

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

Fusion within the Group and demonstration of its collective strengths

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



Ikusuke Shimizu
President of High Performance
Plastics Company

Toshiyuki Kamiyoshi
President of Housing
Company

Yoshiyuki Hirai
President of Urban
Infrastructure & Environmental
Products Company

Futoshi Kamiwaki
Head of Business Strategy
Department

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

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

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

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

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

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

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

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

—Steady progress in strengthening the ESG management base—

Our sustainable growth contributes to the realization of a sustainable society

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

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

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

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

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



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

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

—Solving social issues through innovation—

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

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



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

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

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

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



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

As fusion progresses our sense of sharing a common mission increases

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

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

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

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

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

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

