

Integrated Report 2024

Year Ended March 31, 2024

SEKISUI
SEKISUI CHEMICAL CO., LTD.



Innovation for the Earth



Innovation for the Earth

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

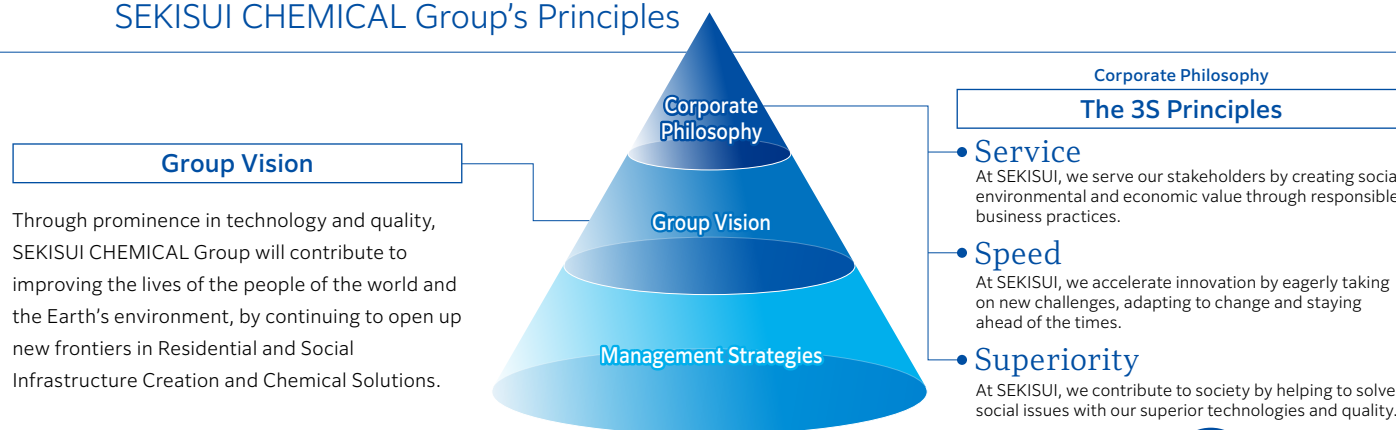
Viewing changes in the social environment as a business opportunity, SEKISUI CHEMICAL Group is working to continuously generate innovation to help resolve social issues drawing on the solutions created by its varied and diverse technologies as well as the trust it enjoys with its stakeholders. By contributing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

SEKISUI CHEMICAL Group's Principles

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

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

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



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

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

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



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In Integrated Report 2024, we organized our value creation story centered on Products to Enhance Sustainability in order to realize our long-term vision for 2030, and we expanded the descriptions of innovation to foster growth expectations.

This report is available in PDF format in Japanese and English and can be downloaded from the following URL.

Japanese Edition

<https://www.sekisui.co.jp/ir/document/annual/>

English Edition

<https://www.sekisuichechemical.com/ir/report/annual/>

Organizations Covered

In principle, this report covers SEKISUI CHEMICAL CO., LTD. and its consolidated subsidiaries.

Applicable Period

Includes FY2023 (April 1, 2023 to March 31, 2024) and other details to August 2024.

In Editing This Report

In editing this report, we referred to the International Integrated Reporting Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade, and Industry (METI).

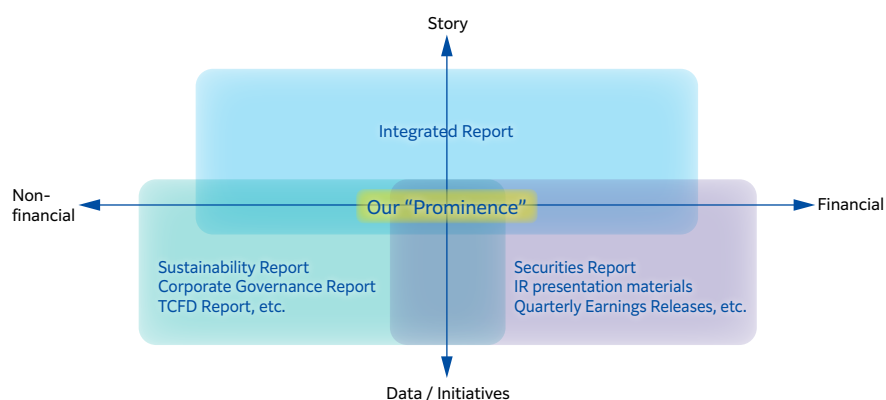


Cautionary Notes

The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management's judgment of information available at the time this report was produced. Changes in key factors could cause actual performance results to differ materially from these forward-looking statements. Figures denominated in billions of yen in this integrated report are rounded off to the nearest first decimal place.

In addition, those denominated in millions of yen are rounded down to the nearest million yen.

SEKISUI CHEMICAL Group Information Disclosure System



SEKISUI CHEMICAL Group reports on its management strategies aimed at creating corporate value, its financial and non-financial approach as well as related data and initiatives in a comprehensive manner in its Integrated Report.

Moreover, we continuously disclose explanatory materials on our management strategy, including financial results and non-financial data, in our Annual Securities Report and IR financial results presentation materials.

Details of the Group's ESG management and sustainability activities as well as comprehensive non-financial information are disclosed in the Sustainability Report.

Our "Prominence," the reference materials for Investors explains the competitive strengths and basic strategies of SEKISUI CHEMICAL Group's major businesses.

Website Information

Investor Relations

<https://www.sekisuichechemical.com/ir/>

Securities Report

https://www.sekisuichechemical.com/ir/report/financial_report/

Presentations

<https://www.sekisuichechemical.com/ir/presentations/>

Reference Materials for Investors Our "Prominence"

<https://www.sekisuichechemical.com/ir/report/prominence/>

Sustainability

https://www.sekisuichechemical.com/sustainability_report/

Sustainability Report

https://www.sekisuichechemical.com/sustainability_report/report/

TCFD/TNFD Report

https://www.sekisuichechemical.com/sustainability_report/report/#tcfcd

Message from the President & CEO



CEO MESSAGE

Together as a Group, we will continue to take on challenges, and drive forward to achieve the Medium-term Management Plan “Drive 2.0”

We will respond to the expectations of our stakeholders by continuing to create Products to Enhance Sustainability, delivering “Peace of Mind for Generations to Come,” and realizing a sustainable society with the power of innovation based on the strengths of Strategic Foresight, Processing and Value Transformation.

President & CEO

Q.01

What is the value that the SEKISUI CHEMICAL Group provides to society?

Put simply, it is “Peace of mind for Generations to Come.” Since our establishment, we have been consistently working on “solving problems that are at the root of life,” such as social issues that affect the safety and health of people around the world, or changes in the global environment that seriously affect the survival of society, such as climate change and natural disasters. At present, we are developing commercials with the slogan “We will not leave current social issues to future generations.” This message shows that we aim to ensure that people can continue to live with peace of mind, not only today, but also for the next generation and the future. It is our social role to deliver “peace of mind for generations to come” to society.

Our strengths to achieve this are Strategic Foresight, Processing and Value Transformation. Based on these strengths, we will implement the value creation process and create unique innovations with stakeholders. [P.10](#) We will take advantage of getting the needs of the market and social issues in advance (Strategic Foresight), combine internal and external technologies to create unique solutions (Processing), and build new values and systems to transform (Value Transformation) society. The embodiment of this series of processes is the continuous creation of “Products to Enhance Sustainability.” [P.16](#) I believe that solving social issues means adding value to products, and by increasing the number of Products to Enhance Sustainability, we will continue to strive to achieve a sustainable society with peace of mind for generations to come and improve corporate value.

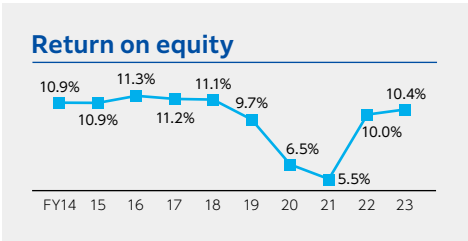
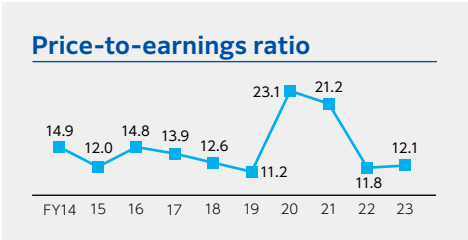
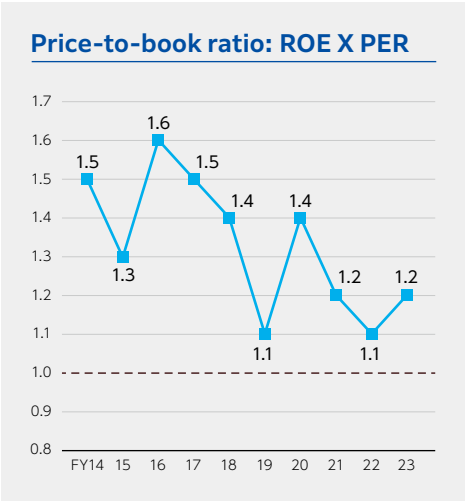
Message from the President & CEO

Q.02 | What is the driving force behind implementing the value creation process?

The driving force that makes the value creation process effective is the challenges of each and every employee. It is important for each person to be unconstrained by traditional approaches, to maximize their own strength, and to continue to take on without fear. The improvements that employees make in their own departments to improve the quality of daily work are also worthy “challenges” in themselves, and provide an opportunity for personnel with a challenging spirit to play an active role. As a company, we value fostering a “culture of challenge.”

Q.03 | There is a growing demand from domestic and foreign investors for “management that is aware of capital costs and stock prices.” How do you perceive the current situation of the SEKISUI CHEMICAL Group?

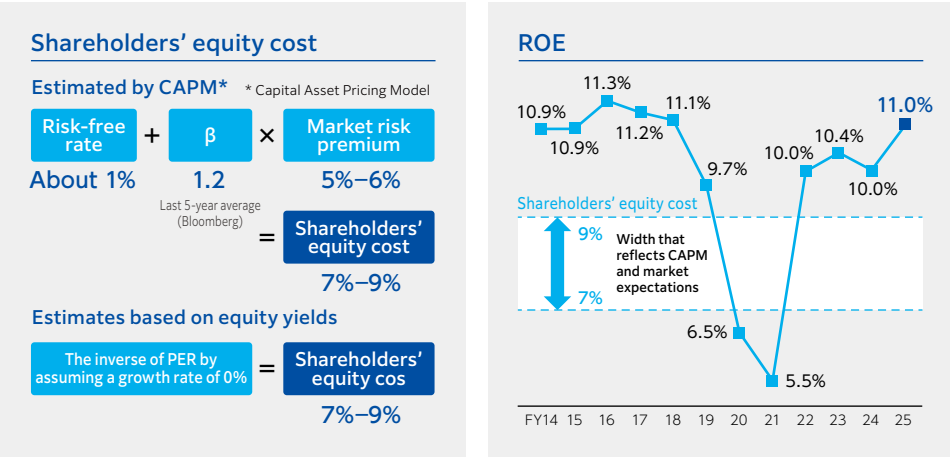
Our PBR has been stable at more than 1 over the past ten years, but we are not satisfied with this level. Except for the period when final profit declined due to the impact of the COVID-19 pandemic and the impairment at SEKISUI AEROSPACE in FY2020 and 2021 when prices soared, PER has remained at a level of more than x10, and I believe we must ensure that investors can expect growth in the medium- to long-term.



In addition, when we break down ROE and check each factor, we can see that the total assets turnover and financial leverage have maintained a certain efficiency and safety, while the decline in net profit margin was directly related to the decline in ROE. I believe that in order to strengthen profitability in the future, accelerating growth and improving asset efficiency are important management challenges.

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
ROE	11.1%	9.7%	6.5%	5.5%	10.0%	10.4%
Net profit margin	5.8%	5.2%	3.9%	3.2%	5.6%	6.2%
Total assets turnover	1.13	1.06	0.94	0.99	1.02	0.98
Financial leverage	1.69	1.81	1.72	1.78	1.74	1.67

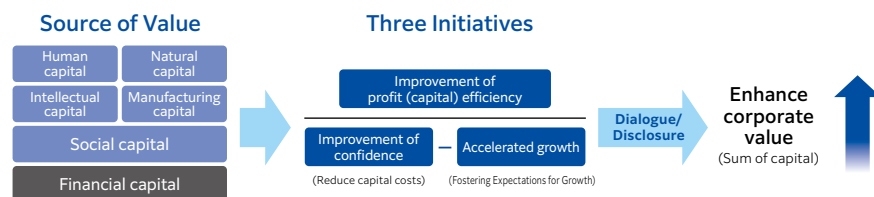
Also, I am aware that our shareholder capital cost is 7 to 9%. Except for the COVID-19 pandemic in 2020-21, ROE is stable above this level, and the Medium-term Management Plan aims for 11% in 2025.



Message from the President & CEO

Q.04 | What is required to continuously improve corporate value? What is the thinking and approach in the Medium-term Management Plan "Drive 2.0"? [P.29](#)

In the Medium-term Management Plan, we are promoting three initiatives to improve sustainable corporate value: "Improve Capital Efficiency," "Improve Confidence (reduce capital costs)," and "Foster Expectations for Growth (enhance preparations)."



I believe that the important thing for "improving capital efficiency" is to grow the existing businesses. In order to "foster expectations for growth," "creation of new business areas" specified in the strategic area map is key, and we must aim for commercialization in innovation areas such as "perovskite solar cells" [P.31](#) and "biorefineries" [P.44](#) in particular. I believe it is important to interpret "reduce capital costs" in a slightly broader sense, to reduce the occurrence of incidents such as serious misconduct that will damage corporate value if they occur, to evolve "environmental management" and "human capital investment," and to respect human rights throughout the supply chain.

In terms of reducing financial and non-financial capital costs in a broad sense, from the perspective of "strengthening the ESG management platform," we have introduced the concept of "Sekisui Sustainable Spread (ROIC Spread)" from the previous Medium-term Management Plan, and we are also focusing on changing the mindset of each employee. By incorporating ROIC Spread into the performance evaluation of each department, in addition to increasing ROIC itself, we are working to reduce financial and non-financial capital costs in a broad sense and expand their spread.

Q.05 | From the perspective of "growth of existing businesses," please tell us about your thinking on the business portfolio.

Business portfolios must always be transformed. In order to achieve steady profit growth, when formulating "Drive 2.0," after analyzing and evaluating all 33 businesses from the perspective of "profitability, ROIC, and growth potential," we classified them into four quadrants:

"Growth-driving," "Growth potential," "Revenue base," and "Improvement," and clarified their strategic roles. [P.32](#)

Capital shall be allocated in a rational manner, and more than 60% of the total capital shall be allocated to the businesses in the two quadrants of "Growth-driving" and "Growth potential." We expect to earn more than 90% of the increase in profits (EBITDA) under the Medium-Term Management Plan from these two quadrants. On the other hand, in the "Revenue base" businesses, we will steadily create cash for investment in growth areas, and in the "Improvement" businesses, we will promote profitability improvement through bold structural reforms. This portfolio will be reviewed annually to focus our allocation of human resources and capital on the businesses in the top two quadrants.

Q.06 | Because of SEKISUI CHEMICAL's diverse businesses, some domestic and foreign investors are concerned about the "conglomerate discount." What is your view of this?

The Group has a variety of businesses, but the strengths that are common to all are "Strategic Foresight, Processing and Value Transformation." And because of the synergies between the businesses, it is possible to create value that could not be created by each business unit individually. In the Town and Community Development business, which can be said to be a symbol of inter-business synergy, we bring together not only high-quality housing but also the products and technologies of the High Performance Plastics and Urban Infrastructure & Environmental Products companies to create sustainable cities that are resilient to disasters. Some investors are concerned about the housing business, but we are currently implementing measures to strengthen profitability in order to restore it to a business that has a stable income of 35 billion to 40 billion yen, and we will focus on allocating the cash generated from this business to growth areas.

The Group is also rated as having a very strong resistance to downside risk, such as being able to use different businesses to maintain its financial performance when one business is underperforming. If people talk about a conglomerate discount, it would be because we have unprofitable businesses and companies, but I believe the most important thing is to return such businesses and companies to a certain level of profitability first.

When I was engaged in the interlayer film business in the past, the scale of the business was still small, so the Group used cash earned in the housing business for the development of interlayer films, and as a result, the business has become a profit driver in recent years. I believe that if we can further strengthen the "Growth-driving" and "Growth potential" businesses with the cash generated from the "Revenue base" housing business and piping business, and improve the overall profit margin of the Group, the evaluation from the market will eventually change.

Message from the President & CEO

Q.07

Recently, “Perovskite solar cells” have attracted attention from the perspective of “Fostering Expectations for Growth.” Please tell us about the competitive advantage of this business.

We use the “Strategic Area Map” [P.23](#) as a compass to achieve our long-term vision. Among the innovation areas drawn in the “Strategic Area Map,” “Perovskite Solar Cells” are expected to be one of the businesses with the highest competitive advantage. In film-type perovskite solar cells, many sealing technologies and precision coatings, areas in which the Group has strengths from the electronics field, are used. Especially in sealing technology, which is an important factor for increasing durability, we are ahead of other companies. We are aiming to commercialize this business at the early stage while we have the technological advantages.

Attention from the Japanese government and local governments has also been high, and we have received various requests and initiatives. The growth of perovskite solar cells is desirable because, while the primary purpose is to increase the share of renewable energy, current silicon solar cells are almost all imported, so there are high hopes that perovskite solar cells can be a technology that does not rely on other countries. We are currently able to receive strong support from the Ministry of Economy, Trade and Industry and the Tokyo Metropolitan Government, so we will strive to achieve early commercialization.

Q.08

In the Medium-term Management Plan, we have set an investment budget of 600 billion yen. Please tell us about your thinking on capital allocation. In addition, as of the end of FY2023, it seems that the progress of investment is slow. Please also tell us about the use of cash if the investment budget is not used up, including the status of M&A considerations.

(Billions of yen)				(Billions of yen)		Cash flows from operating activities			Borrowing + reduction in cross-shareholdings	
	FY23-25 Plan	FY23 Results	Cash IN	FY23-25 Plan	500.0	Up to 400.0 (borrowing) + α				
Strategic investment	Investment budget 450.0	22.0		FY23 Results	148.3	39.1				
M&A, etc.	Investment budget 300.0	1.0								
Capital expenditure	150.0	21.0								
ESG investment (included within the strategic investment and normal investment categories)	30.0	13.0	Cash OUT	FY23-25 Plan	Strategic capital investments	Ordinary capital investments	R&D expenses	M&A	Returns to shareholders	
Normal investment	150.0	44.0		150.0	150.0	140.0	300.0	110.0		
Total investment	600.0	66.0								
R&D expenses	140.0	41.7		FY23 Results	21.0	44.0	41.7	1.0	47.6	

First, the strategy of “leveraging debt as necessary while actively expanding strategic investments” remains unchanged. In addition to expanding operating cash flow through our businesses, we will continue to reduce cross-shareholdings, borrow as necessary, and secure the necessary cash. Our current R&I rating is AA-, but we do not aim to maintain the current rating, and we estimate that our D/E ratio will be 0.5 or less even if we borrow up to 400 billion yen. On the other hand, we will allocate capital rationally, and of the cash we have secured, 300 billion yen will be used as the investment budget for M&A, and more than 70% of the remaining 440 billion yen for capital investment and R&D expenses will be allocated to High Performance Plastics, Medical, and New Business, which are growth areas.

With regard to capital investment, due to the market environment in FY2023, some projects have been delayed, but finally, the semiconductor and automotive market conditions are improving. In addition to increasing the production capacity of polyvinyl acetal resins at the Shiga Mizuguchi Plant, we have also decided to increase the production capacity of high adhesion-easy removable UV tape “SELFA,” which is a process material for advanced semiconductor manufacturing, and high-performance interlayer films at the Thailand Plant. [P.40](#) We expect to be almost back online by the end of FY2024.

Regarding shareholder dividends, the policy of being stable and proactive remains unchanged. We have been stepping up our returns to shareholders, and I believe that shareholders are relieved that we have committed to raising our dividend payout ratio to 40% or more in our current Medium-term Management Plan. On the other hand, since we did not use up the M&A investment budget in the last fiscal year of the previous Medium-term Management Plan, we acquired an additional 7 million treasury shares in the second half of the year. If the investment budget is ultimately not used up at the end of the current Medium-term Management Plan, we will consider our response flexibly, including additional shareholder returns, depending on the cash position and stock price level at that time.



Message from the President & CEO

Q.09

In terms of “reducing capital costs,” you mentioned controlling serious incidents, but how will you manage this risk specifically?

The Sustainability Committee identifies risks and opportunities that the Group may face in the future, determines company-wide policies and KPIs, and formulates company-wide implementation plans. We define five areas for major incidents of “Safety, Quality, Legal/Ethical, Accounting, and Information Management,” and work to improve our ability to prevent, detect, and respond to such incidents at an early stage. Each subcommittee within the committee implements individual countermeasure planning and confirmation of effectiveness, and promotes improvements while managing the progress of KPIs. In addition, the Board of Directors receives the policies and strategies discussed by the committee and company-wide risk reports, deliberates and finalizes them, and supervises the initiatives taken on the executive side.

Regarding “quality,” we are particularly serious about the quality control issues that have become issues automotive and pharmaceutical industries recently, and we will move forward with a stronger sense of crisis than ever before regarding the DX of processes that do not involve any human intervention from measurement to shipment determination. For “Information Management,” we have been focusing on DX since the previous Medium-term Management Plan, and we will focus more on the prevention of leakage of technical information.

Q.10

Also, in terms of “controlling capital costs,” you mentioned human capital, but what is your thinking on investing in human capital?

I believe that the growth of the company is the growth of each and every employee. Investment in human capital is essential for the realization of the long-term vision, and it is the driving force for the medium- to long-term growth of the Group. With the increasing mobility of human resources, it is also important to create an organization where talented human resources want to continue to work for a long time. It is important to cultivate human resources who can respond to the speed of growth and changes in the business, and not only put the right people in the right positions, but also create a culture that does not blame employees even if they fail, and to give people who have taken on challenges more responsibility so they can play an active role. We will create an environment that promotes a “challenging spirit” throughout the company, and aim to become a “an excellent and vibrant company where all employees thrive on challenges.” In addition, in terms of recruitment, we are planning commercials with a different image strategy than the past to promote awareness among as many excellent students as possible, and we are promoting new initiatives that will lead to increased awareness.

Based on the traditional idea that employees are precious assets bestowed on us by society, we will actively invest in training and reskilling and giving DX courses for improving employees’ productivity. In addition, we continued to raise wages by about 4-5% in FY2024, the same as the previous year.

Q.11

I think that sponsorship of corporate sports can be seen as part of human capital investment if we consider it in a broad sense. In FY2023, you decided to invest in “SEKISUI Challengers” American football team, but please tell us your thoughts on this.

In order to realize the long-term vision and achieve the Medium-term Plan, we must realize “an excellent and vibrant company where all employees thrive on challenges.” When we consider the meaning of the keyword “challenge,” I think that the most obvious example where “challenge” is condensed is sports. Since the “SEKISUI Challengers” is a club team, the players continue to “challenge” themselves to become strong as a team by practicing hard individually while also doing their main job. I don’t just want employees to focus on the results of the games, I want them to look at how individuals have grown compared to last year and how the team has become stronger as a result. Our result in the Women’s Ekiden road relay race, in which we achieved the best performance in Japan last year, was surely the result of each athlete “challenging” themselves.

When people hear the word “challenge,” they tend to think they have to do something difficult, but this is not the case. Our corporate sports sponsorship is based on a strong desire for stakeholders and Group employees to see and empathize with these “challenges.”

Q.12

Please tell us about your efforts for the environment. In addition, the legally binding CSRD came into force in Europe, but how will you respond?

The Group has been promoting “environmental management” from an early stage, and we are proud to be one of the leading Japanese companies in terms of environmental initiatives. We have also established a specialized department for CSRD, and are working on measures such as discussing it in the Sustainability Committee.

In response to the escalating problem of climate change, we have the record of being the first chemical manufacturer in the world to obtain SBT certification, and we are further raising our GHG emission reduction rate target and re-acquiring SBT certification towards 2030. To achieve this goal, we are switching the electricity we purchase to renewable energy, converting equipment that runs on fuel to electricity, switching to low-carbon fuels, and reducing our Scope 3 emissions.

In addition, we are enhancing measures such as resource recycling, expanding sales of products that contribute to resource conversion, and recycling waste. My understanding is that the advancement of these environmental management measures has been appreciated to a certain extent by ESG investors, mainly overseas.

Message from the President & CEO

Q.13

With the progress of legislation and rules on human rights in Japan and overseas, the attention from society on human rights issues is increasing. What is the background and reason for making respect for human rights the foundation of management, and what specific initiatives are you taking?

The Group, which operates globally, is responsible for respecting the human rights of all people affected by its business activities, as globalization is accelerating in the procurement of raw materials. In order to strengthen a sustainable management foundation, I believe that it is necessary to regard respect for human rights as the foundation of management and to work to respect human rights throughout the supply chain, including business partners, not only for employees of the Group. In order to address this issue with more sense of crisis than ever before, in FY2022, we established a new Human Rights Subcommittee under the Sustainability Committee, which I chair, and this subcommittee is responsible for formulating company-wide policies on human rights.

In addition, through the four working groups linked to the Human Rights Subcommittee, we have established mechanisms for human rights due diligence within the Group and for human rights due diligence of business partners, and we are working to identify and correct issues. We provide human rights education, and are also working to support multiple languages in the in-house whistleblower contact point and establish whistleblower contact points for foreign employees and overseas business partners in order to establish whistleblower and consultation contact points that are accessible to a wider range of stakeholders.

Q.14

There are six years left until the Long-term Vision for 2030. Please tell us about your understanding of the current situation and the management issues that must be addressed to achieve the vision.

In order to achieve sales of 2 trillion yen and an operating profit margin of 10% or more, as set forth in the Long-term Vision "Vision 2030," in addition to the growth of existing businesses, it is essential to pursue M&A and create new businesses. Although I recognize that M&A, something that we could not implement in the previous Medium-term Management Plan, still faces a tough competitive environment, including factors such as the depreciation of the yen, the strengthening of the existing businesses is progressing steadily, and in addition to the certain level of organic growth that we expect, the goal is very much achievable by ensuring the commercialization of new businesses such as perovskite solar cells and biorefineries. I believe that stakeholders will be able to sense the feasibility of Vision 2030 when we demonstrate the development status of new businesses to be introduced in this Medium-term Management Plan and the possibilities ahead, along with the results of FY2025, which will be a turning point.

Q.15

Finally, please tell us your thoughts on dialogue with shareholders.

Just as in the past, I take the opinions and suggestions received through dialogue with stakeholders, including shareholders and investors, very seriously and use them in management. Recently, we have received many questions and opinions from shareholders, especially those with long-term holdings, on issues such as capital policy, business portfolio, and ESG management that will become even more important in the future to improve the company's corporate value, based on an understanding of the Group's initiatives.

In the future, I will continue to listen to opinions and suggestions received through dialogue, and will link them to our efforts to increase corporate value.

Topic

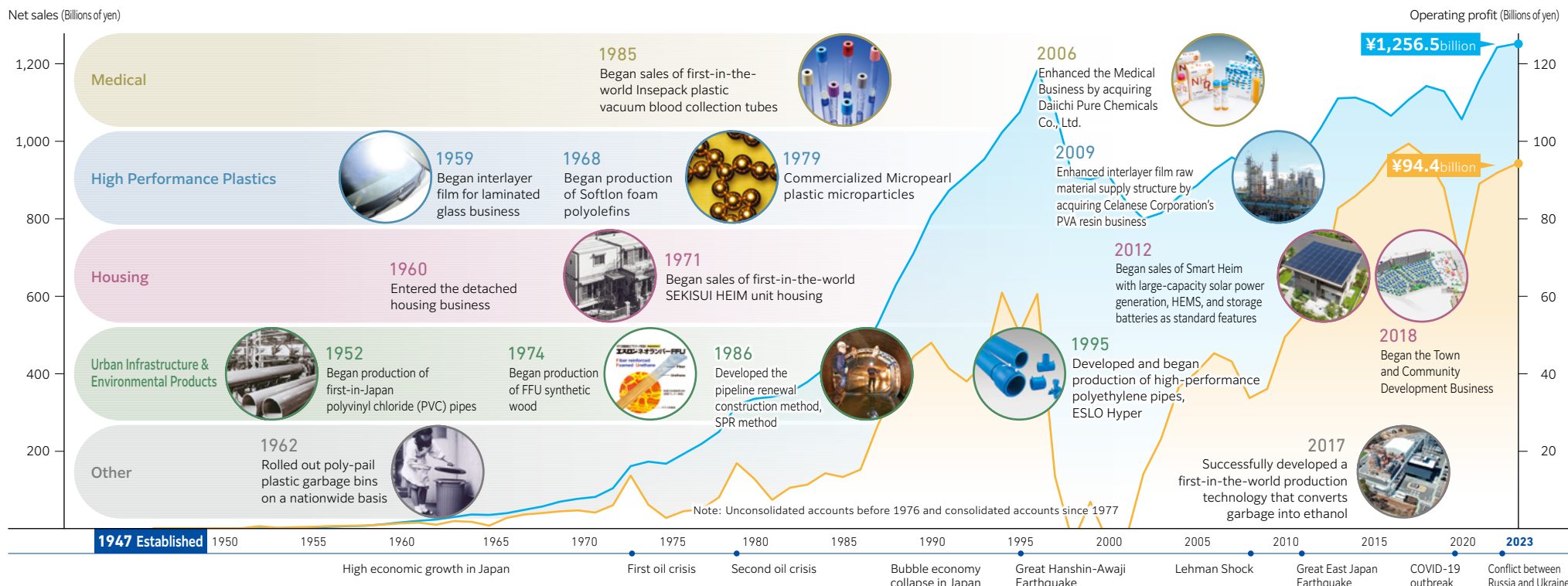
Increasing corporate value through direct dialogue with investors

SEKISUI CHEMICAL Group believes that constructive dialogue with its shareholders and investors is essential for sustainable growth. With "active engagement between investors and management" as one of our key issues, the President and the Director in charge of the Business Strategy Department, as hosts to the meetings, actively conduct quarterly financial results briefings and direct dialogue with shareholders and institutional investors, and utilize them in our management strategy to improve corporate value.

We strive to reflect the opinions and questions received during the dialogue in various IR materials such as the Integrated Report as much as possible, while being aware of fair disclosure and strengthening the dissemination of information on the website. To help stakeholders understand the efforts to achieve the Long-term Vision, in FY2023, we held a "CEO's Small Meeting" for sell-side analysts, published it on the website, and held IR events such as "Mizuguchi/Ritto Plant Tour" and "European Plant Tour."

SEKISUI CHEMICAL Group Accomplishments

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



1947-: Foundation

Established Process Creation Business as Pioneers in Plastics

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

1966-: Development

Improved Management Framework and Developed Next-generation Businesses

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

* TQC: Total Quality Control

1980-: Growth

Launched High-performance Products and Expanded the Housing Business

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

1999-: Resurgence

Adopted a Three Company System and Initiated CSR Management

The Company reorganized from a seven-division to a three-company system (P.27), engaged in business selection and concentration, and pursued globalization to overcome the business crisis following the collapse of the bubble economy in Japan. At the same time, we promoted CSR management under the Three Prominences: Environment to achieve sustainable growth by balancing the economy and ecology; CS & Quality to improve CS (customer satisfaction) together with enhancing quality; and Human Resources to support the growth of employees to maximize their strengths.

2008-: Transformation

Proactively Pursuing Strategic Investment and Evolving from CSR to ESG Management

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

SEKISUI CHEMICAL Group's Business Domains

SEKISUI CHEMICAL Group is active in the Residential and Social Infrastructure Creation and Chemical Solution. We have developed its business in the four domains of "Residential," "Advanced Lifeline," "Innovative Mobility," and "Life Science." We produce a large number of Products to Enhance Sustainability by making a high degree of contribution to solving natural and social environmental issues, and the ratio of these products to total company sales has risen to over 70%. The current business consists of four segments and the three companies of Housing, Urban Infrastructure & Environmental Products (UIEP), and High Performance Plastics (HPP), as well as the Medical Business.



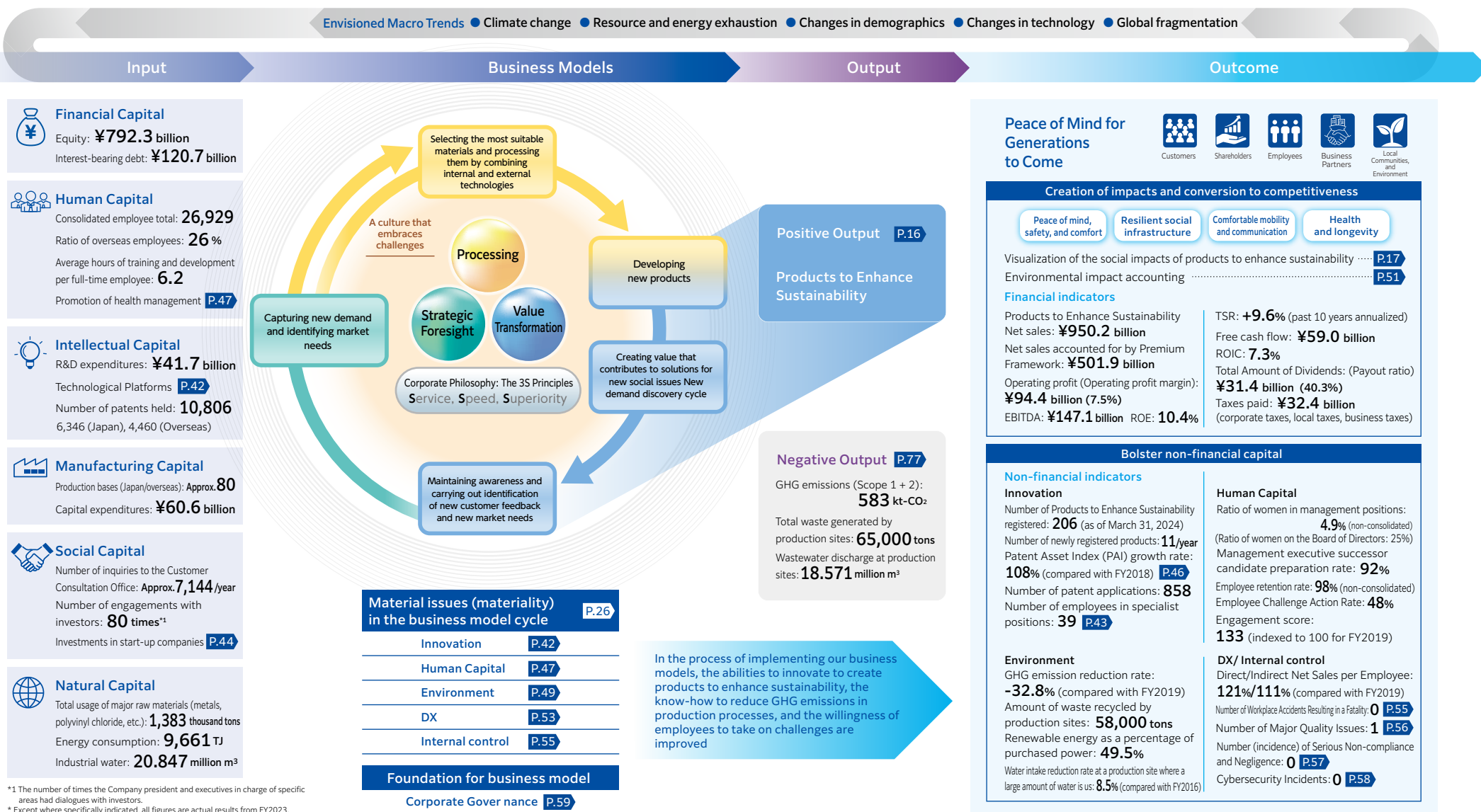
While generating synergies among our existing businesses, we aim to continuously create Products to Enhance Sustainability and support the sustainable growth of the Company and society in these four domains.

P.23 Strategic area map

Value Creation Process

The SEKISUI CHEMICAL Group provides products to enhance sustainability, which are products and services that help improve people's lives and the global environment through innovation, strategically addressing social issues based on relationships of trust with stakeholders and myriad technologies. By effectively utilizing the six forms of capital and implementing our business models, we will create products that contribute to sustainability and convert their impact into competitiveness. We will also increase our non-financial capital to improve the sustainability of society and achieve sustainable growth as a company.

We will continue to take on the challenge of realizing a sustainable society by delivering to society "peace of mind for generations to come," which means that "peace of mind for living will continue not only for us living now, but also for the next generation and into the future."



Commentary Value Creation Process Value co-creation with stakeholders through business models

SEKISUI CHEMICAL Group's strengths are Strategic Foresight, Processing and Value Transformation. Through collaboration with varied and diverse stakeholders, the Company practices a business model centered on these three strengths in a way that creates products and services that contribute to the solutions for environmental and social issues.

Through this cycle, we will create a positive impact on the environment and society, convert this into competitiveness, increase non-financial capital, and strive to sustainably increase corporate value and maximize shareholder value.

Distribution of value to stakeholders

https://www.sekisuichechemical.com/sustainability_report/pdf/report_2024/sustainability_report2024e_06.pdf

The SEKISUI CHEMICAL Group calculates the value provided to each stakeholder based on financial statements and while referring to the GRI Standards and other standards.

Strategic Foresight

The ability to anticipate market change and society's needs and determine whether the strengths of the Group's core technologies can be leveraged

Processing

The ability to combine internal and external technologies to deliver original solutions

Value Transformation

The ability to create new value and transform society through our products and services

Selecting the most suitable materials and processing them through the combination of technology-driven creation



- Since it has almost no in-house raw materials, the SEKISUI CHEMICAL Group is able to select the most suitable materials according to customer requirements. In addition, we have established competitive technologies as "technology platforms" (TPFs) and are continuously working to strengthen our technologies. In turn, we are developing products that anticipate changes in the social environment by combining multiple TPFs. In addition, based on these TPFs, employees with special expertise that can be used both inside and outside the company are appointed to specialist positions (S positions) and compensated appropriately. [P.42 and 43](#)

- We conduct all transactions in accordance with the basic policies and guidelines of sustainable procurement. In order to achieve more appropriate procurement throughout supply chains, we are working with our Tier 1 suppliers to achieve and maintain a socially responsible procurement at our Tier 2 and Tier 3 suppliers. [P.70](#)

Employee ambition

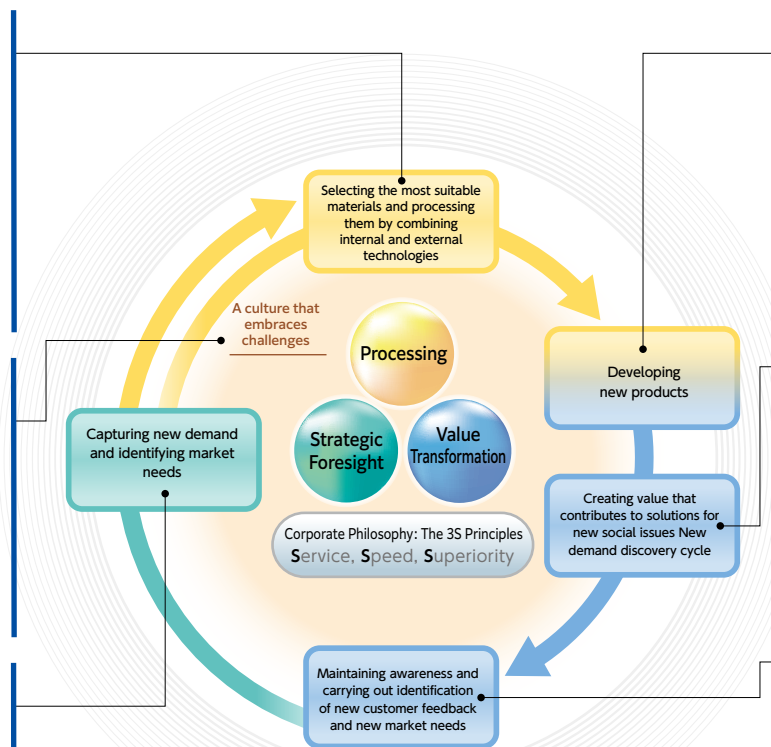


- Through the Vision Caravan [P.48](#), which serves as an opportunity for dialogue between management and employees, SEKISUI CHEMICAL Group encourages employees to empathize with the Corporate Philosophy and Vision, and to take the initiative in changing their own behavior.
- In order to appropriately assess the actions taken by employees to undertake the challenge of achieving the Long-term Vision, SEKISUI CHEMICAL Group established a new human resources system in FY2021. [P.47](#)
- We have launched an intrapreneur training program to equip employees with the skills to commercialize the products to enhance sustainability that they have created. [P.43](#)

Capturing new demand and identifying market needs



- Since establishing the Customer Consultation Office, SEKISUI CHEMICAL Group has received around 10,000 inquiries and opinions each year. The Company analyzes the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers.
 - Through joint research between industry, government, and academia, SEKISUI CHEMICAL Group develops new products that possess the ability to contribute to the solutions for issues faced by local communities and local governments. (ESLO HYPER [P.14](#), Perovskite Solar Cells [P.31](#))
 - The SEKISUI CHEMICAL Group is working to accelerate internal and external integration and open innovation through cross-domain exchanges, active technology exchanges with start-ups, and collaboration with other companies. [P.44](#)
- Centered on the innovation areas on the strategic area map [P.23](#), we have continuously achieved collaborations that exceeded our target for FY2023.



Create products to enhance sustainability



- SEKISUI CHEMICAL Group regards intellectual property as an important management resource and promotes strategic intellectual property activities, such as strategy development based on analysis of the competitive environment using intellectual property information, market and competitive information, and portfolio management of intellectual property. [P.46](#)
- SEKISUI CHEMICAL Group emphasizes quality compliance. In particular, the Company has established a quality management system to eradicate the root causes of incidents of quality irregularities and data falsification. The Company has also built a quality assurance system for goods purchased from suppliers, and engages in activities to ensure quality. [P.56](#)

Create products to enhance sustainability that help solve social issues



- SEKISUI CHEMICAL Group receives advice and recommendations from the External Advisory Board regarding products that contribute to the solutions for issues faced by both the natural and social environments in an effort to certify Products to Contribute Sustainability and to expand sales of these. [P.16](#)
- SEKISUI CHEMICAL Group holds workshops on new technologies and prior cases for each issue aimed at technologies, development, and market transformations necessary to achieve long-term goals related to carbon neutrality and the circular economy. Likewise, it is arranging these into task forces to promote activities regarding promising themes.

Transforming impacts into competitiveness and capturing new needs



- We calculate the carbon footprint of our products based on carbon life cycle assessments in order to convey to our customers the value of low-carbon and decarbonized products that help mitigate climate change. In business areas where low-carbon value is growing modestly, being ahead of the curve can set our business apart and turn risks into opportunities. [P.19](#)
- Building a manufacturing system close to our customers through investment enables us to respond to customer requests in a timely manner. It also represents the foundation for gaining customer trust and capturing new demand. [P.12](#)

Interlayer Films for Automobile

Contributed to the development of automotive industry trend CASE* +α

* CASE: C (Connected), A (Autonomous), S (Shared/Service), E (Electric)

Emergences of New Needs (Color/Design Film)

EVs and PHEVs have a large battery pack located under the seats, resulting in a smaller distance between the roof and passenger's heads (smaller headroom). Therefore, panoramic roof glass is required to provide a sense of openness. In combination with a wide variety of colors and functions such as heat shielding and sound insulation, our interlayer films for automobiles contribute to driver and passenger comfort.



Flow of EV Conversion
 Reduced CO₂ emissions volume (through ZEV regulations, etc.)
 Reduced dependence on fossil fuels for energy security
 Achieving carbon neutrality

Establishing Production Sites in Sales Regions

	Americas	Europe	Asia	Japan
Interlayer Film Production Plants	2 sites	1 site	2 sites	1 site
PVA Resin Plants	1 site	1 site	—	—
PVB Resin Plants	—	1 site	—	1 site

SEKISUI CHEMICAL Group has established a global production and supply system for interlayer films for automobiles through proactive upfront capital in investment following growth in the size of the business. Services that can rapidly address the demands of customers, build trust with customers and help quickly capture new demands.

Capturing new demand and identifying market needs

Selecting the most suitable materials and processing them by combining internal and external technologies

Greater safety, lighter-weight car bodies, higher-quality design, and improved comfort



Interlayer film for automotive laminated glass

1960: Manufacturing of S-LEC Film launched
 1987: Safety glass installation for domestic vehicles mandated by Japanese law

Maintaining awareness and carrying out identification of new customer feedback and new market needs

Developing new products

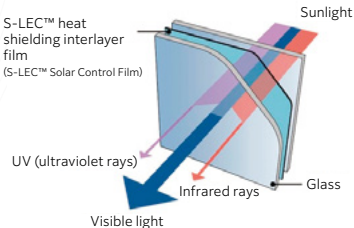
Creating value that contributes to solutions for new social issues New demand discovery cycle



High-performance interlayer films for heat shielding and sound insulation interlayer films

Development Utilizing Patents

Conventional interlayer films block more than 99% of ultraviolet rays, but most of the heat rays pass through. Heat insulation interlayer films significantly cut heat rays in addition to ultraviolet rays. This is achieved by dispersing heat-shielding fine particles in the normal membrane layer using the SEKISUI CHEMICAL Group's proprietary fine particle dispersion technology. We have obtained many patents for the technology of dispersants and dispersion stabilizers that are coating particulates.



High-performance interlayer films for Head-up Displays

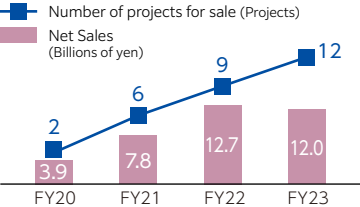
Housing Related Business

From building homes to support the lives of people in period of high economic growth to safe and secure urban planning to protect people’s comfortable daily lives

■ Creating Towns and Communities in which Residents Can Live with Peace of Mind

SEKISUI CHEMICAL Group engages in unique town and community development throughout Japan that brings together the Company’s prominent infrastructure technologies developed to provide resistance to natural disasters. The Company endeavors to set itself apart from competitors through the creation of sustainable towns and communities.

Net Sales, from Creating Towns and Communities Business, and Net Sales, No. of Projects



Developing smart and resilient towns and communities that are resistant to natural disasters



Unit construction method from 1971
 SEKISUI HEIM goes on sale (world first)

■ High-quality Factory-built Housing

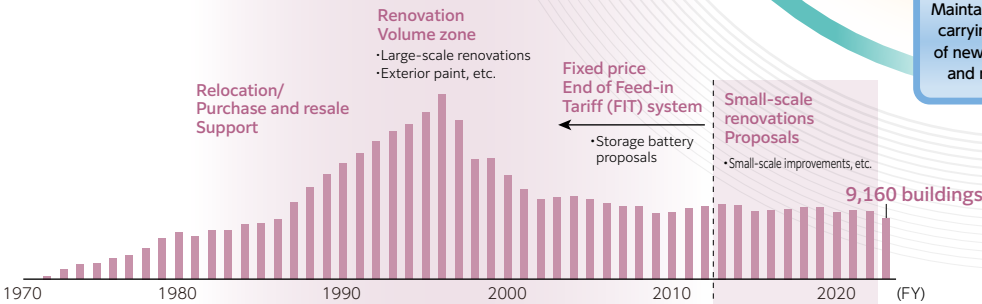
One feature of factory-built SEKISUI HEIM houses is the Unit Construction Method, which handles most of the entire housing construction process at the factory. Along with contributing to solutions for solving issues such as carpenter shortages and skyrocketing construction labor costs, the Unit Construction Method also ensures reliable quality in accordance with design plans. The Company is currently aiming to further increase the ratio of production processes handled at factories, and is making investments to automate production factories.

Addressing new challenges for housing
 Increasing numbers of vacant houses,
 resilience to increasingly frequent and
 severe natural disasters

■ Expansion of Recycling-oriented Business Utilizing Abundant SEKISUI HEIM Inventory

Utilizing the customer database unique to factory production, we are strengthening our renovation proposals for approximately 650,000 SEKISUI HEIM owners. In particular, our unique unit structure makes it difficult for other companies to enter the market for large-scale renovations. We will also focus on real estate distribution (purchase and resale) to support customers who are considering relocating.

HEIM Sales by Year of Completion



Selecting the most suitable materials and processing them by combining internal and external technologies

Provided high-quality, high-performance housing to capture changes in housing demand



Launched sales of Sekisui House Type A, the first light steel frame house in Japan

1960: Entered the housing business.

Developing new products

Creating value that contributes to solutions for new social issues New demand discovery cycle

SMART & RESILIENCE Series



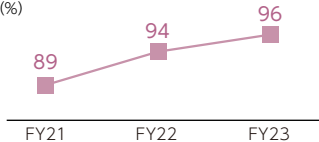
New e-PocketGREEN high-capacity storage battery



■ Enhancing Smart Features

Equipped with high-capacity solar panels and storage batteries, SEKISUI HEIM houses help reduce CO₂ emissions. They also enable residents to maintain their lifestyles even when lifelines are severed due to natural disasters and other events, thereby supporting safe living that provides peace of mind for all.

Smart House ZEH Ratio* (%)



* Detached house order installation (excluding Hokkaido)

Infrastructure Conservation

Solving infrastructure issues, supporting social infrastructure, and safeguarding people’s livelihoods

■ Bringing Success Stories from Japan to Other Countries

In the second half of FY2023, the European plant for FFU, synthetic railway sleepers, began operations. In addition to the difficulty of procuring high-quality wood due to environmental considerations, the EU is restricting the use of creosote oil, which is used as a wood preservative, giving rise to heightened demand for substitutes for wooden railway sleepers overseas. Also, with regard to pipeline rehabilitation, demand is emerging overseas for the SPR process, which is common in Japan, with demand growing in North America, India, and other countries.



1975: Began production of reinforced plastic composite pipes (ESLON RCP)

■ Expanding Applications that Leverage Strengths

Using a multilayer structure composed of FRP and mortar, SEKISUI CHEMICAL Group achieved a balance between high strength and lighter weights. Given its resistance to corrosion, ESLON RCP also offers excellent durability. Based on both its performance and economy, ESLON RCP has been increasingly adopted in a wide range of fields and applications, including rainwater drainage pipes at major airports and water pipes for standard and low head hydro power facilities, for example.



1986: Developed the pipeline renewal construction method (SPR Method) Achieved large-scale reductions in construction time and industrial waste by-products such as sediment by resolving sewer pipe deterioration problems without digging up roadways

■ Working to Solve Japan's Aging Infrastructure Issue

Based on the conventional SPR method's technology, SEKISUI CHEMICAL Group developed a design that increases strength and satisfies the required yield strength when using rehabilitated pipelines alone. This new design enables customers to rehabilitate sections of pipe that could not be saved with the conventional SPR method, such as extremely degraded pipes or those that had partially collapsed.

Overseas expansion of urban infrastructure & environmental products and intensified disaster response technologies

■ Addressing Demand for Replacement of Conventional Metal Pipes

ESLO HYPER, which was developed for water supply purposes, has been used for the water supply pipes in buildings such as multi-family housing, hospitals, and educational facilities, and as more and more customers adopt it. Because it is made of high-performance polyethylene, ESLO HYPER does not rust, offers excellent durability, is resistant to earthquakes, and is flexible and lightweight compared to metal pipes, helping reduce construction and labor costs. In addition, in response to the growing demand for low-carbon products in recent years, we have prepared materials to explain the results of carbon footprint calculations based on life cycle assessments to customers, mainly for resin pipes, and we are also conducting training for sales representatives.



1995: Developed first-in-Japan polyethylene pipes ESLO HYPER for water supply

Preventing damages and water leakage related to earthquakes and ground subsidence

Selecting the most suitable materials and processing them by combining internal and external technologies

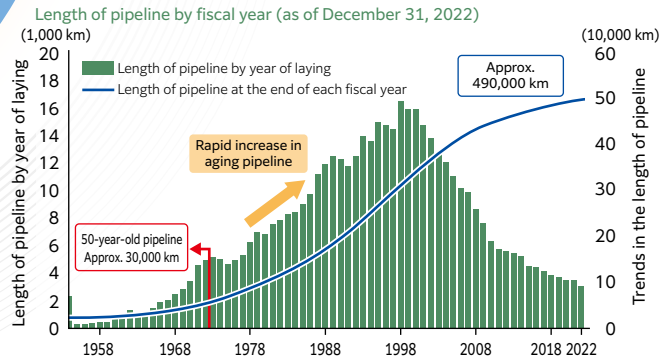
Galvanized steel pipes for social problems related to hygiene and quality matters (such as reddening of water caused by rust)



Began production of ESLON Pipe

1952: Began production of first-in-Japan polyvinyl chloride (PVC) pipes

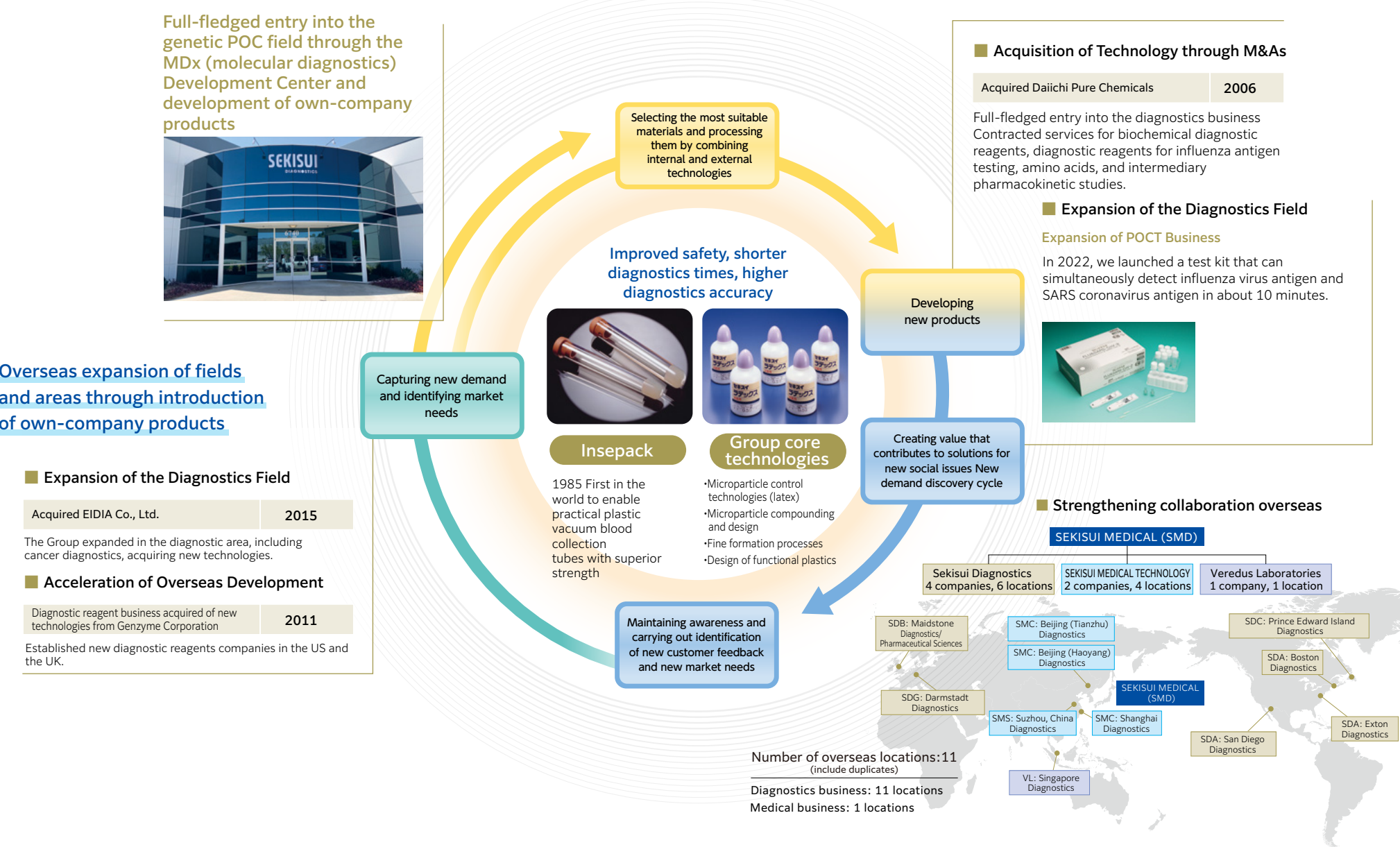
Maintaining awareness and carrying out identification of new customer feedback and new market needs



*Source: Ministry of Land, Infrastructure, Transport and Tourism website: https://www.mlit.go.jp/mizukokudo/sewerage/crd_sewerage_tk_000135.html

Medical Business

Expanding business domains and areas through M&As based on technologies held by the Company. Further expanding domains through product creation based on new technologies



Products to Enhance Sustainability

Basic Concept

SEKISUI CHEMICAL Group has positioned Products to Enhance Sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself. Through the creation and expansion of Products to Enhance Sustainability, the Group aims to help achieve the SDGs while improving its contributions and ability to solve social issues as well as grow as a company.

Product Assessment System Evolution

In 2017, the scope of the SEKISUI CHEMICAL Group's Environment-Contributing Products system, which was launched in 2006 based on the Group's own evaluation and certification, was expanded to include products that contribute to solving issues in the social environment in addition to the natural environment. In FY2020, we changed the name to "Products to Enhance Sustainability" and established the "Premium Framework" [P.17](#) to strategically expand products that contribute to solving social issues.

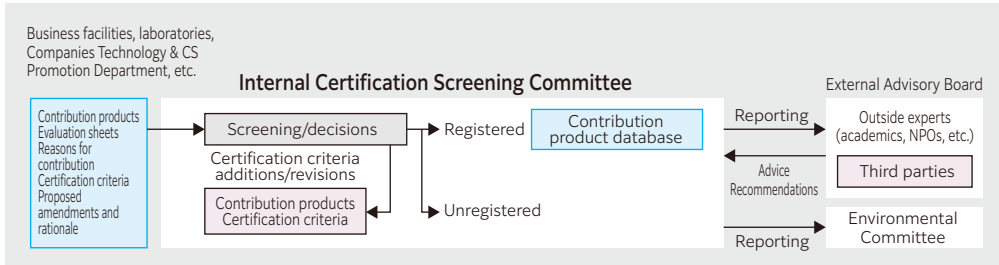
Certification Method

Products to Enhance Sustainability are products that make a significant contribution to solving social issues in the natural and social environments and are certified based on internal criteria. We accept the opinions and advice of outside advisors with various backgrounds in industry, government, and academia regarding these criteria, approaches, and the validity of results to ensure high standards and transparency.

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

In FY2023, we introduced negative checks at the time of registration to confirm whether or not the product has a negative impact on multiple environmental issues, or what measures we are considering to prevent the negative impacts.

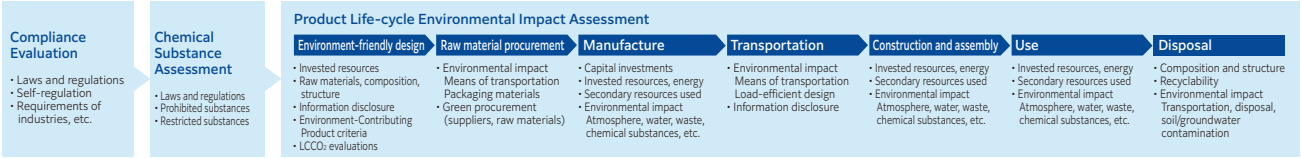
Products to Enhance Sustainability System Operation/Certification Method



Internal Certification Screening Committee: Chaired by the Head of the ESG Management Department, this committee is composed of those responsible for related departments at the Corporate Headquarters, as well as for technology and business at the Divisional Companies

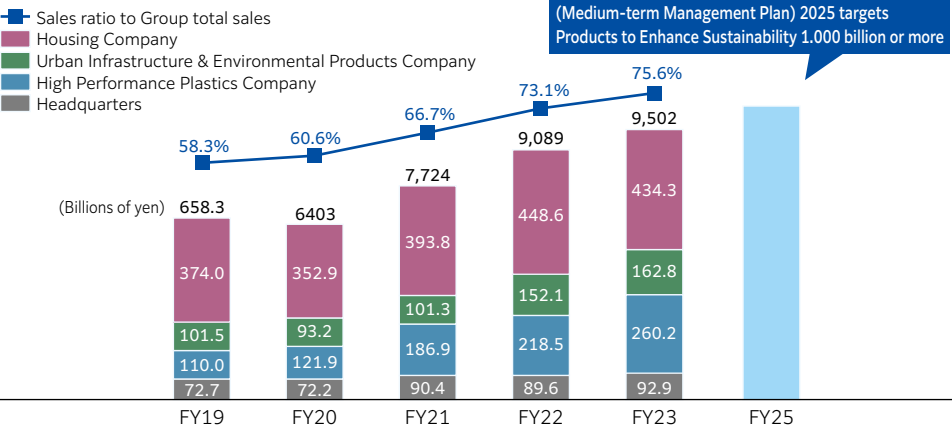
Product Development Method

SEKISUI CHEMICAL Group conducts environmental impact assessments during product planning, development, and all life-cycle stages. During the certification process, the Group determines the degree of contribution to solving social issues intended to be achieved by Products to Enhance Sustainability after their release based on internal standards and subject to these environmental impact assessments.

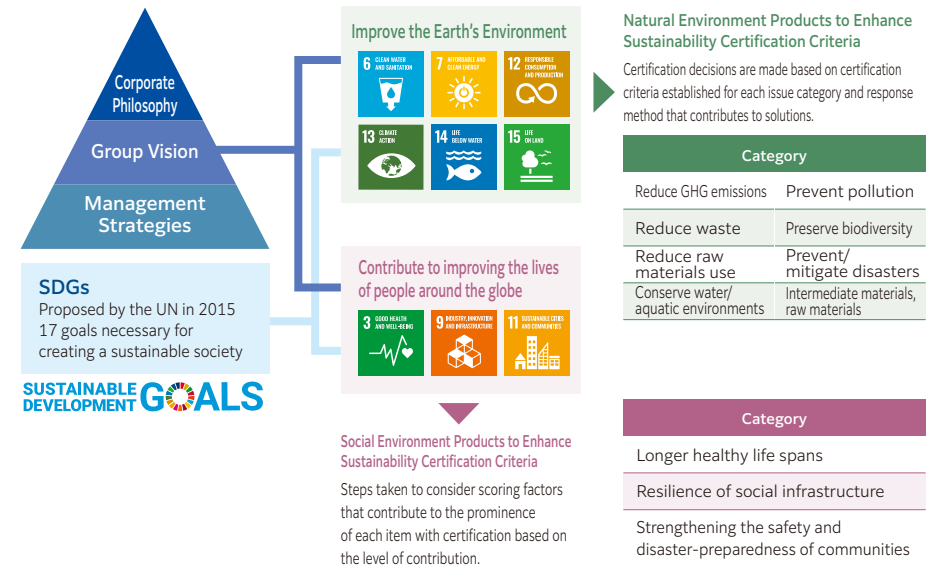


Products to Enhance Sustainability Net Sales

Products to Enhance Sustainability Net Sales/Sales Ratio



Note: The Medical Business is included in Headquarters from FY2019.



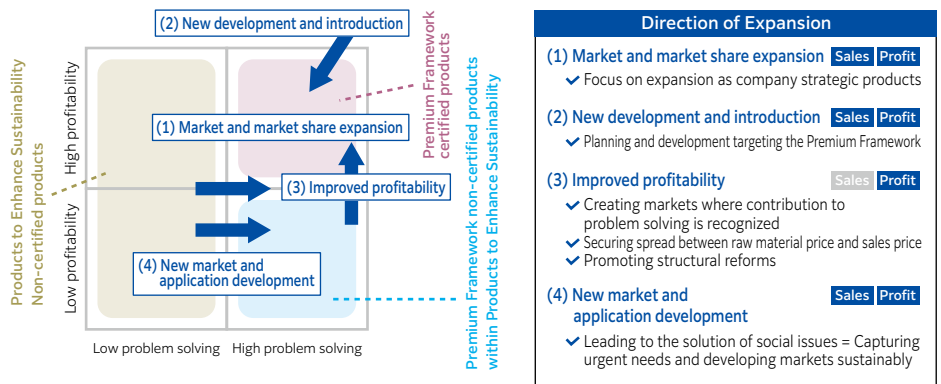
Products to Enhance Sustainability

About the Premium Framework

The Premium Framework is a strategic framework that combines social issue resolution and profitability.

Excluding the Housing Business (revenue base), which aims to generate stable cash, approximately 80% of Premium Framework net sales are composed of products from businesses in the Growth Driving Business and Growth Potential Business categories. [P.32](#) We will accelerate the expansion of the Premium Framework by aggressively allocating capital to these two categories.

Premium Framework Expansion Strategy (Illustration)



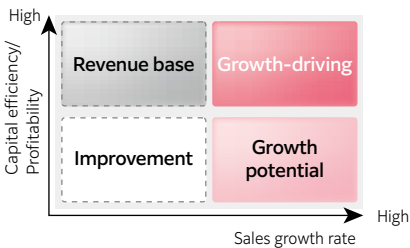
The above Premium Framework expansion strategy provides a visual illustration of our strategy for Products to Enhance Sustainability and the Premium Framework. In the first phase, we will target the lower right-hand area and grow Products to Enhance Sustainability and in the second phase, we will grow the upper right-hand area, which is the Premium Framework.

Product Environmental Impact Assessment

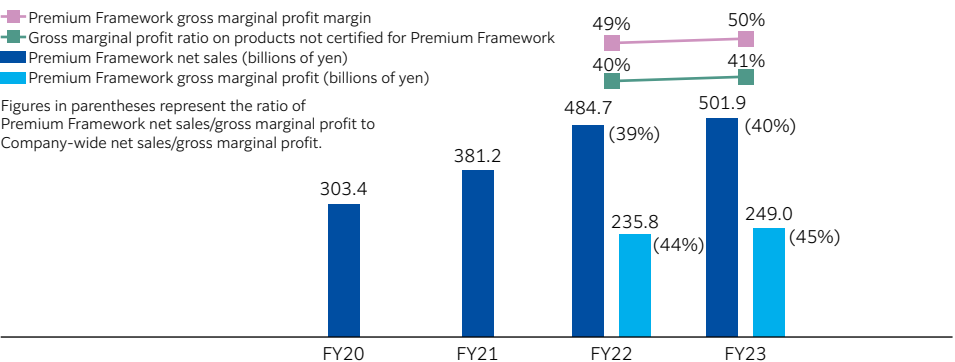
We are aiming to quantify and disclose the social impact of products certified as Products to Enhance Sustainability, and we are evaluating their environmental impact from the perspectives listed on the right. We are using the LIME2 (life cycle assessment/LCA evaluation*) method to quantitatively evaluate the environmental and social impact of more than 60% of the total net sales of registered Products to Enhance Sustainability. Although we do not disclose the results of this impact assessment for each product, we do ascertain the ratio of negative and positive impacts for all company products, and we calculate and disclose the SEKISUI Environment Sustainability Index. [P.49](#) Through this, we will promote activities that reduce negative impacts and increase positive impacts.

*The SEKISUI Environmental Sustainability Index has been calculated using the updated version of IDEA database for LCA since FY2023. The MiLCA ver. 3.1 LCA calculation system, which incorporates IDEA ver. 3.1, reflects insights further clarifying impacts on biodiversity. By using this system as a new benchmark, we aim to accurately ascertain the impact of our activities on biodiversity.

Business Portfolio Management in the Medium-Term Plan [P.32](#)



Premium Framework Profitability



In FY2023, Premium Framework net sales were ¥501.9 billion, accounting for 40% of total Company net sales, while the gross marginal profit for the Premium Framework was 45% of the gross marginal profit of the entire Company. In addition, the gross marginal profit rate for Premium Framework certified products in the same fiscal year was approximately 10% higher than that of non-certified products, indicating high profitability.

Assessment of Environmental Areas with Product Contributions

We utilize the LIME2* methodology to objectively evaluate the contribution of sustainability products to various environmental areas. This calculates the impact of environmental load substances such as CO₂ (inventory) by dividing the area of impact (e.g., air pollution) into four specifically affected categorical endpoints (e.g., respiratory diseases) to be protected.

【Four Protection Areas】

- (1) Biodiversity: Predicted increase in the number of extinct species of living organisms; determining equivalent increase in extinct species
- (2) Primary production: Ecosystem and plant growth guidelines; determining equivalent to the amount of biomass produced by plants in a year
- (3) Social assets: Amount of impact on agricultural and fishery products, land, and resources; determining equivalent to the amount of damage and the amount needed for recovery
- (4) Human health: Lost life expectancy affecting health; determining equivalent to years of lost life expectancy *Determine if measurements are possible for GHG emissions as well

We will prevent what is called ESG-washing and use this evidence-based method to visualize the environmental areas to which each of our Products to Enhance Sustainability contributes, making it easier to understand the characteristics of the products.

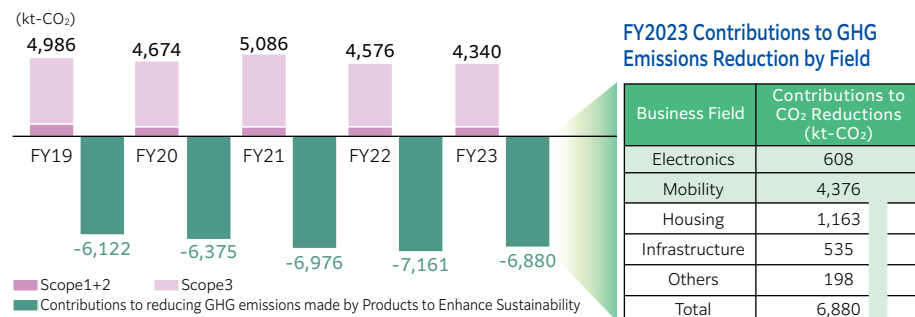
*LIME2: Impacts on four areas (endpoints) determined by a damage calculation-style impact assessment method

Examples of the environmental impact of Products to Enhance Sustainability

Products and services which contribute to the environment, primarily through GHG emission reductions which help to mitigate climate change.



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

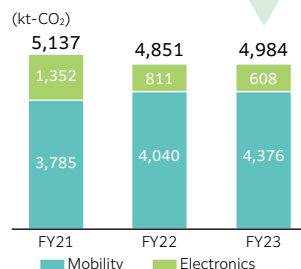


* Contributions to reducing GHG emissions made by Products to Enhance Sustainability are calculated using general-purpose products as a comparison, where the calculation indicates the contribution to reduction as the difference from comparison products given by MilCA (Japan Environmental Management Association for Industry), a calculation system based on the concept of LIME2.

For details on the calculation methods used for Scope 1, 2, and 3, see the [Sustainability Report](#).

Contributions to GHG Emissions Reduction in the Mobility and Electronics Fields Account for Nearly 70% of the Total

The High Performance Plastics Company's contribution to GHG reductions in the electronics and mobility fields accounts for approximately 70% of the total. We will further expand our contribution by promoting the use of renewable energy for electricity used at production plants, and the resource conversion of raw materials.

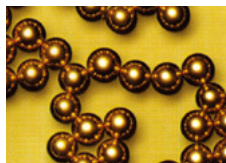


Electronics Field

In these fields, we contribute to reducing GHG emissions at the production and usage stages of our customers' products.

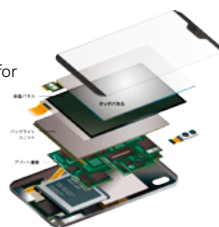
Contribute to the performance of energy-efficient products and reduce CO₂

- Micropearl
- Conductive fine particles
- UV sealants
- Heat-release materials



Improve product durability and reduce CO₂ over the life cycle

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



Mobility Field

In these fields, we contribute to reducing GHG emissions at the production and usage stages of our customers' products.

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

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

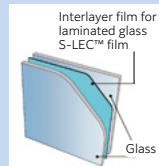


Product Example: Automotive Interlayer Film

- 1960s: "Shatterproof" reinforced windshields dramatically increase automobile **safety**
- 2000s: Contributing to **energy conservation and comfort** by adding heat and sound insulation performance
- 2010s: Projecting information on windshields reduces diversion of driver focus and **improves safety**



What is an interlayer film?



• A 0.76 mm thick film used between two sheets of glass

**Lighter weight, more efficient air conditioning
→ Reduced fuel consumption**

Contribution to the four environmental areas P.17

(1) Contribution to human health (GHG emission reduction)

Thinner glass makes vehicles lighter
=> Improves fuel efficiency, curbing global warming

(2) Contribution to social asset

Reduces global warming with improved fuel efficiency
=> Helps to protect agricultural and marine products
Thermal barrier performance improves vehicle air conditioning efficiency
=> Contributes to reduced energy use

Examples of the environmental impact of Products to Enhance Sustainability

Products and services which contribute to the environment, primarily through GHG emission reductions which help to mitigate climate change.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Infrastructure

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

Reference Image

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

ESLO Hyper JW

General purpose steel pipe*

Rigid PVC lining steel pipes for water supply

(kg-CO₂/m)

Notes: 1 Figures for metal pipes are inferred from publicly available information. These figures are for reference purposes only, and are not collected as data from the production process.

2 CO₂ emissions by material and product are calculated using impact assessment coefficients (GHG emissions per unit production) cited from IDEAv2 of the National Institute of Advanced Industrial Science and Technology and the Sustainable Management Promotion Organization.

Product Example: SPR Method (Pipeline Renewal)

● Renews old sewage pipes to equal or better condition than new pipes without excavating the road and while allowing water to flow through without stoppage

● Safer, lower-noise, and faster installation

● SPR-NX was launched in 2019, achieving more compact pipe making machinery and resulting in virtually no flow obstruction

Insert profile through manhole

Inside of aging pipe

Mating part of profile ends inside the pipe

Running pipemaking machine

Existing pipe

Compact pipemaking machine

Renewed pipe

Wire

Hydraulic hose

Profile

Wire length adjustable to make pipes of any size

Contribution to the four environmental areas P.17

(1) Contribution to human health (GHG emission reduction)

No need to transport raw materials or waste

Shorter construction times, relieving traffic congestion

=> Improves fuel efficiency, curbing global warming

(2) Contribution to biodiversity

No excavation of land

=> No destruction of living organism habitats

(3) Contribution to primary production

No landfill waste

No need for new sediment

=> Does not disturb plant growth environments

Sales Utilizing LCA-Based Carbon Footprint Calculation

Keiichi Yamazaki

East Japan Group, Water Supply & Drainage Systems Sales Department, Building Systems Division

Urban Infrastructure & Environmental Products Company

Since Japan's Cabinet approved the Plan for Global Warming Countermeasures in October 2021, inquiries about resin pipes that can reduce GHG emissions have been increasing year by year. In anticipation of this trend, we worked on calculating the carbon footprint of our products and prepared sales materials, which were well-matched to customer needs. Going forward, I would like to proactively work on creating a system that can capture customer feedback and trends in a changing market and drive increased sales.

Housing

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

Smart House-related Indicators*1

ZEH ratio (%)

Solar (PV) installation rate (%)

Storage battery installation (%)

85

80

62

89

84

72

94

89

83

96

91

87

FY20

FY21

FY22

FY23

The highest rank of [ZEH], for which the energy reduction rate is at least 100%, accounts for 82% of the total

ZEH Categories

[ZEH]

Nearly ZEH

ZEH Oriented

Energy reduction rate of at least 100%

Energy reduction rate of 75%-100%

Cumulative sales of solar panel-equipped housing stood at 240,000 units approx.) as of March 31, 2023

7 AFFORDABLE AND CLEAN ENERGY

Reference: Company data*

FY20

FY21

FY22

FY23

Installed solar panel area

360,000m²

400,000m²

428,000m²

367,000m²

Total installed solar panel capacity*2

50MW

60MW

60MW

55MW

*2 Cumulative installed solar panel capacity now exceeds 1,300 MW. As a result, total annual electricity generation is equivalent to the electricity consumed by a city with a population of 500,000 people.

Visit

https://www.sekisuiheim.com/info/press/20240423.html

Product Example: SEKISUI HEIM ZEH Housing

Contribution to the four environmental areas P.17

(1) Contribution to human health (GHG emission reduction)

Solar/storage batteries & high-insulation housing

=> Self-sufficiency with clean energy, and deterrence of global warming through efficient heating and cooling

(2) Contribution to human health

Improvement of indoor air quality, reduction of temperature differences => Deterrence of disease morbidity

(3) Contribution to social assets

Private solar power generation => Creation of clean energy

SEKISUI CHEMICAL Integrated Report 2024

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Examples of Products to Enhance Sustainability

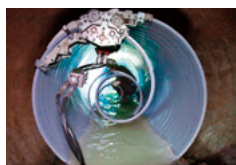
Promoting Resilient Infrastructure, Cities as well as Living and Communications Environments

Spreading and Promoting Resilient Social Infrastructure and Safe, Secure Lifelines

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



Polyethylene pipes for earthquake resistant water supply



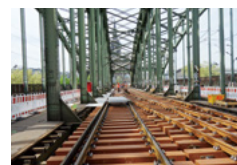
SPR Method contributes to aging infrastructure, including sewage pipes



Reinforced plastic composite pipes are also used as rainwater storage pipes

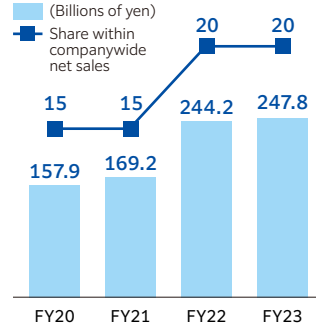


Rainwater storage systems contribute to torrential rain countermeasures



Synthetic sleepers for railroads have exceptional water resistance and durability

Water-related Business Net Sales Trends



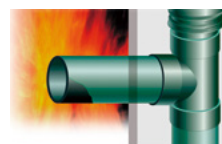
* The water-related business was redefined in FY2022.



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



Drinking water storage system



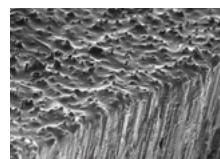
Fire-resistant VP Rigid PVC pipes for buildings



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

Resilient Communications Infrastructure

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



MANION high thermal conductivity heat release sheet

Contributing to the performance of high-speed communication and high-density semiconductors



Selfa semiconductor processing material

Contributes to realizing high density, ultra-thin wafers

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



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



New e-PocketGREEN high-capacity storage battery

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

In addition to communities where all residences are equipped with storage batteries and built to zero energy house (ZEH) specifications, we are deploying smart, resilient town and community development throughout Japan by bringing to bear the infrastructure materials of the Group that stand strong against disasters, including rainwater storage systems that provide countermeasures to torrential downpours and drinking water systems capable of securing days of potable water, even when water services are suspended.

SEKISUI CHEMICAL Group Infrastructure Technologies



Support for Health and Longevity

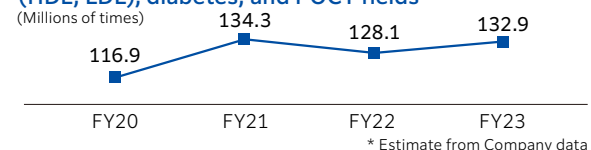
Contributing to the Early Detection of Diseases

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

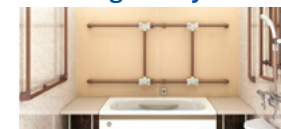


Reference Image

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



Lightens the Burden on Those Receiving and Providing Elderly Care



Large-scale prefabricated bath for independence support and nursing care



Monitoring Sensor ANSIEL

Proposing Lifestyles with Little Temperature Difference Risk



Comfortable air ventilation and air-conditioning systems

Addressing the New Normal



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

Long-term Vision, Vision 2030

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

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

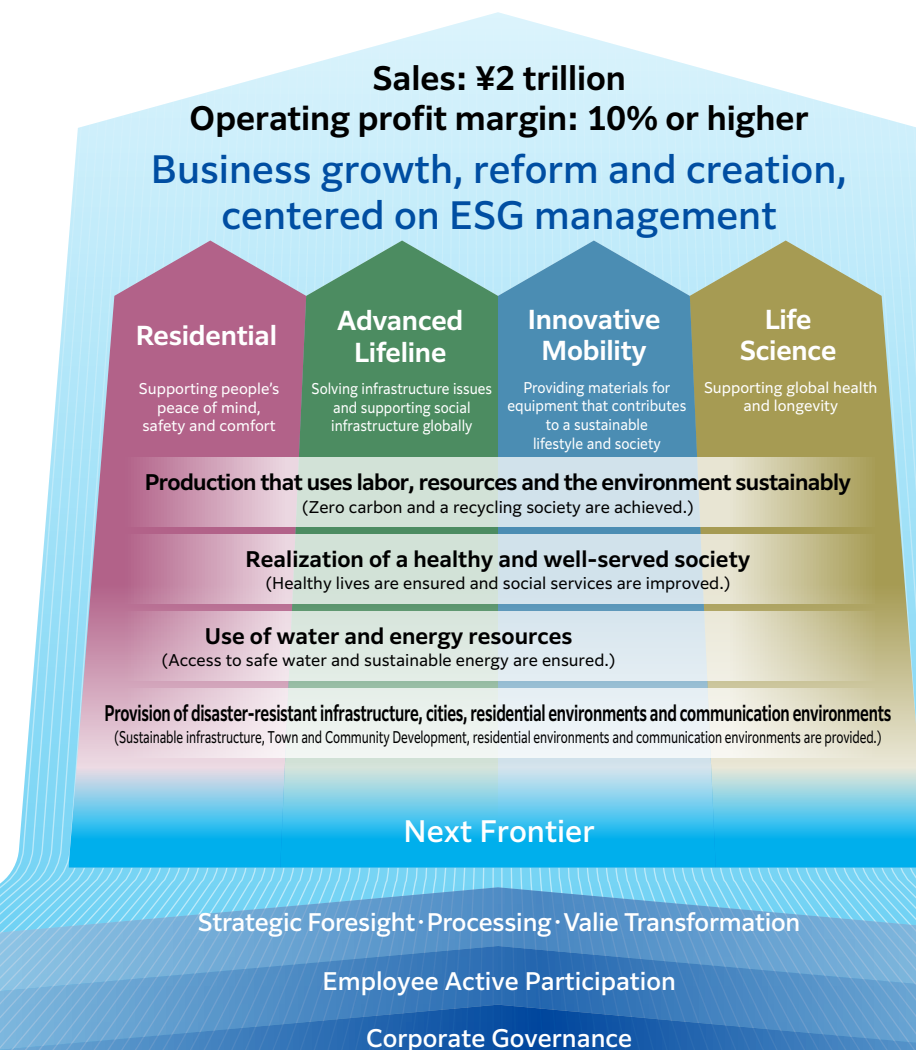
This Vision lays down the four domains of Residential (Housing), Advanced Lifelin (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double the scale of our business by 2030 through the expansion of existing business while taking on the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

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

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

Innovation for the Earth

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



◀ Vision Statement

◀ Targets

(Numerical Targets)
(Strategic Direction)

◀ Business Domain

◀ Social Issues

◀ Capability

Long-term Vision, Vision 2030

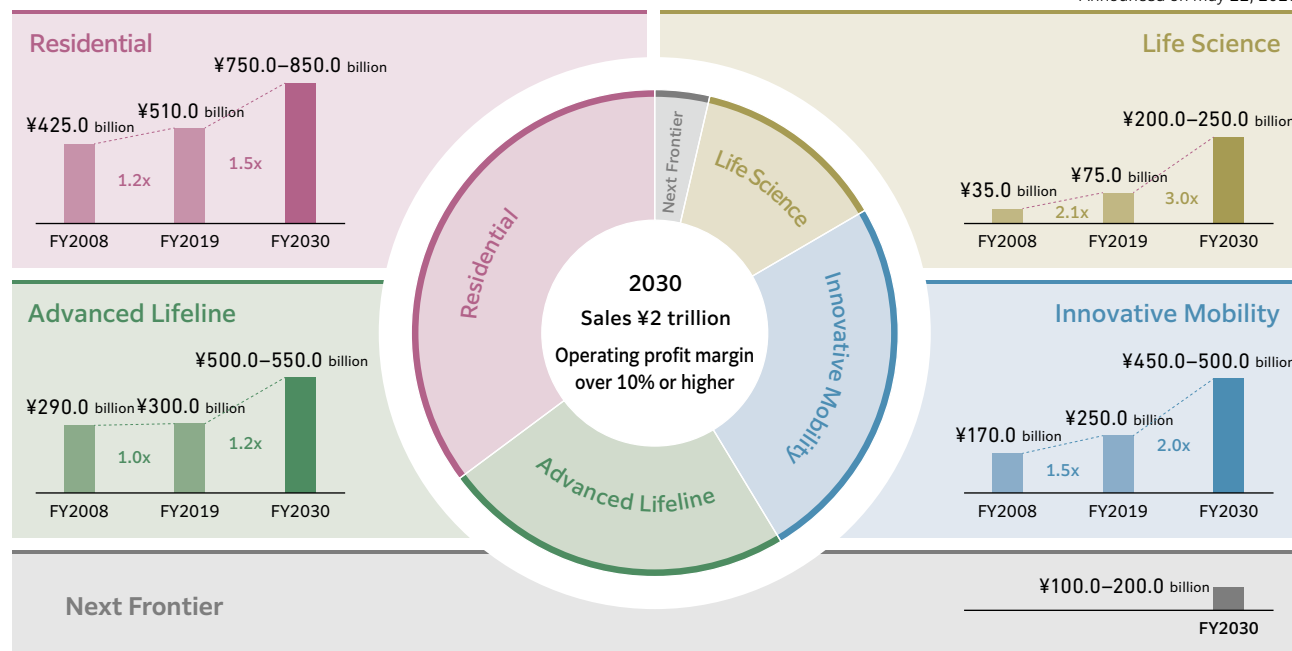
Growth Image and Strategic Investment

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

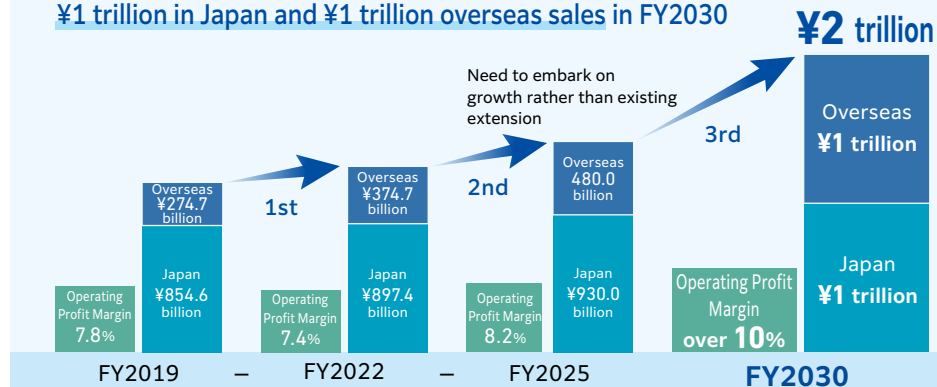
By taking up the challenge of pursuing innovation as an extension of core technologies in each domain, the Group will create new businesses and the next frontier for the new business domains in anticipation of major paradigm shifts. Along with aiming to achieve a scale of ¥1 trillion through domestic growth, the Group will accelerate efforts to cultivate frontier businesses without slowing its current pace of growth overseas as part of a plan to expand the scale of overseas business to ¥1 trillion, more than double that of today. When executing new investments including capital expenditures aimed at growth, the Group considers financial soundness and steps to increase the probability of return in anticipation of making investments exceeding ¥2 trillion in total value over the 10 years through 2030.

Under the FY2020 to FY2022 Drive 2022 Medium-term Management Plan, which the Group put in place as the first phase of its Vision 2030, energies were directed toward implementing structural reforms and strengthening profitability in the face of the prolonged impact of COVID-19. While trends in net sales surpassed plans over this period, growth investments were held to a certain level. Under the Drive 2.0 Medium-term Management Plan, a crucial second phase toward further growth, we will proactively expand strategic investments.

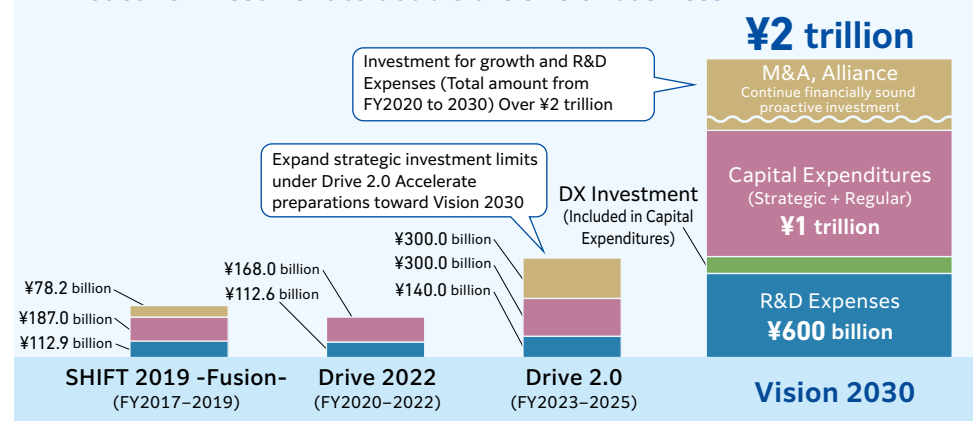
* Announced on May 22, 2020



Accelerate efforts to cultivate frontier businesses overseas; expand sales to **¥1 trillion in Japan and ¥1 trillion overseas sales in FY2030**



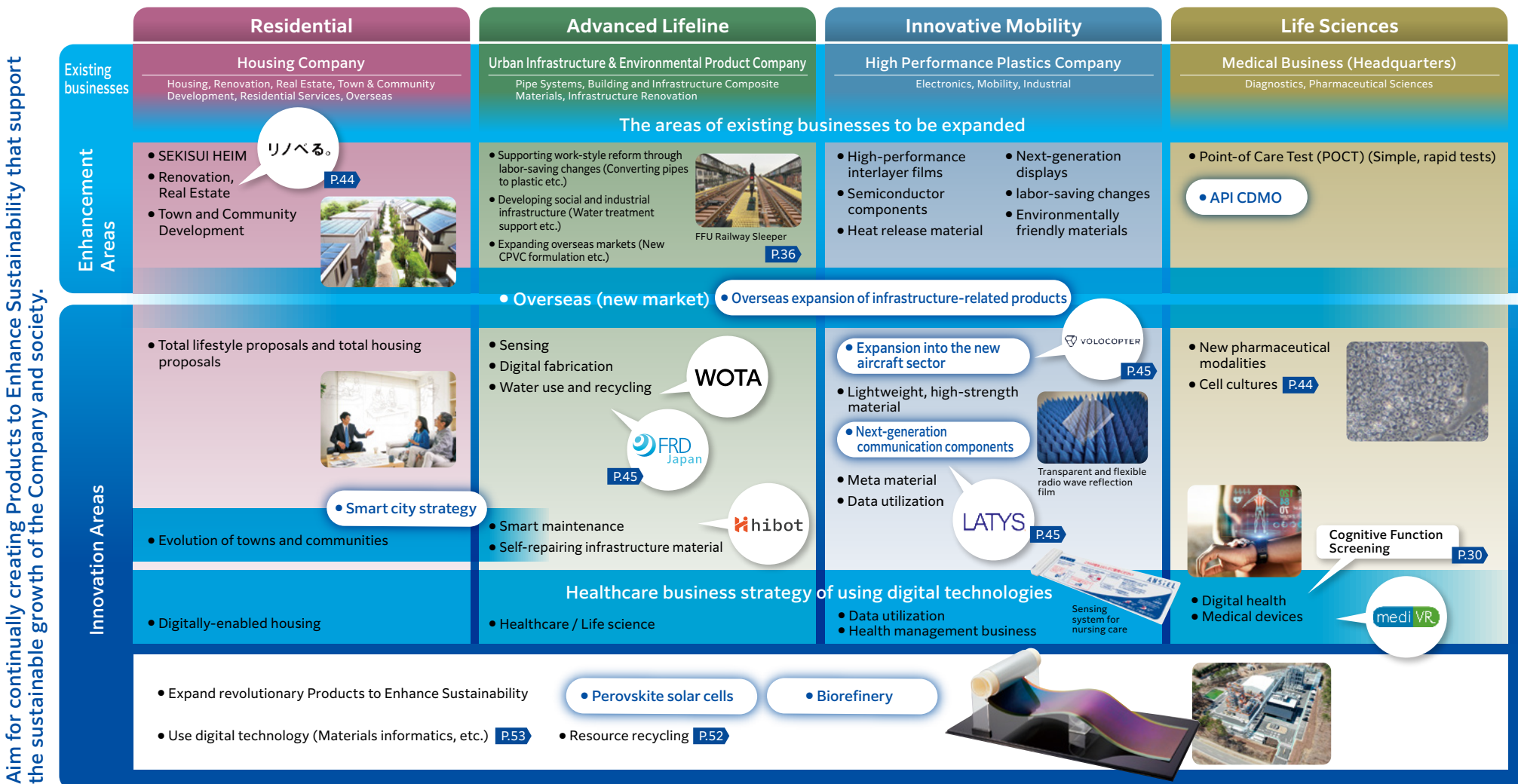
Proactive investment to double the size of business



Long-term Vision, Vision 2030

Medium- to Long-Term Strategies for Growth —Strategic area map—

We have drawn up a strategic area map to act as a compass for business strategies so we can realize our long-term vision, Vision 2030. Areas that are extensions of existing businesses and will be expanded on a priority basis are called Enhancement Areas and areas that will create new innovations through fusion of different areas are called Innovation Areas. We have clarified the themes to be targeted in the four domains of Residential, Advanced Lifeline, Innovative Mobility, and Life Sciences. In our allocation of capital, we are focusing on expanding the Enhancement Areas and creating new innovations in the Innovation Areas of each domain. In particular, for the themes in the Innovation Areas, we are working not only with internal resources, but also with external resources through M&A and Corporate Venture Capital (CVC). Of these, we have defined seven key themes that we should focus on in particular during the current medium-term plan, and are strengthening R&D and external collaboration in order to accelerate the progression to the commercialization phase.



Seven key themes that we should focus on in the current medium-term plan P.30

CVC investee

CVC information <https://www.sekisuichemical.com/about/outline/cvc/>

Risks and Opportunities

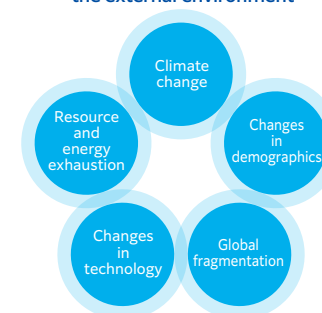
The SEKISUI CHEMICAL Group believes that it is important to appropriately control enterprise risks from short-term and medium- to long-term perspectives, seize opportunities, and establish an environment conducive to taking on risk for growth.

Therefore, we have established a system in which the Board of Directors evaluates and monitors risks and opportunities from the perspective of their impacts on the business environment, strategy, and operations, based on short-term changes in the external environment and megatrends (climate change, resource and energy depletion, demographic changes, etc.), and then evaluates the impact on our business activities and throughout the entire value chain, both upstream and downstream.

Particularly serious risk items are deliberated on by the Board of Directors and the Sustainability Committee, where countermeasures are determined and incorporated into management plans and action plans.

To respond quickly to changes in the business environment and formulate and implement strategies that seize opportunities, we hold discussions and make decisions at monthly meetings of the Board of Directors and quarterly budget meetings, in an effort to review and disclose indicators in the management plan and financial conditions in a timely and appropriate manner. [P.69 Risk Management](#)

Major megatrends in the external environment



	Main content	Risks and Opportunities	Main response by the Group
Business environment	Economy and product market trends	Risk <ul style="list-style-type: none"> Trends in the economic environment and demand fluctuations in the areas where we do business Slowing growth or contraction in markets such as mobility, electronics, housing, construction, and infrastructure Opportunity <ul style="list-style-type: none"> Propose products and services that meet market needs 	<ul style="list-style-type: none"> Globalize expansion regions Strengthen competitiveness by launching products of high added value Change portfolios to match demand and cut costs Financial Results Briefing Materials
	Raw material price volatility and procurement	Risk <ul style="list-style-type: none"> Tight or delayed supply of raw materials and price fluctuations due to changes in the balance of supply and demand Risks related to stable procurement of scarce raw materials 	<ul style="list-style-type: none"> Diversify raw material sources, and apply measures for ongoing cost reductions Maintain the margin between selling and raw material prices
	Foreign currency, interest rate, and owned asset price fluctuation	Risk <ul style="list-style-type: none"> Impact on changes of the value exchanged to yen due to the yen exchange rate fluctuations Impact on the amounts of interest income and interest expense due to interest rate fluctuations Changes in holding asset due to changes of the market and economic environment 	<ul style="list-style-type: none"> Periodically review internal exchange rates for foreign currency transactions (avoid deviation from actual rates) Transitioning businesses deployed globally to local production
	Major earthquakes, natural disasters, etc.	Risk <ul style="list-style-type: none"> Business interruption (production stoppage due to the disaster, supply chain disruption, etc.) 	<ul style="list-style-type: none"> Engage in risk management and put in place the crisis management system Implement business continuity plans (BCPs)
	Politics and Society	Risk <ul style="list-style-type: none"> Tariff retaliatory measures, policy changes, amendments to laws and ordinances, and social and political turmoil (War and terrorism, racism, boycotts, etc.) 	<ul style="list-style-type: none"> Regional headquarters track trends and gather information in each country Establish swift response measures
Strategy	Partnerships, mergers and acquisitions with third parties, and R&D activities	Risk <ul style="list-style-type: none"> Manifestation of business environment risks Delays in development and business launch Opportunity <ul style="list-style-type: none"> Expanded business scale and manifestation of synergy 	<ul style="list-style-type: none"> Enhanced preliminary surveys and post-execution monitoring Accelerate development through internal and external technology fusion Effectively conduct business reviews and design reviews
Operation	Safety and health, industrial accidents	Risk <ul style="list-style-type: none"> Fire, explosion, or hazardous substance leaks Incidence of major workplace accidents 	<ul style="list-style-type: none"> Identify risks to prevent any incidence/Give corrective guidance through regularly conduct onsite audits and emergency preparedness audits P.55 Safety
	Products / Quality	Risk <ul style="list-style-type: none"> Incidence of serious product accidents Product recalls or discontinuation due to questions over safety, the environment, or statutory and regulatory compliance 	<ul style="list-style-type: none"> Prevent quality issues through preliminary reviews at the development stage P.56 Quality
	Compliance	Risk <ul style="list-style-type: none"> Unethical or criminal behavior Violations of the Monopolies Act or fraudulent transactions Unauthorized overwriting of data Bribery Harassment 	<ul style="list-style-type: none"> Build and employ a whistleblowing system for internal and external use Provide ongoing compliance training by theme P.57 Legal/Ethical, Accounting
	Information management	Risk <ul style="list-style-type: none"> Customer, technology, and other information leaks Compensation for damages incurred due to system failures resulting from cyberattacks or natural disasters 	<ul style="list-style-type: none"> Monitor incidents constantly and systematically Disperse datacenter construction and provide complete redundancy for key business systems P.58 Information management
	Intellectual property	Risk <ul style="list-style-type: none"> Intellectual property disputes (infringement suits etc.), reputational damage Opportunity <ul style="list-style-type: none"> Management resources that support growth and profits 	<ul style="list-style-type: none"> Conduct intellectual property training for employees Conduct timely investigations to avoid intellectual property infringement P.46 Intellectual Property
	Climate change and environmental issues	Risk <ul style="list-style-type: none"> Rising energy procurement costs and reputation damage due to delays in policy and regulatory compliance Opportunity <ul style="list-style-type: none"> Growing needs due to decarbonization, infrastructure resilience, and water risk reduction 	<ul style="list-style-type: none"> Respond rapidly to policies and regulations, and advance the environmental medium-term plan towards a decarbonized society P.25 Risks and opportunities based on climate change scenario analysis P.49 Environment
	Human capital	Risk <ul style="list-style-type: none"> Insufficient human capital due to decreased competitiveness in recruitment and increased turnover 	<ul style="list-style-type: none"> Foster the culture of challenge, realizing the right people in the right places, and achieving diversity (Provide opportunities to take on challenges, such as an open recruitment system, and early development and selection of business leader candidates) P.47 Human Capital

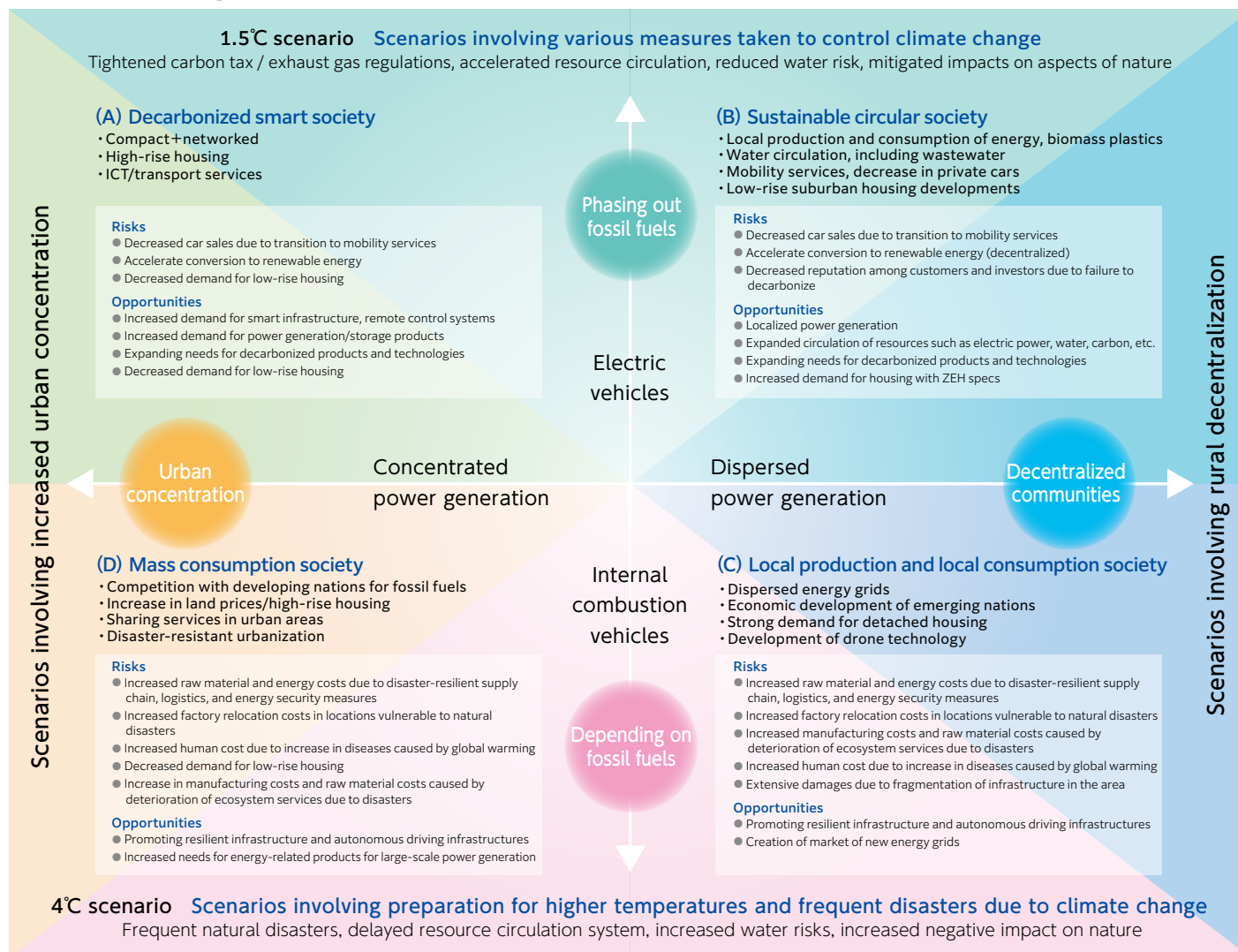
Risks and Opportunities

Risks and Opportunities Based on Climate Change Scenario Analysis

Recognizing that climate change will have a significant impact on management in the short to long term, and will present risks and opportunities for our businesses, we have formulated an environmental medium-term plan by backcasting from 2050. [P.49 Environment](#)

In order to understand risks and opportunities, we assume four climate change scenarios based on the 1.5°C and 4°C scenarios, and while verifying the validity of the strategy in each scenario, we have set milestones for the realization of a decarbonized society and formulate strategies to accelerate our efforts. [For details, please see our TCFD/TNFD Report.](#)

Four climate change scenarios based on the 1.5 °C and 4 °C scenarios



The Group's Major Responses (Business examples)

- Provide highly functional materials that provide additional performance to vehicles and aircrafts (S-LEC wedge-shaped interlayer film for HUD, KYDEX Sheet, CFRTTP)
- Material development to promote improvement of ICT (heat dissipating materials, materials for LED and OLED)
- Standardization of ZEH specifications in the housing business and promotion of sustainable town and community development business
- More resilient water infrastructure (SPR method)
- Innovation in perovskite solar cells, BR technology, CCU technology development, etc.

Output
Creation and expansion of products to enhance sustainability

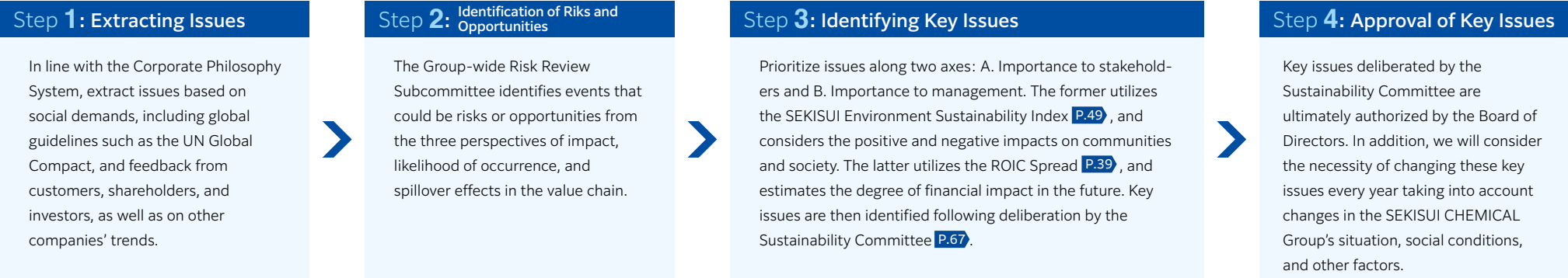
[P.10 Value Creation Process](#)

[P.16 Products to Enhance Sustainability](#)

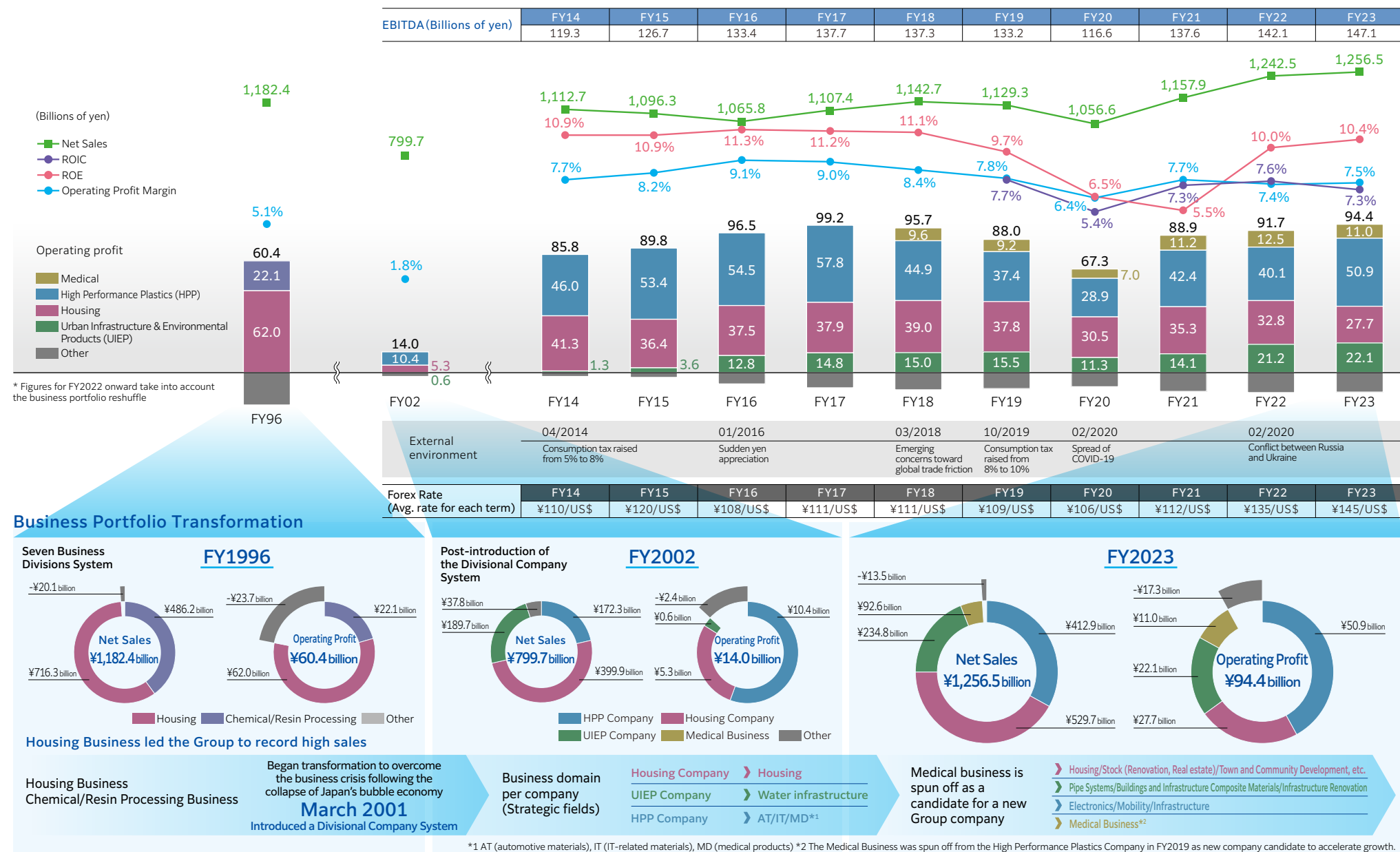
Key Issues (Materiality)

To further strengthen ESG management, which is the key to realizing the Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group is promoting measures centered on innovation, human capital, the environment, DX, and Internal Control.

Identification Process



Performance Trends and History of Changes in Business Portfolio



We have worked to transform our business portfolio to achieve growth while anticipating and identifying changes in society and business.

We took steps to reorganize our business portfolio in October 2022 owing to the increasingly overlapping nature of certain aspects of the HPP and UIEP companies due to the expansion of business domains in recent years.

Through reorganization, we are working to more efficiently engage in operations and utilize assets by further expanding its business and improving productivity.

Review of the Medium-term Management Plan and its Global Extension

	SHINKAI!-Advance 2016 FY2014-2016	SHIFT 2019 -Fusion- FY2017-2019	Drive 2022 FY2020-2022	Drive 2.0 FY2023-2025
Measures and Results	By specializing in strategic businesses and products and implementing structural reforms we were able to achieve growth in profit. We pioneered new markets and new fields through internal and external alliances. Over the period we commenced penetration of CSR management, initiated efforts to enhance governance, and established the Nomination and Remuneration Advisory Committee, etc.	Fusion accelerated over the period during which we targeted a balance between quantitative and qualitative growth. We made aggressive investments to achieve growth, and net sales attributable to M&As rose. Strengthening ESG initiatives aimed at building a sustainable business base, we continuously earned high evaluations from GLOBAL100 and others.	Net sales, net income, and EBITDA all hit record highs on the back of structural reforms and thoroughgoing efforts to improve selling prices aimed at strengthening profitability. Took steps to introduce and instill ROIC management within the Group.	
Challenges	<ul style="list-style-type: none"> Return to sales growth Commercialization and building of frontier domains CSR management rollout and further penetration among employees 	<ul style="list-style-type: none"> Delays in securing returns on growth investments The speed of structural reform Strengthening ESG management 	<ul style="list-style-type: none"> Stagnant growth investments Carry over of business contributions through the use of M&As Target for the human resource KPI, Employee Challenge Action Rate, not achieved 	
Major M&As	<p>June 2015 Operations commence at a CPVC plant in Thailand</p> <p>December 2015 Acquired EIDIA Co., Ltd.</p>	<p>August 2017 Acquired management rights to Polymatech Japan Co., Ltd.</p> <p>October 2017 Capital investment in Tien Phong Plastic JSC</p> <p>December 2017 Operations commence at a new interlayer film production line in Mexico</p> <p>December 2017 Acquired SoflanWiz Co., Ltd.</p>	<p>April 2018 Operations commence at a new automotive exterior parts plant in Japan</p> <p>December 2018 Acquired Veredus Laboratories Pte. Ltd.</p> <p>2018-2019 Operations commence at new foam plants in Thailand and China</p> <p>November 2019 Acquired AIM Aerospace, Inc.</p> <p>August 2020 Decision to increase pharmaceutical raw material production in Japan and the U.K.</p> <p>October 2020 Operations commence in earnest at a new interlayer film production line in Europe</p> <p>October 2020 Decision to increase production of FFU sleepers for railroads in the Netherlands</p>	<p>September 2022 Transfer of Xenotech shares</p> <p>November 2022 Decision to increase production of foam materials in the U.S.</p> <p>January 2023 Decision to increase production of heat release materials in the U.S.</p>

Topic

M&A Case Study: Polymatech

In August 2017, we acquired the management rights of Polymatech Japan (PJ, now Sekisui Polymatech) in order to expand our high-performance resin processed products for automotive and electronics applications.

[Synergy Effects]

(1) Accelerating inroads into car electronics area

In the car electronics area, SEKISUI CHEMICAL Group will promote heat release materials on which PJ has great expertise and technologies as well as display device materials at which SEKISUI excels with PJ.

(2) R&D synergy

SEKISUI CHEMICAL Group will enhance its R&D through the fusion of its technologies with the PJ's "high level materials blending and design technology and production technology for silicon and elastomers" and "different materials complex molding technology for resins and metals."

(3) Cooperative corporate marketing synergy

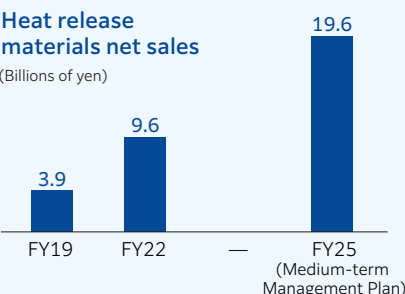
SEKISUI CHEMICAL Group will further intensify its marketing activities in both of the automobile and electronics fields using the two companies' global bases.

The heat release grease used as a thermal solution for EV vehicle batteries utilizes technology owned by PJ, which we acquired in 2017. Recently, as the amount of electricity used by automobiles has been increasing, the amount of heat generated around high-voltage devices has been increasing in plug-in hybrid vehicles as well as EVs, making thermal countermeasures an issue. In light of this trend, we began operations at a newly-established production site in the U.S. in FY2023.



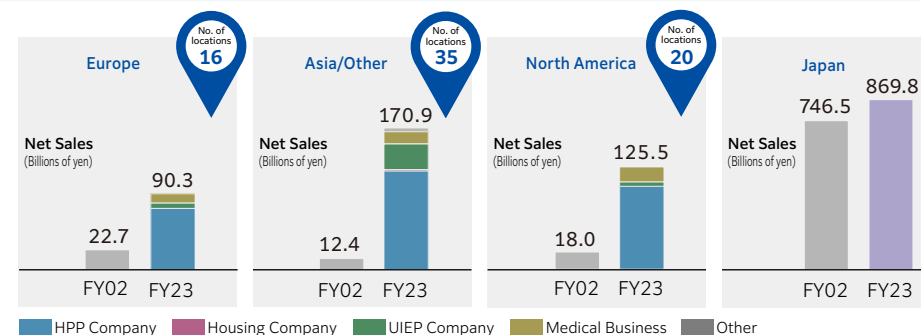
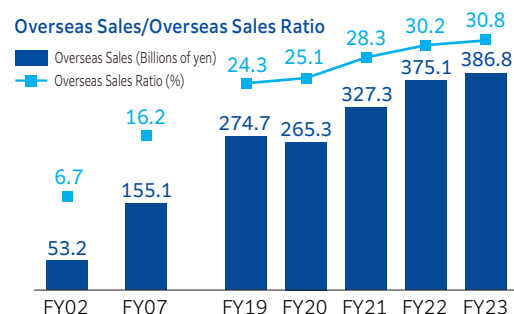
Heat release grease

Heat release materials net sales (Billions of yen)



Global Expansion

The SEKISUI CHEMICAL Group has aggressively taken on the challenge of expanding overseas, utilizing M&A and strategic investments. Overseas sales have expanded significantly since 2002, especially in the High Performance Plastics Company. Working toward our Vision 2030 long-term vision, we will accelerate frontier exploration without slowing down the pace of growth, and further expand our scale to 1 trillion yen, more than double the current level.



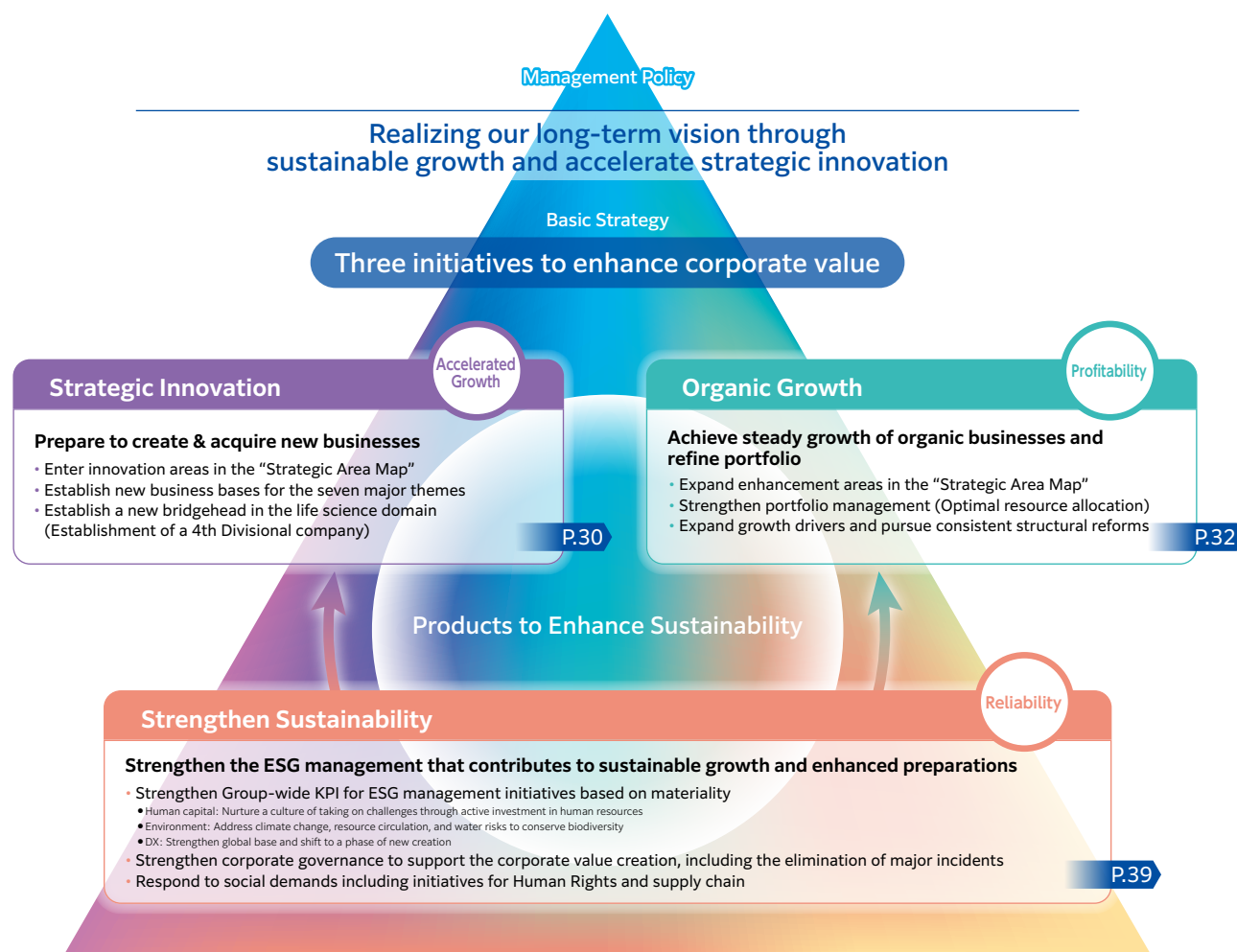
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies

Amid an uncertain business environment, including trends in the prices of raw materials and fuels as well as fluctuations in foreign currency exchange rates, SEKISUI CHEMICAL Group launched the Drive 2.0 Medium-term Management Plan in a bid to make a further leap forward, drawing on the earning power built up under the Drive 2022 Medium-term Management Plan. Our policy is to realize our Long-term Vision through sustainable growth and by enhancing preparations. We aim to increase our corporate value through three strategies: Strategic Innovation, Organic Growth, and Strengthening Sustainability.

Drive 2.0

— The 2nd phase for 2030 —



FY2025

SEKISUI CHEMICAL Group's target values

* Data in parentheses are compared with FY2022.

Net sales • ¥1,410.0 billion (+¥167.5 billion)

Operating profit • ¥115.0 billion (+¥23.3 billion)

Operating profit margin • 8.2% (+0.8%)

Net income • ¥82.0 billion (+¥12.7 billion)

ROIC • 8.5% (+0.9%)

ROE • 11.0% (+1.0%)

Overseas sales • ¥480.0 billion (+¥104.9 billion)

EBITDA • ¥175.0 billion (+¥32.9 billion)

Sales of Products to Enhance Sustainability

• Over 1 trillion yen (+¥100.0 billion or more)

Employee Challenge Action Rate • 60% (+13%)

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 1 Strategic Innovation -Accelerated Growth

Aiming to expand into innovative areas, the company emphasizes strategic preparation.

Seven major themes have been established to accelerate progression to the commercialization phase through internal and external collaboration, M&A and other mergers, based on core technologies.

In addition, we are also pioneering the "Innovation Areas" defined in the Strategic Area Map on [P.23](#).

We aim to expand our area and contribute to business performance by quickly establishing a business foundation to realize our long-term vision.

Growth-potential businesses	Key themes	Investment benefit realization schedule		
		2024	2025	2026 –
Entry into aeronautical fields	<ul style="list-style-type: none"> Development of new applications Entry into the air mobility market Molding technology			
FY2025 business scale: From ¥19.0 billion				
Next-generation communication components	<ul style="list-style-type: none"> Collaboration with telecommunications companies Development of radio wave environment business Film processing technology			
FY2025 business scale: From ¥1.0 billion				
Smart city strategy	<ul style="list-style-type: none"> Fusion of town and community development as well as AI digital technologies Advanced housing, town and community development			
FY2025 business scale: From ¥25.0 billion				
Overseas development of infrastructure materials	<ul style="list-style-type: none"> Strengthening of overseas marketing Infrastructure materials			
FY2025 business scale: From ¥10.0 billion				
New area of pharmaceutical CDMO	<ul style="list-style-type: none"> Conversion of base CMO business to CDMO with new modality support Synthesis of low molecular compounds, microbial cultivation			
Consider expansion through M&As				
Perovskite solar cells	<ul style="list-style-type: none"> Development of 1 m width production technology Promotion of demonstration through external collaboration Sealing, deposition, processing technology, etc.			
FY2025 business scale: From ¥5.0 billion				
Biorefinery	<ul style="list-style-type: none"> Promotion of demonstration through external collaboration Establishment of resource circulation model Microbial catalyst technology			
Commercialization from FY2026				

Topic

Digital Health

Early detection of mild cognitive impairment through voice data contributes to unmet medical needs*

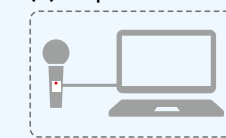
The increase in the number of dementia patients has become a social problem.

It is estimated that by 2025 there will be 4.72 million dementia patients and 5.64 million patients with mild cognitive impairment. The SEKISUI CHEMICAL Group regards the extension of healthy life expectancy as an important social issue, and is developing cognitive function testing equipment. In August 2024, we started a clinical trial for a voice-based cognitive function testing device based on a clinical trial plan submitted to the Pharmaceuticals and Medical Devices Agency ("PMDA") through a contractor.

(1) Occurrence



(2) Acquire voice data



SEKISUI CHEMICAL Group and Dream Medical Partners
Joint development

(3) Transmit voice data

(4) Analyze voice data



Joint development between
SEKISUI CHEMICAL and PST Inc.

This testing device analyzes the acquired voice data of the subject with a voice analysis program on the Cloud to screen cognitive functions. The algorithm used in this voice analysis program was jointly developed by SEKISUI CHEMICAL and PST Inc. In addition, the co-development of the devices to be used and the submission of clinical trial notifications to the PMDA and other pharmaceutical affairs-related tasks are outsourced to Dream Medical Partners, Co., Ltd. Through social implementation of the programmed medical device under development, we will strive to contribute to the strengthening of medical cooperation linking family doctors through to specialists, leading to the early detection and diagnosis of mild cognitive impairment.

* Unmet medical needs
Medical needs for diseases for which cures have not yet been found, or for which there is room for improvement in treatment, but for which treatment is not yet satisfactory.

Topic

Film-type Perovskite Solar Cells

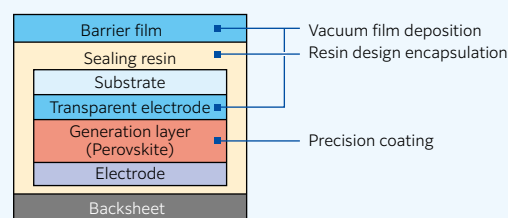
Next-generation solar cells, which are said to be the key to realizing a decarbonized society, use semiconductors with a perovskite crystal structure as the material for power generation. Unlike conventional silicon solar cells, these cells can be manufactured by applying the material to a film as if it were printed. They have the potential to spread to urban areas where installation sites are limited, and are expected to contribute to the spread of renewable energy and the realization of carbon neutrality. The manufacturing process utilizes our proprietary technologies in sealing, process, materials, and deposition. To this point, we have conducted accelerated tests in accordance with standards for solar cell reliability, and confirmed durability equivalent to 10 years of outdoor exposure. Perovskite solar cells are ultra-lightweight and flexible, allowing them to be installed on the walls of buildings and other structures, as well as on roofs with weight constraints. In collaboration with the University of Tokyo and Ritsumeikan University, we have been selected for a government development project (NEDO (New Energy and Industrial Technology Development Organization)) and have begun development of a roll-to-roll manufacturing line for general-purpose widths. We aim to commercialize the line in 2025 through verification tests and other processes, while conducting research to further enhance durability.

Ultra-lightweight Photovoltaic Battery Packed with Proprietary Technologies

<Characteristics of Perovskite Solar Cells>

Item	Characteristic	Notes
Lightweight	Approx. 1kg/m ²	Around 1/15 (compared to silicon-type PV)
Flexible	Radius of curvature around 15cm	—
Thickness	Approx. 1mm	Around 1/20 (compared to silicon-type PV)
Main raw materials	Uses iodine	Around 30% of global production is made in Japan

<Perovskite solar cell cross-sectional structure>



Proprietary Technologies

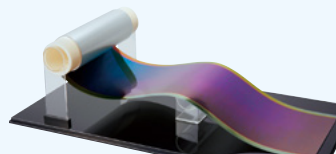
- ✓ Sealing resin : Acquire rights for original material compositions best suited for perovskite
- ✓ Element composition and electrode configuration : Elucidate the causes of deterioration and solve them with proprietary materials
- ✓ Manufacturing expertise : Nano-level power generation 4-layer precision reactive coating

Development Status

- Power generation efficiency: Reached 15% → Aiming for further improvement
- Durability performance: Reached the equivalent of 10 years → Aiming for 20-year durability to equal silicon-type PV
- Manufacturing process: Roll to roll elements 30cm wide We have started developing a production line for 1m general-purpose width with completed technology (We have acquired a site in Aichi Prefecture and started developing and installing manufacturing plant) → Production to start in the second half of 2025

[Issues]

- Production yield improvement
- Development of installation and construction methods to exploit light weight and flexibility
 - ➔ We are considering partnership with a company which has installation technology and large installation sites, and working on joint development



Initiatives for Commercialization

Commercialization in 2025

Manufacturing technology established with practical width

Working on solutions with the NEDO GI Fund

- Establish manufacturing technology for 1m width
- Improve yield
- Further raise generation efficiency and durability

Promoting proving trials in various applications

Establishing installation and construction methods

- Joint development of installation and construction technologies
- Providing subjects for demonstrations and implementation experiments
- Support through a public-private council

Promoting partnerships

Investing from the Japan Green Investment Corp. for Carbon Neutrality

- Finding potential partners
- Searching for ideas for new decarbonization businesses

Installation examples and partner product adoption cases



Building wall
(in cooperation with NTT DATA)



Tank wall at the Central Research Institute
(in partnership with Cosmo Oil)



Lightweight roofs
(Factory roofs, gymnasiums, etc.)



Sewage cover
(Joint research with the Tokyo Metropolitan Government)



Railway assets
(in cooperation with West Japan Railway)
Picture provided by: JR West

Partner (joint trials etc.) adoption cases

West Japan Railway Company
JERA Co., Inc.
Tokyo Metropolitan Government Bureau of Sewerage
NTT DATA Japan Corporation
Tokyo Electric Power Company Holdings, Inc. etc. (multiple companies)
Slovak Republic
SENKO Co., Ltd.
Kita Ward, Tokyo (swimming pool of a closed school)
COSMO OIL CO., LTD.

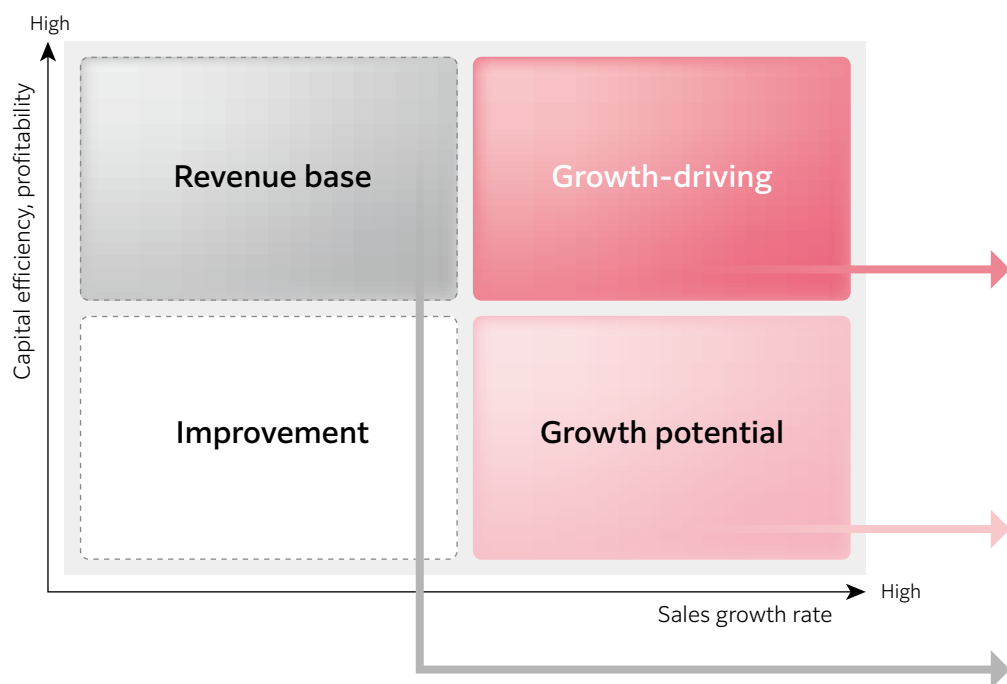
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 2 Organic Growth -Profitability-

Under the Drive 2.0 Medium-term Management Plan, every effort will be made to further strengthen business portfolio management.

Taking steps to classify all 33 businesses into four quadrants, including growth-driving and growth-potential businesses, while clarifying roles on a strategic basis to ensure steady profit growth. Cash gained through our revenue base will be directed toward allocating resources with a priority on growth areas. The aim is to generate over 90% of the increase in profits (EBITDA) from these growth-driving and growth-potential businesses by FY2025.

New portfolio management: Clarify the role of each business unit



Excluding the housing business (revenue base), which aims to generate stable cash, about 80% of the sales in the Sustainability Contribution Product Premium Framework consist of products from businesses positioned as "growth driving" or "growth potential." Under our Medium-Term Management Plan, we will allocate more than 60% of our capital investment quota to "growth-driving" and "growth-potential" businesses, and increase the absolute volume of the Sustainability Contribution Product Premium Framework product lineup. [P.17](#)

1. Analyze and evaluate existing businesses from multiple perspectives

- Profitability (OPI margin), capital efficiency (ROIC), growth potential (sales growth rate)
- Strategic positioning, position in the industry, future prospects, competitiveness

2. Clarify the role of each business→Appropriately allocate management resources

- Focused allocation of at least 60% of our capital to growth driving and growth potential businesses

Portfolio	Business Segment			
	High Performance Plastics Company	Medical Business	Urban Infrastructure & Environmental Products Company	Housing Company
Growth-driving businesses	Mobility (high-performance interlayer film, release materials, etc.) Electronics (semiconductor and display materials)	Overseas testing system	Pipe renewal Fire resistant and nonflammable materials Construction and industrial piping Performance materials (railroad sleepers, etc.)	
Growth-driving businesses	Molding products, sensing	Pharmaceutical science (CDMO)		Town and community development Real estate (purchase and resale, etc.)
Revenue base (Example)			Piping business	Housing business Renovation business
Improvement				

Achieve more than 90% of incremental profit (EBITDA) from growth-driving and growth-potential businesses

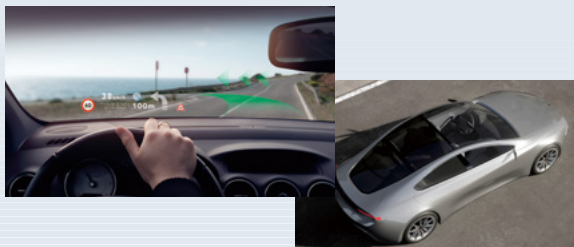
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Mobility Field

There are clear indications of a growth trajectory in the context of the expansion of the electrification of automobiles and automated driving.

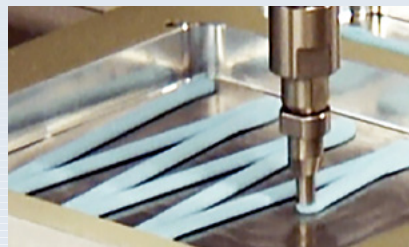
In our mainstay interlayer film business, we are working to improve profitability by shifting to high-value-added products such as wedge-shape films for head-up displays (HUDs), heat insulation films and colored/designed films, while further increasing added value by combining interlayer film functions such as heat and sound insulation.

HUD-use, colored / designed



The Head-Up Displays (HUDs) display appropriate information on the car's windshield according to the driving situation, allowing the driver to drive without dropping his or her gaze, thereby contributing to driver safety. In addition, demand has been growing in recent years for colored films for panorama roofs and design films for rear glass, with the spread of electric vehicles. These films not only block light but also cut UV rays, and the use of sound insulation grades that improve cabin quietness and heat insulation grades that absorb near-infrared rays also help with help prevent higher cabin temperatures.

Heat release materials



Heat release materials contribute to longer battery life in response to requirements following the shift to EVs, and have characteristics including high thermal conductivity and low outgassing performance. In FY2023, we established a new production site in the United States.

Aircraft components



We produce molded composite materials such as sheets for aircraft and carbon fiber reinforced plastic (CFRP), which are flame-retardant, impact-resistant, and have excellent design characteristics. They contribute to weight reduction in aircraft materials and fuel efficiency in transportation equipment. Along with improving the product mix, such as by increasing the ratio of high-value-added engine components, the Company will employ existing technologies to expand deployment of these products to non-aircraft related sectors, including drones and the medical field.

Business Strategies

● Interlayer film

Increase the ratio of N-HPP films (HUD-use / thermal- / and design-related) HUD-use film growth* of 130% (FY2022→FY2025) * On a sales volume basis

● Heat release materials

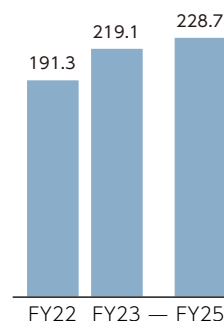
Accelerate EV-related sales growth mainly in Europe and the U.S. Heat release materials net sales growth of 200% (FY2022→FY2025)

● SEKISUI AEROSPACE CORPORATION

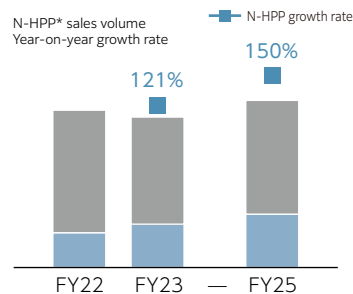
Expand the lineup of engine components and deploy products to non-aircraft sectors (drones, flying cars, medical field)

Mobility Field Net Sales

(Billions of yen)



KPI: N-HPP interlayer film sales growth

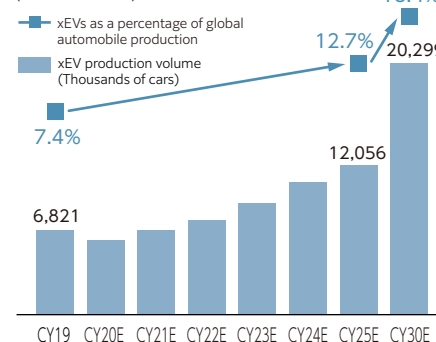


* N-HPP: New high-performance products; A generic term for all other HUD, heat insulation, and colored / designed film, excluding sound insulation film from conventional high-performance interlayer film

* FY2023 figures are YoY changes; FY2025 is compared with FY2022

Trends in xEV Production Volume

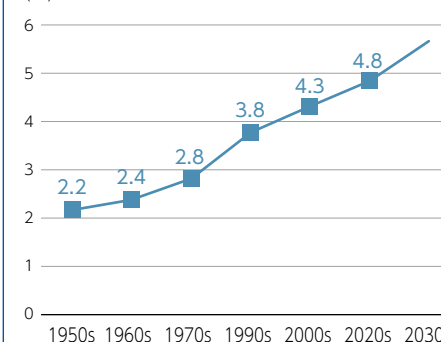
(Thousands of cars)



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

Glass Area per Car

(m²)



* Our investigation

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

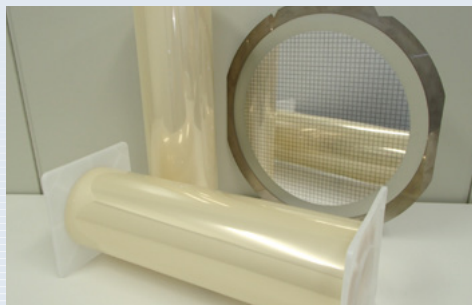
Mainstay Business Strategy: Electronics Field

With the upswing in global semiconductor demand, the Electronics field is also performing well, especially for semiconductor-related products.

In particular, the application of heat resistant Selfa[®], a processing material that addresses the further miniaturization of semiconductors and Build-up (BU) dielectric film that boast high transmission performance (low dielectric properties) as well as strengths in suppressing substrate warpage required for multi-layered CPUs, is steadily increasing.

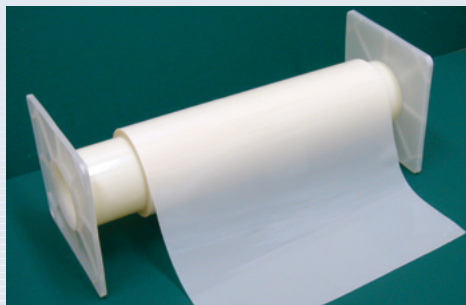
In addition, we are aiming for further growth and the strengthening of our portfolio through the development of new products and entry into the market for next-generation displays that make use of the knowledge we have cultivated in the development and sale of liquid crystal products.

Heat resistant Selfa[®] (semiconductor processing material)



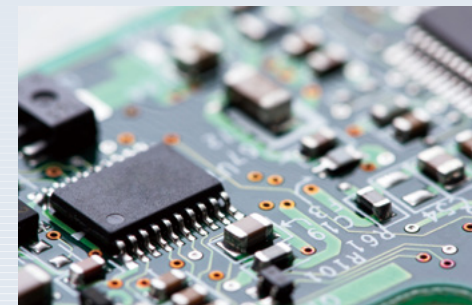
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components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

Build-up (BU) dielectric film



With strengths including superior transmission performance and warpage suppression, BU dielectric films have a track record for use in the multi-layer, large-area high-end IC package substrates that require these features.

Binder resins for electronic components (for MLCCs)



Based on the technical capabilities acquired through binders for interlayer films as the primary application for PVB, the Company's product design capabilities and technical service capabilities have received a highly positive response. We decided in 2023 to increase our production capacity of polyvinyl acetal resin, to meet increasing demand.

Business Strategies

● Semiconductors / electronic parts

Tapes for semiconductor processing use, binder resins for MLCCs, Build-up (BU) dielectric film sales growth

● Exterior parts / mechanism components

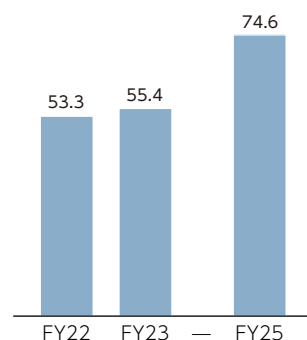
Biomass-type bonding materials (tape, foam), elastic adhesive resin sales growth

● Next-generation displays

OLED sealant sales growth

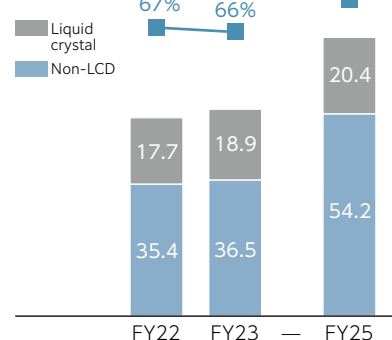
Electronics Field Net Sales

(Billions of yen)



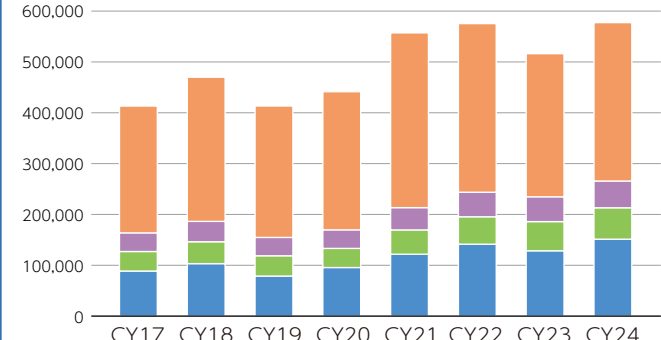
KPI: Focus on the Non-LCD Field

Ratio of non-LCD net sales



Global Semiconductor Market Forecasts by Region

(Millions of US\$)



Source: In-house estimates based on various materials * EMEA: Europe, Middle East & Africa

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Domestic and Overseas Testing Systems and Pharmaceutical Sciences (CDMO)

The Company will focus on expanding the diagnostics area and on increasing sales of new products as part of the Diagnostics Business in Japan and overseas. Overseas, particularly in China, the Company will continue to expand the coagulation area through a transition to domestic production, and enter the immunology area. In Asia, the Company will accelerate growth by concentrating on areas of strength and encouraging Group synergy. In the Pharmaceutical Sciences Business, the Company will capture new large-scale projects by strengthening the marketing and D¹ functions in the pharmaceuticals area, and will expand the CDMO business in the enzymes area by commencing full-fledged operations at a GMP^{*2}-compliant facility at a U.K. plant. Similarly, the Company aims to capture projects and expand business in the drug development solutions area by strengthening proposal capabilities.

*1 Standard pharmaceuticals that can be purchased without a prescription. *2 Diagnoses that include the use of genetic testing

Blood coagulation tests



We provide measuring reagents and automated analyzers for testing and monitoring blood coagulation and fibrinolysis abnormalities.

Expanded neonatal screening tests



Working with the National Center for Child Health and Development, we have jointly developed a test reagent for screening rare congenital diseases in newborns, for which early detection is important. We are working daily to lower the barriers to testing in terms of accuracy and cost, and to make this screening test available to more newborns.

CDMO



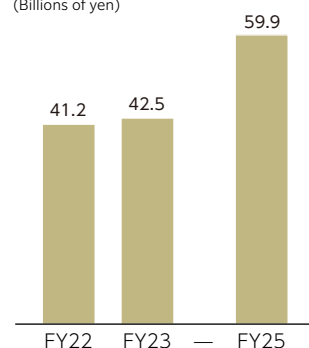
Based on the existing small molecular API CDMO business, the Company will also leverage M&As to establish a proposal-type CDMO business platform. By also expanding this platform to the medium and large molecule fields, the Company aims to strengthen relationships with pharmaceutical companies.

Business Strategies

- **Europe and the Americas**
Enter the OTC market and expand genetic testing and other areas
- **China**
Promote domestic production; strengthen alliances
- **Asia**
Expand the POC and coagulation product area
- **CDMO**
Expand the CDMO Business through the start of full-fledged operations at a U.K. GMP-compliant facility

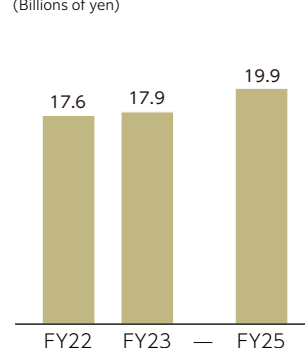
Overseas Diagnostics Field Net Sales

(Billions of yen)



Pharmaceutical Sciences Field Net Sales

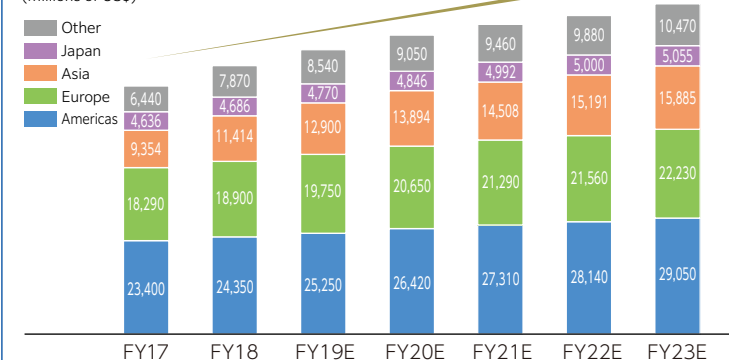
(Billions of yen)



Clinical Testing Market by Region

(Millions of US\$)

CAGR: 4.2%



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

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Mainstay Business Strategy: Construction and Industrial Piping, Performance Materials, Fire Resistant and Non-flammable Materials, Pipe Renewal and Town and Community Development

Construction and Industrial Piping, Performance Materials, Fire Resistant and Non-flammable Materials, and Pipe Renewal are all growth-driving businesses belonging to the Urban Infrastructure & Environmental Products (UIEP) Company. Together, net sales from these four businesses account for nearly 33% of the UIEP Company's total sales. Therefore, the Company aims to achieve growth by expanding sales of prioritized products that help solve labor shortages, infrastructure aging, climate change, and other social issues, as well as by increasing overseas net sales. As an example, FFU for railway sleepers, a mainstay product of the Performance Materials Business, has a sales track record in 33 countries around the world, including the U.S., Australia, and countries in Europe. In addition to the recent difficulty of procuring high-quality wood given environmental considerations, this business has also seen the EU ban the use of creosote oil, employed as a preservative for wood, due to the risk of it being carcinogenic (banned since 2023 in the railway sector). As a result, the introduction of resin sleepers as a substitute for wood sleepers has accelerated. In response to this intensifying demand, the Company constructed a new production plant in the Netherlands. Shipments began in the second half of 2023.

Construction and industrial piping

Polyethylene piping for construction and industrial uses



Polyethylene piping for construction and industrial uses are materials that help to solve social issues, such as labor shortages on construction sites and frequent earthquakes.

Making the most of the advantages of plastics, including durability (rustlessness, resistance to liquid chemicals), seismic resistance (high flexibility), and ease of construction (lightweight and simple to build), we accelerate the shift away from metals.

Performance materials

Railway sleepers



Fiber-reinforced foamed urethane (FFU) railway sleepers boast excellent water-resistance, durability, and require no preservatives, thereby contributing to reductions in environmental impact. The Company built a production base in Europe, where demand was strong, and commenced operations during the second half of FY2023 as part of its efforts to accelerate overseas deployment.

Fire-protection and nonflammable materials

Noncombustible urethane



Thermal insulating urethane foam material for onsite use is the first organic material to receive inflammable certification from Japan's Ministry of Land, Infrastructure, Transport and Tourism. It contributes to preventing fires and accidents caused by ignition at construction sites.

Pipe renewal

SPR method

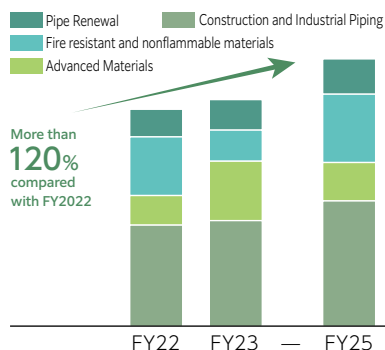


Method to line the inner surface of existing pipes; in addition to eliminating the need to dig up roads, the SPR method helps reduce labor while shortening the time required for construction; unaffected by changes in the weather, the SPR method also reduces noise levels during construction; realizes substantial reductions in waste.

Inquiries are increasing, especially in Asia, and we aim to acquire more new overseas customers.

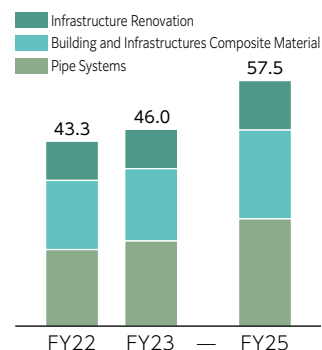
Net Sales for the Four Businesses

(Billions of yen)



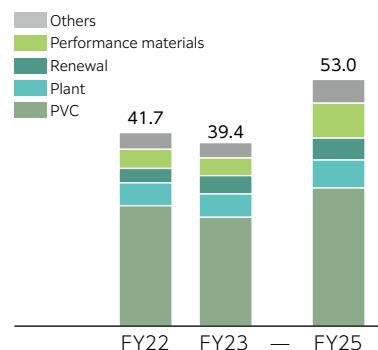
Prioritized Products Sales

(Billions of yen)



Overseas Sales

(Billions of yen)



Topic

Town and Community Development Business

The Town and Community Development Business brings together the Group's infrastructure materials to differentiate itself from its competitors by creating disaster-resistant and sustainable communities.

The breakthrough by this Town and Community Development business is accelerating synergies between our business fields.



Overview of Asaka Lead Town

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Revenue Base Business Strategies (example): Housing Business, Renovation Business, Piping Business, Functional Tape Business

Revenue base businesses reliably generate profits through business operations that pursue capital efficiency.

The cash acquired through these businesses will be allocated mainly to growth-driving businesses and growth potential businesses.

Housing business (SEKISUI HEIM)



The Company ensures the stable supply of high-quality (high earthquake resistance, airtightness, and heat insulation) housing through its revolutionary Unit Construction Method, where the vast majority of construction is conducted at the factory. The Company will focus on expanding sales of subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers.

Renovation business



The Company proposes house repairs and renovations. Although efforts have concentrated on customers living in SEKISUI HEIM houses thus far, the Company will also focus its energies on renovations for non-Heim owners in order to further expand the business.

Piping business



The Company supplies a wide range of piping materials from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants as well as other pipes for such social infrastructure as water supply/sewerage and gas supply systems that help shorten installation and construction periods. In addition to existing strengths in earthquake and corrosion resistance, the Company will enhance features, such as pressure resistance and high drainage, to accelerate substitution from metal piping.

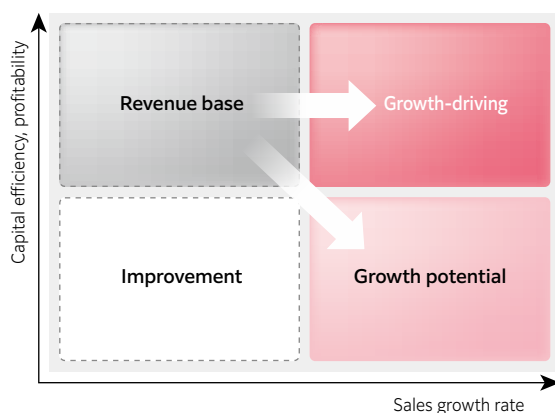
Functional tape business



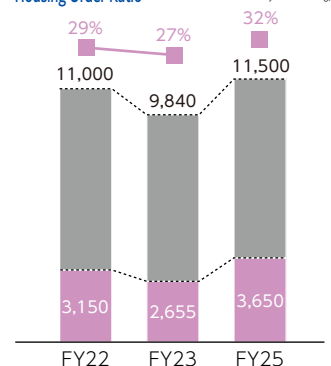
Oriented polypropylene (OPP) tape, which uses plastic as its base material, and kraft tape, which uses kraft paper as its base material, account for about 90%^{*1} of the market for packaging tape used for cardboard packaging of products, mainly in Japan's food and logistics industries. We have the top share of the kraft tape market in Japan^{*1}. We will respond to the demand for replacement of kraft tapes against the backdrop of growing environmental consciousness.

^{*1} FY2019, our investigation

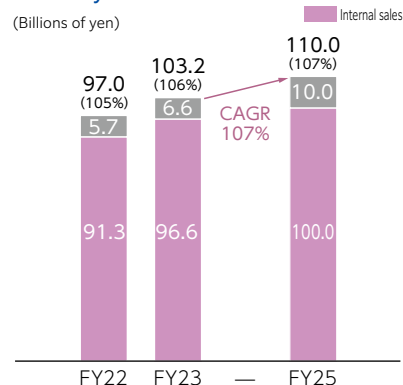
Allocate Cash Acquired through the Revenue Base



Number of Orders, Subdivision Housing Order Ratio

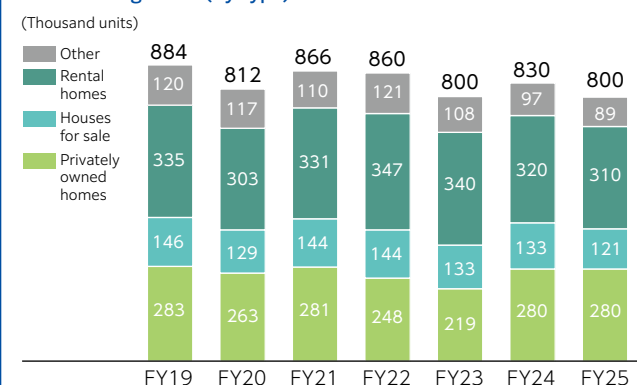


Orders by Renovation Product



* Data in parentheses YoY * FY25 is compared with FY23

New Housing Starts (By Type)



Source: Actual values are from the Ministry of Land, Infrastructure, Transport and Tourism's "Statistics on Housing Starts." Forecasts are estimates by the Company.

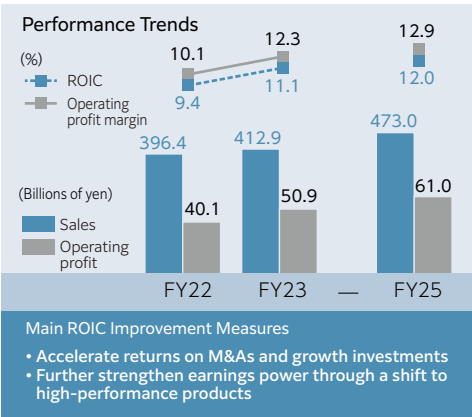
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Segment Information (Business Activities and Review of FY202.3)

High Performance Plastics Company

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

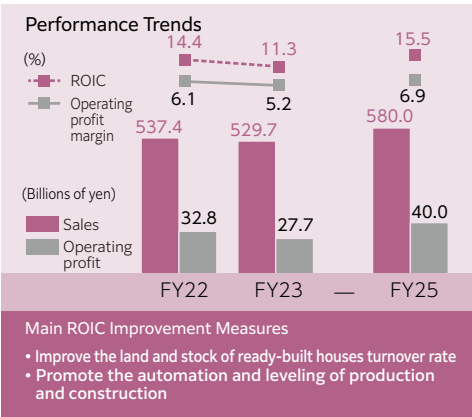
In FY2023, despite the impact of sluggish demand for construction and consumer goods in Europe, the U.S., and Japan, sales and profits increased due to a recovery in automotive-related demand, the effect of foreign exchange rates, and our efforts to maintain and improve selling prices.



Housing Company

The Housing Company is engaged in new housing construction activities as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. To date, the cumulative total of houses sold has exceeded 650,000. Drawing on SEKISUI CHEMICAL Group's prominence in infrastructure materials, the Housing Company is engaged in the nationwide development of smart and resilient cities in its Town and Community Development Business.

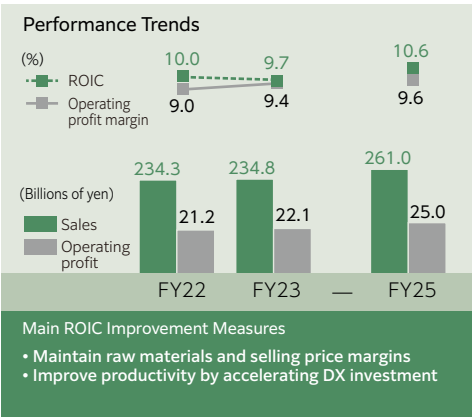
In FY2023, sales in the renovation and realty businesses grew, but the number of houses sold by the Housing Company fell below the previous year's level, resulting in an overall decline in both sales and profits.



Urban Infrastructure & Environmental Products Company

The UIEP Company manufactures and markets water sewerage and supply pipe systems, in which it has a leading share in Japan, while also engaging in construction materials supply businesses, which collectively form the company's core operating platform. We are striving to expand sales and create markets for products that help solve increasingly serious and complex social issues, including labor shortages, aging infrastructure, and climate change.

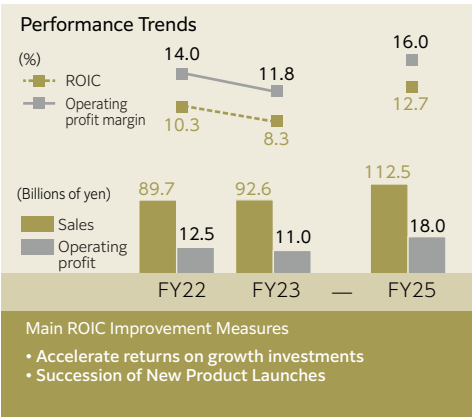
In FY2023, despite weak domestic housing and non-housing construction market conditions and sluggish demand for chlorinated polyvinyl chloride (CPVC) resin overseas, sales increased and operating income reached a record high for the second consecutive year. That was achieved by securing a spread by improving selling prices and growing sales of priority expansion products such as polyethylene pipes for water supply, construction and factories, and fire-resistant materials.



Medical Business

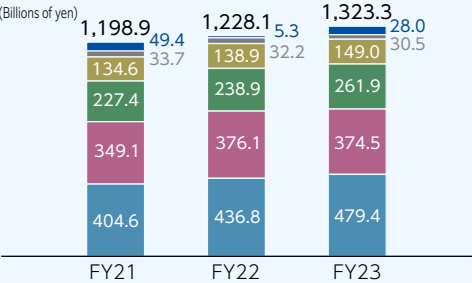
Consisting of the Diagnostics Business, which manufactures and sells diagnostic reagents, automated analysis devices, and blood collection tubes, and the Pharmaceutical Sciences Business, which is composed of three sub-businesses, namely the Pharmaceuticals and Enzymes Business, the Drug Development Solution Business, and the SMCL Center, the Medical Business is expanding its business globally.

In FY2023, the Company steadily captured increased domestic demand for testing, mainly for infectious diseases, and sales of new bulk pharmaceuticals in the medical business remained strong. Sales increased from the previous fiscal year due to our focus on expanding sales of blood coagulation devices and reagents in China, as well as the effect of foreign exchange rates. Operating profit decreased due to the significant impact of lower sales of influenza and COVID-19 test kits in the U.S.

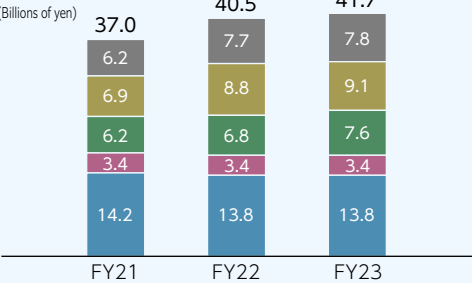


Various Data

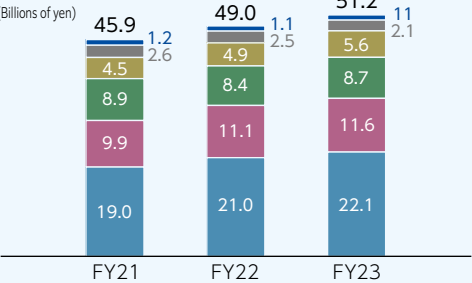
Total Assets



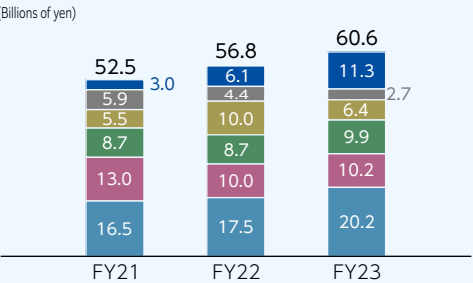
R&D Expenditures



Depreciation and Amortization



Capital Expenditures



Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Basic Strategies 3 Strengthen the ESG Management Platform -Reliability-

Strengthening the management base to support accelerated growth, profitability, and reliability. The table below sets out the materialities that are of significant importance to the Group's management and stakeholders. We will also strengthen our human capital initiatives by fostering a culture of challenge and increasing the number of business leaders who drive growth. Under the previous Medium-term Management Plan, we adopted return in invested capital (ROIC) as a new KPI. We utilize ROIC as a key indicator in efforts to reform the business portfolio in addition to capital efficiency improvement. Moreover, we will monitor how effectively each initiative related to long-term sustainability, which was stipulated as a key ESG issue, is helping to control the cost of capital.

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

Outputs and Materialities	Medium-term Management Plan Policies and Key Enhancement Points	KPI	FY2025 targets FY2023 performance
Products to Enhance Sustainability	<ul style="list-style-type: none"> Achieve sales growth through each Company and business expansion strategy Create and expand products that solve issues by utilizing support programs and taskforce Expand sales of products that drive improvement of social sustainability and our sustainable growth	Net sales of Products to Enhance Sustainability and Premium Framework Products	Over 1,000,000 million yen Of which, 540,000 million yen from the Premium Framework Over 950,200 million yen Of which, 501,900 million yen from the Premium Framework
Human capital	<ul style="list-style-type: none"> Realize assignment the right person to the right Foster a culture of taking on challenges Promote diversity Strategically reinforce business leaders and specialized human resources (for technology and DX) to drive growth	Employee Challenge Action Rate ^{*1} Rate of successor candidate preparation ^{*2}	60% 100% 48% 92%
Environment	<ul style="list-style-type: none"> Contribute to solve climate change issues Promote resource recycling Minimize water risk and maintain water resources Focus on creating carbon-free and low-carbon products as well as products for raw material conversion by viewing environmental issues as opportunities	HG emission reduction rate (Scope1+2) Waste plastic material recycling rate (domestic)	-33% (compared to FY2019) Domestic 65% (overseas BM+5%) -32.8% Domestic 60.7%
DX	<ul style="list-style-type: none"> Innovate global management base Accelerate DX in core areas Secure human resources for DX promotion Secure and develop human resources for DX to drive business transformation leveraging digital technology	Direct/indirect net sales per employee	FY2030: Direct productivity 30% up Indirect productivity 43% up (compared to FY2019) Direct productivity: 21% up (compared to FY2019) Indirect productivity 11% up (compared to FY2019)
Internal Control	<ul style="list-style-type: none"> Improve risk foresight and prediction ability Strengthening the organizational self-purification ability (culture, and people) Reduce and control operational risks to support business risk-taking	Number of major incidents in the 5 fields	0 —

*1 Employee Challenge Action Rate: The percentage of respondents who replied either yes or somewhat applicable to the question: "I am taking concrete actions to engage in challenging action to realize Vision 2030." (redefined in 2023)

*2 Rate of successor candidate preparation
Number of potential successors to the most senior business leader post ÷ number of such posts

Strengthening Management Ability to Sustain Business

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

$$\frac{\text{after-tax Operating profit}}{\text{Invested capital}} = \frac{\text{after-tax Operating profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Invested capital}}$$

[Development of Measures]
 • Expand marginal profit
 • Improve productivity, reduce fixed costs

* Working capital = Accounts Receivable + Inventory - Trade Payables - Advances Received
 • Improve the probability of securing a return through effective capital investment
 • Achieve optimal plant utilization, optimize inventory, etc.
 • Manage asset levels and turnover ratios by expanding built-for-sale housing sales

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

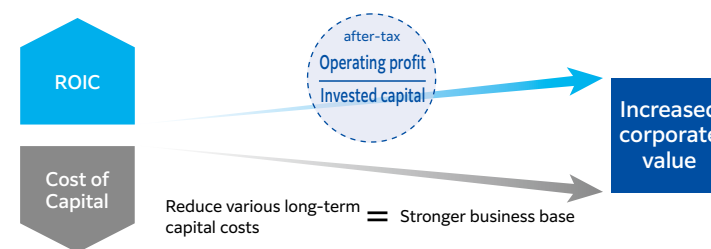
Support long-term growth; Control financial and non-financial capital costs ➤ **Forward-looking investments in financial and non-financial capital from a medium-to long-term perspective**

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

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

Investment for the future: ESG investment
Undertake up-front investments in digitization, contributions to the environment, and human capital; foster a culture of taking on challenges (Reskilling, etc.)

Expansion of the SEKISUI Sustainable Spread (ROIC Spread)



Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Investment and Financial Strategies

With aspirations for continued growth, SEKISUI CHEMICAL Group will leverage debt as necessary while actively expanding strategic investments.

Although investments in growth diminished in part due to the prioritization of structural reforms in the wake of the lingering impact of the COVID-19 pandemic, during the previous Medium-term Management Plan the Group made steady progress with investment into growth areas, including increasing production capacity for heat release materials and active pharmaceutical ingredients.

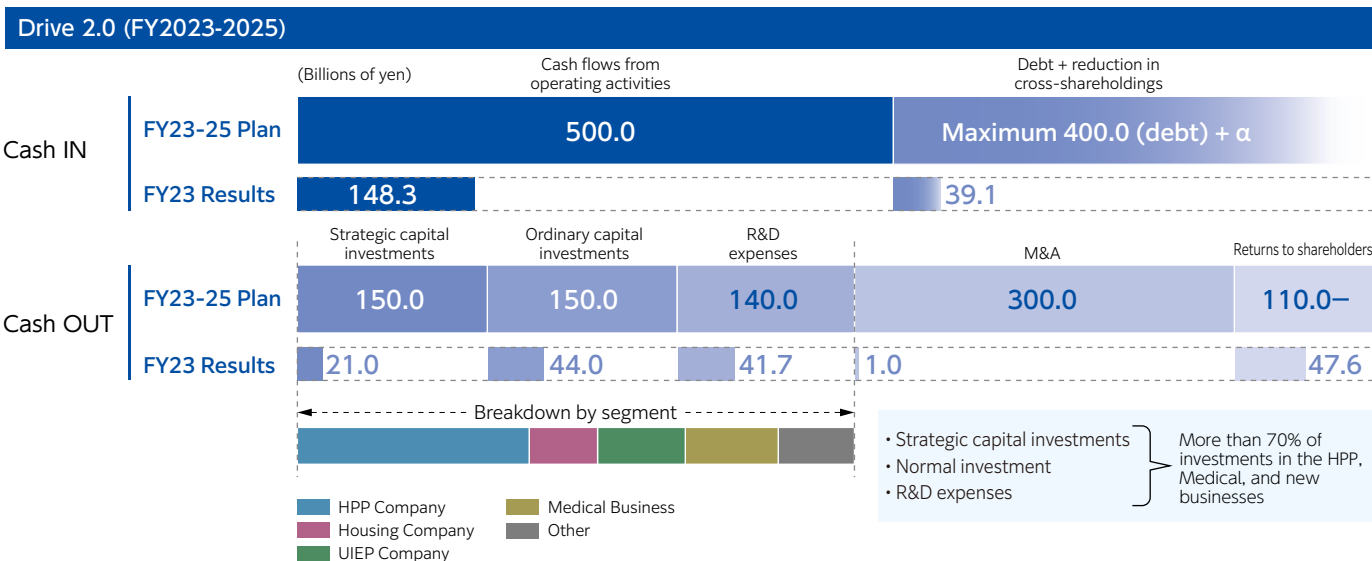
Under Drive 2.0, the Group expanded the upper limit for strategic investments, including M&A investment, to ¥450 billion. The Group will also allocate 70% or more of investments, including those for research and development, with a focus on the High Performance Plastics Company, Medical Business, and new businesses.

Investment plan and capital allocation (Billions of yen)

	FY23 Results	FY23-25 Plan
Strategic investment	22.0	Investment limit 450.0
M&A, etc.	1.0	Investment limit 300.0
Capital expenditure	21.0	150.0
ESG investment <small>(Included within the strategic investment and normal investment categories)</small>	13.0	30.0
Normal investment	44.0	150.0
Total investment	66.0	600.0
R&D expenses	41.7	140.0

Performance in FY2023 and Future Outlook

Although progress stalled in FY2023 due in part to the sluggish market, the number of growth investment projects, including those postponed to FY2024 and beyond, is increasing. We anticipate a gradual market recovery from the second half of FY2024, and will steadily pursue growth investments, capacity expansion, and other projects, while continuing to search for M&A and other opportunities, particularly in growth areas.



Topic

Increasing Production Capacity of Interlayer Film for Laminated Glass in Thailand

Global automobile production is expected to grow at an annual rate of 1-2%, and the shift to new energy vehicles (EVs, etc.) is accelerating. As a result, demand for interlayer film for laminated glass is expected to grow faster than the number of automobiles produced, because it is used in a wider range of applications, not only on windshields, but also side glass, roof glass, etc., and repair demand is also growing.

Furthermore, we believe that our interlayer films, which add advanced functions such as HUD compatibility, design, and sound and heat insulation, will grow at a high rate of more than 5% per year in response to growing needs for automotive performance, including safety, comfort, and energy efficiency. Against the backdrop of these needs, we have decided to expand our N-HPP production line in Thailand, mainly wedge-shaped interlayer film for HUD and color/design interlayer film, for 7 million automobiles per year.

Investment: Approx. 8 billion yen. Operation timing: Second half of FY2026

Expansion of Domestic Production Capacity of Process Materials for Advanced Semiconductor Manufacturing, and Establishment of an R&D Base in Taiwan

Highly adhesive and peelable UV tape "SELFA®" combines high adhesiveness and easy peeling by UV irradiation. These excellent characteristics have been highly rated by our customers, especially for cutting-edge semiconductors for AI (Artificial Intelligence) and high-speed communications, and power semiconductors for automotive applications, contributing to the development of the semiconductor market. This market is estimated to reach \$1 trillion by 2030, approximately double the 2023 level. To establish a stable supply system while meeting the demand for high quality, we have decided to increase our production capacity and strengthen our quality control level.

In addition, we have decided to establish a new R&D site in Taiwan (Hsinchu City), where many semiconductor-related companies, including important customers, are concentrated and actively developing cutting-edge technologies. This will enable us to conduct evaluation and analysis in close proximity to our customers, anticipate and respond to their increasingly sophisticated needs, accelerate the development of new semiconductor materials such as this product, and expand their adoption.

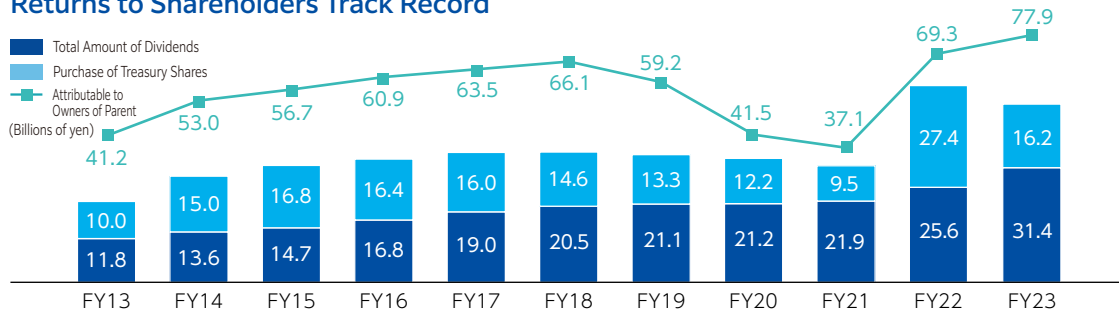
Investment value: Total value 5 billion yen, investment targets:
(1) Musashi Plant (2) Taiwanese semiconductor R&D site
Operation timing: (1) 1H of FY2027, (2) scheduled for April 2025

Medium-term Management Plan, Drive 2.0 (FY2023-2025)

Returns to Shareholders

Under the Medium-term Management Plan, SEKISUI CHEMICAL Group will return profits to its shareholders more aggressively than ever before. The Company seeks to secure a dividend-on-equity (DOE) ratio of 3% or higher while targeting a payout ratio of 40% or higher on a consolidated basis, as a part of efforts to implement stable dividend measures in line with its performance. In addition, SEKISUI CHEMICAL Group has set a target of 50% or higher for its total return ratio, which includes the buyback of shares, so long as its D/E ratio is 0.5 or less. For this reason, the Company will implement additional returns as appropriate, taking into account the investment progress under the Medium-term Management Plan, cash position, and stock price. Moreover, the Company plans to retire treasury shares to no more than 5% of the total number of shares outstanding.

Returns to Shareholders Track Record



	Previous Medium-term Management Plan	Medium-term Management Plan (FY2023-2025)
Payout ratio	35% or higher	40% or higher
DOE	3% or higher	3% or higher
Total return ratio	50% or higher if the D/E ratio is 0.5 or less	50% or higher if the D/E ratio is 0.5 or less Implement additional returns as appropriate, taking into account the investment progress under the Medium-term Management Plan, cash position, and stock price
Cancellation of treasury shares	Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares	Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Profit attributable to owners of parent per share (yen)	80.1	104.7	115.1	126.1	133.8	141.7	128.8	91.9	83.2	159.2	183.5
Dividend per share (yen)	23	27	30	35	40	44	46	47	49	59	74
Payout ratio	28.7%	25.8%	26.1%	27.7%	29.9%	31.0%	35.7%	51.1%	58.9%	37.0%	40.3%
Purchase of treasury shares (billions of yen)	100	150	168	164	160	146	133	122	95	274	162
Total return ratio ^{*1}	52.9%	54.0%	55.5%	54.5%	55.1%	53.0%	58.1%	80.4%	84.6%	76.5%	61.0%
DOE ^{*2}	2.7%	2.8%	2.8%	3.1%	3.3%	3.4%	3.5%	3.3%	3.3%	3.7%	4.2%
Cancellation of treasury shares (thousands of shares)	—	12,000	10,000	—	10,000	8,000	8,000	8,000	5,000	15,000	8,000

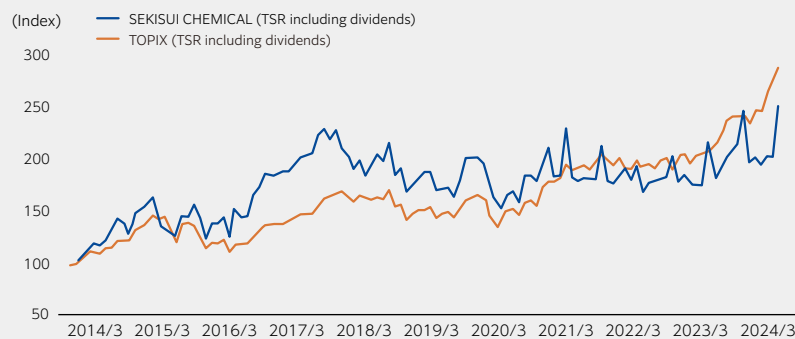
*1 Total return ratio = (Amount of treasury shares acquired + Total dividends) / Net income attributable to owners of parent *2 DOE = Total Amount of Dividends (full year) / Average equity

Details of SEKISUI CHEMICAL Group's total shareholders' return (TSR), including dividend and stock price fluctuation trends, are presented as follows. SEKISUI CHEMICAL Group raised the consolidated payout ratio to 40% in its return policy from FY2023. We will continue to strive to maintain a stable dividend for shareholders and to increase corporate value.

Total Shareholders' Return (TSR including dividends)

	Past 1 year		Past 3 years		Past 5 years		Past 10 years	
	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative
SEKISUI CHEMICAL	+18.9%	+13.5%	+4.3%	+40.8%	+7.1%	+149.9%	+9.6%	
TOPIX	+41.3%	+52.5%	+15.1%	+96.2%	+14.4%	+188.6%	+11.2%	

TSR and Share Price Performance over the Past 10 Years*



* Figures are indexed to data as of March 31, 2014, as 100.

Share Price Trends

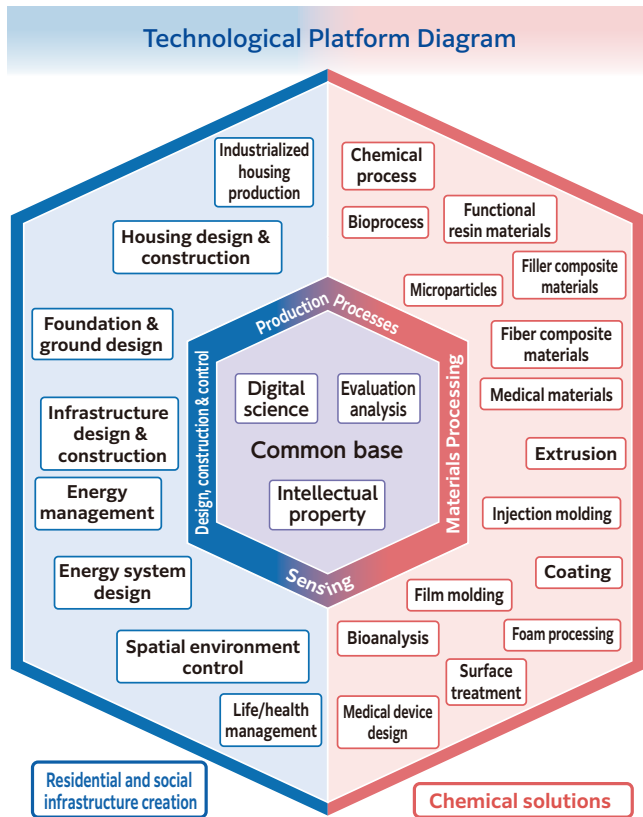
	High (yen)	Low (yen)	Closing (yen)
FY13	1,448	900	1,073
FY14	1,619	1,002	1,559
FY15	1,752	1,193	1,386
FY16	1,983	1,215	1,871
FY17	2,350	1,732	1,856
FY18	2,114	1,532	1,779
FY19	1,986	1,142	1,433
FY20	2,243	1,267	2,125
FY21	2,187	1,648	1,759
FY22	2,019	1,613	1,876
FY23	2,287	1,786	2,230

Innovation

The SEKISUI CHEMICAL Group emphasizes innovation as a key driver for continuously creating products to enhance sustainability in order to realize Vision 2030, our Long-term Vision. The source of innovation is the cycle of strategic foresight, processing, and value transformation, which is the business model of the value creation process. As we face a mountain of extremely difficult and pressing social issues, such as climate change, innovation to create new means of solving problems is becoming increasingly important. We will enhance our ability to solve social issues by quickly creating new value through the discovery of business opportunities across business domains, strengthening core technologies, and focusing on collaboration and open innovation with external parties.

Technological Platforms and Promotion Framework

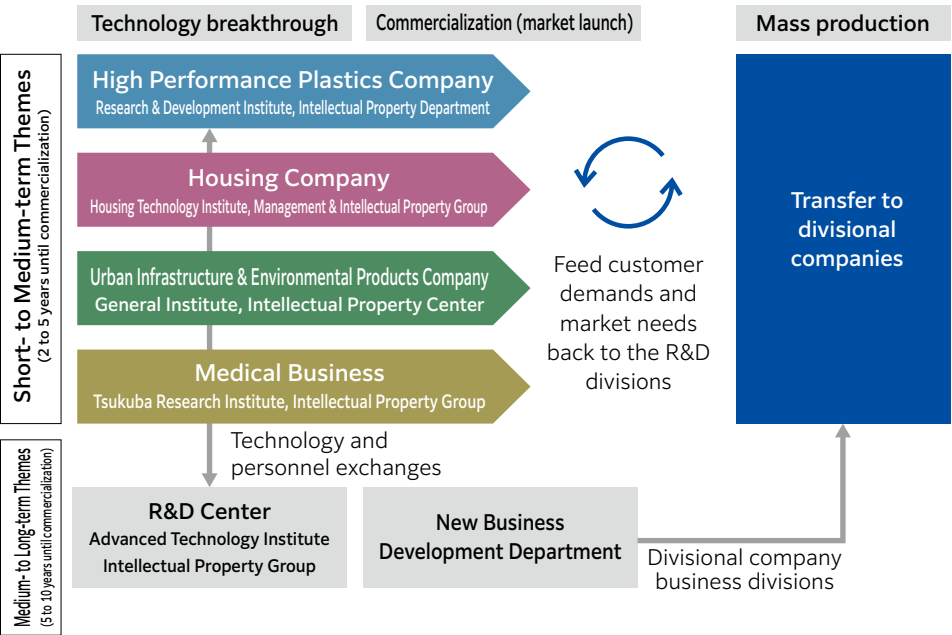
We believe that the source of value creation of the SEKISUI CHEMICAL Group lies in the core technologies owned by SEKISUI CHEMICAL. We define technologies that are particularly competitive or that need to be strengthened in the areas of Residential and Social Infrastructure Creation and Chemical Solutions as Technological Platforms (TPFs), and we are working to continuously strengthening these technologies. TPFs are adjusted with each medium-term management plan.



Innovation Process

The R&D framework for advancing innovation, the source of value creation, is divided into two sections based on the timeframe of each theme. Short- to medium-term themes, which originate from the acquisition of customer needs, are tackled by the R&D institutes in each segment to enable timely activities in line with the segment's respective business environment. Meanwhile, medium- to long-term themes are under the control of Corporate Headquarters; for these themes, the R&D Center is responsible for the initial discovery and planning of R&D themes and the establishment of basic technologies (turning "0" into "1"), and the New Business Development Department is responsible for promoting commercialization (turning "1" into "10"). After a theme is launched as a business, it is promptly transferred to a divisional company (turning "10" into "100"). Each segment and the Corporate Headquarters have an independent Intellectual Property Division. The Intellectual Property, Business, and R&D divisions for each segment are in constant cooperation, striving to achieve prominence over our competitors based on the distinctive characteristics of their respective areas, thereby linking to the expansion and growth of the Group's business.

R&D and Intellectual Property Management System



Innovation

Treatment of Human Resources Engaged in R&D and Intellectual Property Activities

The SEKISUI CHEMICAL Group has a system to appoint leaders who drive the technical enhancement for each TPF to specialist positions, which consist of four grades.

In FY2023, 39 engineers were appointed to specialist positions throughout the company; workers in these positions drive the continued technical enhancement of each TPF, while also playing a role in training the next generation of technical leaders.

As part of our effort to assess and reward researchers and engineers, the Group has also established the Invention Grand Prize as an award from the President & CEO to recognize inventions that have made particularly large contributions to the Group's profits.

The Invention Grand Prize is divided into four grades according to the invention's level of business contribution, and bonuses are awarded by grade. In particular, the Special Class bonus is in proportion to the amount of business contribution and has no upper limit.

Specialist Positions Supporting Technology

Kenichi Shinmei

Head of the MI Promotion Group, R&D Center,
Advanced Technology Institute,
Information Science & Technology Promotion Center



As the head of the MI Promotion Group, I am leading the proposal and development of new materials using materials informatics (MI), while I myself am also involved in supporting the proposal and development of new materials. Mainly, we search for and propose new materials that are suitable for the development theme, and in that process, MI can at times derive information not previously available in the development process so far. In this way, we gather useful information and work with developers to contribute to the development of new materials. Our current focus is the implementation of a development database. The goal is to accelerate development by building a common infrastructure that can effectively utilize various data obtained in the development process. Another is our efforts to automate experiments using MI, which we have launched as of FY2023. When making samples of new materials, the cycle of evaluating what has actually been made can be time-consuming, and sometimes dozens of samples are blended in a single researcher's day. On the other hand, if MI can be used to automatically proceed with sample experimentation, evaluation, and verification, the development cycle would be faster and more efficient. For me, it is important to work through the expectations of engineers involved in product development and meet these expectations one by one. SEKISUI CHEMICAL's products have many themes that are similar in domain, even though they are developed in different departments. The challenge I am tackling is to share such products and themes that can be handled as the same information data across departmental boundaries, link them to better proposals, and promote development activities together.

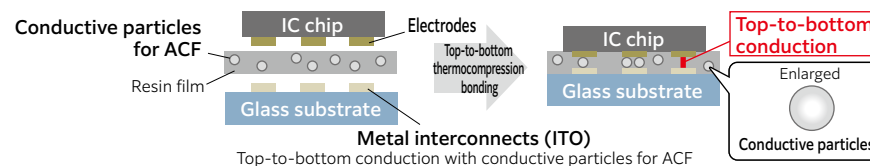
Digital science

Mechanisms for New Business Creation

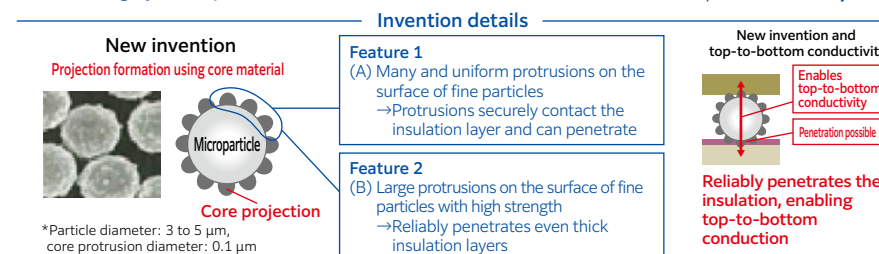
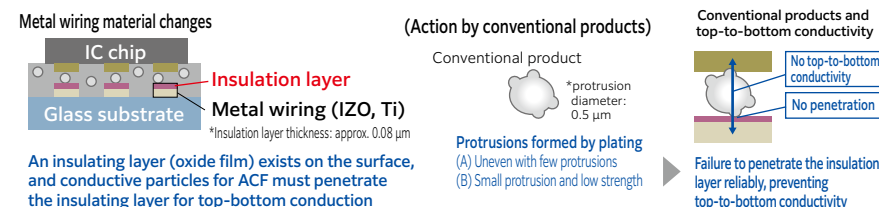
In 2021, the SEKISUI CHEMICAL Group established the Innovation Promotion Group in the New Business Development Department. **P.42** The Innovation Promotion Group is engaged in planning and creating new businesses, designing and operating an in-house entrepreneurship system, and fostering a culture of innovation. In FY2023, we launched an in-house entrepreneurship program as a human resources development measure to run projects with experts accompanying personnel to hone their skills as entrepreneurs. Though the goal of the program was to receive 100 applications, a total of 206 applications were received from the entire Group, well exceeding the target. This outpouring of talent looking to try out commercialization has created a real sensation. The MINASE INNOVATION CENTER (MIC), a research facility established in 2020, is working to accelerate internal and external fusion and open innovation by generating interactions transcending internal segment boundaries and actively engaging in technological exchanges with startup companies that possess low-carbon technologies and materials and technologies that contribute to resource conversion. We will accelerate value creation by promoting further integration with the outside world and by internally integrating and incorporating technologies, ideas, and innovation culture that are difficult to obtain solely from within.

Invention Grand Prize Winner: Conductive Particles with Core Protrusions (1st Class)

[Application method] Conductive particles for ACF inside resin film provide top-to-bottom conduction between the metal interconnects on the IC chip and the glass substrate



Due to changes in market trends, the material used for metal wiring has changed, necessitating penetration through the insulation layer. Conventional microparticles could not penetrate the insulation layer reliably, resulting in poor conduction. However, by forming protrusions in these microparticles, it has become possible to reliably penetrate the insulating layer and achieve vertical conductivity. This protrusion formation technology is protected by a patent, and the invented technology has met with strong assessments.



MINASE INNOVATION CENTER

Innovation

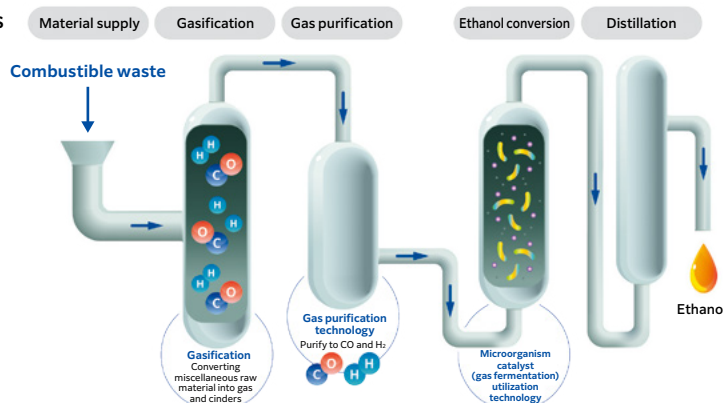
New Products and Businesses

In selecting themes for new products and businesses, we apply a score along a market axis for judging the potential of the market and a strategic axis for judging how the technologies, patents, and human resources possessed by the Group can be effectively employed with a focus on high-scoring themes along both axes. Once we have selected a theme, we continue to manage it by periodically analyzing the potential of the market and the competitive environment, and screen it to determine if our aggressiveness has abated. At the same time, we take the option of terminating any theme for which the score has fallen. In terms of actual progress management, we proceed towards commercialization upon implementing a five-stage Gate Review. We also conduct design reviews during product process development and environmental assessments at all stages of the product life cycle.

Biorefinery Technology

SEKISUI CHEMICAL Group is accelerating efforts toward the social implementation of carbon cycle technologies that recycle the carbon contained in raw materials. In specific terms, we jointly developed a biorefinery (BR) technology that converts combustible waste, including marine plastics, without separation into gas and then converts that gas into ethanol as a raw material for plastic using a microbial catalyst in collaboration with U.S.-based venture company LanzaTech, Inc. The BR technology identifies and removes about 400 kinds of foreign substances (extraneous substances that affect microorganisms) contained in the gas, successfully applying the purifying microbial catalyst to garbage.

Ethanol Production Process



Upon receiving investment from INCJ, Inc. (formerly the Innovation Network Corporation of Japan), SEKISUI CHEMICAL Group established SEKISUI BIO REFINERY CO., LTD., in April 2020. Steps are currently being taken to conduct a demonstration at a plant completed in April 2022 in Kuji City, Iwata Prefecture, which is 1/10th the size of a commercial plant, as the final stage in verifying the technology for practical application and commercialization. The first commercial-scale BR plant is targeted to begin production in FY2028. Plans are in place for the ethanol produced at the plant to be recycled as a plastic raw material in collaboration with chemical manufacturers, including SUMITOMO CHEMICAL CO., LTD., with which we have already begun partnership. Ethanol is converted to ethylene and then to plastic, and the products from the plastic are used and disposed of, collected as combustible waste, and returned to the BR plant. The aim is to create a resource recycling system that can be repeated over and over.

Cell Culture

Regenerative medicine regenerates body parts or organs lost due to illness or accidents. It is a promising medical treatment of the future that has the potential to treat diseases that have not been treated until now. Processing and culturing cells according to the purpose of treatment, and transplanting the cells themselves and cell products brings the possibility that lost body functions can be restored and diseases treated. This cell culture process requires a "scaffold" that adheres the cells to the surface of the culture vessel. However, the conventional protein scaffold poses multiple challenges in terms of industrialization. The SEKISUI CHEMICAL Group leverages its expertise in resin processing technology and PVB resin technology to create cell culture scaffolds suitable for industrialization through chemical synthesis. We aim to expand our presence in this field by promoting innovation to convert the material technologies we have cultivated in the fields of interlayer films, industrial tapes, and fine particles into the field of regenerative medicine.

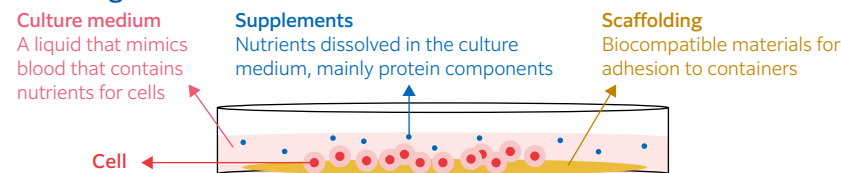
Challenges in the production process

- Unstable culture environment
- Low reproducibility

Challenges posed by raw materials from animal sources

- Safety risks caused by animal origin
- Variation in quality

Illustrative diagram of cell culture materials



We propose scaffolds that are ✓ animal-free ✓ can be stored at room temperature ✓ offer scalability

Open innovation inside and outside the company

Based on the Strategic Area Map on page 23, the SEKISUI CHEMICAL Group has formed a team to carry out open innovation and investment in venture companies, actively accessing external technologies and knowledge. In order to co-create new businesses, we will (1) design co-creation scenarios with startups, (2) fuse and provide the SEKISUI CHEMICAL Group's technologies, human resources, and business assets, and (3) make investments based on co-creation scenarios. [P.23](#)

Example of External Collaboration

Renovation / Real Estate

Aiming to create a new cyclical market for housing stock, we have entered into a capital and business alliance with Renoveru, Inc., a leading condominium renovation company, to develop a renovation business that combines our mutual strengths. We are considering collaboration on four themes: (1) condominium ZEH level renovation, (2) expansion of the development of the condominium purchase and resale business, (3) expansion of the distribution volume of the SEKISUI CHEMICAL Group's BeHeim purchase and resale business for detached housing, and (4) development of a complex town and community development and condominium building renovation business.

Innovation

Water Use / Recycling

We underwrote a third-party allotment capital increase for FRD JAPAN CO., LTD., which engages in the land-based aquaculture business. Through this capital participation, we will promote the fusion of our respective technologies and businesses in aims of contributing to the solutions for a range of social issues, including water resource, food, and energy conservation problems, as well as of realizing a sustainable society. In particular, we will focus on the global roll-out of an advanced water treatment system through the deployment of SEKISUI CHEMICAL Group water treatment devices to FRD's land-based aquaculture business, and through the synergy of our respective technologies and businesses.

Sustainable use of limited marine resources to support land-based salmon farming

The global consumption of seafood is growing rapidly, as greater health consciousness leads to widespread fish diet and even a broad custom of eating raw fish in emerging countries. In particular, salmon is in high demand not only as a sushi ingredient but also as a processed product, and consumption is rapidly increasing in Europe, North America, and Asia. However, wild salmon catches are plateauing, forcing many to rely on aquaculture. Due to the temperature of seawater and geographical conditions, marine salmon farming in Japan is limited to small-scale operations, and with the issue of how to sustainably secure domestic supplies, one potential solution under study is land-based aquaculture, which is not limited by climate or geography. FRD JAPAN CO., LTD. is developing the cultivation and sale of salmon using a closed-cycle system that it has developed independently, and one of its features is that it can minimize water replacement amounts.

Masataka Uemura

Executive Officer
Urban Infrastructure & Environmental Products Company

In forming this partnership with FRD JAPAN, we too have been thinking about how we can achieve sustainable aquaculture that does not pollute the oceans. With the catch of wild caught fish said to be at its peak, how to support the food supply is a major issue. FRD JAPAN is taking on this challenge by refining its unique technology. We, too, resonate with this aspiration to tackle a challenge and hope to contribute to solving social issues.

When FRD JAPAN contacted us in March 2021, the keyword of land-based aquaculture had already been mentioned by younger members of our team in establishing our medium-term plan. We, too, had honed our wastewater treatment technology in the manufacturing industry and accumulated it as an asset. We believe that we can apply this technology and expertise to FRD JAPAN's land-based aquaculture. In particular, we thought we could contribute to plant wastewater treatment, and both companies engaged in a series of lively discussions. We have never been involved in the food business or aquaculture business, but as the SEKISUI CHEMICAL Group is actively promoting open innovation, there were no barriers at all in terms of investment or technical cooperation. The members participating in the project have been energetic and enjoying their work, probably because they see the potential in the onshore aquaculture that FRD JAPAN is aiming for and resonate with our vision. The closed-loop land-based aquaculture that both companies are working on does not burden the natural environment, such as rivers and oceans, by circulating filtered water in a closed space on land, and it also reduces transportation costs and CO₂ emissions compared with imports from countries far from Japan. We hope to resolve each of the themes we face one by one toward the realization of a commercial plant and make this a frontier technology in the land-based aquaculture scene. Going forward, we will diligently work to make this a new step forward in the innovation of the SEKISUI CHEMICAL Group.

Responsible Officer Comments



Air Mobility

We have entered into a capital and business alliance with Volocopter GmbH, a developer and manufacturer of eVTOL (electric vertical take-off and landing) aircraft, for the purpose of applying our various materials and technologies cultivated in the aviation, automobile, and electronics fields to eVTOL aircraft, and for joint development. By doing so, we will contribute to the development of new transportation infrastructures and improvement of sustainability.

Responsible Personnel Comments



Kento Nagai

Corporate Planning Group, Business Strategy Department
After taking charge of the capital and business alliance with Volocopter, Mr. Nagai has been working on business development in the eVTOL market.

eVTOLs, or so-called "flying cars," are airborne cabs and bus-like vehicles that can be used on a daily basis, and are attracting attention as a new means of transportation. Traffic congestion is a major issue in many cities around the world, and the eVTOL initiative aims to provide a faster and more comfortable means of transportation using the "sky," where space is still available. Since the

SEKISUI CHEMICAL Group acquired AIM Aerospace, Inc., a manufacturer of parts for the aviation industry (now SEKISUI AEROSPACE CORPORATION), in 2019, it has been conducting ongoing research into entering the flying car market. One of the challenges for the practical application of eVTOL is to achieve both a sturdy and lightweight airframe structure. For example, the carbon fiber reinforced plastic (CFRP) moldings offered by SEKISUI AEROSPACE CORPORATION are light, strong, and non-corrosive, and are already being used in a wide range of aviation equipment. Though CFRP moldings are difficult to mass-produce, SEKISUI AEROSPACE CORPORATION possesses automated processing technology for carbon fiber reinforced thermoplastics (CFRTP), which are suitable for mass production. Compared to passenger aircraft, eVTOL requires a large number of aircraft, like taxis, which require not only high quality of molded parts but also a mass production system, and we are looking forward to the great impact this technology will have. The practical application of eVTOLs will require not only manufacturing, but also changes in legislation and regulations, and there are many issues to be addressed, but we also hope to contribute to the development of the industry from various perspectives.

Next-generation Communication Components

We consider the development of materials and equipment that control high-frequency radio waves as one of our business domains, and we are accelerating the commercialization of our business in order to solve the issues facing next-generation communications. As one of these initiatives, we have concluded a capital and business alliance agreement with LATYS Intelligence Inc. of Canada ("LATYS"). LATYS is commercializing its own radio wave control equipment, and has also started developing a tool for optimal equipment placement (simulation) for effective use of this equipment. This will make it possible to automate the placement and construction of radio wave control equipment to obtain a strong communication environment, which was previously solely based on principles from past experience. By combining the Group's next-generation communication components with LATYS's optimal placement tool, we aim to develop a service business that includes the provision of components and equipment and construction proposals, in order to create a good communication environment where people can connect easily anytime, anywhere.

Innovation

Intellectual Property

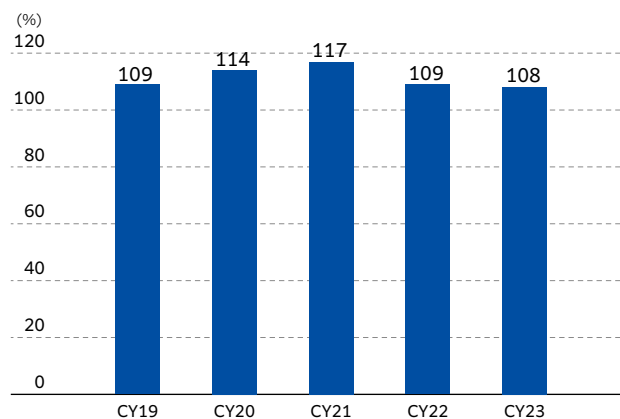
Fundamental Policy on Intellectual Property

We consider intellectual property, which is the result of our R&D activities, to be an important management resource that supports the growth and profitability of the SEKISUI CHEMICAL Group, and which contributes to maximizing corporate value. To this end, we are working to secure strategic intellectual property that supports our business, and to maintain and manage the intellectual property we have acquired. In our Medium-term Management Plan, Drive 2.0, we are working on activities from both a quantity and quality perspective, with reference to the Patent Asset Index™ (PAI), an indicator of patent asset value.

Intellectual Property Risk Management

Each divisional company conducts surveys to ensure that it does not infringe on the intellectual property of others in accordance with their respective business environments. The results of these surveys are provided to the business divisions and research institutes as needed, and appropriate measures are taken to avoid or prevent infringement and to minimize risks as early as possible.

Patent Asset Index™ Growth Rate



* The Patent Asset Index™ growth rate is indexed to 2018 and calculated using LexisNexis' PatentSight® patent analysis tool.

* The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based on the country of application for each patent with valid legal status, and adds them together to show the asset value of the patent.

Fostering an Intellectual Property Mindset

With the goal of increasing employee awareness of intellectual property, we started a system in FY2010 that grants P-Badges to those who submitted a certain number of patent applications.

Currently, our corporate culture considers it a matter of course for all engineers to earn one. There are a variety of awards systems in place for intellectual property activity achievements, and in addition to awards for inventions that contribute to profits, there are others that use different criteria such as number of patent applications in a year, invention originality, and strength of the application network. We also give awards for actions utilizing licenses and rights, such as earning license revenue and blocking the entry of other companies. These awards systems are intended to further motivate employees to work on intellectual property.

Intellectual Property Training for Employees

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

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

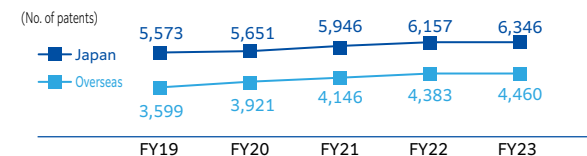
Group-wide Intellectual Property Application (IP Landscaping)

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

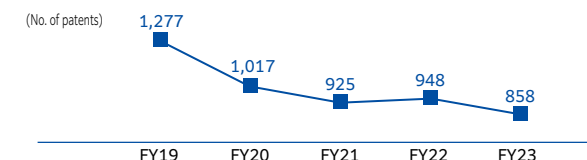
Performance Data

In each of the recent rankings for Patent Asset Scope and Ability to Restrain Other Companies announced by Patent Result Co., Ltd., the Company ranked third and fifth, respectively, in the chemical industry. SEKISUI CHEMICAL has maintained a position in the top 10 for the past 13 years.

Number of Patents Possessed (domestic and international)



Number of Patent Applications (domestic)



Patent Asset Scope Ranking (2023)

Ranking	Company name	Patent asset scope (points)	Number of patents
1	Fujifilm	62,210.0	1,275
2	LG CHEM	20,696.3	539
3	SEKISUI CHEMICAL	20,136.4	495
4	DIC	19,861.6	377
5	Nitto Denko	18,193.6	468
6	Mitsubishi Chemical	17,828.1	573
7	LG ENERGY SOLUTION	17,785.4	571
8	Kao	17,694.7	677
9	Sumitomo Chemical	17,661.4	509
10	Resonac	17,012.4	518

Source: Patent Result Co., Ltd. Chemical Industry: Patent Asset Scope Ranking 2023

Ability to Restrain Other Companies Ranking (2023)

Ranking	Company name	Number of patents
1	Fujifilm	3,607
2	Mitsubishi Chemical	1,803
3	Kao	1,464
4	Resonac	1,424
5	SEKISUI CHEMICAL	1,096
6	Asahi Kasei	1,072
7	Nitto Denko	1,058
8	Sumitomo Chemical	873
9	Shin-Etsu Chemical	746
10	DIC	695

Source: Patent Result Co., Ltd. Chemical Industry: Ability to Restrain Other Companies Ranking 2023

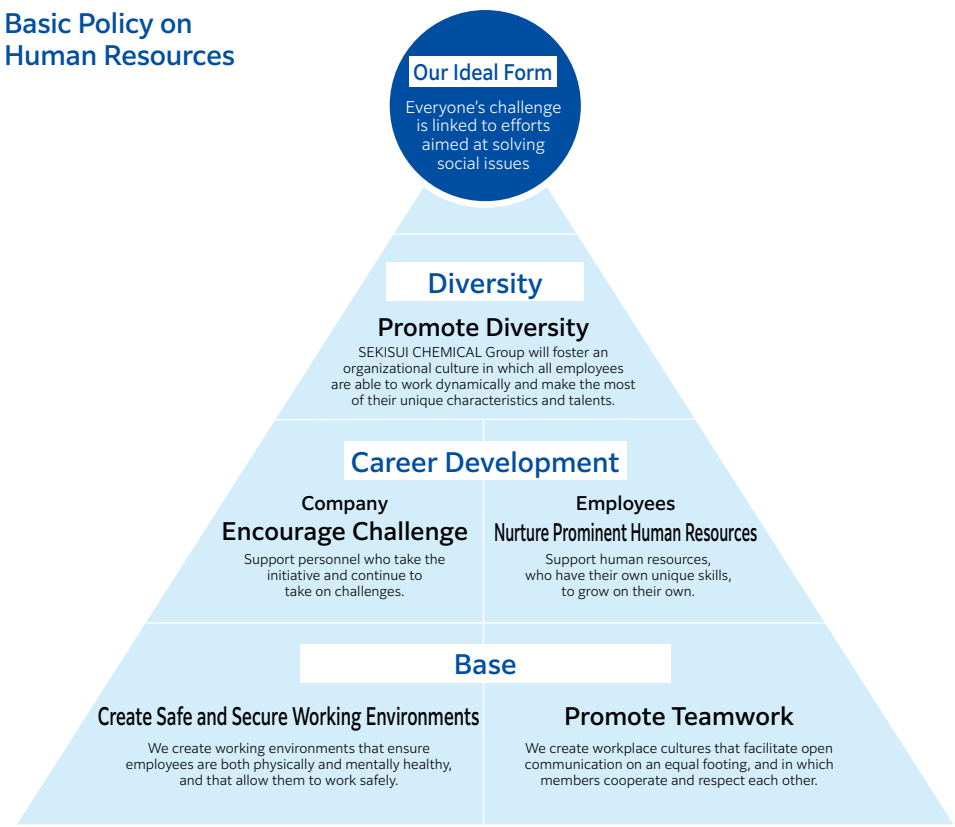
Human Capital

Human Resources Philosophy

Based on our belief that employees are precious assets bestowed on us by society, the Group is committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their specialties and support growth through challenges.

With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure working environments in response to conditions in each country and region.

Basic Policy on Human Resources



*1 Employee Challenge Action Rate: The percentage of respondents who replied either yes or somewhat applicable to the question: "I am taking concrete actions to engage in challenging action to realize Vision 2030." (redefined in 2023)

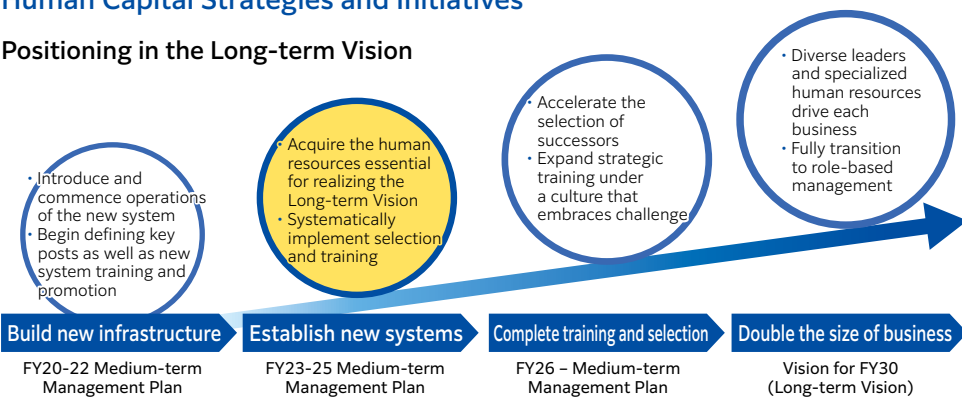
*2 (1- (Number of employees who left employment in 1 year/ Number of employees as of April of the fiscal year)) ×100 (only includes permanent fulltime employees. Excludes compulsory retirees and transfer retirees)

Human Capital

SEKISUI CHEMICAL Group has established the Long-term Vision, Vision 2030, in order to become a globally indispensable corporate group that supports Life, with the aim of realizing a society in which all generations can enjoy an affluent existence. In an effort to realize Vision 2030, we will work to become an energized and engaged company where all employees thrive on challenges, in other words, to serve as a company that fosters innovation and creation while expanding its contribution to solving social issues.

Human Capital Strategies and Initiatives

Positioning in the Long-term Vision



Achieve both strategic creation and strengthening of existing businesses

	Make the most of preparedness to boldly take on challenges	Fully prepare for the realization of management strategies	
Medium-term personnel strategy	Foster a Culture that Embraces Challenges	Realize the right person for the right position	Achieving Diversity
Key personnel strategy	Create a place to take on challenges	Foster "ambidextrous" business leaders Select and train executive candidates Visualize the role of executives and conduct multifaceted evaluations	Promote the active participation of diverse human resources Promote the employment and retention of diverse human resources Promote diversity and support work-life balance
	Support employees taking on challenges	Secure professional human resources that "stand out" Secure and strengthen highly specialized human resources Strengthen reskilling in line with business needs	Realize an environment that enhances the vitality of individuals and the workplace Create an environment where employees can work with peace of mind Ensure a healthy and comfortable working environment
KPIs (Example)	Employee Challenge Action Rate* ¹ FY2023: 48% FY2025 target: 60%	Successor candidate preparation rate FY2023: 92.4% FY2025 target: 100%	Maintain and increase the retention rate* ² FY2023: 97.5%
Human Capital Investment	Invest ¥12 billion over the three-year period from FY2023 to FY2025 in human capital (intangible assets) 1. Invest in employee career advancement 2. Secure human resources for each Group company (labor condition improvements, personnel reinforcements, working environment upgrades)		

Human Capital

Foster a Culture that Embraces Challenges

To motivate employees to embrace challenges and take action, it is essential to create a variety of environments, where supervisors set appropriate goals and motivate their team members, and to foster an organizational culture in which challenges are valued and failure is tolerated. For this reason, the Human Capital Strategy in the Medium-Term Management Plan focuses on “creating opportunities for taking on challenges” and “encouraging challenges” in order to “foster a culture that embraces challenges.” We are now implementing measures to achieve these goals.

Key KPI: Employee Challenge Action Rate

Survey question: I am taking on challenges to realize Vision 2030

	FY2021	FY2022	FY2023	FY2025 target
Employee Challenge Action Rate (%)	51	47	48	60
Response rate (%)	62	81	88	—

Indicators were redefined in FY2023. FY2023 and beyond: “True” or “Somewhat true” applied
FY2022 and earlier: “True” applied

Main KPI: Engagement score

Survey question: Measure your “passion for work” and “attachment to the company”

Set a target of maintaining and improving the score of engagement-related action questions compared to the previous year.

	FY2019	FY2020	FY2021	FY2022	FY2023
Score (indexed) *FY2019 set at 100.	100	105	143	114	133
Response rate (%)	85	80	62	81	88

The percentage of employees with an average score of 4.5 or higher on the six engagement-related action questions (out of 6 points each) has been set as a key KPI.

Questions

1. If I had a friend who was looking for a job, I would recommend the company without hesitation.
2. If I had the chance, I would tell others how wonderful it is to work for the company.
3. If I were to leave this company, it would require significant resolve.
4. I have thought little about leaving the company to work for another company.
5. The company motivates me to do my best every day.
6. The company motivates me to not only do the work assigned to me, but also to contribute beyond that.

As a direct dialogue event between top management and employees, we held the Vision Caravan 2023 (in Japan and overseas) and Talk with Top Management 2023 under the themes of ESG management and embracing challenges, which are the keywords of Vision 2030.



Vision Caravan 2023 held at a venue overseas



Achieving The Right Talent in the Right Position

We aim to realize the right person for the right position by shifting to role-based human resource management.

Rather than the conventional approach of assigning roles to individual abilities, we aim to place the right person in the right position for each important role in the SEKISUI CHEMICAL Group.

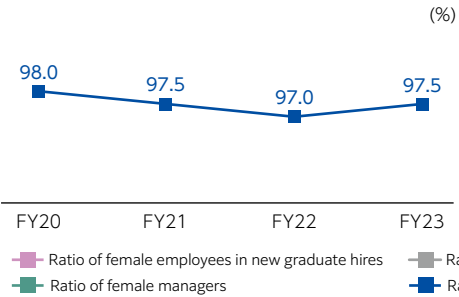
- Introduction of a new grade system for managers, abolition of the period for assessing appointments, and a system for training successor candidates
- Extension of mandatory retirement age: from 60 to 65 years old*1
- Visualization and utilization of qualitative information of employees through HR systems

We will focus on fostering “ambidextrous” business leaders (creating new businesses [exploration] and steadily growing and refining existing businesses [transformation]). In addition, we are working to secure professional human resources who are prominent and have a high level of expertise and execution capabilities, which are the source of corporate value.

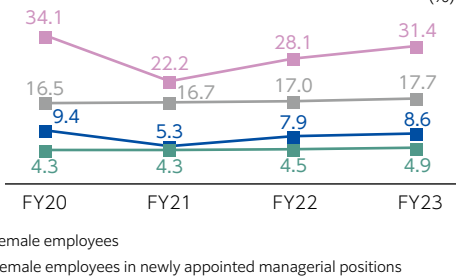
Achieving Diversity

Based on the SEKISUI CHEMICAL Group Diversity Management Policy, we view diversity not only in terms of differences in appearance, such as gender, age, and race, but also differences in terms of background, values, and personality. We will understand and accept the differences of each employee and utilize them as strengths. We will promote diversity and foster a culture in which each and every one of us can demonstrate our unique personality, play an active role, and take on challenges. With work-style reforms and health and productivity management as the foundation for this, we are focusing on acquiring diverse human resources and creating an environment to retain them and ensure they play an active role.

Key KPI: Retention rate



Main KPI: Ratio of female employees (non-consolidated basis)



Bird's-Eye View Analysis (Yanagi model) Result

- Retention rate after three years of employment (SEKISUI CHEMICAL) [%]: 1% increase
➔ 4.90% improvement in PBR after 6 years
- Company-wide response: “If I were to leave this company, it would require significant resolve”: 1% increase
➔ 0.45% improvement in PBR after 0 years

The results of the survey suggest that an increase in the retention rate after three years of employment and an increase in the number of employees who responded “STAY 1: If I were to leave this company, it would require significant resolve” in the employee engagement survey contribute to the improvement of corporate value. We see this as an indication that human capital initiatives such as health management, work style reforms, and creating a climate facilitative of taking on challenges can lead to employee retention and contribute to increased corporate value.

*1 Implemented at SEKISUI CHEMICAL and certain Group companies in 2021; to be completed at all Group companies by FY2025

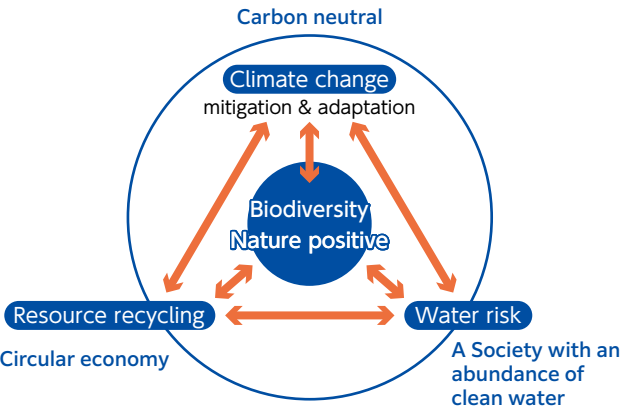
Environment

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

*For details on our efforts to address climate change issues, scenario analysis, and initiatives to address biodiversity issues, please refer to our TCFD/TNFD Report. https://www.sekisuichechemical.com/sustainability_report/report/#tcfd

Environmental Issue Initiatives

Correlation diagram of environmental issues related to the SEKISUI CHEMICAL Group



We have set targets for each medium-term environmental plan by backcasting from our long-term environmental vision, SEKISUI Environment Sustainability Vision 2050, and we are now implementing measures. In the medium-term environmental plan, SEKISUI Environment Sustainability Plan: EXTEND (2023~2025), we are promoting measures to address “climate change,” “resource recycling,” and “water risk” as important environmental issues. We are also focusing on reforms to improve the “quality” of our efforts to address environmental issues and find solutions to all environmental issues at the same time. In order to select and implement solutions without trade-offs, we are implementing environmental strategies aware that there is a correlation between all environmental issues.

Responses to Biodiversity Issues

The SEKISUI CHEMICAL Group assessed the following risks posed by biodiversity and identified the effects of dependencies and impacts.

- (i) Dependencies and impacts on natural capital by business domain
- (ii) Dependencies and impacts on product lifecycle management
- (iii) Verification of water risks at production sites
- (iv) Verification of dependencies and impacts at production sites
- (v) Medium- to long-term risk analysis

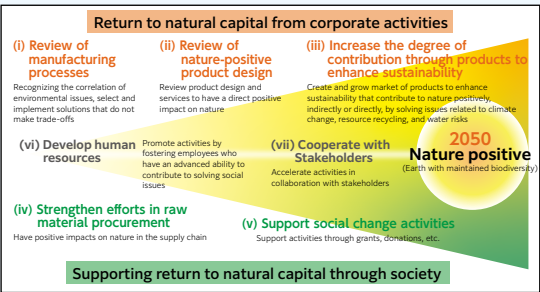
Based on the results, we are working to realize an “Earth with Maintained Biodiversity” by 2050, based on the seven pillars at right from both corporate activities and support for social change.

Management of Environmental Issues and Risk Management

Since FY2020, the Group's environmental aspects have been managed and advanced under the Sustainability Committee, which serves as a forum for deliberating policies and strategies for improving the sustainability of society and the Group. As subcommittees of the Sustainability Committee, we have established separate subcommittees for each issue that the Group has defined as materiality, and we have established an environmental subcommittee for environmental issues.



Risks related to environmental issues, such as climate change, are studied and evaluated by the Environmental Subcommittee, with the results reported to the Sustainability Committee, where they are deliberated on along with company-wide response policies, major measures, and achievement target levels.

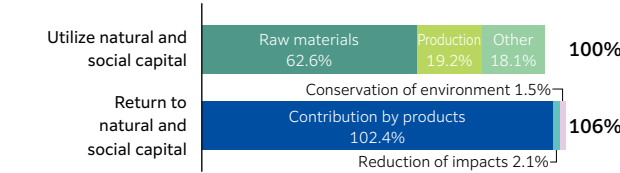


Integrated Index: SEKISUI Environment Sustainability Index (FY2023)

In order to confirm the progress of our long-term environmental vision, we calculate the rate of return to natural and social capital using the SEKISUI Environment Sustainability Index as an integrated indicator. As a breakdown of its calculation, in addition to climate change issues, we identify the impact on plant biomass (primary production of plants) and biodiversity (the number of extinct species) and monitor it as an impact on natural capital (nature aspect). As for results in FY2023, when the use of natural and social capital (burden on the natural and social environment) is set to 100, the return on natural and social capital (contribution to nature and social environment) was 106%, confirming that we have been able to maintain 100% or higher.

This is because of the progress made in the conversion of purchased electricity to renewable energy and the return (contribution) from products to enhance sustainability has been steadily increasing. In the future, we will continue to grow as a company and expand our business, while maintaining a return on natural and social capital of 100% or higher. By 2050, we aim to realize the sustainable use of natural capital and social capital generated by human societies on Earth.

SEKISUI Environment Sustainability Index (2023)



FY2023 Results	
Rate of return to natural and social capital through corporate activities	106%*
*The goal for FY2023 under the Medium-term Plan is 100% or higher	

Breakdown of the rate of return to impacts regarding the aspect of nature	
Rate of return to biodiversity	30.5%
Rate of return to plant biomass	50.4%

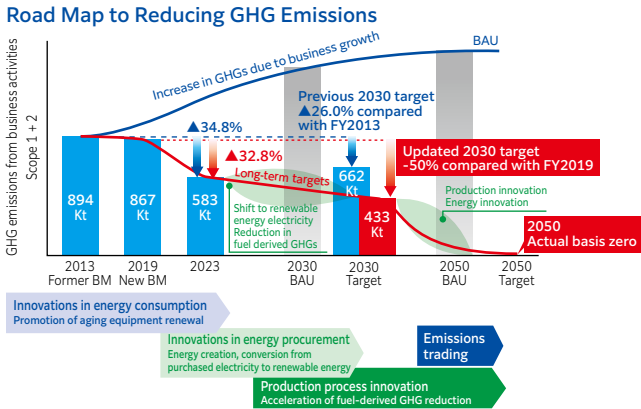
*Calculated using LIME2, a damage calculation-based impact assessment method for use in Japan

*MiLCA, a calculation system using LIME2 used to calculate the return rate has been updated to database IDEA ver3.1. As a result, the environmental impact per unit amount is larger, especially in terms of the impact of chemical substances on ecosystems. Placing even more importance on the impact on biodiversity, we are using the updated calculation system from FY2023.

Environment

Efforts to Address Climate Change

Based on the results of scenario analyses conducted in line with the recommendations of the TCFD in FY2019, we identified climate change issues as risks and opportunities [P.25](#) that could have a major impact on business, which is why we define the environment as one of the key issues for the Group. In response to recent demands to accelerate climate change mitigation and adaptation measures, in March 2023 we raised our target for GHG reductions for 2030 in line with the 1.5°C scenario and received SBT certification again. SEKISUI CHEMICAL Group is working to reduce not only its own GHG emissions but also those of its entire supply chain, from the procurement of raw materials to the transportation, use, and disposal of its products. In moving toward the long-term goal of achieving effectively zero GHG emissions from our business activities by 2050, we aim to convert all electricity purchased within Scope 2 to renewable energy sources by 2030. From FY2023, we will also explore ways to promote the reduction of GHG emissions derived from fuel (Scope 1), which has a high degree



Main Initiatives

Promoting the use of renewable energy

We have installed solar power generation equipment at our production sites in Japan and overseas to promote the use of renewable energy. Since FY2020, we have been actively switching purchased electricity to renewable energy sources, and as of the end of FY2023, 41 of our business sites in Japan and overseas have switched to electricity generated from 100% renewable energy. In FY2023, electricity consumption from renewable energy sources totaled 355 GWh, which is equivalent to 49.5% of purchased electricity (including self-consumption solar power).

Bird's-Eye View Analysis (Yanagi model) Result

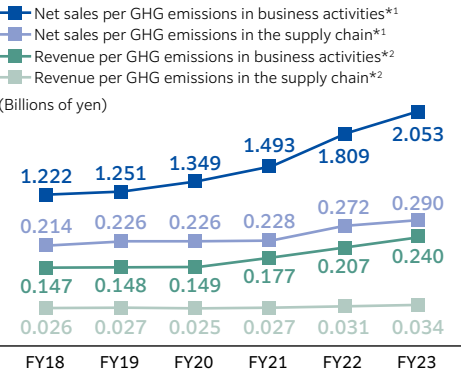
- Breakdown of GHG emissions during production_Overseas (city gas) [%]: 1% decrease
→ 5.19% improvement in PBR after 5 years
- Breakdown of GHG emissions during production_Overseas (electricity) [%]: 1% decrease
→ 3.37% improvement in PBR after 1 year
- Waste generation at production sites_Overseas [thousand tons]: 1% decrease
→ 0.88% improvement in PBR after 5 years

The survey suggested that reductions in GHG emissions overseas and waste generation at production sites, particularly at the High Performance Plastics Company which has many overseas locations, are connected to improved corporate value after one to five years' time. Our understanding is that this suggests that efforts to address climate change through encouraging renewal of aging facilities and innovations in energy procurement, such as conversion of purchased electricity to renewable energy and introduction of solar power generation equipment for private consumption, may lead to improved corporate value. In addition, as part of our efforts to achieve resource recycling, we are also working to reduce the amount of waste generated in production processes, such as by converting waste plastic into raw materials and recycling it internally. The survey yielded the suggestion that these efforts are leading to an increase in corporate value.

Effects of Climate Change Efforts on Management

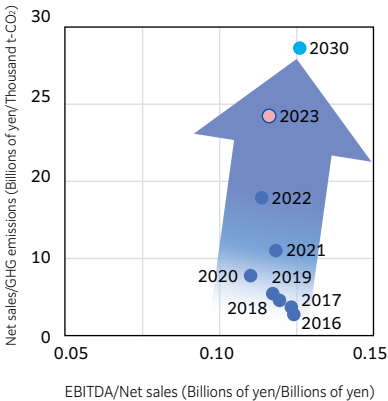
We verified how efforts that contribute to climate change mitigation and adaptation are affecting management using the trends in carbon efficiency (environmental) over time and using the correlation between carbon efficiency (environmental) and economic efficiency. First, the relationship between GHG emissions, sales, and EBITDA is shown by changes in net sales per GHG emissions and EBITDA per GHG emissions. An increasing trend has been observed in two indicators in business activities. We were able to confirm that the transition to renewable energy is progressing at domestic and overseas business sites, and that this is having a continuous positive impact on management. Similarly, when looking at the supply chain as a whole, both indicators show an upward trend. We also confirmed the correlation between sales per unit of GHG emissions and EBITDA per unit of sales, indicating that we have improved "sales per carbon" while maintaining stable earnings. Based on the results of these verifications, we were able to confirm that the strategy we are advancing based on our Long-term Vision for 2030 is correct. Going forward, we will continue to aim for corporate growth that balances environmental and economic efficiency.

Carbon Efficiency in Business Activities
Carbon Efficiency in the Supply Chain



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

Carbon Efficiency in Business Activities
(Correlation between environmental and economic efficiency)



Medium- to Long-term GHG Emissions Reduction Targets

Initiatives	Indicators	Results from Previous Medium-Term Management Plan (FY2022)	FY2023 Results	Medium-Term Management Plan (FY2025)	FY2030	FY2050	Remarks
Reduction of GHG emissions	Renewable Energy Ratio of Purchased Electricity	36.4%	49.5%	70%	100%	Total power consumption, including cogeneration 100%	Joined RE100 (FY2022)
	GHG emission reduction rate of Scope1+2	-26.8% (vs. FY2013)	-32.8% (vs. FY2019)	-33% (vs. FY2019)	-50% (vs. FY2019)	Zero emissions	Obtained SBT certification Reduction of GHG (Until 2030)
	Reduction of GHG emissions from the supply chain	-11.0% (vs. FY2016)	-8.8% (vs. FY2019)	—	-30% (vs. FY2019)	—	
	Fuel-source GHG emission reduction rate (including GHGs not arising from energy consumption)	—	-15.9% (vs. FY2019)	-12% (vs. FY2019)	-11% (vs. FY2019)	Zero emissions	
Energy savings	Reduction rate of energy consumption per unit of production	-1.1% (vs. FY2019)	+3.5% (vs. FY2022)	-3% (vs. FY2022)	—	—	

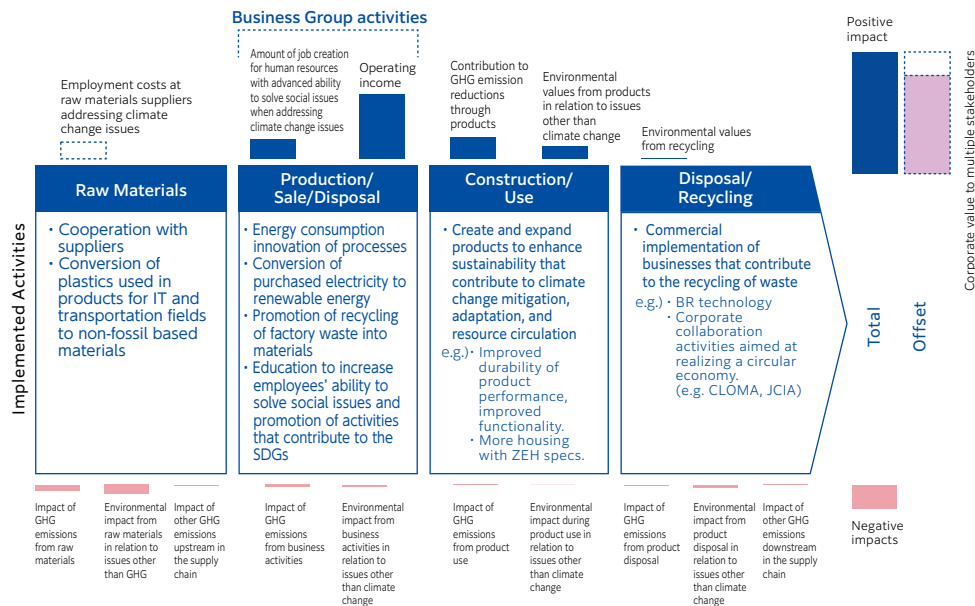
Environment

Impacts of Climate Change Initiatives on Multiple Stakeholders

Climate change is affecting the entire planet, and SEKISUI CHEMICAL Group's efforts to combat climate change are considered to have an impact not only on shareholders but also on multiple stakeholders. To verify the validity of the strategy, we therefore believe that it is necessary to consider the impact on multiple stakeholders in a broad-based and comprehensive manner and are utilizing an impact-weighted accounting methodology to calculate the comprehensive income for multiple stakeholders. Impact-weighted accounting is a concept that integrates accounting and impact by converting the impact of corporate activities on all stakeholders into monetary value and adding or subtracting profits to better understand corporate value for all stakeholders. As a result, having recognized where the positive/negative impacts on multiple stakeholders are occurring, we confirmed that the initiatives currently being implemented are contributing to the enhancement of corporate value by increasing the positive impacts and reducing the negative impacts.

Going forward, we will continue to work to formulate management strategies and implement measures to further expand the positive impact and reduce the negative impact in order to solve climate change issues.

Image of company value over the life cycle of a product using impact-weighted accounting methods



[Calculation method] Stakeholder comprehensive income = (Profit for period + Employment costs for Concept 1 or Concept 2 + Economic value of contribution to GHG emission reductions through products + Economic value that products bring to environmental aspects other than climate change issues) - (Economic losses from greenhouse gas emissions from business activities including the global value chain upstream and downstream + Economic losses from environmental aspects other than climate change issues from business activities including the global value chain upstream and downstream)

*From FY2023, the calculation includes all business activities related to the global value chain.

*The LIME2 concept was adopted when converting value.

*With regard to human resources investment related to natural capital, stakeholder comprehensive income is calculated based on the employment costs according to the following two concepts.

[Approach 1] Employment costs for employees implementing climate change initiatives

[Approach 2] Employment costs for human resources who will lead climate change initiatives

[Reference] Approach to Human Investment in Impact-Weighted Accounting Using Human Resource Indicators of Ability to Contribute to Solving Social Issues

The SEKISUI CHEMICAL Group has established human resource indicators to serve as guidelines for individual progress and is reviewing the content of these indicators for each medium-term plan in order to ascertain the current state of knowledge and actions required to solve social issues, including environmental issues, and to encourage self-improvement. Questionnaires conducted through self-checks confirm the extent to which employees possess knowledge or are taking actions that lead to the resolution of issues. We believe that it is important in the short, medium, and long term to make investments in accordance with employee growth, and in the framework for impact-weighted accounting, the employment costs for employees are positioned as human investment related to natural capital ([Approach 1] under human investment). Results of the questionnaire are classified into five levels (A through E) based on the ability to contribute to solving social issues, and we consider it especially important to invest in human resources in the top two levels (A and B) with strong problem-solving abilities who can make contributions. Based on this belief, we conduct education and training to increase the number of such employees ([Approach 1] under human investment).

Share of Human Resources Driving Solutions to Social Issues (%)

	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Share of employees with Levels A and B in the check for social problem solving contribution capability	2.8	7.2	6.7	6.7	10.1	7.2	20.4

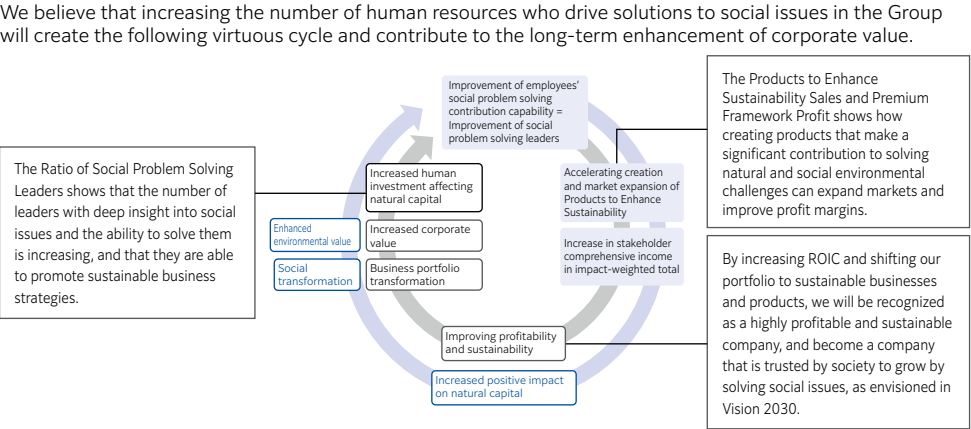
*2017-2019 : Composed and implemented evaluation content as an environmental human resources check

2020 : Read as the same status as FY2019, as there had been no implementation

2021-2022 : Composed and implemented evaluation content as a check for social problem solving contribution capability

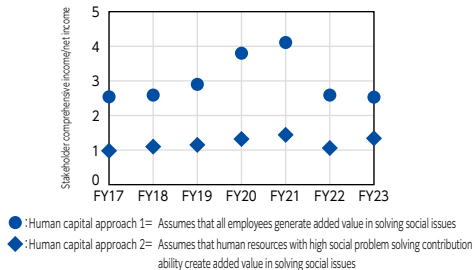
2023-2025 : Updated and implemented evaluation content as a check for social problem solving contribution capability

[Correlation with Corporate Value]



Stakeholder Comprehensive Income as a Share of Net Income

The following chart shows the ratio of stakeholder comprehensive income to net income calculated by impact-weighted accounting. For human investment related to natural capital, stakeholder comprehensive income differs due to the difference in the amount of jobs created based on the two approaches. The ratio is 2.5 when [Approach 1] is applied, and 1.3 when [Approach 2] is applied.



Environment

Initiatives for Resource Recycling

We promote resource recycling initiatives that will help accelerate decarbonization efforts. In FY2020, we formulated a resource recycling policy, strategy and road map for the realization of a circular economy in 2050. Plastics are one of the major materials used in SEKISUI CHEMICAL Group's business domains. Up until now, in the production process, we have continually made efforts year after year to reduce the amount of waste generated, using waste per unit of production as an indicator for these efforts. In addition, we have carried out, for example, internal recycling to reuse scraps generated and implemented processing for reuse of resources including energy when disposing of materials as waste. Our resource recycling policy established in FY2021 clearly states that we will expand the ratio of plastic materials we use comprised of bioplastics and other recycled materials that are not derived from fossil fuels. We will promote internal recycling more than ever before to minimize the waste products emitted from our construction projects. Additionally, in both the use and recovery stages, we will work on our product design and supply chain to ensure products can be disposed of with thorough sorting and separation. In this way, we will promote initiatives to maximize reuse of material resources through mechanical recycling, chemical recycling, and other recycling methods. Based on the results achieved up to and including FY2023, we have reset the milestones for 2025. Within these life cycles, we believe that innovation at the product design stage is important for driving the promotion of resource circulation. By designing new products and revising the various processes for existing products, we are promoting initiatives for innovation that will accelerate resource circulation.

Road Map for Achievement of Long-Term Resource Recycling Targets

		FY2022 Results	FY2023 Results	~FY2025	~FY2030	~FY2050
Business Strategy	Net sales of Products to Enhance Sustainability that contribute to resource circulation*	2.2 times (¥123.3 billion)	1.8 times (¥99.0 billion)	1.7 times (¥94.0 billion)	Double or more (¥110.6 billion)	All products
Raw material resource conversion	Net sales of products not derived from fossil fuels and using recycled materials	¥34.8 billion	¥34.7 billion	¥40.0 billion	¥100.0 billion	—
Resource recycling of waste	Ratios for recycling waste plastic into new materials	—	60.7% (Japan)	65% (Japan)	100%	100%

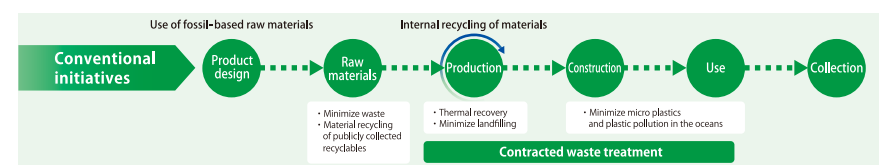
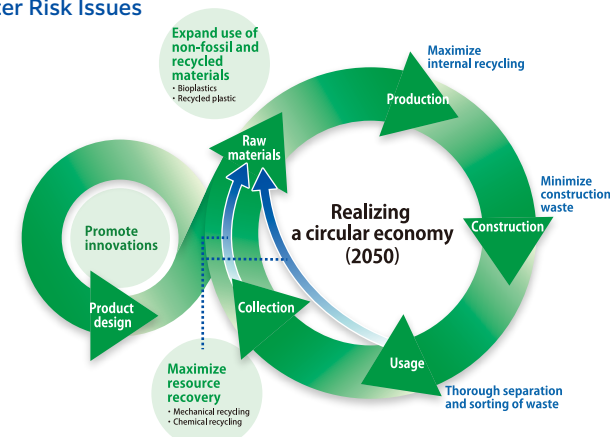
* Benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation: ¥55.3 billion (FY2020)

Plan for Recycling Waste Plastic into New Materials

Phase	Initiatives Implemented	FY23	FY24	FY25	FY28	FY30
[Phase1] Use of existing technologies	Review of recycler suitability					
	Thorough separation of blended materials					
	Improved (1) storage and (2) transportation efficiency due to compression/grinding					
[Phase2] Introduction of new material recycling technologies	Development of new material recycling technologies					
	1. Identification and application of technologies according to difficult-to-recycle material targets 2. Establishment of operating methods					
[Phase3] Completion utilizing chemical recycling technologies	Use of Biorefinery (BR) and other chemical recycling technologies					
	Acceleration through collaboration with other companies					

●: Increase in the material recycling rate to start taking expect (expected)

Addressing Water Risk Issues



Addressing Water Risk Issues

With regard to water risk issues, we have established two goals—minimizing the water risk at SEKISUI CHEMICAL Group and contributing to the resolution of water-related issues in local communities—while reducing the water intake volume of the entire Group. In addition to promoting recycling, we are also focusing on improving the chemical oxygen demand (COD) index for the quality of water discharged into rivers. As a specific measure, in regard to water resources in the watersheds where business sites are located, we will select locations/suppliers where the business impact is substantial and locations where the water risks are substantial and minimize the environmental impact by 2030.

In FY2023, water intake volume at the selected production sites which use large quantities of water decreased 8.5% compared with the base FY2016 year. This reflects the installation of equipment that control the volume of direct water intake from rivers at production sites in Japan that consume large volumes of water and the effects of reduction endeavors. The COD impact of river discharge water at production sites with large COD emission volumes decreased 2.7% compared with the base FY2016 year.

Examples of capex using the environmental contribution investment incentive program

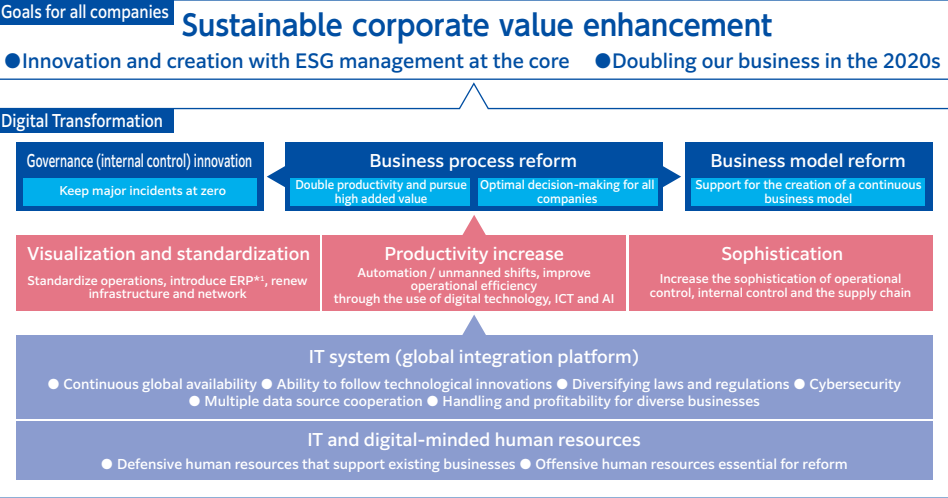
Base year: FY2016

	Site	Reduction strategy	Result (Expected)
Reduction in Water intake volume	Shiga-Minakuchi Plant	Introduction of filtration equipment allowing the reuse of recycled wastewater as a coolant. Strengthen management and promoted visualization of water use at the facility.	Reduction of 9%
	Sekisui Medical Co., Ltd. Iwate Plant	10% reduction through automation of industrial water intake adjustment	Reduction of 10%
Reduction in wastewater COD	Sekisui Nano Coat Technology Co., Ltd.	Improve treatment capacity by upgrading wastewater treatment facility	Reduction of 25%

DX

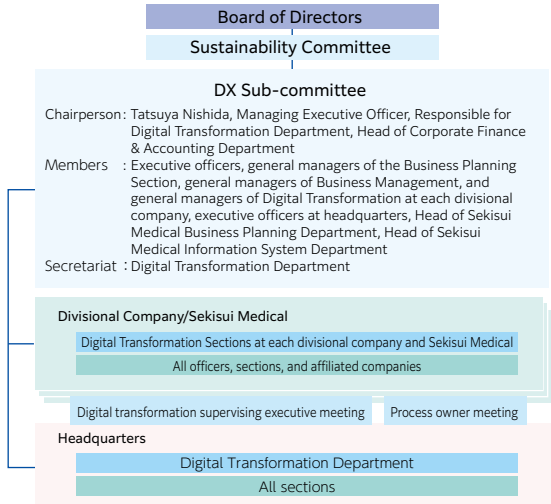
SEKISUI CHEMICAL Group will push forward corporate activities grounded in digital transformation in a bid to support the basis of LIFE and to continue to create peace of mind for generations to come in order to realize a sustainable society.

Basic Concept



For the Group, its Digital Transformation (DX) mission is to accelerate and support growth business strategies and structural reforms for the realization of its Long-term Vision. As far as the Group's DX is concerned, we are concurrently advancing the enhancement of our foundation, including in IT systems and human resources, that will underpin the three transformations—the elevation of governance and business model transformation but centered on business process transformation—

DX Promotion System

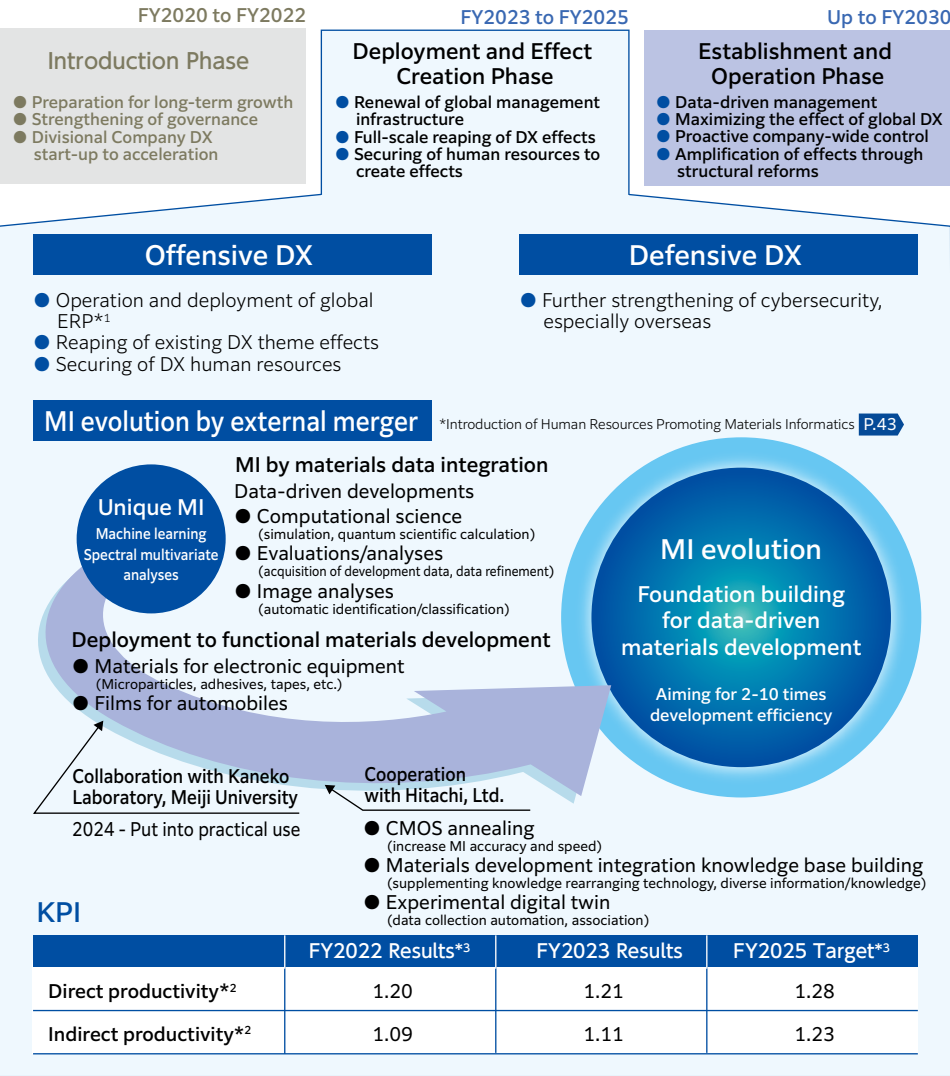


In SEKISUI CHEMICAL Group, which is engaged in a variety of different businesses, we have established a promotion system headed by our CEO and senior managing executive officer to steadily advance the standardization and greater sophistication of business operations.

In addition, the DX Subcommittee, chaired by the executive officer of the Digital Transformation Department, was established under the Sustainability Committee. In addition to deliberating on fundamental policies related to digital strategy and confirming the progress and effectiveness of digital transformation, the DX Subcommittee carries out deliberation and decision-making on important measures such as standardization of Company-wide operating processes and renewal of Company-wide core systems from a management perspective.

DX Roadmap and Main Initiatives

Shift from the digital implementation phase to the digital deployment and effect creation phase



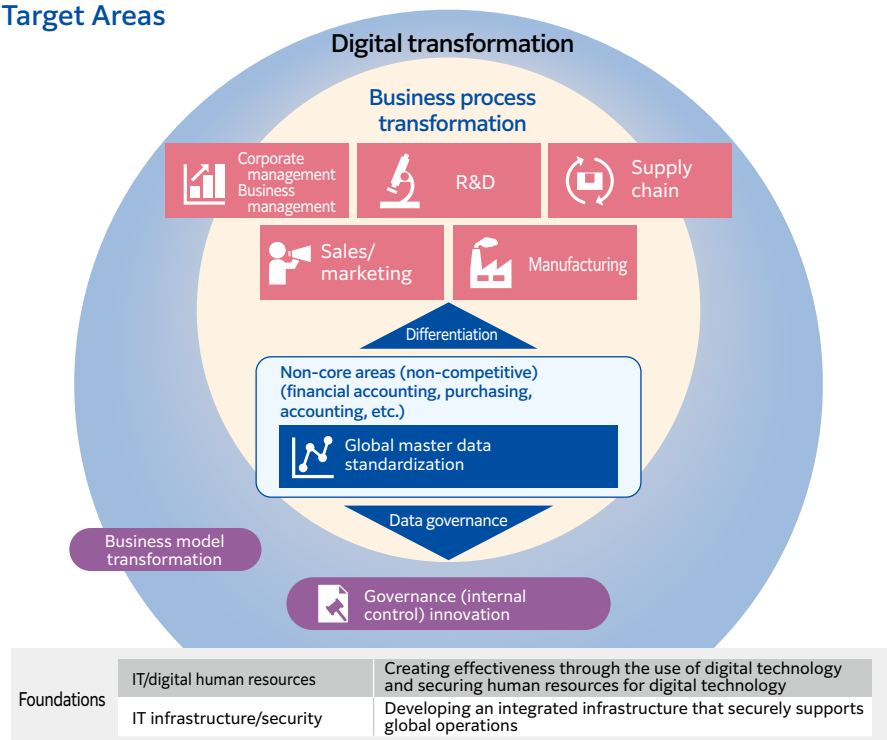
*1 ERP is the abbreviation for Enterprises Resource Planning. A system that merges and centrally controls core operations, such as corporate accounting, human resources, manufacturing operations, and sales operations.

*2 Net sales per direct/indirect employee (BM: 1.00 in FY2019)

*3 Revised FY2025 targets and FY2022 results retroactively to FY2022 due to revisions to direct and indirect personnel.

DX

DX Target Areas



Business Process Transformation

Non-Core Areas	Corporate-led initiatives to standardize and adapt robust, low-cost standards
Global management base	Thorough standardization of business processes and data and unification into master data
Purchasing	Improved governance through streamlined operations and transaction data visualization
Core Areas	Company-led differentiation, identifying standardization and differentiation areas
Manufacturing	Prevention of quality tampering and fraud, supporting automation/unmanned operations
R&D	Improved productivity in ultra-high-speed development by utilizing data
Sales/Marketing	Improved productivity through evolution, standardization, and automation of operations
Supply chain	Proactive supply chain control, standardization, and automation
Corporate management/ Business management	Maximization of global consolidated profits through data-driven management

Governance (internal control) innovation	Shift away from self-reliant culture/conduct predictive behavior, risk mitigation and control based on Company-wide major risks
Business model transformation	Underpin ongoing business model creation

Examples of DX Initiatives

Theme	Organization	Goals	Tools	FY2023 Results	FY2025 Targets
Innovation of global management infrastructure	Company-wide	<ul style="list-style-type: none"> ● Improve governance and minimize risk by standardizing and visualizing operations in the core system (global ERP) ● Improve productivity of indirect operations through standardization and streamlining of operations 	SAP	<ul style="list-style-type: none"> ● Accounting: Completed development of business processes and reviewed deployment roadmap based on operational test results ● Logistics: Defined and designed requirements for global expansion 	<ul style="list-style-type: none"> ● Accounting: Start of domestic accounting and site deployment ● Logistics: Start of global operations
Transformation of global indirect purchasing	Company-wide	<ul style="list-style-type: none"> ● Strengthen governance through visualization of global transactions ● Improve purchasing power and reduce procurement costs through purchasing with total optimization ● Establish a mechanism for continuous cost reduction through system implementation 	Coupa	<ul style="list-style-type: none"> ● Completed deployment of indirect purchasing system at 68 sites in Japan ● Began to realize positive impact from established system use 	<ul style="list-style-type: none"> ● Realization of benefits in purchasing through centralized purchasing ● Beginning of overseas expansion efforts ● Targets for FY2028: Reduce indirect material purchasing amount by 5% Reduce purchasing related work by 25%
Evolution and streamlining of sales and marketing operations	UIEP* ¹ HPP* ²	<ul style="list-style-type: none"> ● Thoroughly improve efficiency and productivity through standardization and automation of operations (shift to value-added operations) ● Improve top line by utilizing sales data 	Salesforce	<ul style="list-style-type: none"> ● Established new business processes through the utilization of sales data ● Strengthened sales processes through data analysis, including the use of external data 	<ul style="list-style-type: none"> ● Establish data-based sales activities ● Improve top line by strengthening customer management
	Housing* ³	<ul style="list-style-type: none"> ● Streamline sales and design operations and reduce workload (to accommodate changes in work styles) ● Improve the quality of presentation materials 	Next-generation CAD systems	<ul style="list-style-type: none"> ● Achieved positive impact from increased business efficiency, shift to in-house production, and expanded use of new functions 	<ul style="list-style-type: none"> ● Effective use of stored data and enhanced system integration ● Streamlining the preparation of presentation materials and regulatory checks

*1 UIEP: Urban Infrastructure & Environmental Products Company *2 HPP: High Performance Plastics Company *3 Housing: Housing Company

Internal Control

To ensure the sustainable growth of the SEKISUI CHEMICAL Group, we have defined five areas of major incidents (safety, quality, legal/ethical, accounting, and information management) that have the potential to significantly damage corporate value, determined corresponding response policies and measures, and incorporated them into action plans.

Safety

Creating workplaces in which employees can carry out their duties safely and securely is one of management's most important priorities. SEKISUI CHEMICAL Group is engaging in total safety activities based on five themes (zero workplace accidents, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave). Following the concept that also has employees taking it upon themselves to prevent accidents from happening, in addition to engaging in concerted efforts in safety education and raising sensitivity to risks, we are focusing on following the established rules and creating a protective corporate culture.

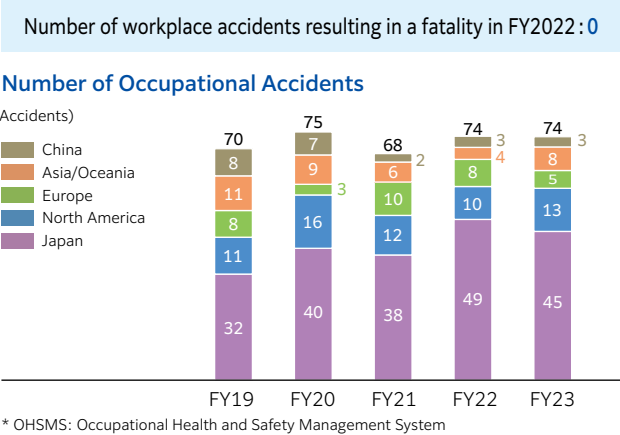
Five Themes and Major Initiatives

Theme 1 Safety management using OHSMS*

In terms of our efforts related to occupational health and safety, the Safety Subcommittee established under the Sustainability Committee formulates policies and activity guidelines and puts into practice and promotes them under the guidance of the Corporate Headquarters Safety & Environment Group and the leadership of the top management of each business site.

Eight domestic workplaces (17% of all production workplaces) have obtained ISO 450001 certification, and even workplaces not required to obtain certification have developed evaluation categories that reflect ISO and OHSAS requirements. We encourage the maintenance and activation of safety management activities through self-evaluations and safety audits at each business site.

Having established a Safety Leader (SL) certification system for personnel who promote activities at each business site, and in FY2023 we certified 27 more SLs (184 in total since FY2017). Group SLs gather to hold workshops to upgrade and expand safety training content and roll out best practices.



Theme 2 Intrinsic Equipment Safety** efforts

We are providing support for employees to obtain a safety sub-assessor (SSA)** qualification, the holders of which promote machine safety activities, and this has been acquired by a total of 225 employees. The higher qualifications, safety assessor (SA)**¹, and safety senior assessor (SEA)**², have been obtained by 23 SSAs, and two SSAs, respectively.

The Equipment Safety Design Standards, which indicate the safety specifications necessary for the production equipment used by the Group, have been updated to reflect the ISO/JIS machine safety standards and are regarded as an important standard for production equipment improvements. Having formed a revision committee comprising 12 SSA qualification holders, we are constantly brushing up the content of the design standards.

Number of Facility Accidents in FY2023 : 0

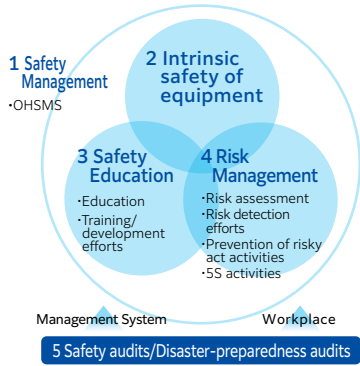
*1 Intrinsic Equipment Safety: The name given to the machine safety activities promoted by SEKISUI CHEMICAL Group. Promoting improvements through intrinsically safe design measures and safety protection for unsafe locations in production equipment

*2 A Japan Certification Corporation safety qualification acquired to certify knowledge and skills for machine safety. This certification is based on international standards

Theme 3 Safety education of employees

While preventing occupational accidents caused by manufacturing machines, the Group is also working to prevent occupational accidents caused by worker operations. Based on the lessons learned from past occupational accidents, we created the Basic Principles of Safety and distributed them to business sites in Japan and overseas using posters in an easy to understand, illustrated format.

For the safety of supply chain employees (from partner companies involved in the on-site construction of houses), the Housing Company shares safety policy and provides a variety of training opportunities.



Theme 4 Risk management including risk assessment

Employees from different manufacturing sites have started mutual on-site inspection patrols in which they seek to uncover risks at each other's bases. In addition to improving the risk sensitivity of the participating employees, these activities are accelerating the horizontal deployment of best practices by learning from other business sites.

Setting high-risk disasters* for which we should focus on prevention and conducting training to improve emergency response skills, through these activities we are also promoting the passing down of safety know-how accumulated on-site.

* (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

When conducting safety audits, external experts also conduct disaster prevention audits to prevent fires and explosions.

To raise the levels of safety activities at overseas production facilities as well, we have global safety standards. In FY2023, auditors went directly to business sites to conduct on-site inspections.

Bird's-Eye View Analysis (Yanagi model) Result

Number of serious facility accidents [cases]: 1% decrease
➡ 0.13% improvement in PBR after 4 years

The results of the survey suggest that safety measures based on total safety activities (zero workplace accidents, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) to create a workplace where employees can work safely and with peace of mind are making contributions to corporate value in four years' time through the reduction of the number of serious facility accidents.

Internal Control

Quality

SEKISUI CHEMICAL Group strengthens basic quality while adhering strictly to quality compliance. By continuously working to strengthen the foundations that support quality, such as preventing defects from occurring and reinforcing daily management, we are striving to create a corporate culture that places the highest priority on quality and prevents the occurrence of fraud. Based on the motto "We consider customer feedback as the beginning of our manufacturing," we are actively working on innovations in "quality of people," "quality of systems," and "quality of goods (products and services)," aiming to realize "quality that makes us the first choice."

Quality Assurance System and Quality Management System

With regard to quality, we have established a CS & Quality Subcommittee that reports to the Sustainability Committee, and the Corporate Headquarters CS & Quality Group cooperates with the departments in charge of CS & Quality at each division company, production site, sales company, etc. to promote activities.

Having built quality assurance systems that extend across all processes, from product development to design, production, and sales, SEKISUI CHEMICAL Group has developed a quality assurance system for each process and promotes 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.

We developed an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), to strengthen our process approach when promoting certification under the 2015 ISO 9001 standard. The SPMC is used effectively in areas that include monitoring daily management, corrective actions, internal audits, and quality education. In FY2023, we worked to improve the quality of our management system by holding auditor training and practical training sessions, and by expanding and using tools such as audit scenario videos.

Conducting of Prevention-focused Training

We hold a number of seminars on the theme of preventing quality

problems. Development Risk Prevention Seminars aim to teach effective and efficient prevention methods. DR^{*1} Reviewer Training Seminars are held to improve the skills of employees who conduct DRs, while QFD^{*2} Seminars are conducted to impart methods pertaining to the organization of information on product development.

^{*1} DR: Design Review ^{*2} QFD: Quality Function Deployment

Creating a Design Screening Platform for New Businesses

To clarify discussion points at the time of design reviews when new businesses are launched and to perform rigorous screening, we have built and are operating a GR^{*} system. We also conduct External Expert Reviews for the purpose of obtaining new knowledge from experts inside and outside the Company with regard to related industries and legal regulations.

^{*} GR: Gate Review. A continuous activity to judge whether to proceed to the next step (checkpoint management feature)

Globally Cultivating CS & Quality Human Resources

On an ongoing basis, we are also holding KAIZEN Activity presentations geared toward all overseas business sites. In FY2023, all presenters gathered in one place. In addition, a poster session for each presentation was held at the same time to encourage further mutual study through discussion and information exchange.

Initiatives to Prevent Quality Data Irregularities and Falsification

Based on the hypothesis that quality fraud occurs due to the insufficient allocation of quality-related resources and various pressures from inside and outside a company, we are developing systems, as well as revamping and deploying daily management tasks, to make input errors and falsification impossible. We are also focusing our efforts on digitizing inspection data while applying this data to help improve operations. We will continue to devise ways in which to redouble awareness toward compliance while enhancing quality control.

Number of major quality issues in FY2023 : 1

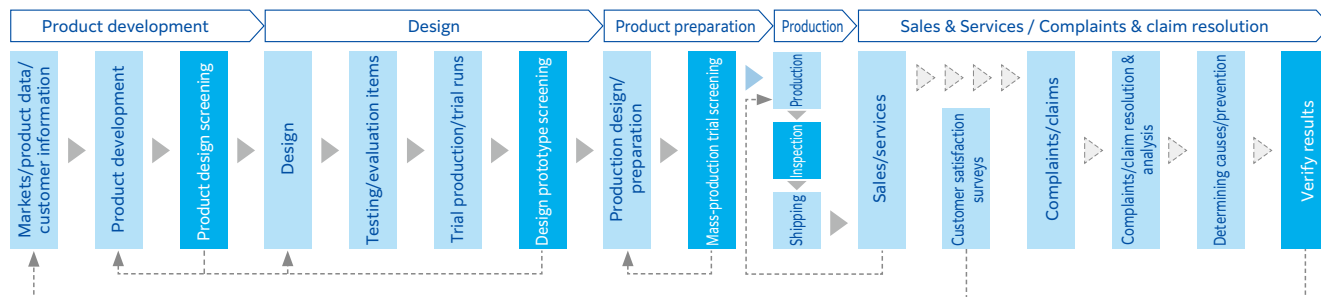
Concerning Nonconformity with Building Standards

In April 2023, SEKISUI CHEMICAL Group reported to the Ministry of Land, Infrastructure, Transport and Tourism that two cases of nonconformity with the provisions of the Building Standards Act and nonconformity with Ministerial Certification had been found in residential complexes and detached houses constructed and sold by the Group.

Subsequently, we proceeded to investigate the causes of these nonconformities and formulate measures to prevent recurrence, and investigations of the subject complexes and houses, and corrective work, progressed without delay.

Visit https://www.sekisuichemical.com/news/2023/_icsFiles/afieldfile/2023/04/18/20230414e.pdf

Quality Assurance System



Bird's-Eye View Analysis (Yanagi model) Result

Number of major quality issues: 1% reduction

➡ PBR up 1.15% after 2 years

We found indications that reducing the number of critical quality issues, which is set as a KPI in the Medium-term Management Plan, contributes to improved corporate two years later. We believe that our efforts to strengthen the quality assurance system of the entire Group, and to promote prevention by focusing on the design and development process, have shown the potential to reduce the occurrence of quality problems and thereby enhance our corporate value.

Internal Control

Legal/EthicalAccounting

The foundation for sustainable growth is compliance. 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. [English version of text omitted] We are working to further strengthen compliance management by promoting a variety of programs.

Compliance Promotion System

In addition to having established the Compliance Subcommittee, which reports to the Sustainability Committee as an organization to oversee Group compliance and to put forward policies and implement measures, we are establishing compliance promotion committees at the Company's headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into practice and implementing and deploying each measure. In the unlikely event that a major compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.

Dissemination through Policy Formulation and Manual Distribution

In 2003, to instill an awareness of compliance in each and every employee, we established action guidelines for each compliance item—including anti-corruption, conflicts of interest, compliance with antitrust laws, accounting, and harassment—and created as well as used for in-house training a Compliance Manual consisting of detailed explanations. Also incorporating compliance-related content in new employee training and level-based training, we provide ongoing opportunities to learn about the importance of compliance.

In FY2023, we conducted e-learning globally based on the Global Compliance Manual in order to ensure that people are fully aware of the manual, which is an overseas version of the Compliance Manual. In addition, with the aim of making the Group's approach to compliance widely known to a broad range of stakeholders, we formulated a Compliance Policy containing the action guidelines from the manual and published it on our website.

Number (incidence) of serious non-compliance and negligence cases : 0

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

Serving as a mechanism for the early detection and revision as well as prevention of any recurrence of compliance problems, including harassment, we have built and operate the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system. Employees can use S.C.A.N. either anonymously or by giving their names while reporting not only through the intra-company whistleblowing system but also via an outside law firm, and the protection of whistleblowers, such as prohibiting the confidentiality of whistleblower information and the prohibition of disadvantageous treatment, is also stipulated.

Globally, in addition to having whistleblower systems in North America, China, the EU, ASEAN, South Korea, and Taiwan, a system has been installed in Australia, completing the system. We also have operating points of contact for business partners. Intended for use by the executive officers and employees of business partners in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies, we accept requests for consultations and receive reports at any time using a dedicated form available on the company's website.

FY2023 Number of Whistleblowing Cases and Consultations

Power harassment	36	Sales methods related	6
Working conditions	51	Misrepresentation of work performance	1
Sexual harassment	10	Collusive relationship with business partners	0
Workplace environmental concerns	15	Others	30
Misuse of expenses	4	Total number of complaints	153

Overseas Initiatives

Compliance Reinforcement Month activities, which are held every year in Japan, are also conducted in North America, China, Southeast Asia, and Europe. The themes taken up are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

- Examples of themes for FY2023: Harassment, anti-bribery, data protection, whistleblowing system, etc.

Prevention of Transactions That Represent Conflicts of Interest

In FY2023, we formulated guidelines to thoroughly ensure this policy was carried out and established rules to check in advance any transactions that may raise conflict of interest concerns.

Prevent Corruption and Bribery

Having put in place rules to prevent bribery and corruption based on the spirit of the United Nations Global Compact, we are promoting initiatives to prevent such incidents, such as introducing them to all Group companies. In addition, we have formulated antibribery guidelines, which employees are expected to observe when doing business in Japan, the United States, and China, and have worked to make these rules and guidelines known via the intranet.

We specify high-risk cases 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 hiring consultants in connection with business transactions, including those involving public officials from other countries, confirmation that fees do not constitute bribes must be obtained.

Handling Measures for Anti-Trust Laws

Having been operating a business organization membership payment system, a pre-application and follow-up report system for when contacting competitors, 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.

Addressing Compliance Violations

In the event of a violation, we will conduct a thorough investigation and take disciplinary action, including dismissal, depending on the extent of the act. In addition, we work to prevent recurrence by correcting the issues that led the violation, not just disciplinary action against individuals.

Internal Control

Legal/Ethical

Accounting

Improvements in Accounting Skills/Knowledge, Visualization/Standardization

To reduce risks related to finance and accounting we are working to improve accounting skills and financial expertise across the Group as a whole by means of accounting workshop meetings and e-learning. In addition to preventing any incidence of accounting treatment error or accounting fraud, we are working to enhance the awareness of divisions and employees involved in accounting operations regarding compliance.

In addition, we are promoting the introduction of a new ERP^{*1} for the renewal and integration of core systems globally, with the aim of improving governance and minimizing risks related to finance and accounting. In FY2023, we completed the development of the target business processes and reviewed the deployment roadmap.

*1 ERP: Enterprise Resources Planning

Tax Compliance Initiatives

The paying of taxes represents one of the fundamental and important social responsibilities that a company should fulfill. SEKISUI CHEMICAL Group does not use tax havens for tax avoidance purposes and complies with the tax laws and pays taxes properly in accordance with the economic realities of each of the countries and regions in which its business activities are conducted. We will contribute to the economies of those countries and regions, while aiming for mutual harmonious and stable development.

Transactions with tax risks are confirmed by external experts as necessary to ensure proper treatment and to reduce tax risks. In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length pricing based on the local laws and Organization for Economic Co-operation and Development (OECD) guidelines. To eliminate unstable tax positions, we will use Advance Pricing Arrangements (APAs) in accordance with the size of the transaction and level of tax risk and endeavor to maintain good relationships with the tax authorities of each country and region.

Information Management

Information represents one of our most important management resources and the source of our competitiveness. Such information includes personal information; that received from business partners; and that received from within the Group, including confidential corporate information and that related to its management systems.

In the belief that preparations against cyberattacks threatening these IT assets are an important management responsibility, we are striving to undertake cybersecurity measures and ensure a stable management foundation.

Cyber Management System

In regard to IT security, we established a CSIRT^{*1} under the Sustainability Committee as a cybersecurity response system. The CSIRT is mainly composed of a Cybersecurity Subcommittee, which is the policy-making body, a Cybersecurity Promotion Subcommittee, which is responsible for advancing measures based on the subcommittee's decisions, and a Cybersecurity Center, which is the working unit.

Acting in partnership with the SOC^{*2}, the Cyber Security Center monitors the security 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 site and Group company, we have established a comprehensive Group-wide cyber management system.

Together with making our operations in Japan more sophisticated, going forward we will advance the development of CSIRTs at Group companies overseas.

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

*2 The Security Operation Center, or SOC, is a specialized entity devoted to monitoring and analyzing threats to information systems. It works to detect threats as soon as possible and plays a role in supporting the CSIRT in its response and recovery efforts.

Measures to Address Natural Disaster-related Risks

We have installed backbone systems in 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. Having also dispersed data centers among multiple locations and completed duplication of their mission-critical systems, the Company is working to shorten the lead time needed up to the completion of repairs and recovery of business operations.

Measures to Address Information Leakage Risks

We are taking both system measures, such as the strengthening of data centers and enhancing the monitoring of internal networks, and human measures. To combat external threats, the Company has positioned the SOC as its primary entity to consistently identify new threats, such as newly reported cases of viral infections or targeted e-mail attacks, while the CSIRTs swiftly take action to implement appropriate countermeasures. In terms of human measures, we are also working to prevent information leaks by thorough confidentiality obligations for retirees and new recruits, regular e-learning training courses for all employees, and by implementing ethics education for employees engaged in important technology development work.

Cybersecurity incidents in FY2023 : 0

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.

Especially during Compliance Reinforcement Month, we are strengthening governance over the handling of personal (customer) information by raising employee compliance awareness and providing training.

Corporate Governance

Message from an Outside Director



Supervise and support the value creation story of “peace of mind for generation to come” through the creation of Products to Enhance Sustainability

Outside Director **Yoshihiko Hatanaka**

Q.01

Please provide your views on the effective “Supervisory” function of the Board of Directors in corporate governance.

As a corporate purpose of how to provide value to society, we are committed to our Vision Statement, “To realize sustainable society, we support the basis of LIFE and will continue to create ‘peace of mind for generation to come.’” I believe that the function of the Board is supervising and providing the necessary support to ensure that the executive side is able to pursue this story toward this purpose most effectively in a way that is in line with social norms and with the trust of all stakeholders, including shareholders, employees, and the community.

Q.02

In general, the Board of Directors is said to have a supervisory function, but in the SEKISUI CHEMICAL Group, the Divisional Company Presidents perform both executive and supervisory duties as Directors. Please tell us your thoughts about this arrangement.

In order to achieve the purpose of a company, it is a prerequisite for the executive side and the Board of Directors to deepen constructive dialogue and manage effectively, and I think that the way of governance to achieve that purpose may vary from company to company. In addition, our goal is to promote management while balancing the growth of the company and the resolution of social issues through Products to Enhance Sustainability. While the Headquarters plays a role in commercializing new businesses and new technologies due to their characteristics, strategic planning and budget management are carried out for each business under each company for individual technologies and products in existing businesses. This means that, in order to effectively supervise the portfolio of all businesses at the company-wide level, it is indispensable to conduct deliberations based on an understanding of important elemental technologies, product development, market trends, and competitiveness. Based on these considerations, I believe that it is very important from the perspective of governance that each company director is a member of the Board of Directors.

Q.03

What is your evaluation of the effectiveness of the Group's Board of Directors and the manner in which they are remunerated?

It has been one year since I became an Outside Director. I think that the information necessary for deliberation is provided in advance, briefings are held, and discussions on issues are held at the appropriate time. In addition, the discussions at board meetings are vigorously expressed from various perspectives. In particular, while some board meetings tend to become Q&A sessions in which the executive side answers questions from outside directors, I appreciate that the Board of Directors at the SEKISUI CHEMICAL Group discusses issues down to the level of “what do we need to do more to get to the next stage,” which ensures extremely high effectiveness.

As for remuneration, it is discussed at the voluntary Nomination and Remuneration Advisory Committee composed of the majority of people from outside the company, and a resolution is adopted at the Board of Directors, so transparency is ensured. On the other hand, I believe that the remuneration level itself and the remuneration system should be continuously reviewed and flexible changes should be considered. The background is that in addition to the capability to manage a company with such a competitive global technology, considering the company-wide risks caused by operating globally, I think that we should consider a more global level of remuneration.

Corporate Governance

Message from an Outside Director

Changing the remuneration of senior management, centered on the President, to a level that is more conscious of global competition will naturally link to changes in employee remuneration levels, the remuneration system, and KPIs. As a result, I believe that it will be easier to recruit the human resources necessary for our growth, and the review of the remuneration system will lead to the evolution of the company's overall capability to be truly competitive globally.

Q.04 | **The target year of the SEKISUI CHEMICAL Group's long-term vision "Vision 2030" is only six years away. What do you think we should be aware of now to achieve it? Please also tell us your thoughts on M&A that has not been implemented since the previous Medium-term Management Plan.**

When we hear about medium-term goals, we tend to be conscious of numerical goals. However, what I attach importance to is what we want to provide to society, that is, how far has the social implementation of technology, products, and mechanisms advanced to achieve the wonderful idea of "To realize sustainable society, we support the basis of LIFE and will continue to create 'peace of mind for generation to come.'" If this is going well, the numerical results will follow.

Regarding the strategic investment framework, while focusing on investment priorities, investment scale, and organizational capacity improvement for organic growth, when it is necessary to acquire and solve time and capacity gaps at once, I believe that it will be necessary to flexibly incorporate M&A without hesitation. Headquarters and each company are preparing for this, but it is important to always update the long list and short list and continue our investigations.

In addition, in my experience, M&A does not simply end at the closing of the transaction. Although it is easy to be blinded by only the idea of M&A that is in front of you, problems are not solved in one go, and it is necessary to consider further growth strategies that begin from the M&A, such as "what kind of investment is necessary next?" and "what kind of capabilities should be incorporated through additional M&A?" I also try to discuss from this perspective during M&A deliberations at board meetings.

Q.05 | **In the financial market, there is a need for management that is aware of capital costs such as improving PBR and ROIC, and improves corporate value. Please share your views from the perspective of management on what should be considered on the finance side in response to market demands.**

I am aware of the perspective of capital efficiency. I believe that it is important to continue to carry out self-inspection on whether we are conducting management to maximize the value of "peace of mind for generations to come" that we provide to society, including investment in human capital.

Regarding PBR, ROIC, etc., our company management is fully aware of various perspectives, but at the same time, I believe that it is important to further increase risk tolerance based on growth potential and free cash flow. As free cash flow continues to increase as we grow, we will have scope to invest, so I am always aware of this virtuous cycle.

I have heard that investors often ask, "What are the most important management indicators?" and in order to make our company easy to understand, I think that the best answer is to say, "If you can see how much our Products to Enhance Sustainability are being implemented in society, you can see that our company's value is improving."

Q.06 | **In recent years, there is a need to build businesses based on sustainability, and to address potential risks such as climate change and human rights. Please share your thoughts on the potential internal and external impacts and the challenges for us, as we position Products to Enhance Sustainability as the most important KPI that account for 75% of sales.**

In order to grasp and manage our efforts related to environmental issues in a holistic and quantitative manner, we use methods such as LIME2 and impact-weighted accounting to visualize the load and contribution of corporate activities on natural and social capital and the impact on management. LIME2 is one type of environmental impact assessment method, and if it becomes the standard method, it will be a great advantage for us. However, at present, various ideas and methods are still being proposed, so I think that it is effective to disseminate information, appeal to other companies, and provide support externally so that the LIME2 method would be recognized and become the standard method.

To that end, I think it is important that we first communicate the impacts of our Products to Enhance Sustainability that I mentioned earlier to stakeholders in a broad and easy-to-understand manner while quantitatively and firmly showing the parts that can be presented.

Q.07 | **How do you see the importance of innovation for us? Also, what do you think is necessary to ensure our competitive advantage?**

In-house research is significant, so it is important to strengthen cooperation between Headquarters and the divisional companies more than ever, but we should avoid losing opportunities by focusing too much on our company and our own department. In order to realize our Vision Statement "Innovation for the Earth," I believe that it is most necessary to further strengthen access to technology seeds around the world, and multiply the social implementation capabilities of the seeds and our company to increase the number of candidates for the next product developed with overwhelming speed, competitiveness, and technical level. We are still

Corporate Governance

Message from an Outside Director

actively promoting open innovation, and it is important to collaborate and cooperate with the outside world to promote research more widely.

On the other hand, I believe that for products and businesses that have become commoditized and have competitors that are more competitive than us, we need to be aware of the appropriate timing, consider business transfers, and constantly strengthen a business portfolio that has growth potential and competitiveness.

Q.08 | AI is also increasing its influence as a partner in manufacturing. Please tell us your thoughts on what is required for human capital

Generative AI, VR, AR, and the Metaverse have already transitioned from their early stages to widespread adoption, and they are commonplace in our daily lives. I think we are at a stage where we should actively utilize these technologies in various situations in each business and each job, evolve them under certain rules, and turn each technological evolution into a competitive advantage for our company. However, because these technologies are evolving at an extremely fast pace, there is an urgent need to build the organizational capacity that will allow us to deploy a certain number of expert personnel internally and respond flexibly to user needs.

In addition, in order to develop technologies related to the essence of our competitiveness and use AI in areas such as production technology and quality, it is necessary to deploy human resources with advanced business knowledge and capabilities in application of AI. Since it is necessary to look at a wide range of talent pools, including internal and external personnel, I believe we must respond flexibly in terms of employment forms and remuneration.

Q.09 | Expanding overseas sales is the key to achieving the Long-term Vision. Along with the importance of diversity, what kind of corporate culture and common understanding do you think is effective for global business development?

Our company has a purpose of “creating peace of mind for generations to come” and has the value of “3S spirit,” so we should keep repeating them. Now, I think it’s important to repeat and share what we want to do most.

Although I myself have been involved in the management of a merged company, at that time, I continued to simply tell people what our company wants to do and what it values, and these common understandings permeated no matter where in the world I went. If you keep telling them, they will eventually be convinced. When you are convinced, I think that each person will use the values of the company as their judgment standard every day, and this will also become the basis for action. In addition, I believe that the more opportunities there are for discussing “what the SEKISUI CHEMICAL Group wants to do now” using internal training, exchanges with

overseas bases, and exchanges between companies, the more it will be possible to form a unified culture.

We are currently working to foster a “Culture that Embraces Challenge,” but I think it is easy to understand when we link why we want employees to take on challenges and the reasons for the challenges, to our Purpose. In addition, it is important to specifically demonstrate how the results of taking on challenges will be evaluated when they are not successful, especially when we say “do not fear failure,” because this will contribute to individual careers and the growth of the organization.

Q.10 | Finally, please tell me your thoughts on what you want the stock market to expect from the SEKISUI CHEMICAL Group.

When I assumed the position of Outside Director myself, I repeatedly asked myself how I could contribute to the improvement of corporate value as a Director of a company with multiple businesses and diverse technologies, along with the first impression that it is a company rich in contribution to society with great technology. From the perspective of the stock market, there is a similar aspect, and I think that it is difficult for investors to understand the relationship between the value of the individual businesses and individual technologies and the overall corporate value.

What we want to do is to contribute to society through Products to Enhance Sustainability in order to achieve the Purpose of “creating peace of mind for generations to come.” I believe that it is important to continue to expand our Products to Enhance Sustainability using our technology and promote the value we provide to society by solving issues that are at the root of life. I think that if people come to appreciate our story of value creation more, it is actually a very easy-to-understand company, and I believe it is essential for our company to communicate our ability to create social value and shareholder value in a simpler and more understandable manner.



Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 20, 2024)

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



**Teiji
Koge**

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

Number of Shares of the Company Owned: 134,941 shares **N D**
Tenure as Director: 19 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.

Since March 2020, he has been properly supervising the Company's management as an Inside Director who is not concurrently responsible for business execution.

Important Position of Other Organizations Concurrently Assumed
Independent Director of EBARA CORPORATION



**Keita
Kato**

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

Number of Shares of the Company Owned: 96,218 shares **N D**
Tenure as Director: 10 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: 84,887 shares **D**
Tenure as Director: 4 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.

Duties

Responsible for ESG Management 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: 52,750 shares
Tenure as Director: 9 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.

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 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



**Ikusuke
Shimizu**

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

Number of Shares of the Company Owned: 61,479 shares
Tenure as Director: 5 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



**Masahide
Yoshida**

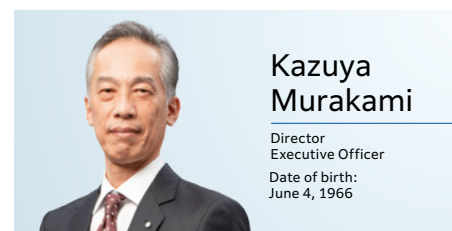
Director
Managing Executive Officer
Date of birth:
July 9, 1966

Number of Shares of the Company Owned: 21,017 shares **New**

He 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 CHUBU CO., LTD., president of TOKYO SEKISUI HEIM CO., LTD., head of Housing Sales Management Division of Housing Company. He promoted both management strategy and structural reforms in the overseeing organization and greatly contributed to expanding and strengthening the foundation of the housing business. Since January 2024, he has been performing his duties by applying his deep insight as President of the Housing Company.

Duties

President of the Housing Company



**Kazuya
Murakami**

Director
Executive Officer
Date of birth:
June 4, 1966

Number of Shares of the Company Owned: 15,279 shares **D**
Tenure as Director: 3 years

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



**Hiroshi
Oeda**

Independent Outside
Director
Date of birth:
March 12, 1957

Number of Shares of the Company Owned: 7,000 shares **N D**
Tenure as Director: 6 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 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.
Independent Director, Chairman of the Board of Directors of EBARA CORPORATION
Outside Director, Japan Post Holdings Co., Ltd.
President of Hitotsubashi University Koenkai

Corporate Governance

Board of Directors, Audit & Supervisory Board Members (As of June 20, 2024)

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



**Haruko
Nozaki**

Independent Outside
Director
Date of birth:
June 19, 1955

Number of Shares of the Company Owned: —
Tenure as Director: 2 year

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. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

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
Tenure as Director: 2 year

N D

Ms. Miharu Koezuka held positions of Senior Managing Director (Representative Director), 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. By leveraging her extensive experience in the management of department stores, in addition to her experience and past achievements in management in various industries, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

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



**Machiko
Miyai**

Independent Outside
Director
Date of birth:
September 29, 1960

Number of Shares of the Company Owned: —
Tenure as Director: 2 year

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. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

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



**Yoshihiko
Hatanaka**

Independent Outside
Director
Date of birth:
April 20, 1957

Number of Share of the Company Owned: 1,000 shares
Tenure as Director: 1 year

N D

Mr. Yoshihiko Hatanaka has served as an executive at Astellas Pharma Inc., and in addition to his wide-ranging knowledge of global corporate management cultivated through his wealth of experience overseas, including in Europe and the United States, he also has extensive knowledge in matters including corporate integration based on his experience as a corporate planning officer. The Company has appointed Mr. Hatanaka as an outside director based on the judgment that he will be able to provide appropriate advice on the management of the Group by leveraging these experiences and achievements.

Important Position of Other Organizations Concurrently Assumed

Outside Director of Sony Group Corporation
External Director of Shiseido Company, Limited



**Hiroyuki
Taketomo**

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

Number of Shares of the Company Owned: 29,543 shares
Tenure as Audit & Supervisory Board Member: 3 years

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.



**Tomoyasu
Izugami**

Full-time Audit &
Supervisory Board
Member
Date of birth:
November 18, 1962

Number of Shares of the Company Owned: 14,703 shares
Tenure as Audit & Supervisory Board Member: 1 year

A

At the High Performance Plastics Company, Mr. Tomoyasu Izugami successively served in the posts of factory manager, business manager, and staff department manager related to manufacturing. He has been broadly taking the lead in the promotion of large-scale capital investment and in strengthening the foundation, such as the enhancement of manufacturing competitiveness and production innovation, CS quality, safety, the environment, and DX. Leveraging his advanced knowledge and extensive management experience in the field of manufacturing, such as production technology and quality control, the Company expects that Mr. Izugami will contribute to improving the supervisory functions of the Audit & Supervisory Board and the Board of Directors and has appointed him as an Audit & Supervisory Board Member.



**Yoshikazu
Minomo**

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

Number of Shares of the Company Owned: —
Tenure as Audit & Supervisory Board Member: 2 year

A

As an attorney at law, Mr. Yoshikazu Minomo 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. Reflecting these achievements and knowledge in its audits, the Company will ask Mr. Minomo to check the appropriateness of our management decisions, especially from a compliance perspective, and provide useful opinions and suggestions to improve the trust that society places in the Company.

Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE



**Wakyu
Shinmen**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
January 14, 1957

Number of Shares of the Company Owned: —
Tenure as Audit & Supervisory Board Member: 1 year

A

Possessing specialized knowledge and a wealth of auditing experience as a certified public accountant, Mr. Wakyu Shinmen also has experience in management as a partner of a major auditing firm. Judging that Mr. Shinmen will reflect these experiences in its audits and be able to perform his duties appropriately, the Company has therefore elected him as an Outside Audit & Supervisory Board Member.

Important Position of Other Organizations Concurrently Assumed

Representative, Shinmen Certified Public Accountant Office



**Kenji
Tanaka**

Independent Outside
Audit & Supervisory
Board Member
Date of birth:
April 14, 1957

Number of Shares of the Company Owned: —
Tenure as Audit & Supervisory Board Member: 1 year

A

Mr. Kenji Tanaka has a high level of insight and experience in quality control, system reliability and safety, and a track record of joint research with many companies. Judging that Mr. Tanaka will reflect these experiences in its audits and be able to perform his duties appropriately, the Company has therefore elected him as an Outside Audit & Supervisory Board Member.

Important Position of Other Organizations Concurrently Assumed

Specialty Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations,
University of Electro-Communications

Corporate Governance

Composition and Skills Matrix of the Board of Directors and Audit & Supervisory Board (As of June 20, 2024)

Name	Position in the Company	Board of Directors (FY2023 Attendance)	Audit & Supervisory Board (FY2023 Attendance)	Nomination and Remuneration Advisory Committee (FY2023 Attendance)	Diversity Promotion Committee (FY2023 Attendance)	Policy Committee	Sustainability Committee R&D Committee	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities*2									
								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/ Human Rights
Teiji Koge	Director Chairman of the Board	● *1 (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	—	—	●		●	●						●
Keita Kato	President and Representative Director Chief Executive Officer	○ (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	●	●	●	●	●	●	●	●			●	
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	○ (3 out of 3)	○	○	●		●	●	●		●		●	
Yoshiyuki Hirai	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	●		●	●	●	●			●	
Ikusuke Shimizu	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	●	●	●			●				
Masahide Yoshida	Director Managing Executive Officer	—	—	—	—	○	○	●		●							
Kazuya Murakami	Director Executive Officer	○ (17 out of 17)	—	—	○ (3 out of 3)	○	○	●									●
Hiroshi Oeda	Independent Outside Director	○ (17 out of 17)	—	● (6 out of 6)	○ (3 out of 3)	—	—	●					●			●	●
Haruko Nozaki	Independent Outside Director	○ (16 out of 17)	—	○ (6 out of 6)	● (3 out of 3)	—	—	●									●
Miharu Koezuka	Independent Outside Director	○ (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	—	—	●		●	●			●			
Machiko Miyai	Independent Outside Director	○ (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	—	—	●		●	●	●	●				
Yoshihiko Hatanaka	Independent Outside Director	○ (13 out of 13)	—	○ (5 out of 5)	○ (3 out of 3)	—	—	●		●			●			●	
Hiroyuki Taketomo	Full-time Audit & Supervisory Board Member	○ (17 out of 17)	● (14 out of 14)	—	—	—	—	●						●			●
Tomoyasu Izugami	Full-time Audit & Supervisory Board Member	○ (13 out of 13)	○ (11 out of 11)	—	—	—	—		●	●				●			
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	○ (17 out of 17)	○ (14 out of 14)	—	—	—	—								●		●
Wakyu Shinmen	Independent Outside Audit & Supervisory Board Member	○ (13 out of 13)	○ (11 out of 11)	—	—	—	—									●	
Kenji Tanaka	Independent Outside Audit & Supervisory Board Member	○ (13 out of 13)	○ (11 out of 11)	—	—	—	—		●				●		●		

*1 ●: The solid gray 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](#)

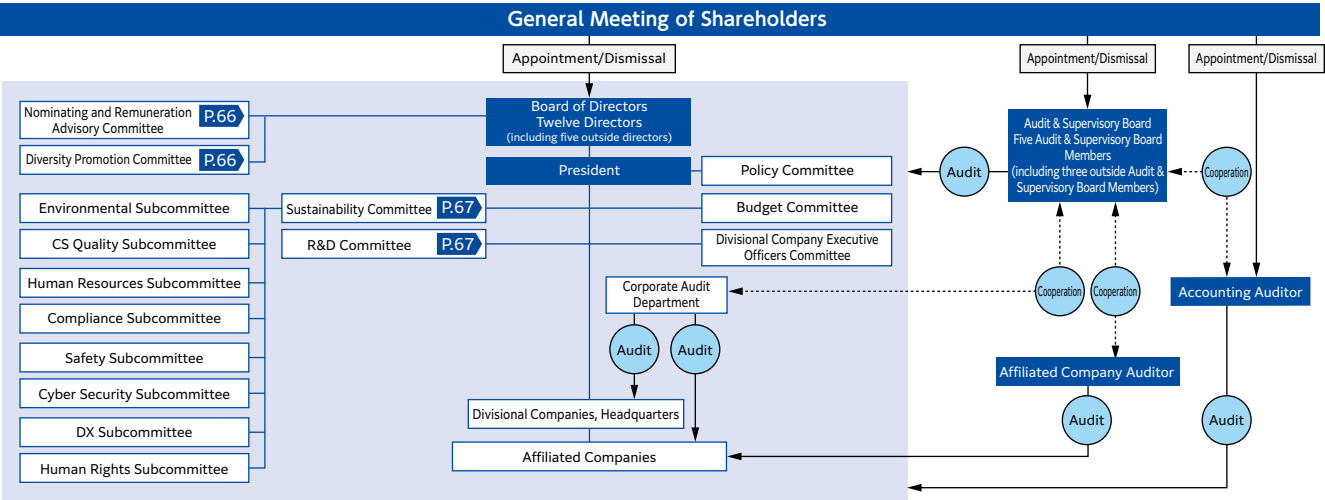
Corporate Governance

Corporate Governance System

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 Chart (As of June 20, 2024)



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 several sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations. The Board of Directors is attended by the Directors, as well as by all of the Audit & Supervisory Board members, including Outside Audit & Supervisory Board members.

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.

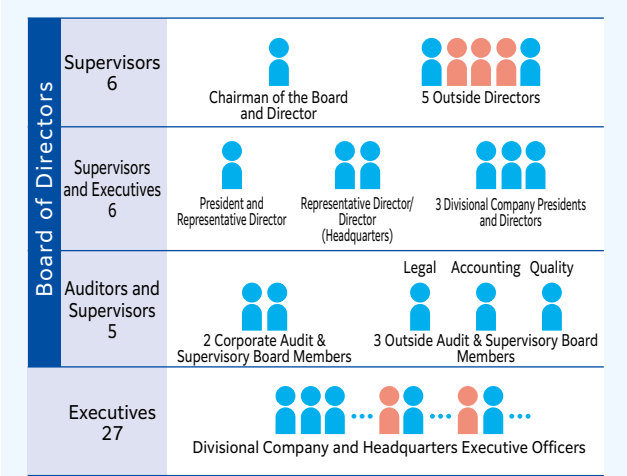
Organizational structure	A company with an Audit & Supervisory Board
Total number of directors*	12 (In-house: 7; Outside: 5) including 3 female directors
Ratio of outside (independent) directors	41.7%
Ratio of female directors	25.0%
Director's term of office	1 year
Executive officer system introduced	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

Initiatives Taken to Enhance Corporate Governance



Management System (As of June 20, 2024) : Male : Female



As an organizational structure under the Companies Act, the Company has chosen to be a company with an Audit & Supervisory Board. The Company has also established an optional advisory committee concerning nomination and remuneration, as well as an optional committee concerning the promotion of diversity, to complement the functions of the Board of Directors and to further enhance fairness and transparency.

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.

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. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

Along with enabling a rapid response to changes in the business environment, delegating authority is recognized as a means of helping to improve the effectiveness of the Board of Directors, for example by allowing appropriate agendas to be set and sufficient time for deliberations to be secured.

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

Corporate Governance System

Audit & Supervisory Board

In principle, the majority of the Audit & Supervisory Board members shall be Outside Audit & Supervisory Board members, and the Board shall consist of five members comprising two full-time Audit & Supervisory Board members and three part-time Outside Audit & Supervisory Board members.

At least one member of the Audit & Supervisory Board shall have knowledge and expertise in each of the corporate finance and accounting, legal systems, and manufacturing and quality fields.

The activities of the Audit & Supervisory Board members include attending the Board of Directors and other important meetings; confirming important decisions; verifying and confirming the execution of duties by Directors through efforts to ascertain the status of internal controls, etc.; and onsite audits of important locations in Japan and overseas. The members meet periodically with management to exchange opinions regarding issues that must be addressed and to enhance mutual understanding. In addition, the Audit & Supervisory Board members receive reports on audit results from KPMG AZSA LLC as the Accounting Auditor, and actively exchange information and opinions in a mutual fashion with the Accounting Auditor in aims of improving effectiveness and efficiency through close collaboration.

Internal Control System

The Company closely coordinates the direction, orders, and communication between the Company and its group companies, and provides guidance, advice, and evaluations to its Group companies to ensure the appropriateness of operations as a whole.

In order to properly develop and operate this internal control system, our Corporate Audit Department conducts operational and accounting audits of our company and Group companies, based on an annual audit plan, to ensure that business operations are conducted appropriately and efficiently.

Support for and Collaboration with Directors and Audit and Supervisory Board Members

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 FY2023, we conducted inspections of each Company's four core plants, the MINASE INNOVATION CENTER, and Asaka Lead Town.

From the point of view of succession planning, the Company is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures and by providing opportunities for the two groups to meet when the new management system is inaugurated.

Main deliberations by the Board of Directors in FY2023

- (1) Growth strategy (mainly large new businesses such as Perovskite and BR)
- (2) Measures to raise the company's presence using TV commercials, digital commercials, etc.
- (3) Human resource development policy, work environment improvement policy, and recruitment plan for D&I promotion
- (4) Establishment of measures to enhance profitability of the housing business, and monitoring of progress

Assessment Relating to the Board's Effectiveness

The Company evaluates and works to enhance the effectiveness of the Board of Directors by conducting a survey of the Directors and Audit & Supervisory Board members every year. The results of the survey conducted last year identified "brand strategy" as a deliberative theme for further discussion. In response, the Board of Directors in FY2023 was able to enhance discussions on initiatives that contribute to corporate value by raising our presence.

In addition, with reference to suggestions made by outside directors, we have enhanced opportunities for the exchange of opinions among outside directors outside of the Board of Directors meetings. The explanations provided prior to each Board of Directors' meeting from the executive officer in charge of the secretariat, previously conducted individually, has been changed to a format addressing multiple outside directors in FY2023.

The survey conducted in January 2024 showed, as in the previous year, that the Board of Directors sets appropriate agenda items, takes sufficient time for deliberation, and actively exchanges opinions and proposals, including those of outside directors. The survey also identified themes for further discussion. We have concluded that the Board is contributing to the enhancement of the Group's corporate value and is functioning appropriately.

Questions and Responses from the survey to evaluate the effectiveness of the Board of Directors (excerpt)

- Do you think that agendas are appropriately set?
→Appropriate: 81%
Other opinions: Enhance deliberations on R&D, clarify and focus reporting items
- Do you think that sufficient time for deliberations is secured?
→Appropriate: 100%
- Do you think the Board of Directors' composition is appropriate?
→Appropriate: 88%
Other opinions: Medium- to long-term issues such as female internal directors, foreign nationals, and areas of expertise
- Do you think discussions appropriately take advantage of diversity?
→Appropriate: 100%

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.sekisuichechemical.com/about/outline/management/>

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee appoints and dismisses Representative Directors, Directors, and other senior executives; appoints Audit & Supervisory Board member candidates; and appoints and dismisses advisors and executive advisors, including former Representative Directors and Presidents. It also deliberates on the adequacy of the Director remuneration system and remuneration levels, as well as on Board of Director effectiveness enhancements and on important management issues as necessary, and provides opinions and advice to the Board of Directors.

The Committee consists of seven members, the majority of whom must be Independent Outside Officers. The chairperson must be elected from among the Independent Outside Officers.

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.

Diversity Promotion Committee

The Diversity Promotion Committee has been established for the purpose of strengthening the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values concerning the securing of diversity of human resources in management, the execution of various measures, and the disclosure of these inside and outside of the Company, and also supervising and advising on management execution.

The Committee consists of nine members, the majority of whom must be Independent Outside Officers. The chairperson must be elected from among the Independent Outside Officers.

Major Deliberation Issues

1. Formulation of basic policy and target values concerning empowerment of diverse human resources
2. Human development policy and accompanying environmental consideration policy
3. Setting various major indicators and methods to use them
4. Issues related to the disclosure of these inside and outside the Company
5. Monitoring the execution status

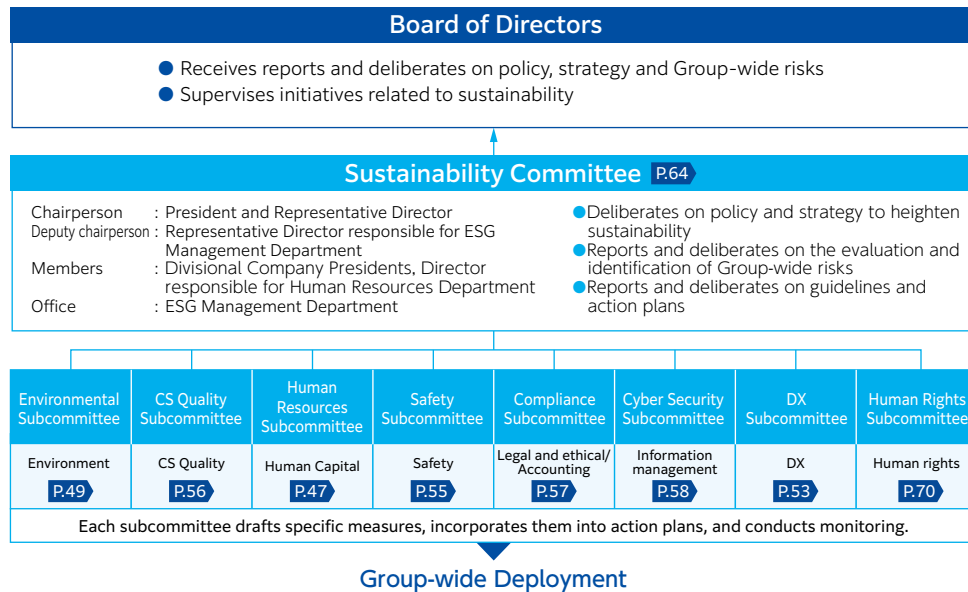
Corporate Governance System

Supervisory Promotion System of ESG Management

In order to promote ESG Management, the Group has established a supervisory and promotion system composed of the Board of Directors, which fulfills the supervisory function, the Sustainability Committee, which fulfills the executive function, and eight subordinate subcommittees.

The Sustainability Committee is chaired by the president, vice-chaired by the director in charge of the ESG Management Promotion Department, and consists of executive directors including the president of each company. It meets twice a year. The committee identifies risks and opportunities that the Group may face in the future, determines company-wide policies and KPIs, and formulates company-wide action plans. The committee also monitors the status of each materiality's initiatives through reports from the subcommittees.

The Board of Directors receives reports concerning the policies, strategies, and Group-wide risks deliberated by the Sustainability Committee. The Board then deliberates and makes a final decision on these, and supervises initiatives implemented by the executive side. Each of the eight subcommittees (Environmental, CS & Quality, Human Resources, Safety Compliance, Cyber Security, DX, and human right) propose specific initiatives based on the details of decisions, incorporate these decisions into action plans, and monitor initiatives.



Other Management Committees

Policy Committee	Composed of Directors in charge of execution, the Policy Committee discusses important matters related to management policies and strategies, after which matters are presented to the Board of Directors.
R&D Committee	Chaired by the President, the R&D Committee formulates Group-wide R&D policies, themes, and action plans regarding next-generation business creation. Top management are also involved in activities regarding intellectual property and innovation, and periodically monitor the status of such activities.

Cross-shareholdings

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 by the Board of Directors, 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

In April 2024, the Board of Directors, based on the above basic policy, conducted a detailed examination of each individual issue to determine whether the benefits and risks both associated with holding policy shareholdings are collectively commensurate with the cost of capital, among other matters. In FY2023, one holding was disposed of, but the number of holdings increased by one due to exclusion from the equity method, bringing the number of holdings to 25 as of March 31, 2024.

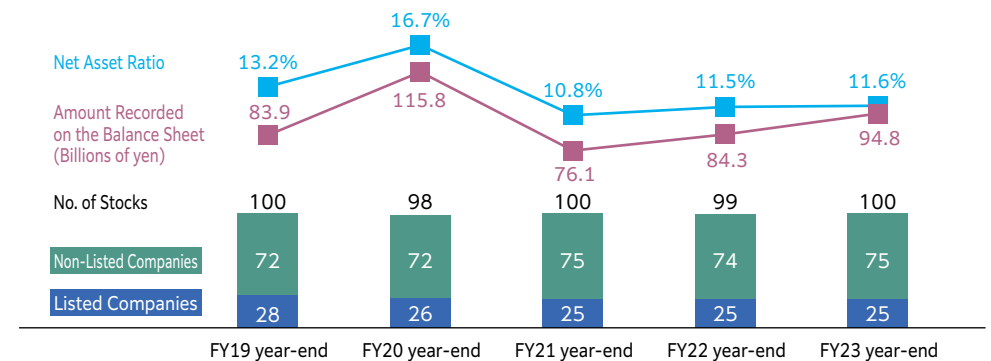
As of the end of March 2024, the Company did not hold any stocks for pure-investment purposes, such as solely for gaining profits from share price fluctuations or from related dividends.

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



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

Compensation for the Company's executive directors consists of basic remuneration (fixed remuneration), bonuses (short-term incentives), and share remuneration (medium- to long-term incentives). Remuneration for outside directors and corporate auditors consists solely of basic remuneration.

Remuneration for the Company's officers is determined in accordance with their position and duties. The percentage of performance-based remuneration is set so that the higher the position, the higher the percentage of performance-based remuneration, and the aspects of divisional company performance for which the director is responsible are reflected in remuneration for duties. The basic remuneration and bonuses, which are monetary remuneration, are paid periodically during the term of office, while share remuneration is paid in a lump sum upon retirement.

Short-term incentives (bonuses)

If certain criteria for ROE and dividends are met, the amount will be determined by reflecting a multiplier set by job title and a company-specific multiplier (60% to 120%) linked to the achievement of targets for financial indicators (operating profit, ROIC, etc.) and non-financial indicators (environment, human capital, etc.) on a base amount linked to company-wide operating profit.

Classification	Indicator	Rating weight
Financial indicators	Corporate and company performance (operating profit)	18%
	EBITDA	12%
	Marginal profit per employee	4%
	ROIC	4%
	Sales growth rate	4%
Non-financial indicators	Sales of Products to Enhance Sustainability	8%
	GHG emissions reduction rate	6%
	Waste plastic material recycling rate	4%
	Employee Challenge Action Rate	5%
	Human resources retention rate	5%
	Open innovation	4%
	Other (direct and indirect productivity, governance, company-specific indicators)	26%

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 Company's management. Furthermore, the purpose of the policy determination must not be for the personal benefit of the Company or any third party, including the Company's management.

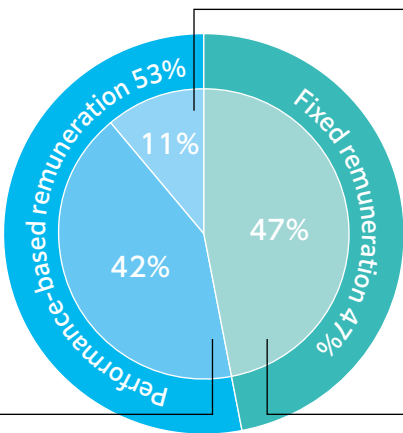
- The specific amounts of individual remuneration of Directors, the payment timing, and the payment methods are also determined ultimately by the Board of Directors by adhering to the opinions of this Committee

Officer Remuneration in FY2023

(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	13	426	7	320	7	83	13	829
(Of which Outside Directors)	6	72	—	—	—	—	6	72
Audit & Supervisory Board Members	8	79	—	—	—	—	8	79
(Of which Outside Audit & Supervisory Board Members)	5	36	—	—	—	—	5	36

Note: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to ¥68 million for directors who concurrently serve as employees.



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.

Risk Management

In order to realize our long-term vision in a drastically changing business environment, it is essential for us to actively and decisively take risks and earn the trust, expectations, and sense of security of our stakeholders. We believe that risk control and resilience are the keys to achieving this, and we have positioned risk management as one of the foundations of our management.

Risk Management System, Identification of Risks and Opportunities

The SEKISUI CHEMICAL Group promotes a company-wide risk management (ERM) system that integrates activities to prevent the occurrence of risk events (risk management) and activities to minimize the impact of risk events when they occur (crisis management). This creates a system that can respond flexibly to ever-changing risks and crises in accordance with the organization's situation.

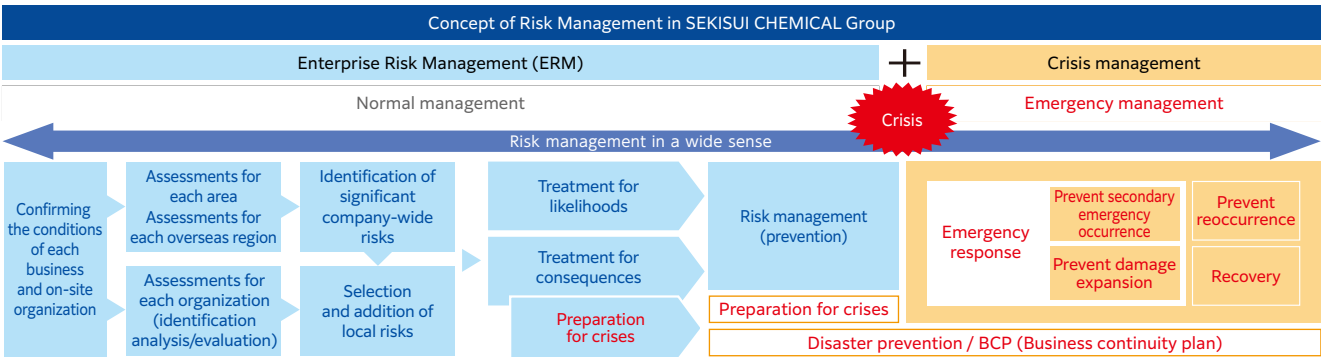
Head Office Governance in Risk Management Organization



Risks and opportunities are regularly monitored based on their significance. First, we obtain a comprehensive understanding of the issues for society and the Group from laws, soft law, disclosure regulations, stakeholder engagement, and expert dialogues in each country. These issues are then ranked according to their impact, likelihood of occurrence, and ripple effects along the value chain, and reflected in a company-wide risk map. The Company identifies and prioritizes short-, medium-, and long-term issues that may pose risks or opportunities for the sustainability of society and the sustainable growth of the Group.

P.65 Governance System Chart P.24 Risks and Opportunities

The issues identified are deliberated by the Sustainability Committee and approved by the Board of Directors, and are identified as materialities and reflected in the strategies and action plans of the entire company and each company. In particular, for “Company-wide Major Risks” that have a high possibility of leading to a Major Incident, assessment is mandatory in organizational risk management activities to prevent Major Incidents from occurring.



Crisis-management System

In accordance with the “SEKISUI CHEMICAL Group Crisis Management Guidelines” established based on the “Basic Policies for Internal Control Systems,” the SEKISUI CHEMICAL Group has established an emergency headquarters to respond promptly and appropriately in the event of an emergency situation that is deemed to have an impact on business continuity, and has built a system for periodic reviews and drills. In the event of a major incident or the threat of one, the Company has established a system to report the situation to the Board of Directors in a timely manner.

Overseas, we have appointed regional managers responsible for the six crisis management regions-including the four regions operated by an overseas regional headquarters-into which we have divided the world, and they will work together with the secretariats to collect and share information, issue timely alerts, and make early responses.



Business Continuity Management (BCM) Establishment Initiatives

In order to minimize the impact of earthquakes, pandemics, and other incidents, all organizations have developed and reviewed early response plans (ERPs) since FY2021, with the protection of human life as the highest priority. In FY2022, desk training was conducted in all covered organizations to verify the effectiveness of the Early Response Plan (ERP) document and to revise the document. In FY2023, each organization will revise its ERP based on the results of the self-training, aiming to establish Business Continuity Management (BCM) tailored to the characteristics of each business in Japan and overseas.

Crisis Management Activities

In accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines, a crisis management liaison committee consisting of representatives from Corporate Headquarters and each divisional company holds regular meetings to, for example, review case studies. We also conduct reviews of the Emergency Situation Initial Response Procedures Manual and confirm coordination.

In addition to informing all employees of crisis management procedures, we distribute an “Emergency Early Response Procedures Manual” every year, so that each employee can make appropriate early responses in the event of an emergency. We have also installed a safety confirmation system in various forms, including on all employees’ mobile phones, which enables rapid confirmation of the safety of our employees in emergencies.

Respect for Human Rights

SEKISUI CHEMICAL Group recognizes its responsibility to respect the human rights of all people affected by its business activities. In order to strengthen our sustainable management foundation, we believe it is necessary to take action to respect the human rights not only of our Group employees, but also of our business partners and other stakeholders in various fields.

SEKISUI CHEMICAL Group's Human Rights Policy https://www.sekisuichechemical.com/sustainability_report/pdf/report_2024/sustainability_report2024e_08.pdf

In February 2024, we specified the human rights issues that the Group considers most salient.

Promotion System

In FY2022, SEKISUI CHEMICAL Group established the Human Rights Subcommittee under the Sustainability Committee to strengthen its response to a wide range of human rights issues in a cross-organizational manner, and is promoting initiatives accordingly. The Human Rights Subcommittee is composed of the Director and head of the Human Resources Department as Chairman and the heads of each specialized headquarters department. The Subcommittee is responsible for formulating Group-wide policies on human rights. At the same time, four working groups linked to the Subcommittee draft and implement specific measures. We will promote human rights initiatives throughout the Group by sharing the policies and measures established by the Human Rights Subcommittee and each working group with the relevant departments of the Company's headquarters and divisional companies, and by applying these down to the business site level.

Board of Directors

Sustainability Committee

Chairperson: Keita Kato, President and Representative Director
Vice Chairperson: Futoshi Kamiwaki, Representative Director and Senior Managing Executive Officer
Members: Executive Directors including Presidents of three companies
Secretariat: ESG Management Promotion Department

Human Rights Subcommittee

Chairperson: Kazuya Murakami, Director and Executive Officer, Head of Human Resources Department
Secretariat: Human Resources Department and ESG Management Promotion Department

Working Groups (WG)

Formulate and implement specific measures based on policies decided by the Human Rights Subcommittee

Human Rights DDWG (within the Group)	Human Rights DDWG (business partners)
Human Rights Education WG	Complaint Handling Mechanism WG

In the Medium-term Management Plan, we have set the following three key issues. We will steadily advance our Business and Human Rights initiatives, led by the Human Rights Subcommittee, while also working to strengthen implementation capabilities at the Companies and Regional Headquarters (RHQs).

- (1) Fostering and instilling a culture of respect for human rights
- (2) Implementation of human rights due diligence and risk reduction
- (3) Implementation of grievance mechanisms

Human Rights Due Diligence

The SEKISUI CHEMICAL Group conducts human rights due diligence by prioritizing the potential human rights risks based on analysis surveys by expert dialogues and specialized organizations, as well as identification of high-risk sites through simultaneous surveys in the form of questionnaires to all areas.

* Human rights due diligence: An ongoing process of analyzing, assessing, and identifying whether there is a possibility of negative human rights impacts (human rights risks) in the company's business activities, and if so, creating and addressing mechanisms to prevent such impacts.

Conducting human rights interviews with foreign employees at overseas production sites

Targets:

HPP Company employees working at PT. SEKISUI POLYMATECH INDONESIA

Implementation method:

Questionnaires, and interviews by third-party agencies based on such questionnaires

Survey content:

Forced labor, freedom of association, the right to collective bargaining, equal pay, and prohibition of discrimination, etc.

Results:

Although no significant negative impact on the human rights of employees was found in this survey, issues that should be prioritized were identified, such as occupational safety and health, respect for the rights of female workers, and respect for the rights of trainees under the Indonesian Intern Training (MAGANG) system. To address these issues, PT. SEKISUI POLYMATECH INDONESIA formulated a remedial action plan.

Human rights interviews at domestic construction and care sites

Targets:

- (1) Housing Company foreign nationality employees working at a Group company that engages in nursing care
- (2) Housing Company foreign nationality employees working at business partner construction companies

Implementation method:

Questionnaires, and interviews by third-party agencies based on such questionnaires

Results:

- (1) An overall evaluation that was significantly higher than the average, and in particular high evaluations in such categories as "hiring," "personnel systems." On the other hand, in the "labor" category, the recommendation was made to appoint a person in charge of lifestyle and business counseling, and to provide guidance to foreign employees. In response to this recommendation, remedial action was taken. In specific terms, a person in charge of employment and labor affairs for foreign workers in the company was appointed. In addition, in the human resource management category, the evaluation identified issues in the training of employees, particularly with respect to medium- to long-term employment and clarifying career paths. These issues remain an area of ongoing consideration.
- (2) A construction company (business partner) was highly evaluated in each of the "hiring," "labor," and "job satisfaction" categories, exceeding the appropriateness criteria, and was recognized as a company that properly employs foreign nationals. On the other hand, feedback relating to the construction company (business partner) pointed out access to remediation, evaluation systems, and the creation of a systematic structure for career development as future issues.

Responsible Procurement

SEKISUI CHEMICAL Group has established the Basic Procurement Policy as its CSR Procurement Policy to ensure responsible procurement, in consideration of society and the environment, and posts and discloses this policy on its website. In February 2024, we revised the Basic Procurement Policy together with the SEKISUI CHEMICAL Group Human Rights Policy in order to respond to the growing gravity of social issues and expanding social demands in recent years, such as human rights, sustainability, and anti-corruption, in line with diversifying social demands for supply chains. The policy requires suppliers to fulfill their responsibility to respect human rights, and was posted on our website to widely publicize the policy.

SEKISUI CHEMICAL Group Basic Procurement Policy

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

Additionally, the Sustainable Procurement Guidelines (Supplier Code of Conduct), which summarize the items that the Group and its suppliers aim to achieve in procurement, are in line with the 10 Principles of the United Nations Global Compact, the Guiding Principles on Business and Human Rights, and the SEKISUI CHEMICAL Human Rights Policy. The guidelines represent standards to be complied with by the Group and all business partners involved in the production of products.

The Sustainable Procurement Guidelines (Supplier Code of Conduct)

[https://www.sekisuichechemical.com/about/assets/pdf/](https://www.sekisuichechemical.com/about/assets/pdf/GuidelinesForSustainableProcurement_20230303.pdf)

[GuidelinesForSustainableProcurement_20230303.pdf](https://www.sekisuichechemical.com/about/assets/pdf/GuidelinesForSustainableProcurement_20230303.pdf)

Sustainable Timber Procurement

The Group has established the Sustainable Timber Procurement Guidelines in order to achieve procurement in line with our Timber Procurement Policy. In addition to legal timber procurement, we also aim to reduce the negative impact of deforestation on the human rights and environment of indigenous people. We conducted a survey of 54 suppliers with respect to tree species and logging sites. We also held hearings with suppliers who handle raw materials that are endangered species and whose logging areas are in high-risk countries to clarify traceability. As a result of the survey, we were able to identify two suppliers with risks directly in the supply chain. In the future, we will continue our efforts to reduce the risks identified.

Responsible Mineral Procurement Survey

SEKISUI CHEMICAL Group holds surveys on the conflict minerals (minerals that fund armed insurgents) It was conducted at 35 sites in Japan and 16 sites overseas that handle the subject minerals. As a result, 96% of the raw materials containing the target minerals in Japan were identified at smelters, and 4% were unknown. Overseas, 99% were identified at smelters, and 1% were unknown. In FY2024, we will consider responses in line with the risk levels of undisclosed or unknown raw materials.

Target Risk

- Is this a funding source for armed groups?
- Is the area subject to general human rights violations, including child labor?

Target Area

- Conflict Affected and High-Risk Areas (CAHRAs) (under EU conflict mineral principles): 28 countries
- Democratic Republic of the Congo and neighboring countries: 10 countries, Total 34 countries (due to overlap)

Target minerals

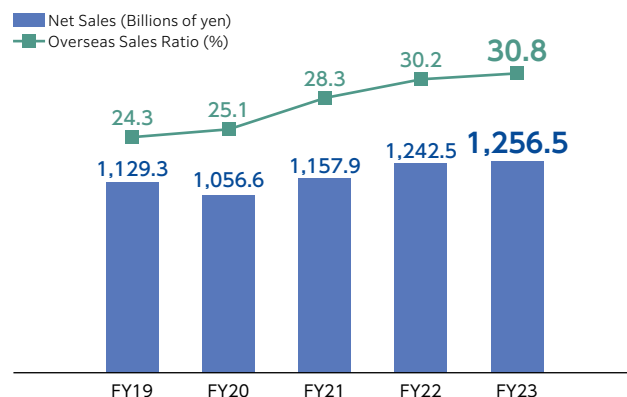
3TG (tantalum, tungsten, tin, gold) + cobalt, mica

Target raw materials

Raw materials which contain target minerals

Financial and Non-financial Highlights

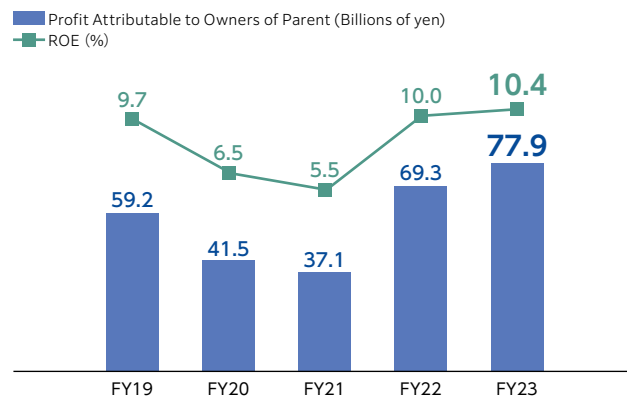
Net Sales/Overseas Sales Ratio



Although market conditions remained sluggish, including a slow recovery in the domestic new housing market and semiconductor-related market, there was a certain degree of recovery in automobile-related demand, etc. Net sales reached a record high of 1,256.5 billion yen due to expanded sales of high value-added products, as well as the effect of foreign exchange gains.

The ratio of overseas sales to total sales reached 30.8% due to sales growth in Europe, North America, and Asia.

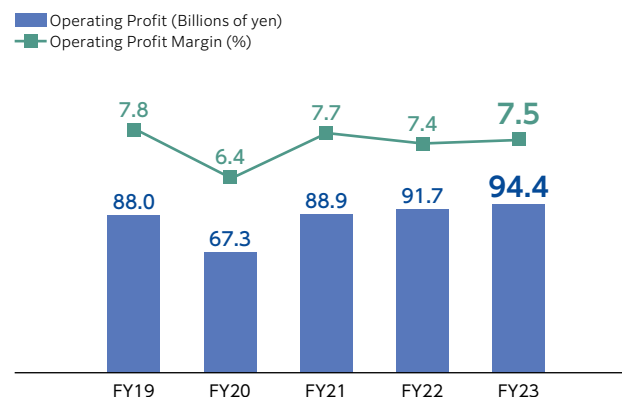
Profit Attributable to Owners of Parent/ROE



Net profit attributable to Owners of Parent reached a record high, mainly due to gain on sales of investment securities.

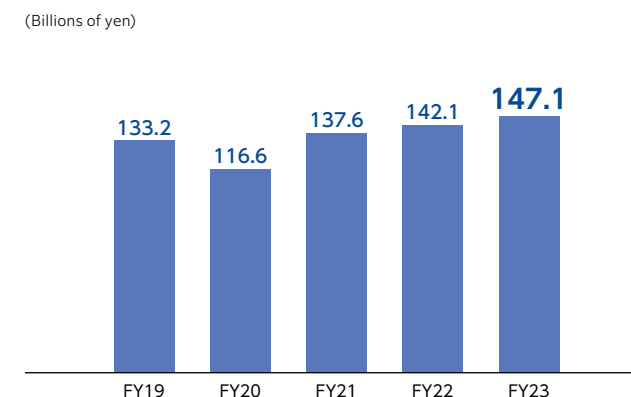
Capital efficiency improved with ROE of 10.4%.

Operating Profit/Operating Profit Margin



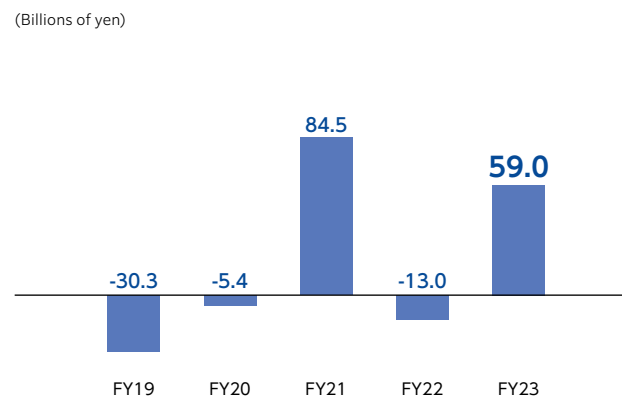
Efforts were made to expand sales of high value-added products, secure spreads, and control fixed costs. Due in part to the effect of foreign exchange gains, operating profit reached a record high of 94.4 billion yen.

EBITDA



Operating profit and depreciation both increased and EBITDA reached the record level of 147.1 billion yen.

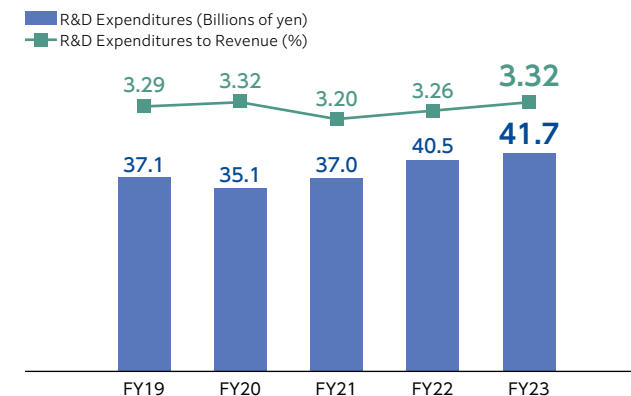
Free Cash Flow



Free cash flow improved significantly to 59.0 billion yen due to an increase in cash flow from operating activities resulting from improved profits and an increase in cash flow from investing activities resulting from the sale of marketable securities.

R&D Expenditures/ R&D Expenditures to Revenues

P.38 and 39

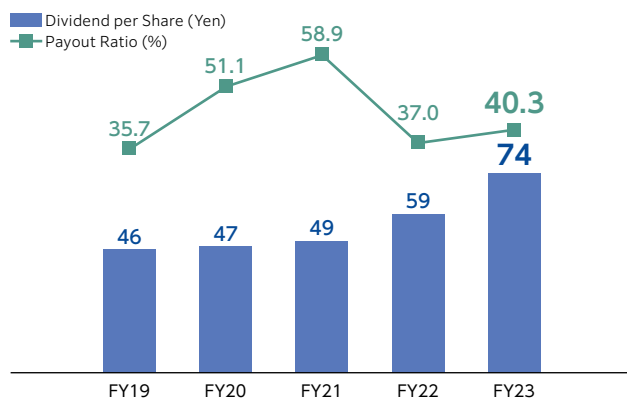


In order to solve social issues, we promoted research and development to stand out with cutting-edge technologies in the HPP Company, Medical Business, and new business, etc., R&D expenditures amounted to 41.7 billion yen.

Financial and Non-financial Highlights

Dividend per Share/Payout Ratio

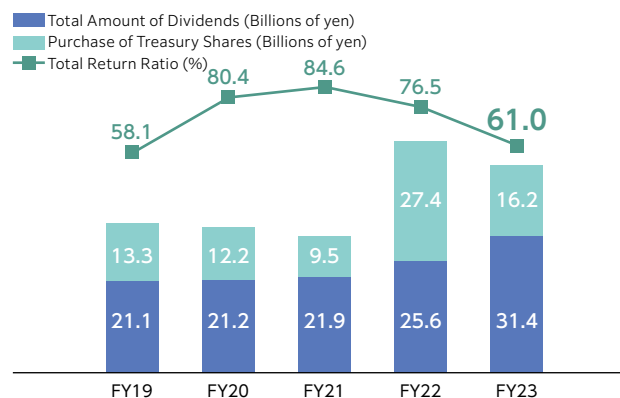
P.41



The Company implemented a stable dividend policy in line with its business performance. The annual dividend was 74 yen per share, representing an increase for the 14th consecutive year.

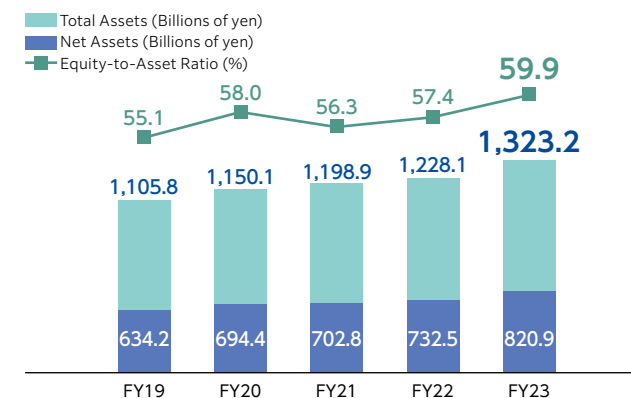
Total Amount of Dividends/ Purchase of Treasury Shares/Total Return Ratio

P.41



The Company repurchased 16.2 billion yen (8 million shares) of its own stock as part of its proactive shareholder return program, while implementing a flexible capital policy in response to changes in the business environment.

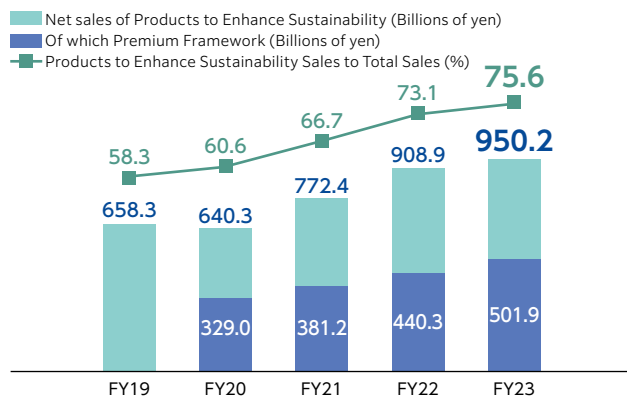
Total Assets/Net Assets/ Equity-to-Asset Ratio



Total assets increased 95.1 billion yen to 1,323.2 billion yen, but this includes the effect of foreign exchange (yen depreciation); excluding this effect, total assets increased by 52.1 billion yen. Strong cash flow led to an increase in cash and deposits. The Equity-to-Asset Ratio improved to 59.9%.

Net Sales of Products to Enhance Sustainability

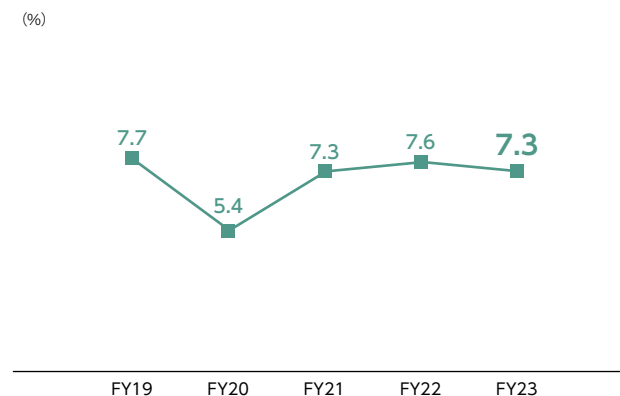
P.16



Net sales of Products to Enhance Sustainability, which are positioned as an important indicator, totaled 950.2 billion yen and accounted for 75.6% of total sales, up 2.5% from the previous fiscal year. Sales in the Premium Framework also increased to 501.9 billion yen.

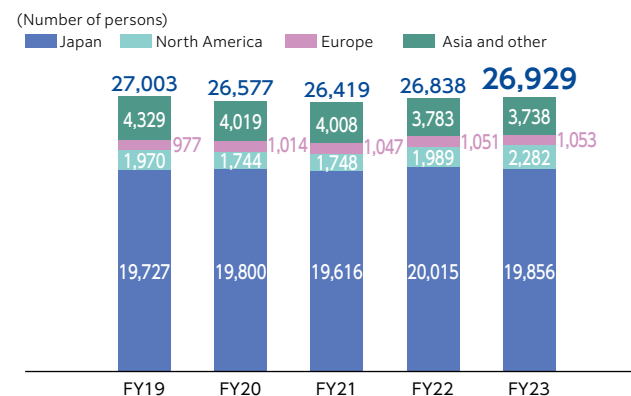
ROIC

P.38 and 39



ROIC decreased by 0.3% due to an increase in fixed assets and inventories, mainly due to foreign exchange effects, despite an increase in net profit after tax.

Number of Employees



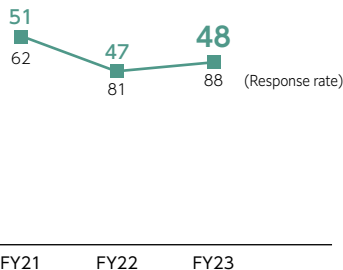
The number of employees remained almost unchanged from the previous year at 26,929. Sales and operating profit per employee improved.

Financial and Non-financial Highlights

Employee Challenge Action Rate*

P.47

(%)



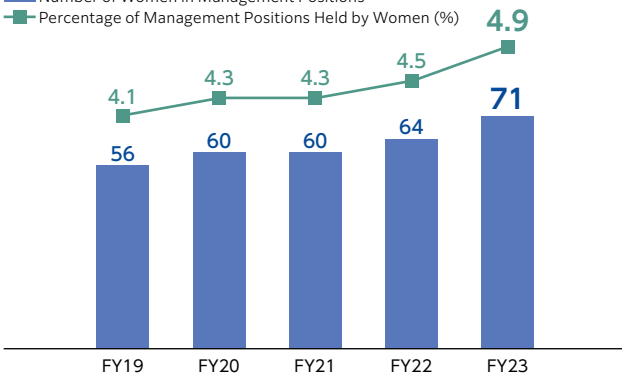
Since FY2021, we have conducted an annual survey on Employee Challenge Action. To foster a culture of challenge, direct dialogue events between top management and employees were held in Japan and overseas in FY2023 under the themes of “ESG management” and “challenge,” which are the keywords of Vision 2030.

* The percentage of respondents who answered “applicable” or “somewhat applicable” to the question, “I am taking specific challenging actions toward the realization of Vision 2030.”

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

P.48

■ Number of Women in Management Positions
■ Percentage of Management Positions Held by Women (%)

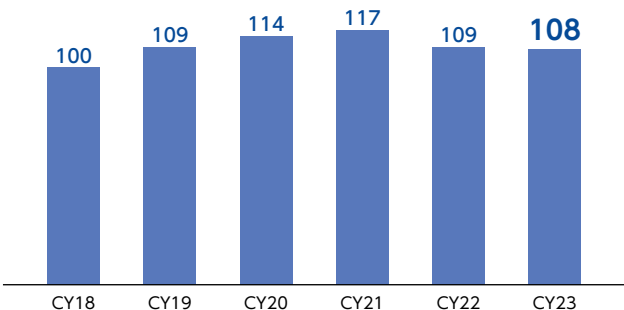


In order to realize the goal of “Achieving Diversity,” the Percentage of Management Positions Held by Women is one of the KPIs to promote “promotion of diverse human resources,” and training and seminars are conducted to motivate and support the development of female managers for promotion to managerial positions. 2023 also saw an increase in the Percentage of Management Positions Held by Women due to an increase in the number of newly appointed managers.

Patent Asset Index™ Growth Rate

P.46

(%)



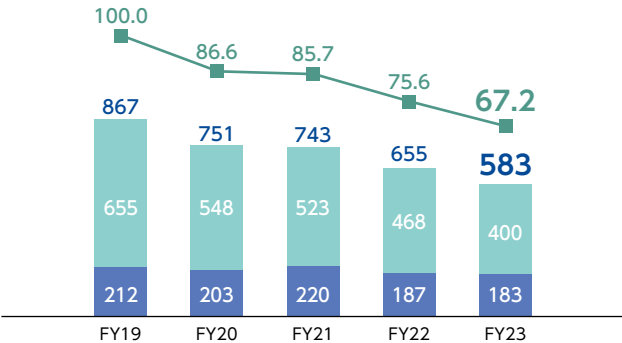
We consider intellectual property as the result of R&D activities to be an important management resource that supports growth and earnings to maximize corporate value, and we will use the Patent Asset Index™ (PAI) as a reference for our activities.

* The Patent Asset Index™ growth rate is indexed to 2018 and calculated using LexisNexis' PatentSight® patent analysis tool.
* The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based on the country of application for each patent with valid legal status, and adds them together to show the asset value of the patent.

GHG Emissions from Business Activities

P.50

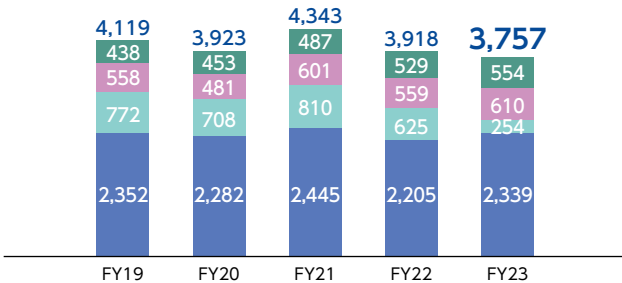
(kt-CO₂)
■ Scope1 ■ Scope2 ■ Emission ratio (compared to FY2019 as 100)



As a result of energy consumption innovations such as promoting renewal of aging facilities, and energy procurement innovations such as switching from of purchased electricity to renewable energy and introducing solar power generation equipment for in-house consumption, GHG emissions from our own business activities (Scope 1+2) reached 32.8% reduction compared to FY2019.

GHG Emissions from the Supply Chain (Scope3)

(kt-CO₂)
■ Purchased products and services ■ Use of sold products
■ Disposal of sold products ■ Other

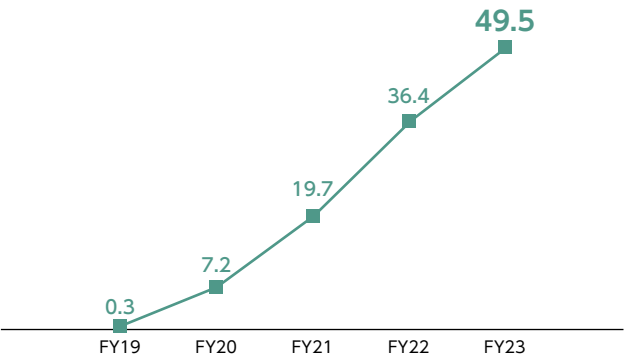


Overall Scope 3 decreased by 8.8% compared to FY 2019.

While “purchased products and services,” which account for the majority of the total, showed a slight decrease, “use of sold products” showed a significant reduction due to an increase in the ratio of ZEH-specification homes.

Renewable Energy Ratio of Purchased Electricity

(%)



The ratio of purchased electricity generated from renewable energy sources reached 49.5%, and by FY2023 we had installed solar power generation facilities at 20 domestic and overseas business sites, with a total output of 10,560 MW. In addition, we have completed the switchover to 100% renewable energy sources for electricity purchased from outside sources at 41 business sites in Japan and overseas.

Key Financial and Non-financial Data

Financial Data

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	Millions of yen	1,110,851	1,112,748	1,096,317	1,065,776	1,107,429	1,142,713	1,129,254	1,056,560	1,157,945	1,242,521	1,256,538
(Housing)	Millions of yen	496,790	494,116	473,441	484,975	497,782	506,729	512,937	485,265	515,191	537,371	529,693
(Urban Infrastructure & Environmental Products)* ¹	Millions of yen	239,941	227,689	226,279	240,332	239,241	239,193	237,380	204,586	211,776	234,296	234,787
(High Performance Plastics)* ¹⁺²	Millions of yen	353,782	372,296	378,552	357,526	386,154	341,290	322,421	309,867	358,809	396,389	412,897
(Medical)* ²	Millions of yen						70,721	72,588	72,342	88,517	89,680	92,620
(Other)* ³	Millions of yen	43,799	38,906	38,300	2,730	5,861	6,095	4,970	3,611	4,944	7,388	7,252
Operating profit	Millions of yen	82,541	85,764	89,823	96,476	99,231	95,686	87,974	67,300	88,879	91,666	94,399
(Operating profit margin)	%	7.4	7.7	8.2	9.1	9.0	8.4	7.8	6.4	7.7	7.4	7.5
(Housing)	Millions of yen	41,108	41,327	36,387	37,549	37,935	39,002	37,792	30,546	35,318	32,831	27,729
(Urban Infrastructure & Environmental Products)* ¹	Millions of yen	6,460	1,264	3,610	12,827	14,791	15,007	15,480	11,251	14,061	21,192	22,129
(High Performance Plastics)* ¹⁺²	Millions of yen	36,098	45,951	53,353	54,537	57,821	44,855	37,374	28,935	42,351	40,091	50,931
(Medical)* ²	Millions of yen						9,623	9,204	7,010	11,180	12,511	10,952
(Other)* ³	Millions of yen	-778	-1,957	-3,069	-7,619	-9,764	-11,099	-9,721	-8,746	-10,316	-10,894	-10,821
Ordinary profit	Millions of yen	83,310	87,978	81,213	91,513	93,929	93,146	87,202	62,649	97,001	104,241	105,921
Profit attributable to owners of parent	Millions of yen	41,190	52,995	56,653	60,850	63,459	66,093	59,181	41,544	37,067	69,263	77,930
Comprehensive income	Millions of yen	57,944	91,587	37,080	57,638	73,898	55,648	36,364	93,956	41,509	84,008	135,737
Total assets	Millions of yen	961,009	968,011	936,043	943,640	994,137	1,023,706	1,105,781	1,150,143	1,198,921	1,228,131	1,323,243
Net assets	Millions of yen	473,555	535,292	544,156	570,549	612,757	632,746	634,219	694,392	702,753	732,525	820,925
R&D expenditures	Millions of yen	27,720	29,452	31,693	34,169	36,974	38,838	37,146	35,110	37,010	40,471	41,701
Capital expenditures	Millions of yen	41,827	46,993	49,740	43,868	53,518	73,595	66,667	55,326	52,540	56,761	60,606
Depreciation	Millions of yen	34,376	31,203	34,735	34,843	36,016	38,789	42,018	44,926	45,912	48,995	51,195
Amortization of goodwill	Millions of yen	2,957	2,348	2,156	2,118	2,416	2,848	3,238	4,419	2,792	3,411	1,477
Cash flows from operating activities	Millions of yen	97,720	67,760	71,389	108,229	82,272	85,213	92,647	75,271	105,023	71,543	106,632
Cash flows from investing activities	Millions of yen	-60,914	4,127	-23,715	-44,057	-60,881	-62,553	-100,562	-58,495	2,694	-59,430	-18,515
Cash flows from financing activities	Millions of yen	-49,803	-63,856	-41,726	-39,633	-35,981	-31,539	15,450	-19,157	-54,729	-62,906	-53,023
Net assets per share	yen	897.18	1,033.49	1,071.24	1,147.91	1,245.91	1,307.75	1,333.76	1,485.89	1,519.19	1,642.67	1,880.30
Basic earnings per share	yen	80.13	104.73	115.08	126.13	133.80	141.74	128.80	91.92	83.17	159.19	183.48
Dividend per share	yen	23	27	30	35	40	44	46	47	49	59	74
Payout ratio	%	28.7	25.8	26.1	27.7	29.9	31.0	35.7	51.1	58.9	37.0	40.3

*1 Effective from the third quarter of FY2022, the fire-resistant materials and CPVC-related businesses as well as Crosswave products, which were previously included in the HPP segment, have been reclassified into the UIEP segment for the purpose of optimizing the business portfolio in pursuit of greater synergies. Moreover, SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX, LLC., which were previously included in the UIEP segment, have been reclassified into the HPP segment.

*2 The Medical Business was separated from the High Performance Plastics Company from FY2019. (Prior to FY2017, the Medical Business was included in the High Performance Plastics Company.)

*3 Other: lithium-ion batteries for stationary use, Bio-refinery, R&D, etc.

Key Financial and Non-financial Data

Financial Data

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Financial Index												
Total return ratio	%	52.9	54.0	55.5	54.5	55.1	53.0	58.1	80.4	84.6	76.5	61.0
DOE	%	2.7	2.8	2.8	3.1	3.3	3.4	3.5	3.3	3.3	3.7	4.2
Equity-to-asset ratio	%	47.5	53.3	55.9	58.2	59.1	59.3	55.1	58.0	56.3	57.4	59.9
Current ratio	%	127.4	139.8	138.0	160.7	153.6	151.0	147.2	179.1	184.8	189.5	198.9
Fixed ratio	%	102.1	97.2	95.9	86.9	91.0	91.2	100.8	96.6	87.4	86.0	80.5
Interest-bearing debt	Millions of yen	94,010	63,120	52,338	43,734	46,326	53,848	117,665	138,168	122,557	120,459	120,725
Debt/Equity ratio	%	20.6	12.2	10.0	8.0	7.9	8.9	19.3	20.7	18.2	17.1	15.2
Interest coverage ratio	Times	33.2	51.7	64.5	100.4	109.9	113.5	85.3	58.2	120.4	110.8	90.5
Total assets turnover	Times	1.19	1.15	1.15	1.13	1.14	1.13	1.06	0.94	0.99	1.02	0.98
Inventory turnover	Times	7.50	7.09	7.11	7.00	6.84	6.30	5.52	4.80	4.96	4.68	4.30
Tangible fixed assets turnover	Times	4.51	4.31	4.11	4.01	4.09	3.88	3.49	3.07	3.23	3.35	3.26
R&D expenditures to revenues	%	2.50	2.65	2.89	3.21	3.34	3.40	3.29	3.32	3.20	3.26	3.32
ROE	%	9.4	10.9	10.9	11.3	11.2	11.1	9.7	6.5	5.5	10.0	10.4
ROA	%	8.9	9.1	8.5	9.7	9.7	9.2	8.2	5.6	8.3	8.6	8.3
ROIC	%							7.7	5.4	7.3	7.6	7.3
EBITDA	Millions of yen	119,875	119,316	126,714	133,437	137,665	137,324	133,231	116,647	137,584	142,099	147,072
PER	Times	13.39	14.89	12.04	14.83	13.87	12.55	11.17	23.12	21.15	11.78	12.15
PBR	Times	1.20	1.51	1.29	1.63	1.49	1.36	1.07	1.43	1.16	1.14	1.19
Net sales per employee	Millions of yen	49.13	47.44	45.88	45.44	45.12	43.47	42.22	39.43	43.69	46.66	46.74
Operating profit per employee	Millions of yen	3.65	3.65	3.75	4.11	4.04	3.64	3.28	2.51	3.35	3.44	3.51

Total return ratio = (Purchase of treasury shares + Total amount of dividends) / Profit attributable to owners of the parent

DOE = Total amount of dividends/Average equity

Equity-to-asset ratio = Equity/Total assets

Current ratio = Current assets/Current liabilities

Fixed ratio = Fixed assets/Equity

Debt/Equity ratio = Interest-bearing debt/Equity

Interest coverage ratio = (Operating profit + Interest and dividends)/Interest expense

Total assets turnover = Net sales/Average total assets

Inventory turnover = Net sales/Average inventory

Tangible fixed assets turnover = Net sales/Average tangible fixed assets

R&D expenditures to revenues = R&D expenditures/Net sales

ROE = Profit attributable to owners of parent/Average equity

ROA = Ordinary profit/Average total assets

ROIC = After-tax operating profit/Average invested capital (Fixed assets + Working capital)

EBITDA = Operating profit + Depreciation + Amortization of goodwill

PER = Stock prices at the end of fiscal year/Basic earnings per share

PBR = Stock prices at the end of fiscal year/Net assets per share

Net sales per employee = Net sales/Average number of employees

Operating profit per employee = Operating profit/Average number of employees

Please refer to the FACT BOOK for detailed financial data. <https://www.sekisuichemical.com/ir/financial/factbook/>

Key Financial and Non-financial Data

Non-financial Data

Products to Enhance Sustainability		FY2019	FY2020	FY2021	FY2022	FY2023
Sales ratio	%	58.3	60.6	66.7	73.1	75.6
Net sales	Billions of yen	658.3	640.3	772.4	908.9	950.2
(Housing)	Billions of yen	374.0	352.9	393.8	448.6	434.3
(Urban Infrastructure & Environmental Products)	Billions of yen	101.5	93.2	101.3	152.1	162.8
(High Performance Plastics)	Billions of yen	110.0	121.9	186.9	218.5	260.2
(Medical and Other)	Billions of yen	72.7	72.2	90.4	89.6	92.9
No. of newly registered Products to Enhance Sustainability		5	12	28	18	11
Human Capital						
Number of employees (consolidated)	Persons	27,003	26,577	26,419	26,838	26,929
By Region						
(Japan)	Persons	19,727	19,800	19,616	20,015	19,856
(North America)	Persons	1,970	1,744	1,748	1,989	2,282
(Europe)	Persons	977	1,014	1,047	1,051	1,053
(Asia/Pacific)	Persons	4,329	4,019	4,008	3,783	3,738
By segment						
(Housing)	Persons	10,937	11,182	11,017	11,368	10,991
(Urban Infrastructure & Environmental Products)	Persons	5,242	4,959	4,897	4,537	4,640
(High Performance Plastics)	Persons	8,078	7,541	7,506	7,964	8,111
(Medical)	Persons	2,050	2,160	2,214	2,127	2,264
Diversity (non-consolidated)						
Ratio of women among new graduates hired*1	%	26.7	34.1	22.2	28.1	31.4
Ratio of mid-career hires/of which the ratio of women*2*3	%	20.1/12.1	15.4/8.7	21.4/13.6	39.9/15.3	42.4/16.7
Ratio of women in management positions	%	4.1	4.3	4.3	4.5	4.9
Ratio of female directors (as of the end of the general meeting of shareholders)	%	11.1	10.0	10.0	25.0	25.0
Employment ratio of people with disabilities*3	%	2.9	2.7	2.5	2.3	2.4
Ratio of those who took childcare leave women/men	%	100/39.0	95.8/34.6	100/47.3	100/68.1	97.1/69.8
Retention rate (non-consolidated)*4	%	98.0	98.0	97.5	97.3	97.5
Career and human resources development						
Employee Challenge Action Rate*5	%	-	-	51	47	48
Results of intra-group job postings, No. of transferees / No. of applicants	Persons	28/62	28/54	70/80	45/101	41/122
Results of training for major intra-group job postings, No. of participants	Persons	69	Not conducted	102	102	54
Hours of training and development per FTE (non-consolidated)*6	Hours	9.4	6.3	7.1	6.1	6.2
Rate of successor candidate preparation*7	%	-	-	50.5	67.7	92.4

*1 New graduates hired: Employees who joined the Company for the first time after graduation (undergraduate degree, graduate school, etc.) with no working experience. *2 Mid-career hires (experienced personnel hires) ratio: Ratio of mid-career hires to all hires

*3 Past figures have been revised due to improvements in precision. *4 Retention rate: (1 - (Number of employees who left employment/Number of employees as of April of the fiscal year)) × 100

*5 The percentage of respondents who answered "applicable" or "somewhat applicable" to the question "I am taking specific challenging actions toward the realization of Vision 2030."

*6 Educational programs held at SEKISUI CHEMICAL's Human Resources Department at Corporate Headquarters *7 Ratio of successor candidates to the most senior business leader post.

Please refer to the Sustainability Report for detailed non-financial data.

Key Financial and Non-financial Data

Non-financial Data

Environment ^{*1}		FY2019	FY2020	FY2021	FY2022	FY2023
GHG emissions from the supply chain	Kt-CO ₂	4,986	4,674	5,086	4,573	4,340
Scope1+Scope2	Kt-CO ₂	867	751	743	655	583
Domestic	Kt-CO ₂	341.8	304.3	296.4	256.0	234.8
Overseas	Kt-CO ₂	525.3	446.9	446.9	399.2	348.3
Scope3	Kt-CO ₂	4,119	3,923	4,343	3,918	3,757
Energy use during manufacturing (Japan)	TJ	3,451	3,281	3,507	3,258	3,130
Energy use during manufacturing (Overseas)	TJ	6,766	5,842	6,922	6,658	6,530
Renewable energy ratio of purchased electricity	%	0.3	7.2	19.7	36.4	49.5
Production site waste generation	1,000 tons	70.9	67.6	68.9	71.2	64.9
Production site waste recycled	1,000 tons	61.9	58.4	63.2	63.1	58.0
Waste generated on construction sites of new housing (Japan)	Tons per unit	2.38	2.49	2.23	2.17	2.04
Water intake at production sites (Japan)	Km ³	14,146	13,719	14,247	13,449	13,276
Water intake at production sites (Overseas)	Km ³	6,522	6,167	7,290	7,319	7,571
COD discharge (Japan)	Tons	73.9	62.1	69.5	58.7	71.1
Discharge of volatile organic compounds (VOCs) into the atmosphere (Japan)	Tons	676	680	609	560	1,028

*1 Past figures have been revised due to improvements in precision.

Internal Control						
Safety						
Occupational accidents (Fatal occupational accidents)	Accidents	70 (0)	75 (1)	68 (0)	74 (0)	74 (0)
Incidents attributable to machines and equipment (Serious facility accidents)	Accidents	7 (0)	7 (0)	4 (0)	4 (0)	8 (0)
Frequency rate over time ^{*2}		0.42	0.20	0.39	0.29	0.96
Quality						
Occurrences of major quality issues	Accidents	1	2	1	2	1
External failure costs (FY2020 = 100) ^{*3}		-	100	97	79	79
Legal/Ethical, Accounting						
Serious non-compliance and negligence	Accidents	-	0	0	0	0
Information management						
Cyber security incidents ^{*4}	Accidents	-	-	0	0	0

*2 The total number of injuries, illness and fatalities in occupational accidents with lost time per 1,000,000 hours of total time worked during a given fiscal year (April through the following March)

*3 Costs arising from responding to product-related complaints

*4 Serious impact from incidents such as virus infection, information leakage, or core system outages resulting from external cyber attack

Corporate Information and Stock Information As of March 31, 2024

SEKISUI CHEMICAL CO., LTD.

Osaka Head Office: 4-4, Nishitenma 2-chome, Kita-ku, Osaka

Tokyo Head Office: 10-4, Toranomon 2-chome, Minato-ku, Tokyo

Founded: March 3, 1947

Employees: 26,929

Consolidated Subsidiaries: 143

Affiliates (Equity Method): 6

Paid-in Capital: ¥100,002,375,657

Fiscal Year: April 1 to March 31 of the following year

Accounting Auditor: KPMG AZSA LLC

Listings: Common stock listed on the Tokyo Stock Exchange

Stock Ticker Number: 4204

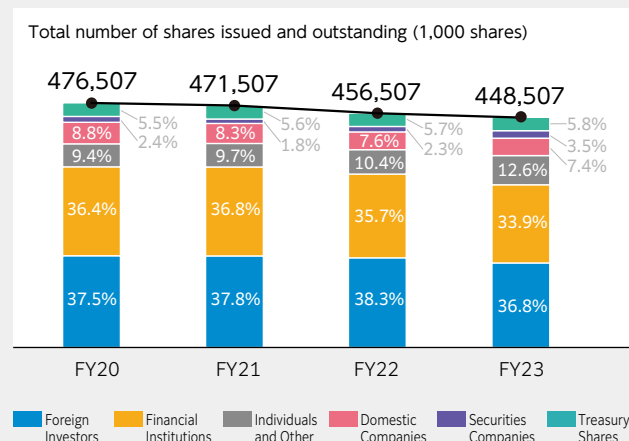
Number of Shareholders: 55,658

Manager of the

Register of Shareholders: Mitsubishi UFJ Trust and Banking Corporation

Issued: 448,507,285 shares

Issued shares and breakdown of shareholders



Major external evaluations conducted during FY2023

ESG indices

- Earned selection to the World Index category of the DJSI
- Earned selection to the FTSE4Good Index series
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the FTSE Blossom Japan Sector Relative Index
- Earned selection to the Morningstar Japan ex-REIT Gender Diversity Tilt Index
- Earned selection to the MSCI ESG Leaders Indexes
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the MSCI Japan Empowering Women (WIN) Select Index
- Earned selection to the S&P / JPX Carbon Efficient Index

Environment

- CDP 2023 A-list companies in both the 'climate-change' and 'water-security' divisions.
- Reacquired certification from the SBT (Science-Based Targets) Initiative for the 1.5°C GHG reduction target (March 2023).



Regarding the Publication of the Integrated Report2024 (Year Ended March 31, 2024)



Futoshi Kamiwaki

Representative Director,
Senior Managing Executive Officer,
Responsible for ESG Management,
and New Business Development Departments,
Head of Business Strategy Department

As a company that is consistently taking on the challenge of solving social issues, the SEKISUI CHEMICAL Group leverages its strengths in "Strategic Foresight," "Processing" and "Value Transformation" to create Products to Enhance Sustainability through innovation, thereby delivering value to society in the form of "Peace of Mind for Generations to Come." This Integrated Report describes the unique story of our Group's efforts to continuously increase corporate value and maximize shareholder value by transforming the impact of Products to Enhance Sustainability into a competitive advantage and enhancing non-financial capital. In editing the report, we have tried to reflect as much as possible the suggestions and opinions we received from institutional investors through dialogue.

We hope this Integrated Report will serve as a tool for understanding SEKISUI CHEMICAL Group more deeply and contribute to constructive dialogue. We will continue to provide investors with detailed and easy-to-understand explanations of the Company's status and growth strategies while working to increase our corporate value.

SEKISUI CHEMICAL CO., LTD.

2-10-4 Toranomon, Minato-ku, Tokyo
105-8566 Japan

<https://www.sekisuichechemical.com/>

Investor Relations Group,
Business Strategy Department

<https://www.sekisuichechemical.com/ir/support/contact/>