prices	<Medium to long term> • Acquire business opportunities by differentiating through early response • Stabilization of energy costs by introducing renewable energy	• 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> • Increase in capital investment to strengthen energy conservation and renewable energy <Medium to long term> • Increase in introduction costs for renewable energy certificates, etc.	<Short term> • Increased sales from energy conservation/storage/creation businesses • Increased sales from CO ₂ -regulation compliant products	• 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> • Increase in renewable energy procurement and waste treatment costs <Medium to long term> • 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> • Increased need for technologies to reduce CO ₂ during waste incineration <Medium to long term> • 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	• 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> • Lawsuits against companies using fossil fuels	<Medium to long term> • Increase in business opportunities due to consumer trust earned from commitments to society	• Disclose environmental vision and 2050 GHG emissions reduction targets • Improve scores in various external benchmarking systems
	Technologies	Large	<Short term> • Increase in re-certification costs due to change of low-carbon materials <Medium to long term> • Changeover to lower carbon materials and processes	<Short to medium term> • Increase in business opportunities for Products to Enhance Sustainability that contribute to low carbonization <Long term> • Business expansion through prioritized procurement of resource recycling friendly designed products	• 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> • Opportunity loss due to delay in introduction of decarbonization technologies	<Medium to long term> • Expand business opportunities by decarbonizing products • Creation of new businesses utilizing decarbonization technologies	• Development of CCU technologies in collaboration with different industries (e.g., collaboration with ArcelorMittal, S.A.) ▶ P.23
	Markets	Medium	<Long term> • Decrease in sale of new cars • Opportunity loss due to inability to recycle resources and use decarbonization incentives	<Medium term> • Acquisition of incentives through resource recycling and visualization of decarbonized value <Long term> • Increase in profitability from shift to higher-performance products • Expansion of market for ICT-related products	• 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> • Investments to stabilize power supply for dispersed renewable energies	<Long term> • Increase in sales of products to support a more dispersed society	• Sales of houses that realize energy self-sufficiency • Development of resource recycling technologies (e.g., BR, material waste recycle)
	Reputation	Medium	<Short to medium term> • Sales decline due to inability to keep up with sustainable lifestyle preferences <Long term> • Decrease in sales due to increased preference for sharing over owning	<Short to medium term> • Improve corporate brand and expand sales with products that support sustainable living <Long term> • Creation of new businesses to meet consumer preferences	• 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> • Investor valuation decline for companies that do not decarbonize <Long term> • Decline in evaluation of companies that do not understand the biodiversity impact of decarbonization solutions	<Short to medium term> • Secure stable financing by demonstrating compatibility with resource circulation <Long term> • Consideration of nature-positive decarbonization solutions and high evaluation for product development	• 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	Acute	Large	<Short term> • Increase in damage such as in plant shutdowns and sales decrease • Increase in costs to control flooding and overflows • Decrease in sales due to supply chain disruption <Medium to long term> • Increase in insurance premiums	<Short term> • Increase in needs for resilient infrastructure • Increase in sales of products in areas with a high level of water-related risks • Increase in needs for equipment/facilities for disaster preparedness	• 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
	Chronic	Medium	<Short term> • Increase in costs for restructuring supply chain <Medium to long term> • Increase in heat stroke/other illnesses related to warming • Increase in air-conditioning/cooling costs	<Short term> • Increase in sales of heat insulating/heat shielding products <Medium to long term> • Increase in needs for pharmaceutical products/diagnostic drugs that contribute to treatments	• Explain procurement guidelines to raw material suppliers • Globally disperse production bases • Reinforcement of OEM structure in accordance with increase in illness
	Changes in rainfall patterns	Medium			
	Rise in sea level	Medium			
	Rise in average temperatures	Medium			

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



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.



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

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?

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.

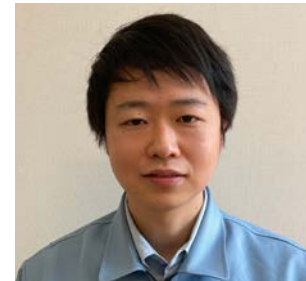
A2 Pharmaceutical companies in general focus mainly on providing treatments for people who are ill or inflicted with a disease. I believe that the key to extending healthy life spans is to get deeply involved in people's daily lives and prevent illnesses and diseases before they occur. Houses, in particular, 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)

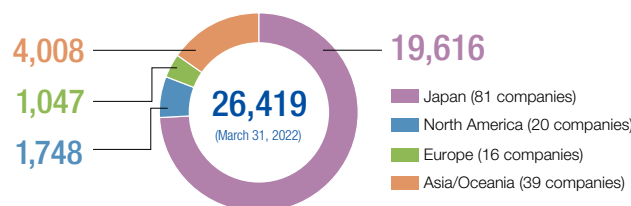
	FY2018	FY2019	FY2020	FY2021
Total number of employees	3,918	3,956	3,960	3,902
Ratio of women	15.0%	15.9%	16.5%	16.7%
Total number of managerial positions	1,366	1,376	1,381	1,395
Ratio of women	3.2%	4.1%	4.3%	4.3%
Number of women in management positions	44	56	60	60

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

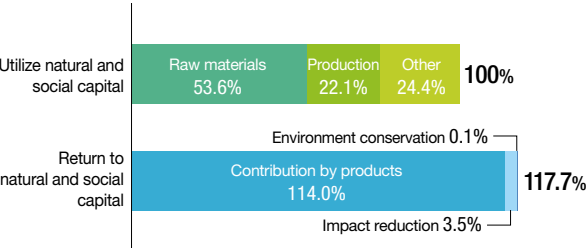
Environment—Addressing Climate Change

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.sekisuichechemical.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

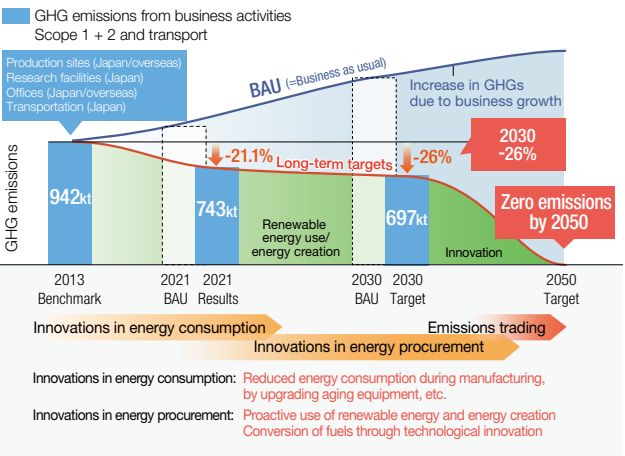
Based on the results of scenario analyses conducted in line with the recommendations of the TCFD in fiscal 2019, we identified climate change issues as risks and opportunities (▶P.31) that could have a major impact on business, which is why we define the environment as one of the key issues for the Group.

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

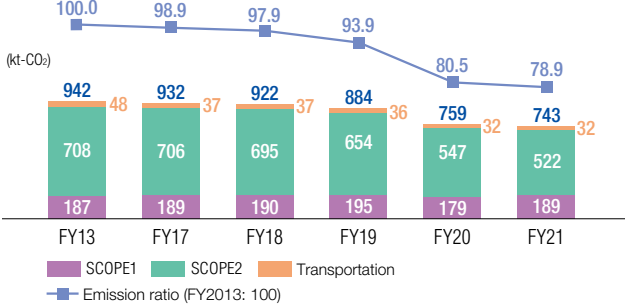
Roadmap to Reducing GHG Emissions



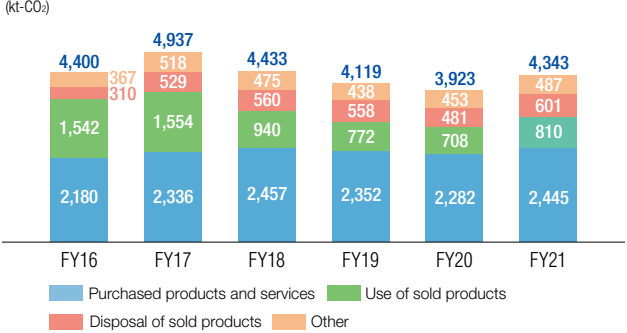
business sites in Japan and overseas. As a result, the renewable energy rate of purchased electricity increased to 19.7%. Moreover, the volume of GHG emissions reduced in fiscal 2021 as a result of updating equipment through the Environment-Contributing Investments Incentive Program* from fiscal 2017 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

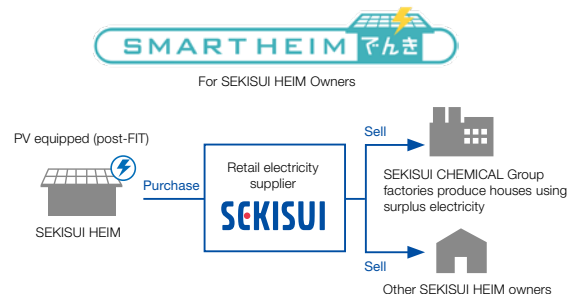
Case Study: SMART HEIM DENKI Power Trading Service

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

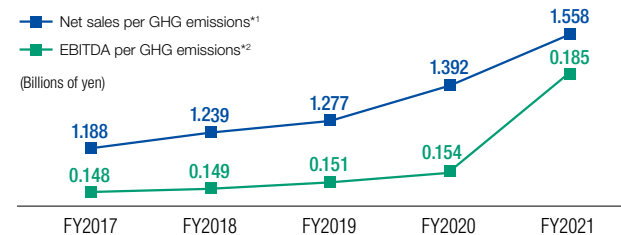
Effects of Climate Change Efforts on Management

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

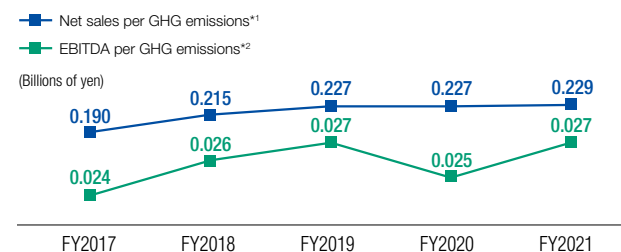
Carbon Efficiency in Business Activities



*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



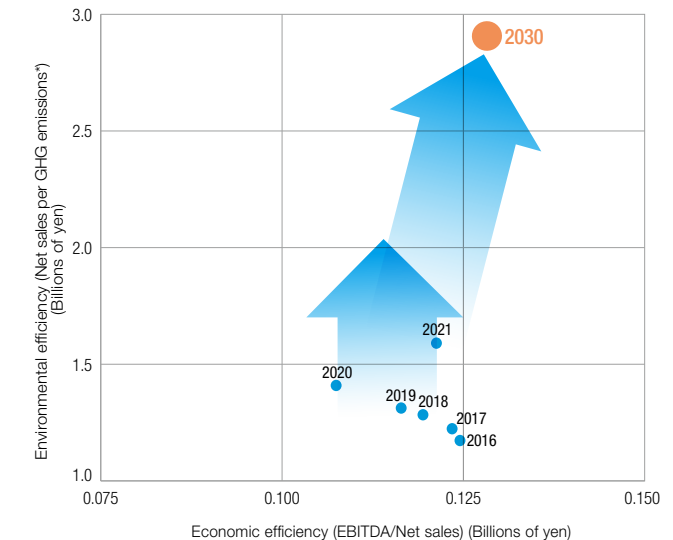
*1 Net sales per GHG emissions: Net sales (Billions of yen) / GHG emissions (kt-CO₂)

*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.

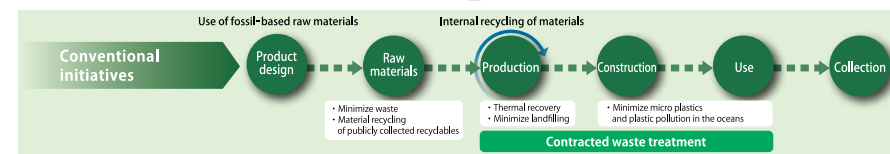
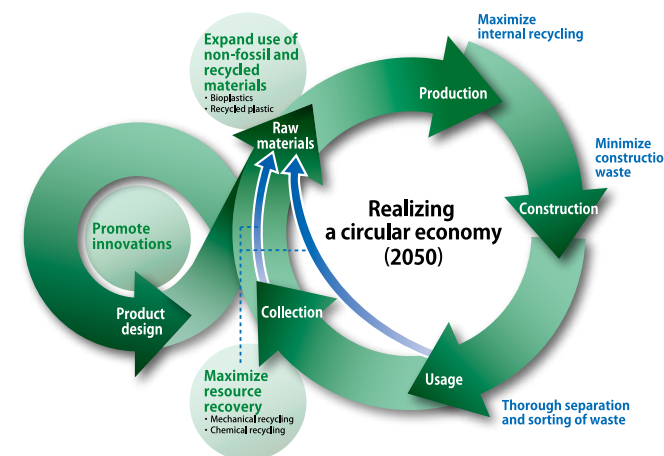
Engaged in the production of synthetic resins, the Shiga-Minakuchi Plant accounts for approximately 30% of the total water intake volume from all Group business sites in Japan, a figure that has been increasing every year since fiscal 2015. To improve this situation, we undertook comprehensive capital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

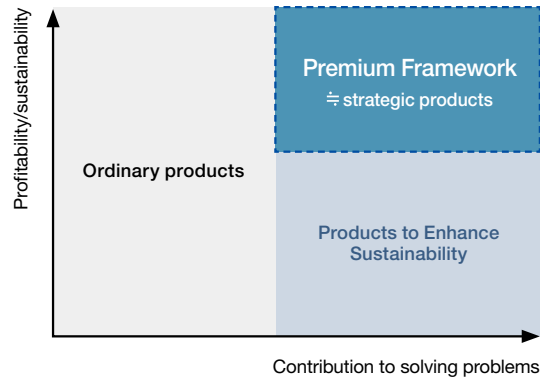
Outline of the Resource Recycling Strategy



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

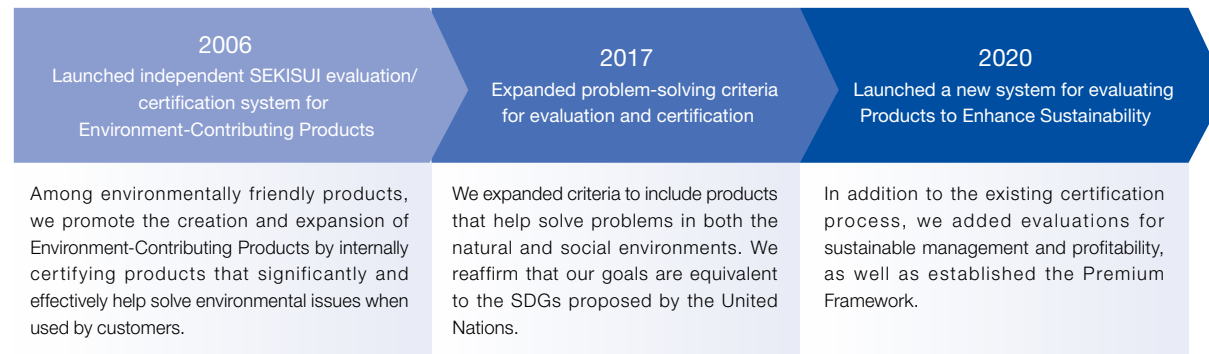


Typical Premium Framework products

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.

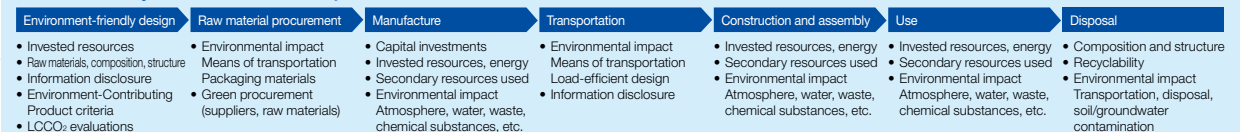
Compliance Evaluation

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

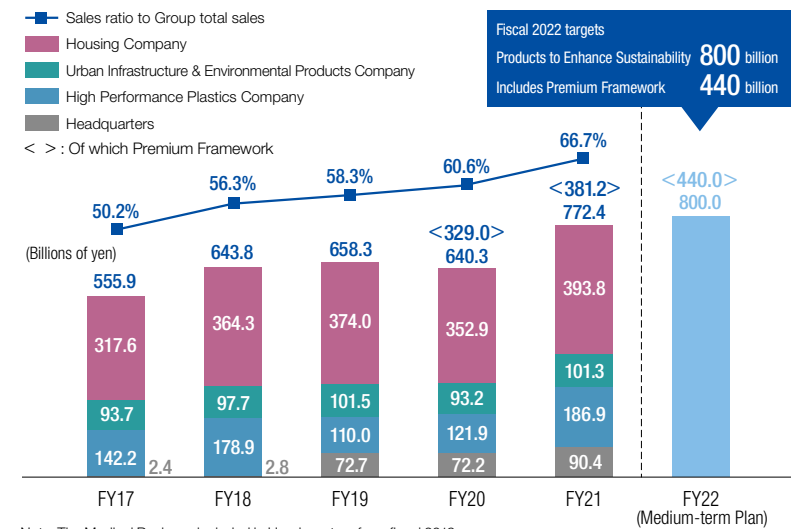
Chemical Substance Assessment

- Laws and regulations
- Prohibited substances
- Restricted substances

Product Life-cycle Environmental Impact Assessment



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	Improve working conditions, including in supply chains
	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
	Invigorate 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.

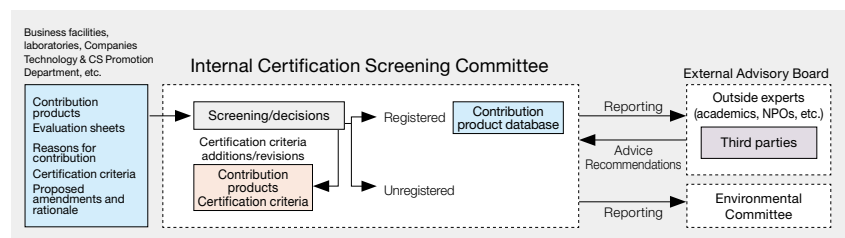
We received advice on the significance of contributions made to the natural and social environments by newly registered products and how best to convey that significance. Advice was also received on the evolution and direction of the product system based on various inputs including confirmation of the 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
Prevent/mitigate disasters	Promote tree planting
	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

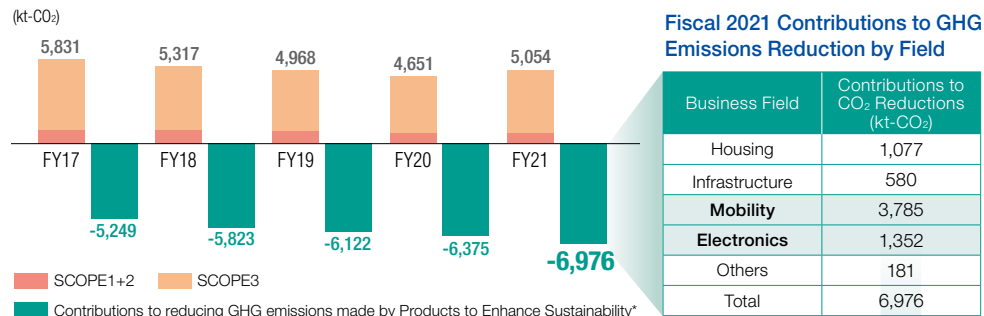
Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Masatsugu Taniguchi	Representative of the Resource and Environment Strategic Planning Office	<ul style="list-style-type: none"> Experience as a company manager Well versed in resource-centered environmental strategies, a leading 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.



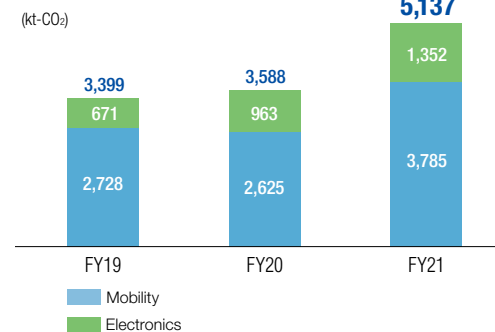
Electronics Field

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

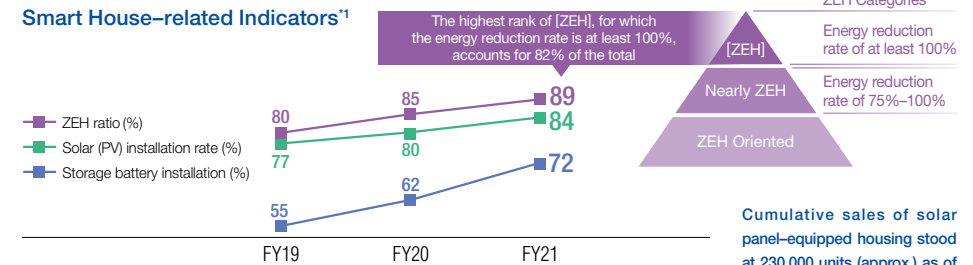
- Foam tape
- Double-faced adhesive tape for fixing of LCD components



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



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



Reference: Company data*	2019	2020	2021
Installed solar panel area	374,000 m ²	360,000 m ²	400,000 m ²
Total installed solar panel capacity ²	50 MW	50 MW	60 MW

*2 Cumulative installed solar panel capacity now exceeds 1,250 MW. As a result, total annual electricity generation is equivalent to the electricity consumed by a city with a population of 500,000 people.

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



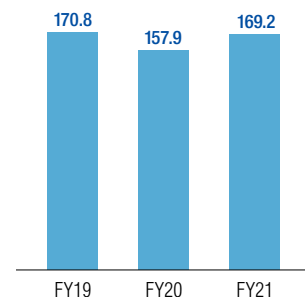
Rainwater storage systems contribute to torrential rain countermeasures



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



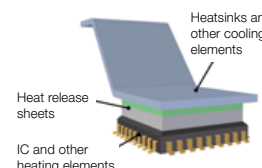
Drinking water storage system



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.



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

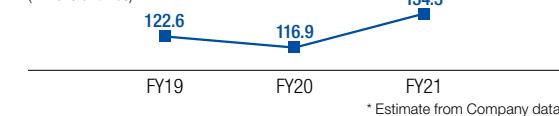
Contributing to the Early Detection of Diseases

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)



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.



—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

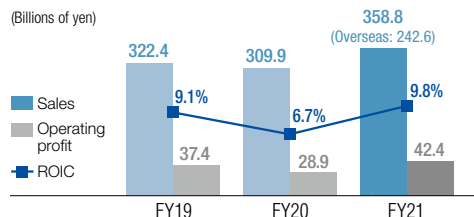
Business Activities

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:
(FY21)

7,506/60

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

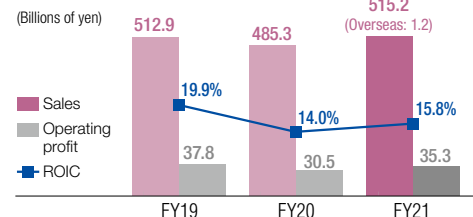
Business Activities

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:
(FY21)

11,017/38

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

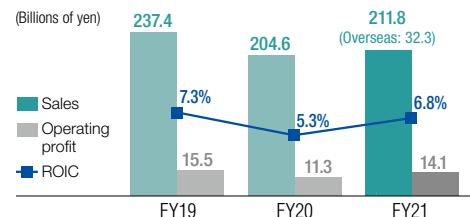
Business Activities

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:
(FY21)

4,897/38

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

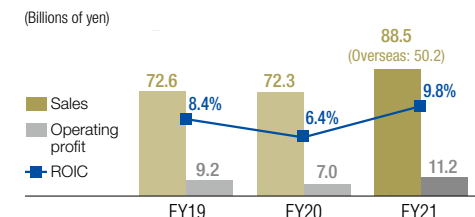
Business Activities

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:
(FY21)

2,214/9

Performance Trends



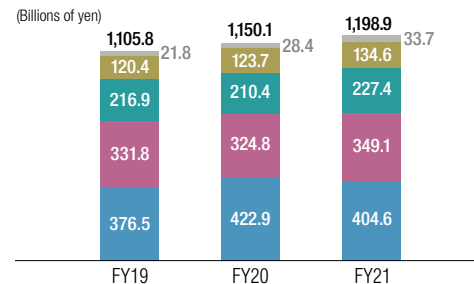
Main ROIC Improvement Measures

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

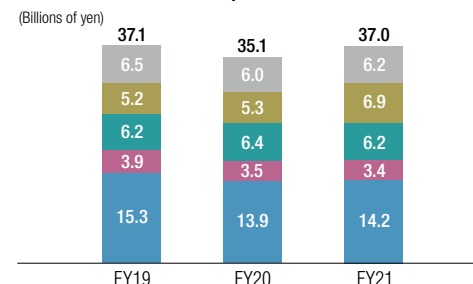
Various Data

■ High Performance Plastics Company ■ Housing Company ■ Urban Infrastructure & Environmental Products Company ■ Medical Business ■ Other

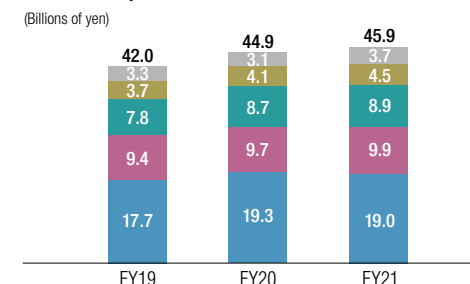
Total Assets



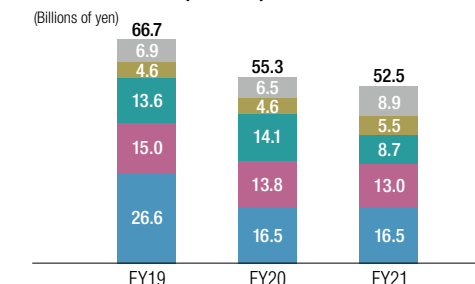
R&D Expenditures



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		

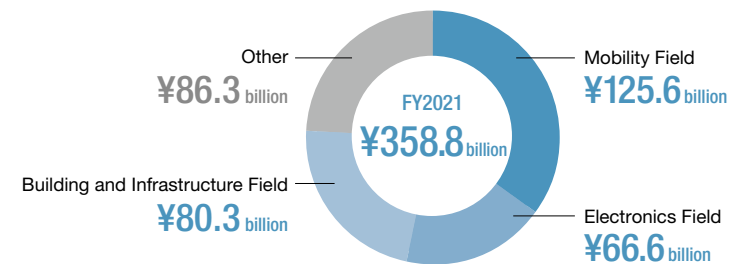
History of Adaptability

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

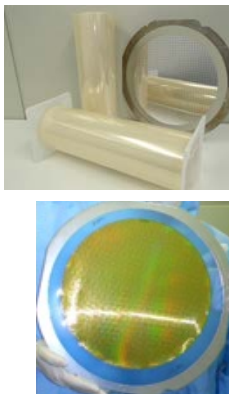
Electronics Field

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.

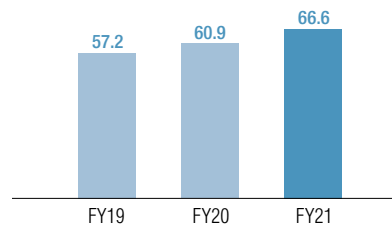
Product example: Heat resistant Selfa® (semiconductor processing material)

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.



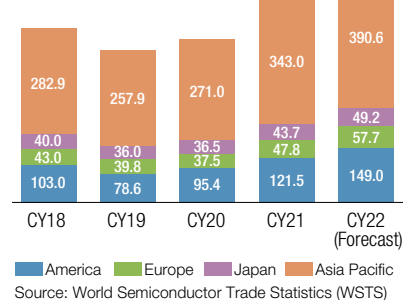
Electronics Field Net Sales

(Billions of yen)



Value of Semiconductor Shipments Market Forecast by Global Region

(Millions of US\$)



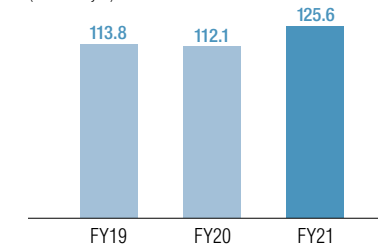
Mobility Field

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.

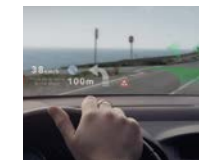
Mobility Field Net Sales

(Billions of yen)



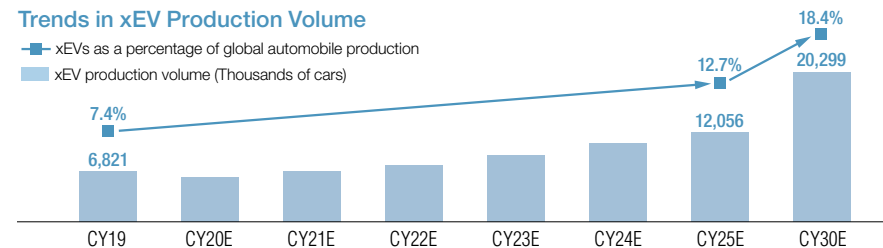
Product example: HUD + insulation functionality

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

■ xEVs as a percentage of global automobile production
■ xEV production volume (Thousands of cars)



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

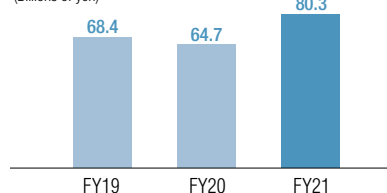
Building and Infrastructure Field

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

(Billions of yen)



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.

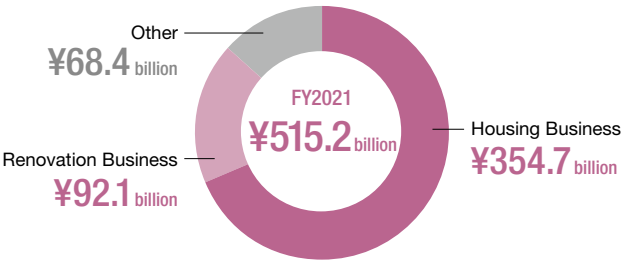




Review of Fiscal 2021

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

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.

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

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
- Apr. 2020 Reorganized housing production companies; integrated the operations of seven bases while promoting automation and DX

Dec. 2020 Launched the new BeHeim brand in a bid to bolster purchase and resale

Business Strategies by Segment Housing Company

Housing Business SEKISUI HEIM

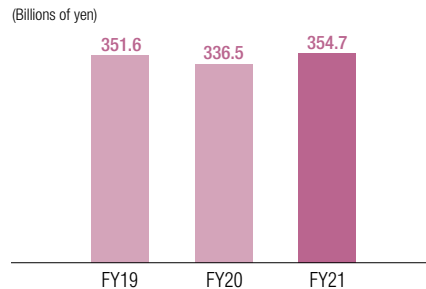
Aiming for the top share in the detached housing market

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.

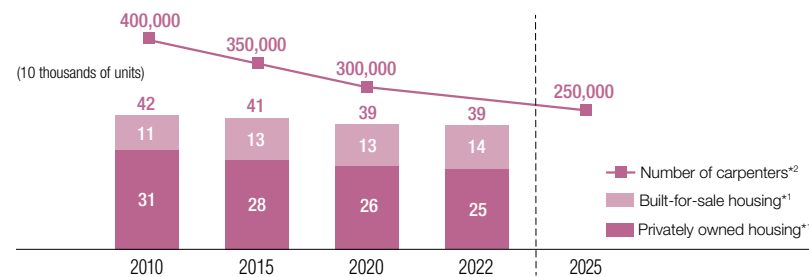
Although the domestic housing market is shrinking, the market share of major prefabricated manufacturers remains small at around 15%. Based on the aforementioned, there is significant room for expansion.

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



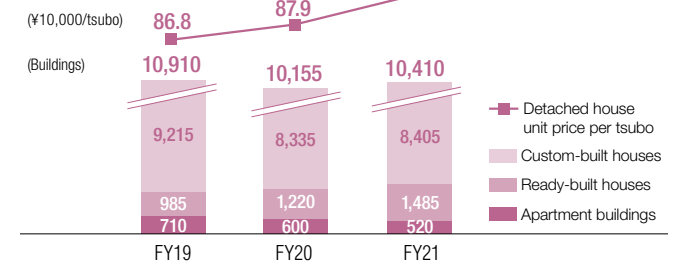
Trends in detached housing starts and the number of carpenters



*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 tsubo^{*1}



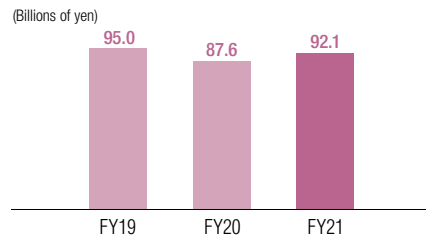
*1 1 tsubo = 3.3 square meters

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

BeHeim

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.

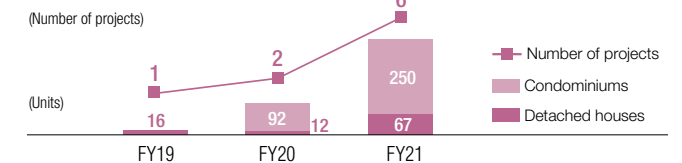
* Houses built by manufacturers participating in the Provision of Quality Housing Stock Association that meet certain standards including the possession of a housing history database are certified as SumStock.

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

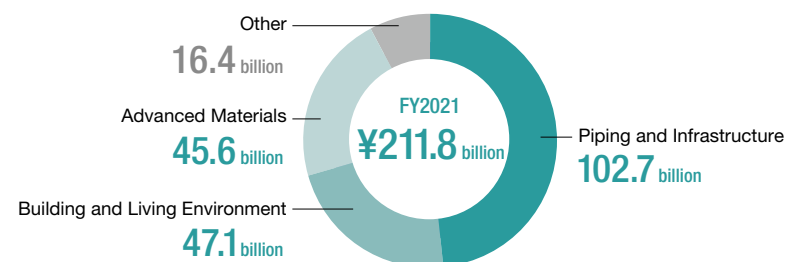
To address the problem of aging sewer pipes in urban areas and other locations, in 1986 we developed the sewer pipe renewal (SPR) method jointly with Tokyo Metropolitan Sewerage Service Corporation and Adachi Construction & Industry Co., Ltd. Requiring no excavation, this method achieved a significant 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

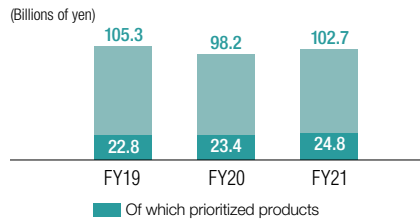
* High-value-added products with the potential for market growth and substitutability

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.

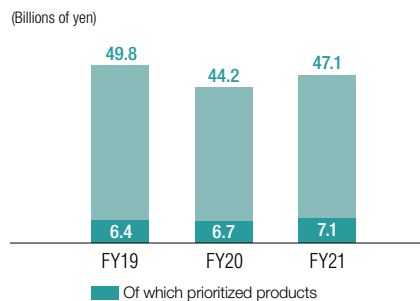


Building and Living Environment

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.

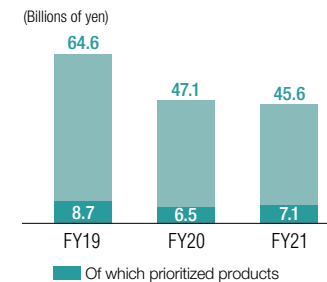


Advanced Materials

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.



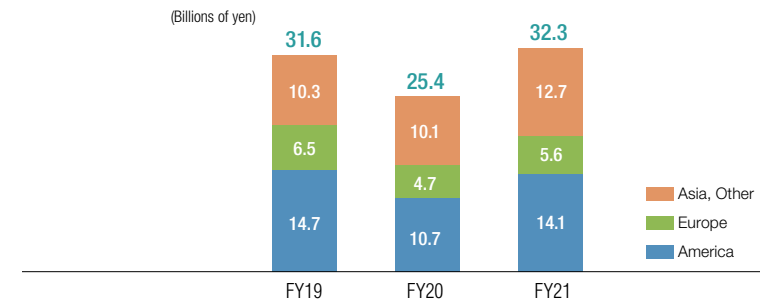
Overseas Net Sales

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

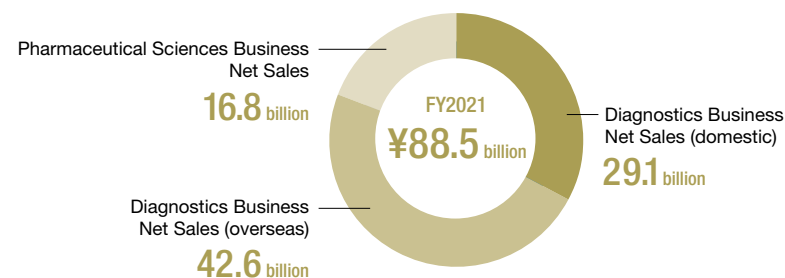
History of Adaptability

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

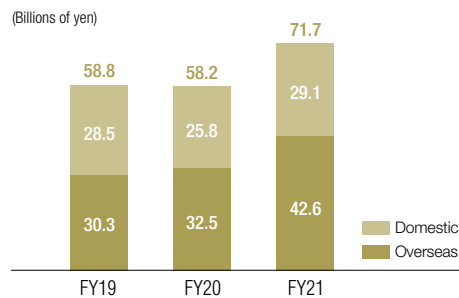
chemistry, diabetes, and blood coagulation testing, where we have an edge in terms of quality. Moving forward, we aim to increase the scale of our business by expanding sales of new diagnostic reagents and analyzers overseas and strengthening local production while growing our existing business and entering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

Focus Areas

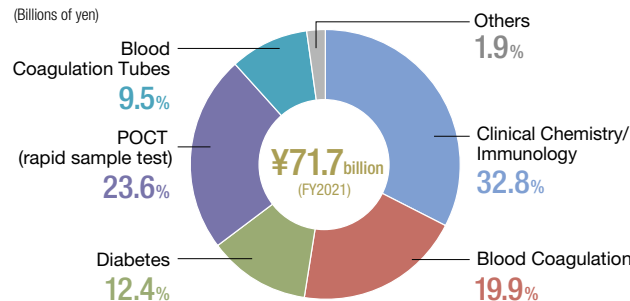
Focus Areas	Clinical Chemistry/ Immunology	Blood Coagulation	Diabetes	Infectious Disease POCT*	Blood Collection Tubes
Main Products	Diagnostics reagents for cholesterol, neutral lipids, and syphilis	Instruments and diagnostic reagents for coagulation and fibrinolysis	Diagnostic reagents for HbA1c	Diagnostics 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

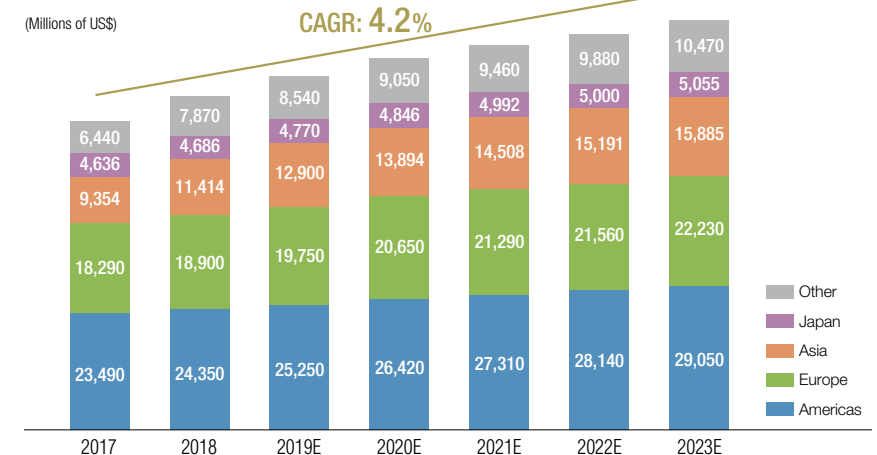
Diagnostics Business Net Sales



Breakdown of Diagnostics Business Sales



Clinical Testing Market by Region



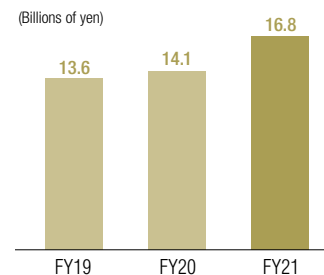
Source: Fuji Keizai, Worldwide Clinical Reagent Market in 2019 (in Japanese)
Fuji Keizai, Clinical Reagent Market in 2019 No. 4: General Analysis and Corporate Strategy (in Japanese)

Pharmaceutical Sciences Business (pharmaceutical and fine chemicals, enzymes)

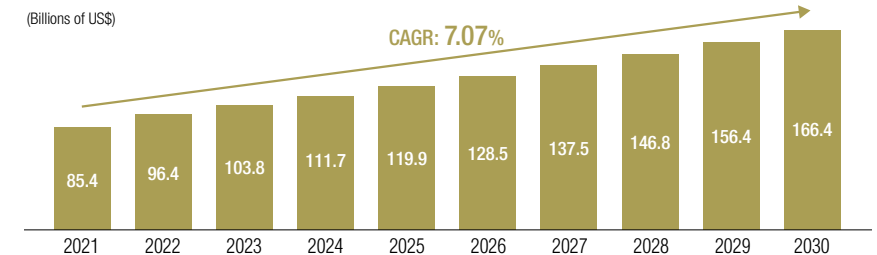
Contract manufacturing and development of diverse APIs from contractors in Japan and overseas

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"