

# Interview with an Outside Director



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

### Hiroshi Oeda

#### Independent Outside Director

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

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

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

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

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

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

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

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

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

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

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

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

## Interview with an Outside Director

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

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

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

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

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

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

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



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

# Corporate Governance

## Basic Policy

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

## Corporate Governance System

### Board of Directors

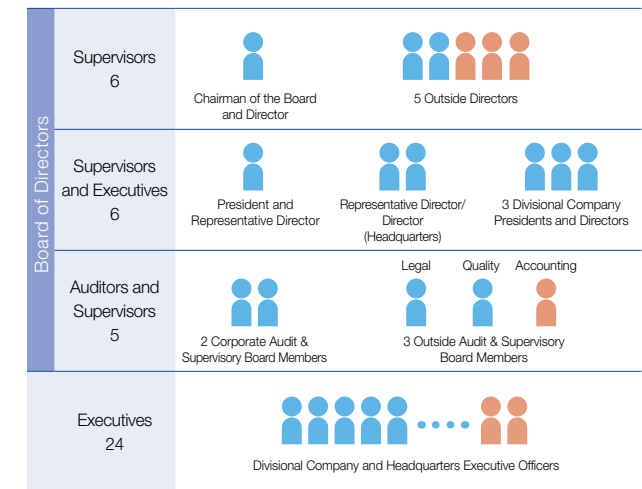
The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies, handling upper-level management judgments and supervising the execution of business. In addition to the Company's Chairman, who is a non-executive director and serves as its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

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

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

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

## Management System (As of June 22, 2022)

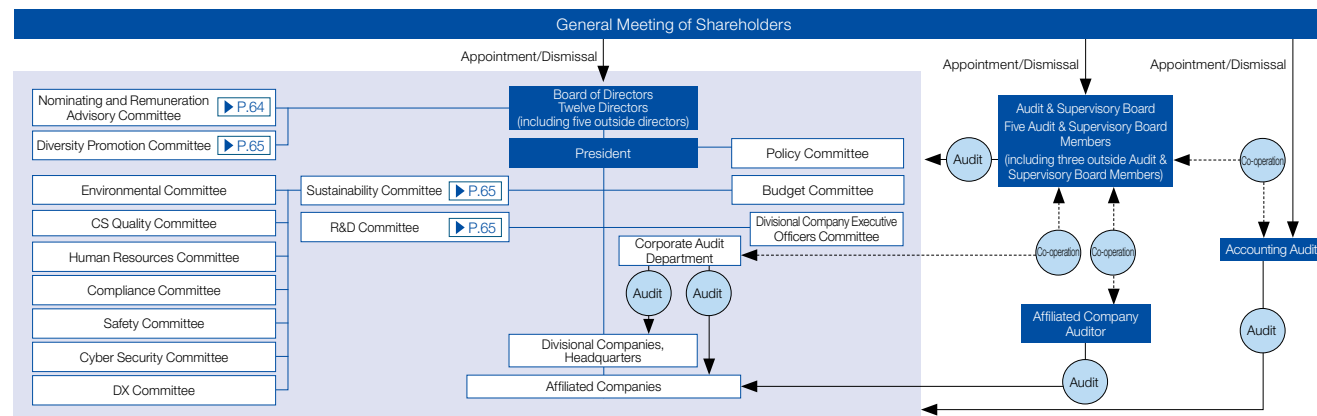


Note: All Audit & Supervisory Board members also attend meetings of the Board of Directors.

Male Female

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

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



## Initiatives Taken to Enhance Corporate Governance



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

\* The number of Directors shall not exceed 15

# Corporate Governance

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

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



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

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

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

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

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



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

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

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

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

**Areas of Responsibility**  
President of Housing Company



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

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

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

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

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



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

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

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

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

**Areas of Responsibility**  
President of High Performance Plastics Company



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

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

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

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



**Kazuya Murakami**  
Director  
Executive Officer  
Date of birth: June 4, 1966

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

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

**Areas of Responsibility**  
Head of Human Resources Department



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

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

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

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

**Areas of Responsibility**  
President of Urban Infrastructure & Environmental Products Company



**Yutaka Kase**  
Independent Outside Director  
Date of birth: February 19, 1947

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

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

**Important Position of Other Organizations Concurrently Assumed**  
Advisor of Sojitz Corporation  
Outside Director of JAC Recruitment Co., Ltd.



# Corporate Governance

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

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



**Hiroshi  
Oeda**

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

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

**N** **D**

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

### Important Position of Other Organizations Concurrently Assumed

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



**Haruko  
Nozaki**

Independent Outside  
Director  
Date of birth:  
June 19, 1955

Number of Shares of the Company Owned: —

New **N** **D**

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

### Important Position of Other Organizations Concurrently Assumed

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



**Miharu  
Koezuka**

Independent Outside  
Director  
Date of birth:  
September 2, 1955

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

New **N** **D**

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

### Important Position of Other Organizations Concurrently Assumed

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



**Machiko  
Miyai**

Independent Outside  
Director  
Date of birth:  
September 29, 1960

Number of Shares of the Company Owned: —

New **N** **D**

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

### Important Position of Other Organizations Concurrently Assumed

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



**Hiroyuki  
Taketomo**

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

Number of Shares  
of the Company Owned: 29,391 shares  
Tenure as Audit & Supervisory Board Member: 1 year

**A**

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



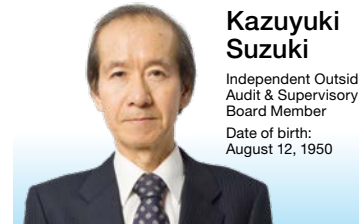
**Toshitaka  
Fukunaga**

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

Number of Shares  
of the Company Owned: 80,962 shares  
Tenure as Audit & Supervisory Board Member: 2 years

**A**

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



**Kazuyuki  
Suzuki**

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

Number of Shares  
of the Company Owned: —  
Tenure as Audit & Supervisory Board Member: 7 years

**A**

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

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

### Important Position of Other Organizations Concurrently Assumed

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



**Ryoko  
Shimizu**

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

Number of Shares  
of the Company Owned: —  
Tenure as Audit & Supervisory Board Member: 3 years

**A**

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

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

### Important Position of Other Organizations Concurrently Assumed

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



**Yoshikazu  
Minomo**

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

Number of Shares  
of the Company Owned: —

New **A**









































































































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

### Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE

## Corporate Governance

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

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

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

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

\*3 Launched June 2022

## Corporate Governance

### Nomination and Remuneration Advisory Committee

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

#### Roles of the Nomination and Remuneration Advisory Committee

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

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

#### Fiscal 2021 Activities

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

### Succession Planning for SEKISUI CHEMICAL Group's President

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

### Support for and Collaboration with Outside Directors

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

### Assessment Relating to the Board's Effectiveness

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

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

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

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

##### Survey details

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

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

[Example] Changes to agenda setting and time allocation

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

Review of agenda items to secure deliberation time

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

+

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

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

### Audit & Supervisory Board

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

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

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

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

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

#### ▼ Convocation Notice

[https://www.sekisuichemical.com/ir/stock/shareholder\\_info/pdf/NoticeConvocation\\_2022.pdf](https://www.sekisuichemical.com/ir/stock/shareholder_info/pdf/NoticeConvocation_2022.pdf)

### Executive Committee

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

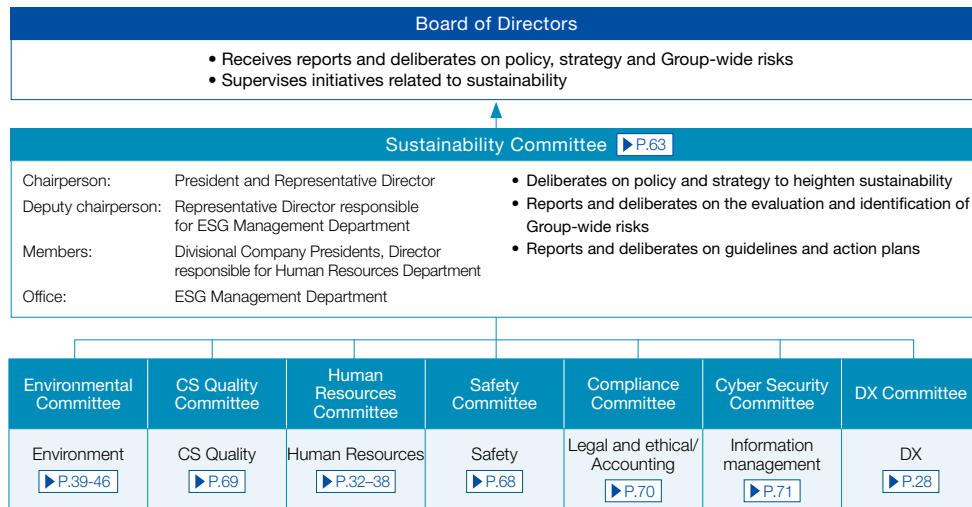
► List of officers <https://www.sekisuichemical.com/about/outline/management/>

# Corporate Governance

## Sustainability Promotion Framework

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

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



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

## Group-wide Deployment

## Other Management Committees

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

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

### Basic policy on cross-shareholdings

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

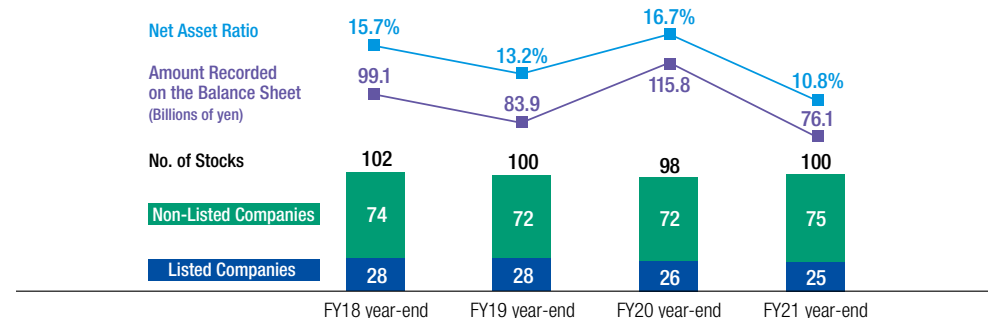
### Verification of the necessity of cross-shareholdings

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

### Criteria for the exercise of voting rights concerning cross-shareholdings

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

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





# Corporate Governance

## Remuneration for Officers

### Basic policy

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

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

### Remuneration mindset

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

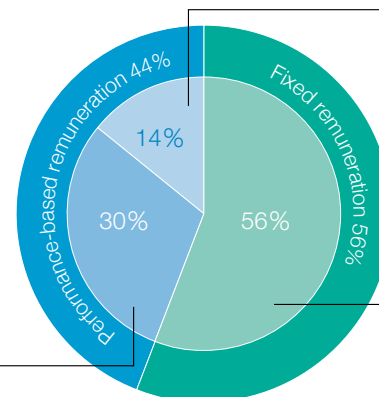
For the indicators for performance-based remuneration, the Company has selected operating profit, which is the business performance target of the Company; the business performance of the divisional companies; ROE and ROIC, assessment criteria for the improvement of the Group's corporate value; and dividends,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

### Short-term incentive (Bonuses)

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

1. Linked to financial results: operating profit, bottom line, ROE, ROIC, etc.
2. Linked to ESG-related non-financial indicators: KPI for key issues [▶P.7](#)  
(Sales ratio of Products to Enhance Sustainability, rate of renewable energy, etc.)

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



### Medium- and long-term incentive (Share remuneration)

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

### Basic Remuneration

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

### Process of determining officers' remuneration

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

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

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

### Officer Remuneration in Fiscal 2021

(Millions of yen)

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

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

# Internal Control — Risk Management

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

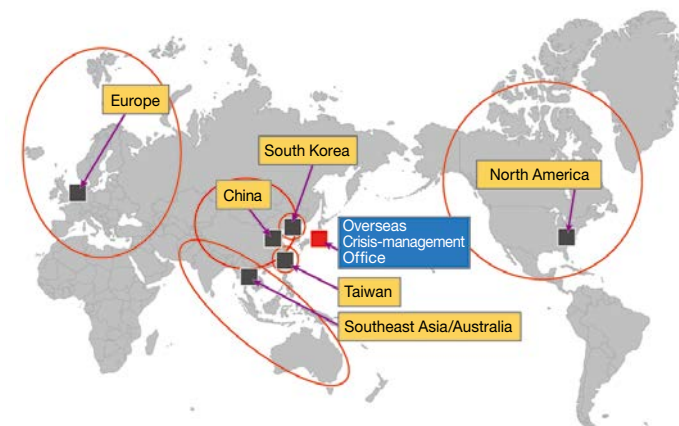
Since April 2020, ultimate responsibility for SEKISUI CHEMICAL Group risk management has resided with the Managing Director of the ESG Management Department. The same department's Risk Management Group serves as a dedicated office and ensures that the SEKISUI CHEMICAL Group Risk Management Guidelines,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

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

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

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

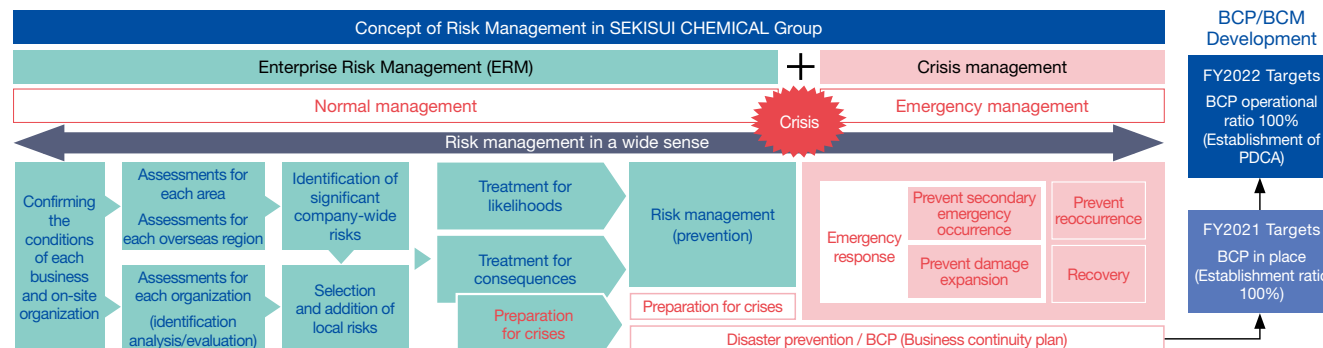
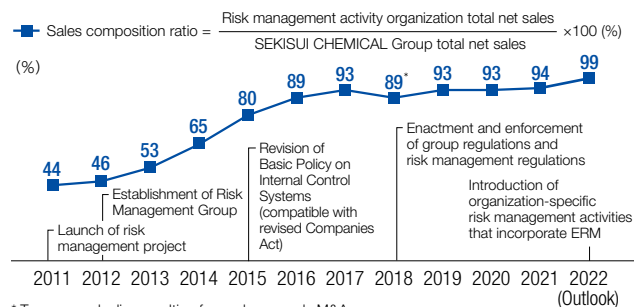
Since fiscal 2021, as a Company-wide initiative, the Group has been revising and developing documents for an emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations. In addition, major business organizations throughout the Group are promoting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



a company by responding quickly and restoring important functions as soon as possible.

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

## Status of Risk Management Activities by Organization



# Internal Control — Major Incidents in Five Fields

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

## Safety

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

SEKISUI CHEMICAL Group is implementing total safety activities (i.e., zero occupational injuries; zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes.

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

From fiscal 2020, we are working on reforms in three areas—mechanisms, equipment, and people—to build safe and secure factories and sites globally.

### Five Themes and Major Initiatives

#### Theme 1 Safety management using OHSMS

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



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

#### Theme 2 Intrinsic Equipment Safety\* efforts

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

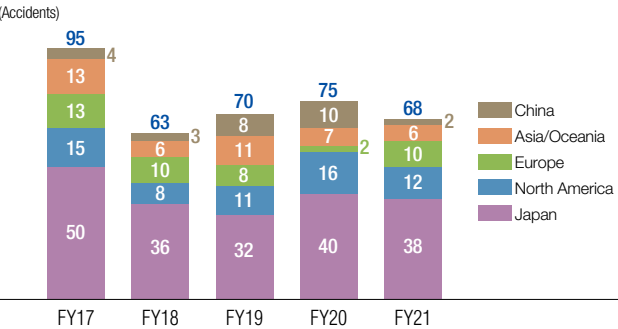
#### Number of facility accidents: 0

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

#### Theme 3 Safety education of employees

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

### Number of Occupational Accidents



#### Theme 4 Risk management and control, etc.

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

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

#### Theme 5 Safety audits/Disaster-preparedness audits

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

## Internal Control — Major Incidents in Five Fields

### Quality

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

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

### Quality Assurance System and Quality Management System

SEKISUI CHEMICAL Group has built quality assurance systems that extend across all processes, from product development to design, production, and sales. We have developed a quality assurance system for each process and promote standards-based controls on a daily basis. At the same time, we recognize that it is the fields of manufacturing development that support quality and focus our efforts on innovation in production activities. In developing products and making improvements to quality, we conduct strict design screening from a variety of perspectives, such as those of quality assurance and safety, and have established a system that enables maintenance and management of after-sale services for customers.

To rebuild our quality management system, when certification shifted to the ISO 9001:2015 standard we developed an original management

sheet, the SEKISUI Process Management Chart (SPMC), to strengthen our process approach. Monitoring daily management checks and promoting corrective actions, internal audits as well as quality education, the SPMC provides an at-a-glance overview of the management flow of these processes. In addition to conducting hands-on training to improve the quality of internal audits on an ongoing basis, by producing a manual explaining how to use the SPMC together with rules for SPMC operation, we successfully raised the level of SPMC use in fiscal 2021.

### Fiscal 2021 Status

In fiscal 2021, one major quality issue<sup>\*1</sup> occurred.

As a result, external failure costs<sup>\*2</sup> increased 20% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will promote the application of development risk prevention methods (such as QFD and DRBFM)<sup>\*3</sup> to reduce external failure costs.

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

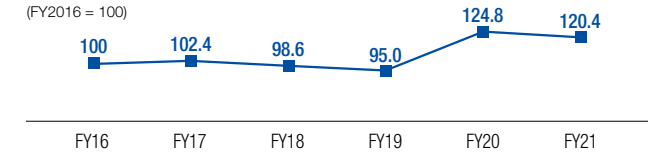
<sup>\*1</sup> Major quality issues: Problems related to product, technology, and service quality that could cause significant damage to customers, society, or SEKISUI CHEMICAL Group if not thoroughly resolved on an urgent basis.

<sup>\*2</sup> External failure costs: Costs arising from responding to product-related complaints

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

### External Failure Costs

(FY2016 = 100)



### Initiatives to Prevent Data Quality Irregularities and Falsification

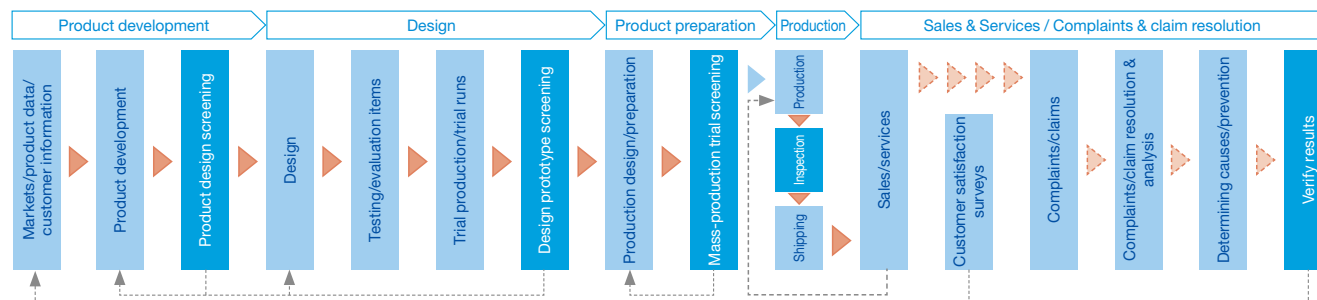
SEKISUI CHEMICAL Group is putting in place a DX-based framework for the thorough prevention of data irregularities and falsification based on the CS & Quality Medium-term Plan from fiscal 2020. For the purpose of ensuring the reliability and transparency of data, particularly with regard to product inspections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

### Preventing Quality-related Problems

SEKISUI CHEMICAL Group holds a number of seminars on the theme of preventing quality problems. Development Risk Prevention Seminars aim to teach efficient and effective prevention methods. The DR Reviewer Training Seminars are held to improve the skills of employees who conduct design reviews (DRs), while the Quality Function Deployment Seminars are conducted to teach methods of organizing information on product development.

Having clarified the discussion points during design screenings when new businesses are launched, we created a mechanism for performing strict design reviews called a Gate Review (GR) platform and started its operation on a trial basis in fiscal 2020.

### Quality Assurance System





## Internal Control — Major Incidents in Five Fields

Legal/Ethical

Accounting

Based on principles such as contributing to society, being a trusted company, and adherence to the letter and spirit of the law, SEKISUI CHEMICAL Group established its Compliance Declaration in 2003. In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In October 2020, under the leadership of the President of SEKISUI CHEMICAL Group, the Group declared that it regards compliance as the foundation for growth, and that each and every director and employee must act with a high sense of ethics and responsibility and behave in ways that conform to community expectations. We will continue to carry out initiatives for strengthening compliance management on a global scale.

To promote compliance management by instilling compliance awareness in each and every employee, we distribute the Compliance Manual and provide education on an ongoing basis. The Compliance Manual includes information on topics such as the prohibitions on corruption and bribery, respect for human rights and the prohibition of discrimination, data management and protection, compliance with antitrust legislation, prohibitions on insider trading, conservation of the global environment, and compliance with labor-related laws and regulations. We are also promoting content localization for global local employees and thereby encouraging thorough adherence with these requirements among all employees.

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

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

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

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

### Accounting and Tax Compliance Initiatives

SEKISUI CHEMICAL Group is promoting efforts to strengthen monitoring and improve the efficiency of accounting operations toward a solid accounting compliance system. Also providing education on accounting skills and financial knowledge through accounting training and e-learning, in addition to preventing the occurrence of incorrect accounting treatment and accounting fraud, we are working to raise awareness of compliance among the departments and employees involved in accounting operations. Not using tax havens for tax avoidance purposes, SEKISUI CHEMICAL Group pays taxes appropriately in the countries and regions where it operates, thereby contributing to the economic development of those countries and regions while aiming for harmony and stable development together with them. Transactions with tax risk are checked with external experts as necessary to ensure proper processing and the reduction of tax risk. In regard to transfer pricing risks, transactions within the Group are conducted in accordance with arm's length prices based on the local laws and regulations of each country and region and Organization for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we use the Advance Pricing Arrangement (APA) confirmation system according to the size of the transaction and the degree of tax risk, while working to maintain good relationships with the tax authorities in each country.

### Fiscal 2021 Number of Whistleblowing Cases and Consultations

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

### Efforts to Prevent Corruption and Bribery

In the spirit of the UN Global Compact, we promote efforts to prevent bribery and corruption. In addition to the introduction of Group-wide internal regulations to prevent bribery and corruption, SEKISUI CHEMICAL Group formulated anti-bribery guidelines, which outlines rules that employees should follow when doing business in Japan, the United States, and China. We anticipate risks and set and operate rules to prevent violations. For example, a form needs to be submitted in advance to obtain approval when a government official is to be entertained or presented with a gift. In the event of consultancy fees in connection with business transactions, including those involving public officials from other countries, confirmation that fees do not constitute bribes must be obtained. In fiscal 2021, we conducted an e-learning program on bribery for employees of domestic subsidiary companies.

### Handling Measures for Anti-Trust Laws

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

### Reinforcement of Global Legal Affairs Structure

We are reinforcing our global legal affairs structure by expanding legal functions and coordinating between legal departments. The Compliance Reinforcement Month that we hold every year in Japan is deployed in North America, China, Southeast Asia, Europe, and other areas. In those months, the themes to be taken up are those selected by the regional headquarters from the risks that are judged to be high in each region. Theme examples: Anti-bribery and anti-monopoly laws, harassment, awareness-raising activities regarding information leakage, whistleblower system, etc.

## Internal Control — Major Incidents in Five Fields

### Information Management

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

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

We established a CSIRT<sup>\*1</sup>, which reports to the Sustainability Committee, as a cybersecurity response system and set up a Cyber Security Center as a working unit. Acting in partnership with an SOC<sup>\*2</sup>, the Cyber Security Center monitors the security of networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents.

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

In the years to come, we will enhance domestic operations and advance the development of CSIRTs at Group companies overseas.

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

<sup>\*2</sup> The Security Operation Center, or SOC, is a specialized entity devoted to monitoring and analyzing threats to information systems. It works to detect threats as soon as possible and plays a role in supporting CSIRTs with their response and recovery efforts.

### Measures to Address Natural Disaster-related Risks

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

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

### Preventing Leakage of Technical Information

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

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

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

### Measures to Address Information Leakage Risks

The Company takes both system measures, such as the fortification of data centers and enhanced monitoring of internal networks, and human measures to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the SOC plays a primary role in consistently identifying new threats, such as viral infections, and in swiftly taking action to implement appropriate countermeasures in CSIRTs.

Human-related Measures to Prevent Information Leaks

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

### Protecting Personal Information

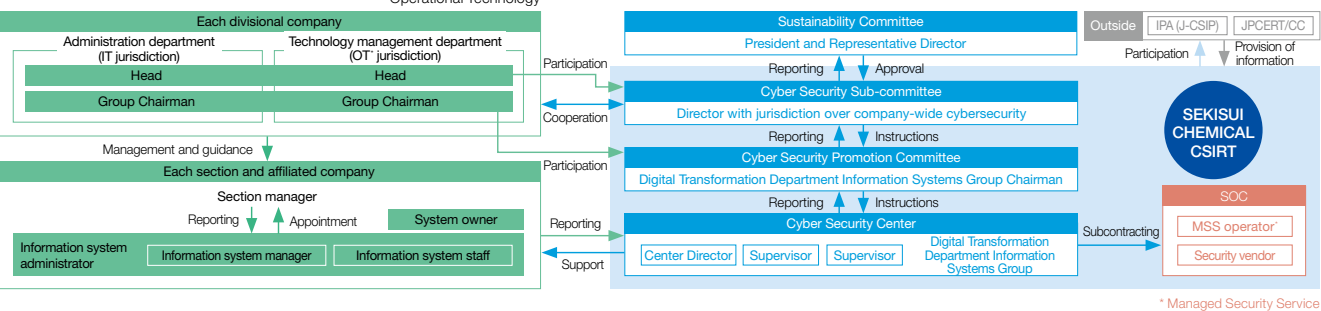
We handle the personal information of our customers based on our Privacy Policy, which is available on the Company's website.

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

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

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

### Cybersecurity Structure



# Respect for Human Rights

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

## Human Rights Initiatives

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

▼ Please refer to the following webpage for details of the SEKISUI CHEMICAL Group Human Rights Policy.  
[https://www.sekisuichechemical.com/csr/pdf/report\\_2022/sustainability\\_report2022e\\_15.pdf](https://www.sekisuichechemical.com/csr/pdf/report_2022/sustainability_report2022e_15.pdf)

## Actions in Regard to the UK Modern Slavery Act

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

## Human Rights Due Diligence

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

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

## Initiatives to Build a Human Rights Due Diligence Framework

From fiscal 2018 to fiscal 2019:

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

Fiscal 2020:

Implemented human rights interviews at domestic production sites.

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

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

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

## Caring About Human Rights Issues across the Entire Supply Chain

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

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

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

## ▼ Procurement

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

## Conducting Educational Programs That Include Preventing Harassment

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

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

# Stakeholder Engagement

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

## Creating Attractive Products and Services Based on Customer Feedback

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

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



## Enhancing Corporate Value by Direct Dialogue with Investors

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

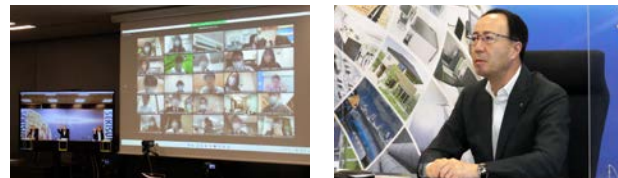
We therefore have put in place Active Engagement between Investors and Management as one of our key issues, while the president and director in charge of the Business Strategy Department are taking the lead in proactively holding financial results briefings and direct dialogues with shareholders and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

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



## Vision Caravan Dialogue between Management and Employees

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



President Kato and directors interact online with employees.

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

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

### ▼Declaration of Partnership Building

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

## Use of Sustainable Timber and Ensuring Traceability

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

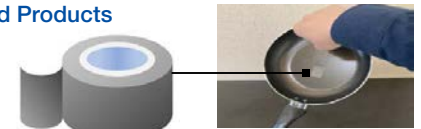
requirements, such as FSC-certified wood. In addition, the Group conducts investigations into commercial distribution with regard to the logging area, tree species and quantity of timber materials to ensure traceability. For recycled materials, we use timber- and wood-based products that are already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

## Product Creation That Learns from Nature's Wisdom

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

### Examples of Created Products

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



## Distributing Value to Stakeholders (Fiscal 2021)

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

(Millions of yen)

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



# External Evaluations in Fiscal 2021

As of June 30, 2022

## Incorporated into SRI/ESG Indices

Member of  
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA



**FTSE Blossom  
Japan**

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



**FTSE4Good**

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



**FTSE Blossom  
Japan Sector  
Relative Index**

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



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**2021 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX**

**2021 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)**

## Human Resources



## ESG-related Ranking, Awards, etc.

**Sustainability Award  
Silver Class 2022**

**S&P Global**



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

## Environment



CLIMATE WATER



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



2021

