

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

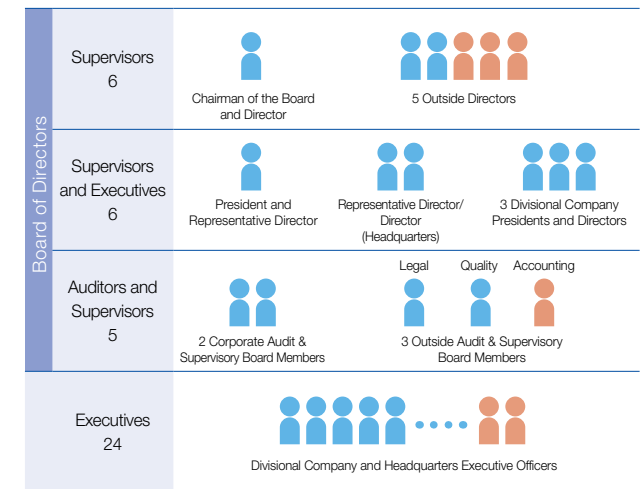
The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies, handling upper-level management judgments and supervising the execution of business. In addition to the Company's Chairman, who is a non-executive director and serves as its 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.

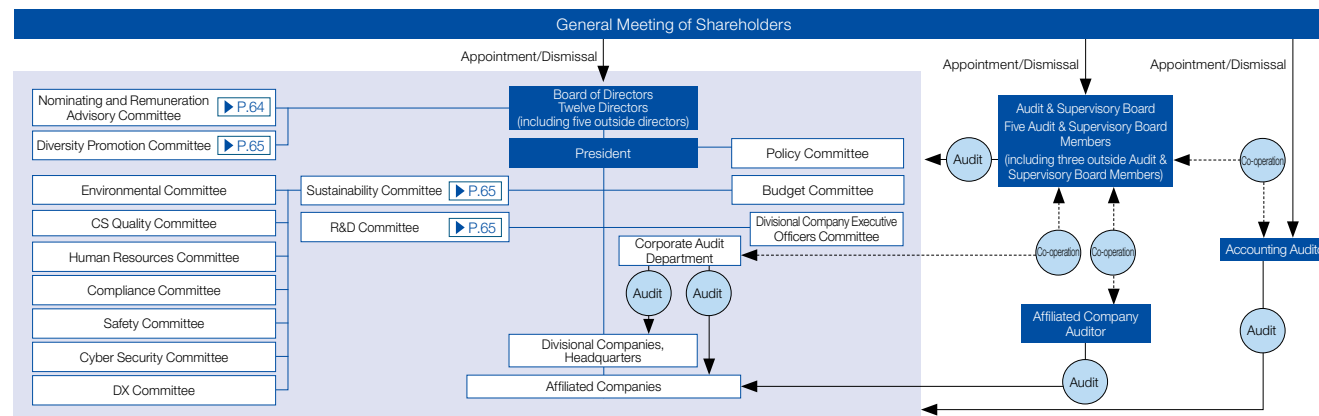
Management System (As of June 22, 2022)



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

Male: (Blue icon) Female: (Orange icon)

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



Initiatives Taken to Enhance Corporate Governance



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.

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 **N D**
Tenure as Director: 17 years

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

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

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



**Keita
Kato**

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

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

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

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

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



**Futoshi
Kamiwaki**

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

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

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

Areas of Responsibility

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



**Yoshiyuki
Hirai**

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

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

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

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

Areas of Responsibility

President of Urban Infrastructure & Environmental Products Company



**Toshiyuki
Kamiyoshi**

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

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

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

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

Areas of Responsibility

President of Housing Company



**Ikusuke
Shimizu**

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

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

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

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

Areas of Responsibility

President of High Performance Plastics Company



**Kazuya
Murakami**

Director
Executive Officer
Date of birth:
June 4, 1966

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

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

Areas of Responsibility

Head of Human Resources Department



**Yutaka
Kase**

Independent Outside
Director
Date of birth:
February 19, 1947

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

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



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: —



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



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: —



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

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

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

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

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: —



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

Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE

Corporate Governance

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

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

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

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

*3 Launched June 2022

Corporate Governance

Nomination and Remuneration Advisory Committee

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

Roles of the Nomination and Remuneration Advisory Committee

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

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

Fiscal 2021 Activities

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

Succession Planning for SEKISUI CHEMICAL Group's President

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

Support for and Collaboration with Outside Directors

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

Assessment Relating to the Board's Effectiveness

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

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

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

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

Survey details

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

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

[Example] Changes to agenda setting and time allocation

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

Review of agenda items to secure deliberation time

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

+

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

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

Audit & Supervisory Board

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

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

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

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

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

▼ Convocation Notice

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

Executive Committee

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

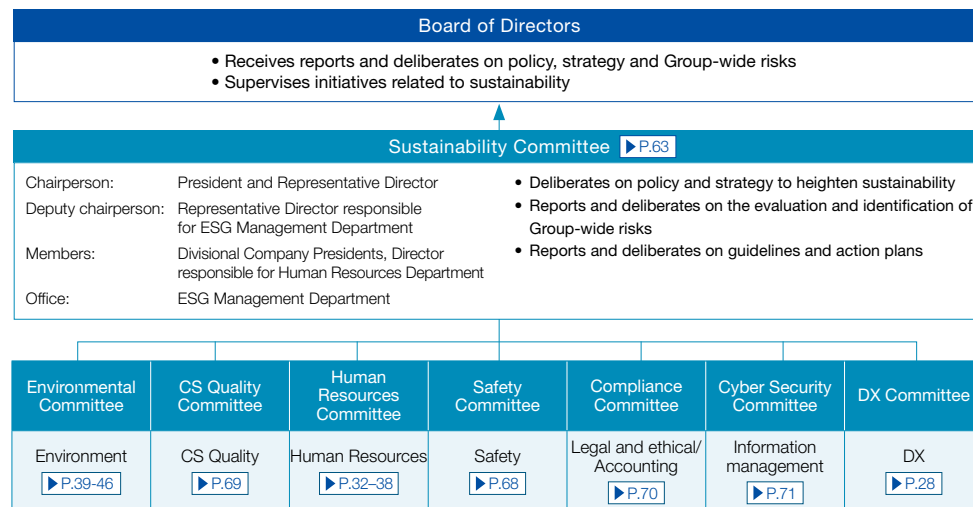
► **List of officers** <https://www.sekisuichemical.com/about/outline/management/>

Corporate Governance

Sustainability Promotion Framework

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

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



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

Group-wide Deployment

Other Management Committees

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

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

Basic policy on cross-shareholdings

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

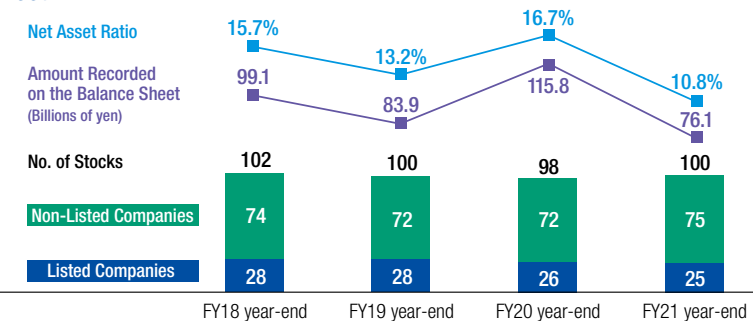
Verification of the necessity of cross-shareholdings

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

Criteria for the exercise of voting rights concerning cross-shareholdings

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

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



Corporate Governance

Remuneration for Officers

Basic policy

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

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

Remuneration mindset

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

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

Short-term incentive (Bonuses)

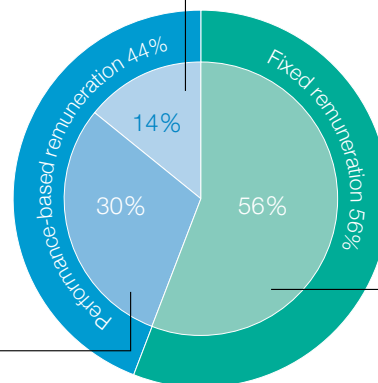
Paid in accordance with the results for the fiscal year under review

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

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

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

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



Medium- and long-term incentive (Share remuneration)

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

Basic Remuneration

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

Process of determining officers' remuneration

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

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

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

Officer Remuneration in Fiscal 2021

(Millions of yen)

Classification	Basic remuneration		Bonus		Share remuneration		Total	
	Number of eligible officers (persons)	Amount	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).