

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.

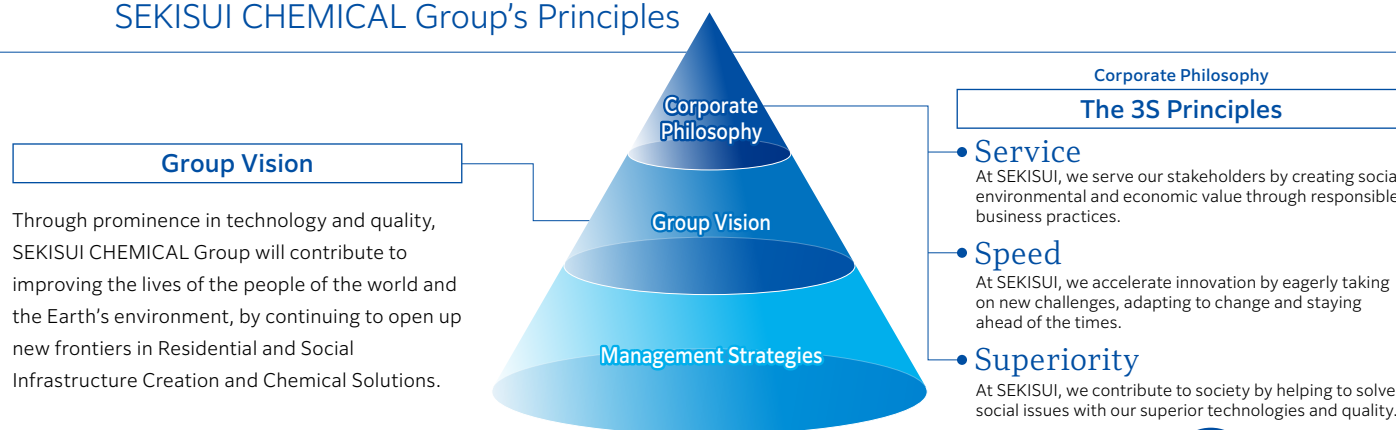
Viewing changes in the social environment as a business opportunity, SEKISUI CHEMICAL Group is working to continuously generate innovation to help resolve social issues drawing on the solutions created by its varied and diverse technologies as well as the trust it enjoys with its stakeholders. By contributing 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).

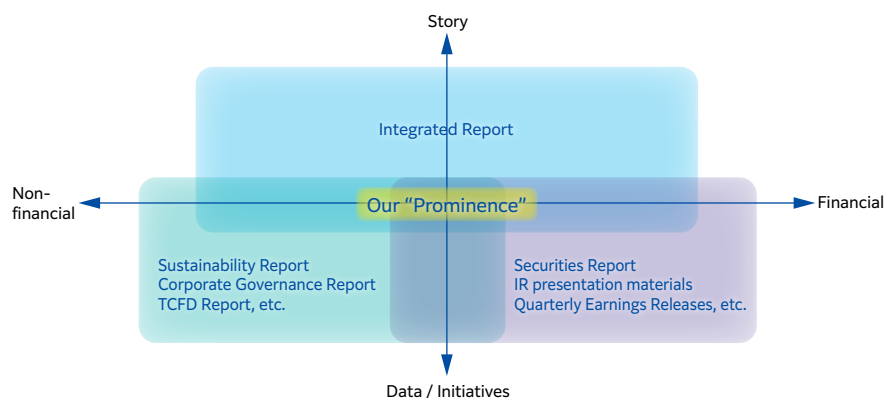


Cautionary Notes

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.

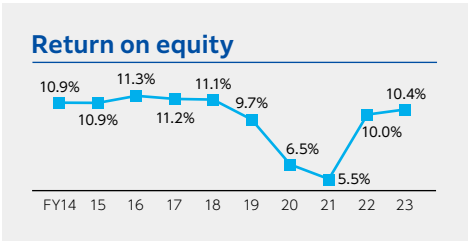
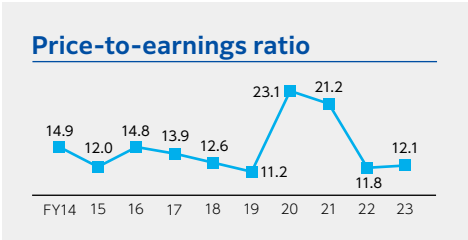
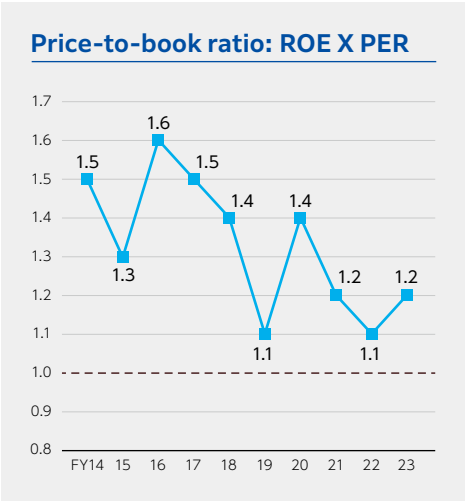
Message from the President & CEO

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?

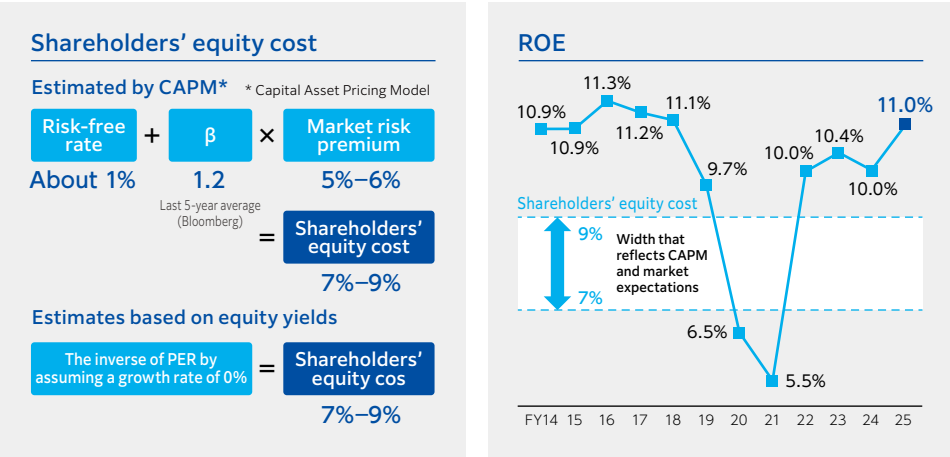
Our PBR has been stable at more than 1 over the past ten years, but we are not satisfied with this level. Except for the period when final profit declined due to the impact of the COVID-19 pandemic and the impairment at SEKISUI AEROSPACE in FY2020 and 2021 when prices soared, PER has remained at a level 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

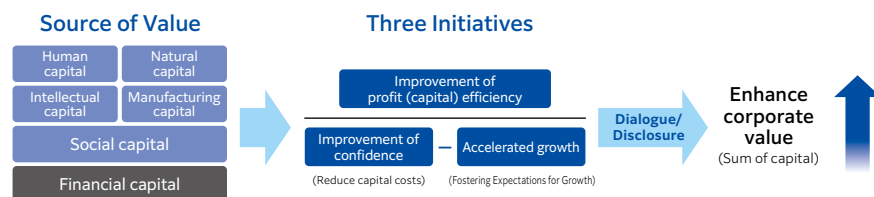
Also, I am aware that our shareholder capital cost is 7 to 9%. Except for the COVID-19 pandemic in 2020-21, ROE is stable above this level, and the Medium-term Management Plan aims for 11% in 2025.



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)		(Billions of yen)				
	FY23-25 Plan	FY23 Results	Cash IN	FY23-25 Plan	Cash flows from operating activities			Borrowing + reduction in cross-shareholdings	
					FY23-25 Plan			FY23 Results	
Strategic investment	Investment budget 450.0	22.0	Cash IN	FY23-25 Plan	500.0			Up to 400.0 (borrowing) + α	
M&A, etc.	Investment budget 300.0	1.0			148.3			39.1	
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			21.0	44.0	41.7	1.0	47.6
R&D expenses	140.0	41.7							

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

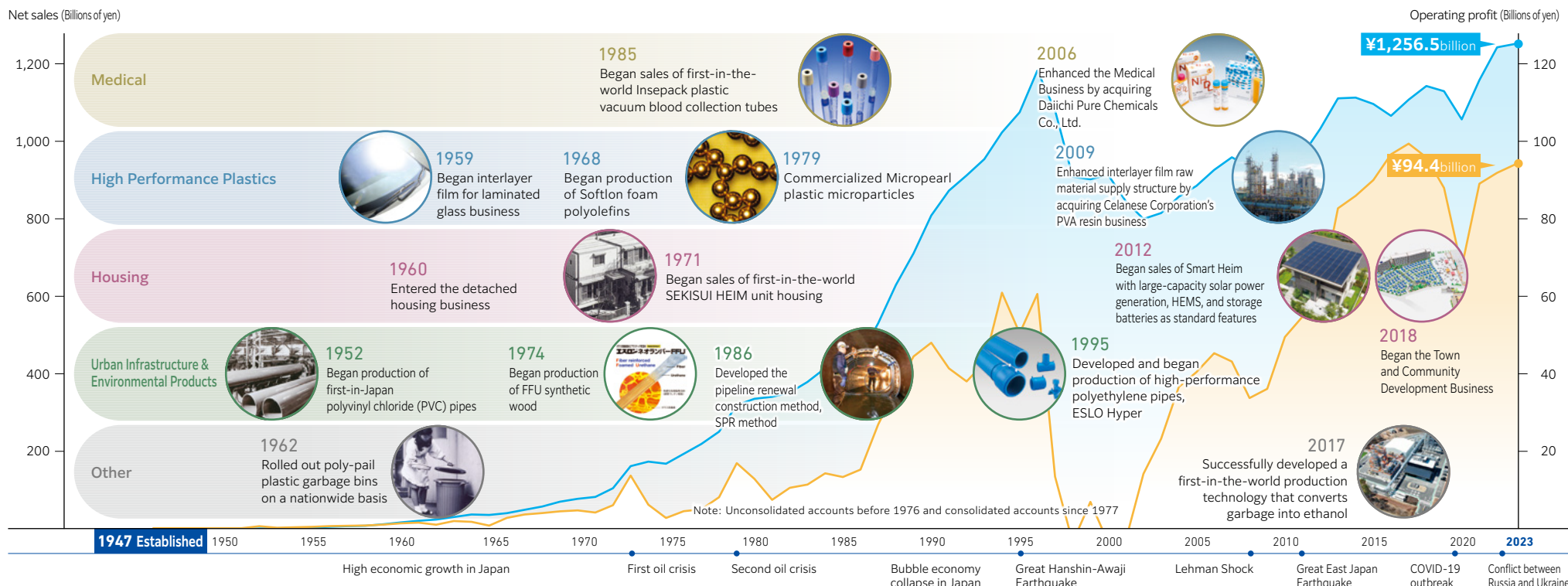
Increasing corporate value through direct dialogue with investors

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.



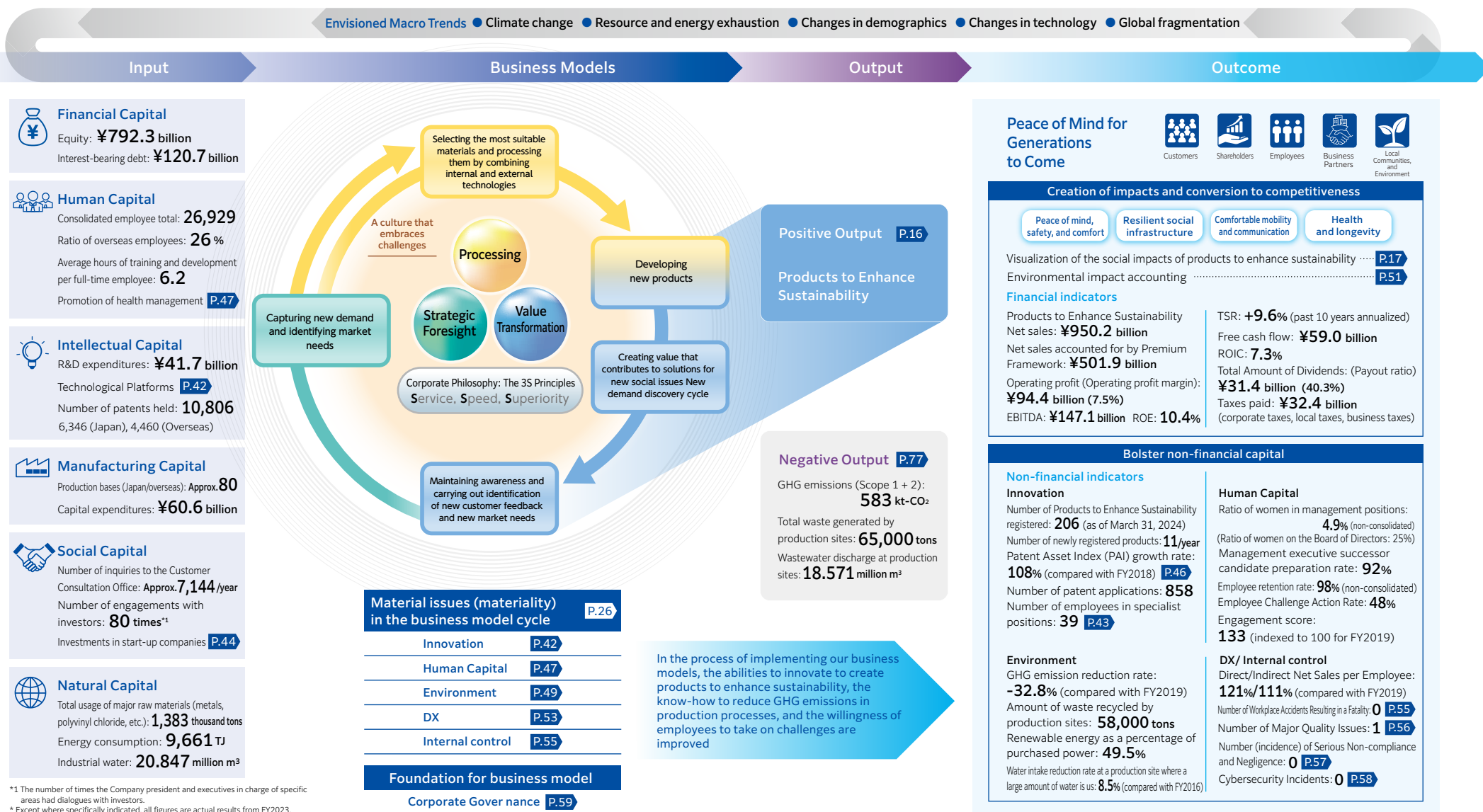
While generating synergies among our existing businesses, we aim to continuously create Products to Enhance Sustainability and support the sustainable growth of the Company and society in these four domains.

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

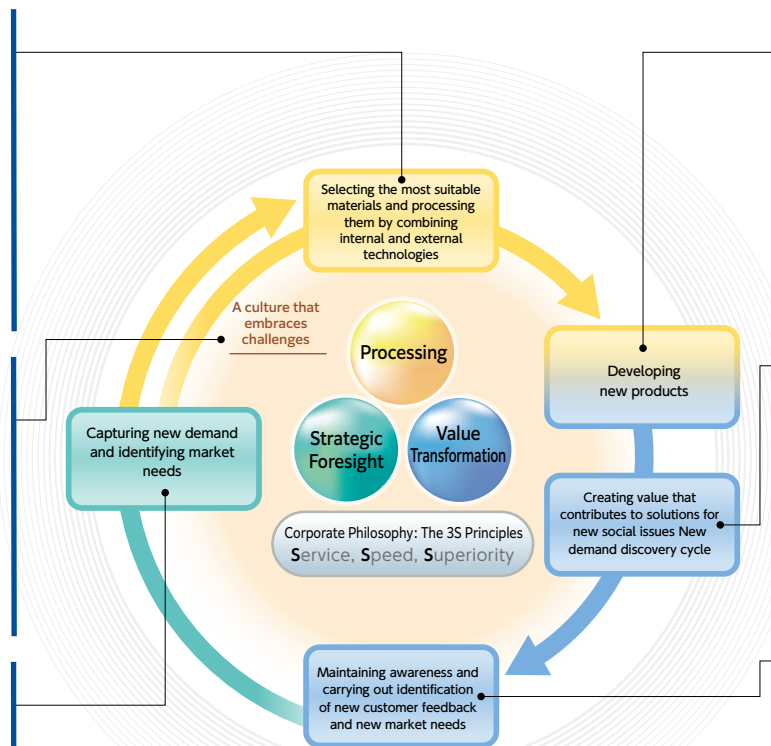


- Through the Vision Caravan [P.48](#), which serves as an opportunity for dialogue between management and employees, SEKISUI CHEMICAL Group encourages employees to empathize with the Corporate Philosophy and Vision, and to take the initiative in changing their own behavior.
- In order to appropriately 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

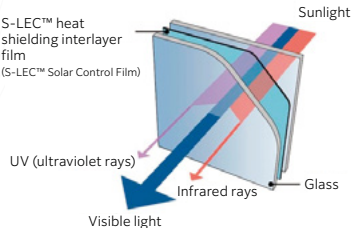
Creating value that contributes to solutions for new social issues New demand discovery cycle



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

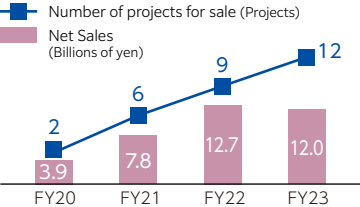
Housing Related Business

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

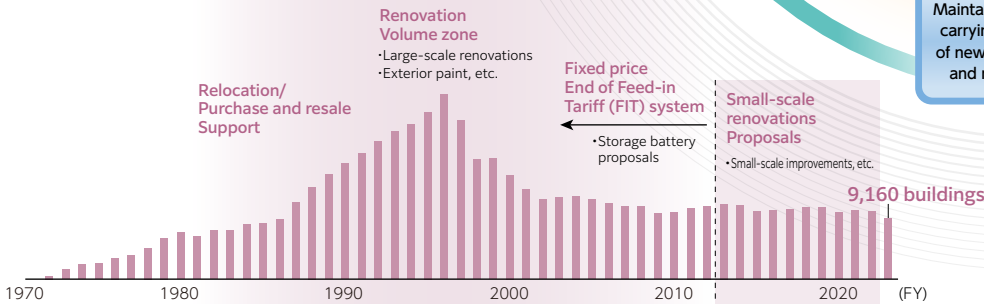
One feature of factory-built SEKISUI HEIM houses is the Unit Construction Method, which handles most of the entire housing construction process at the factory. Along with contributing to solutions for solving issues such as carpenter shortages and skyrocketing construction labor costs, the Unit Construction 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



Capturing new demand and identifying market needs

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



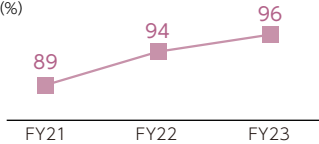
New e-PocketGREEN high-capacity storage battery



■ 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

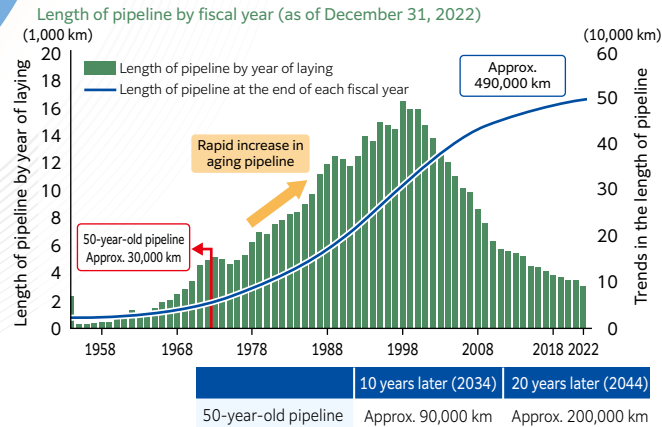
Galvanized steel pipes for social problems related to hygiene and quality matters (such as reddening of water caused by rust)



Began production of ESLON Pipe

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

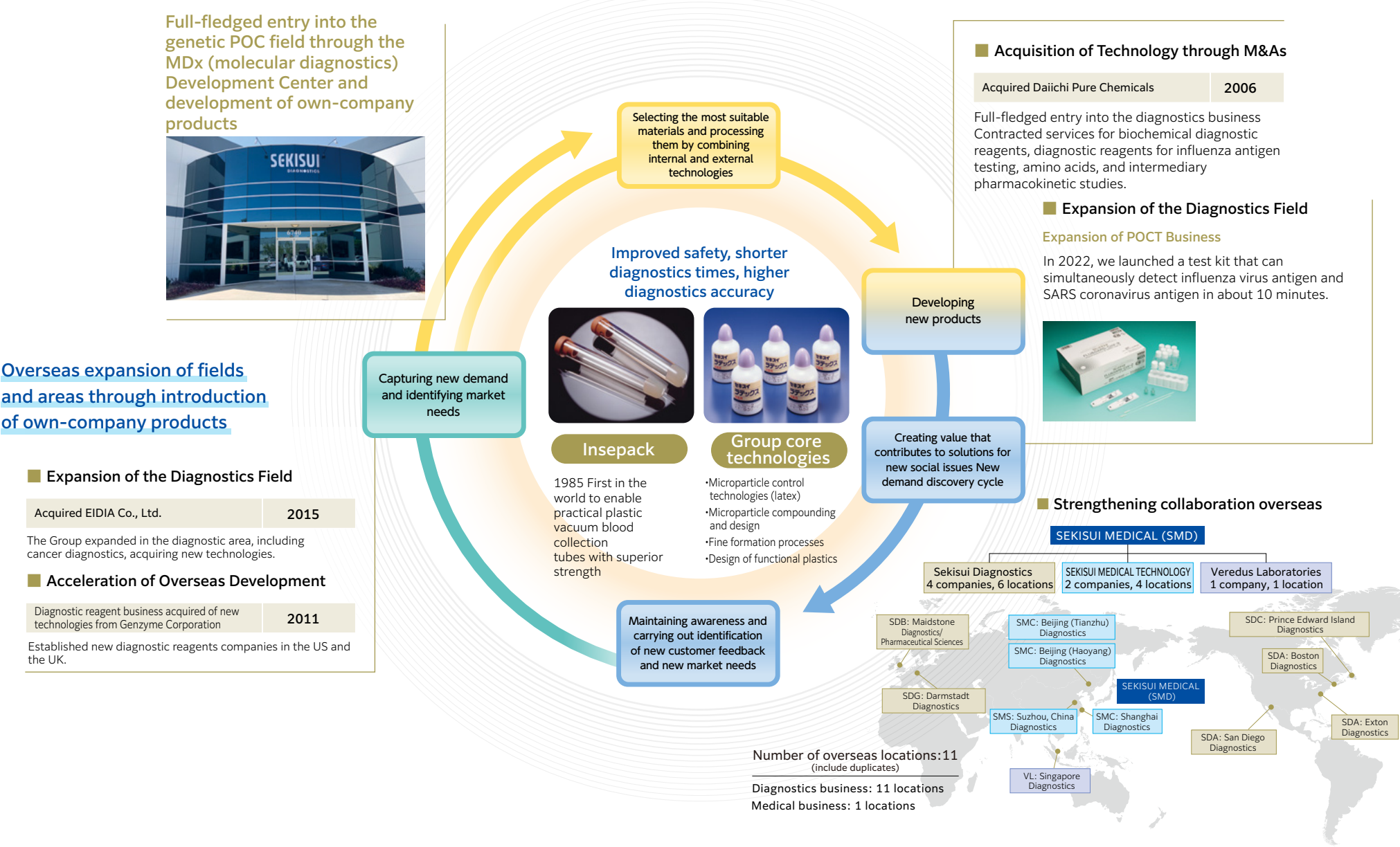
Maintaining awareness and carrying out identification of new customer feedback and new market needs



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

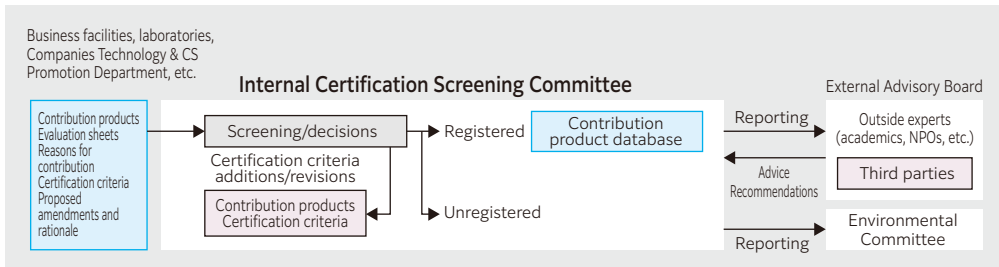
Certification Method

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.

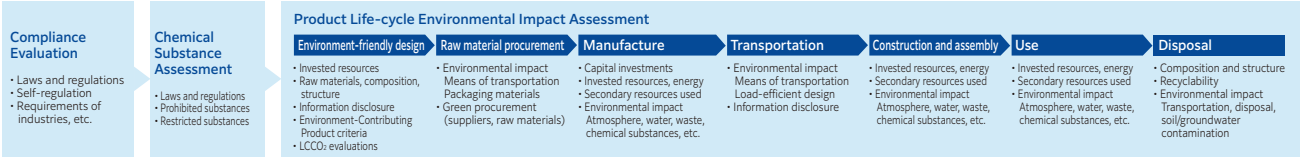
Products to Enhance Sustainability System Operation/Certification Method



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

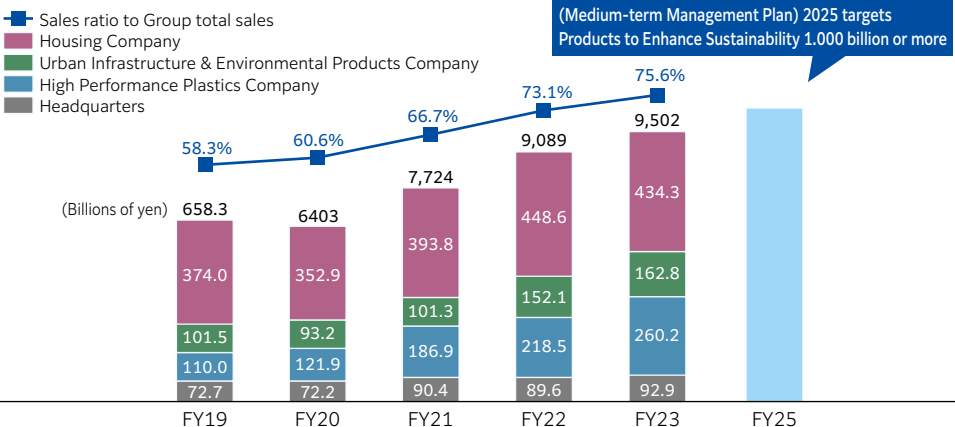
Product Development Method

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.

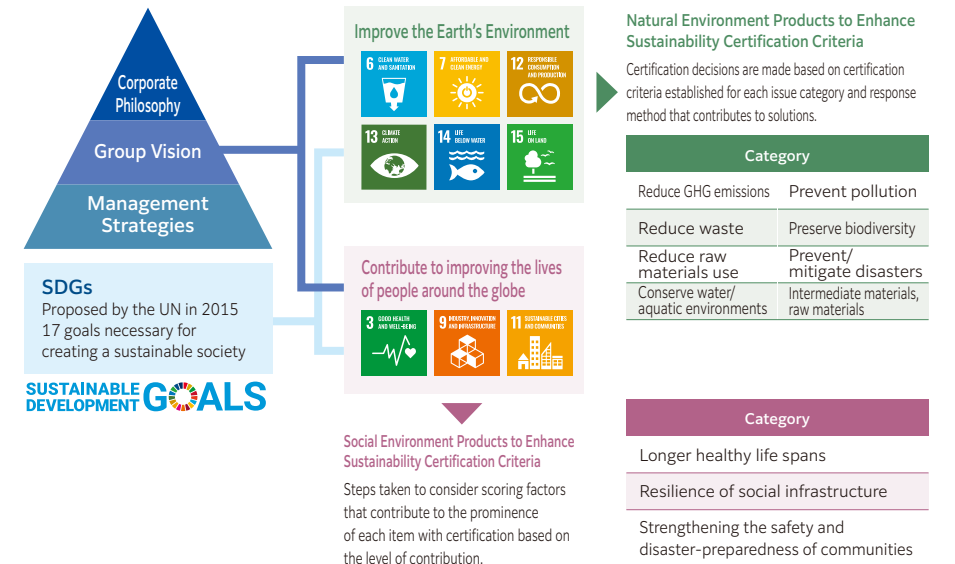


Products to Enhance Sustainability Net Sales

Products to Enhance Sustainability Net Sales/Sales Ratio



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



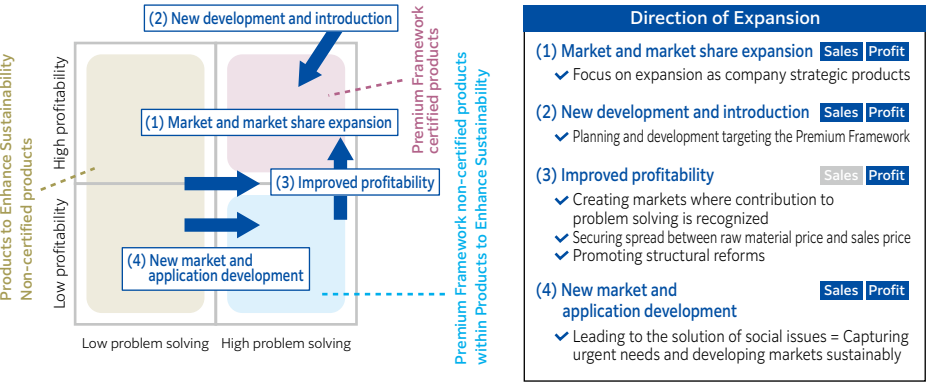
Products to Enhance Sustainability

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)



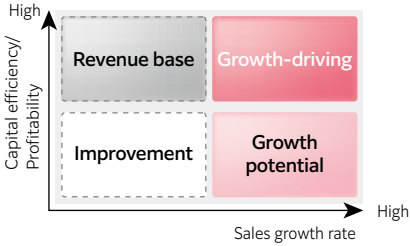
The above Premium Framework expansion strategy provides a visual illustration of our strategy for Products to Enhance Sustainability and the Premium Framework. In the first phase, we will target the lower right-hand area and grow Products to Enhance Sustainability and in the second phase, we will grow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

Product Environmental Impact Assessment

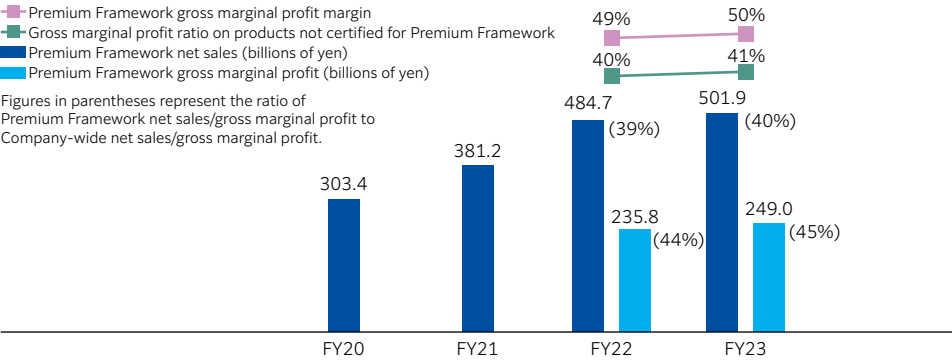
We are aiming to quantify and disclose the social impact of products certified as Products to Enhance Sustainability, and we are evaluating their environmental impact from the perspectives listed on the right. We are using the LIME2 (life cycle assessment/LCA evaluation*) method to quantitatively evaluate 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.

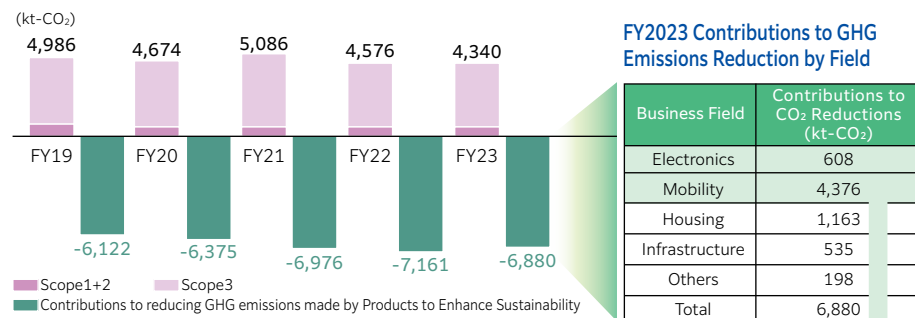
*LIME2: Impacts on four areas (endpoints) determined by a damage calculation-style impact assessment method

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

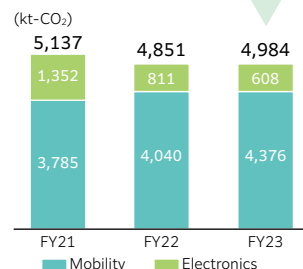


* Contributions to reducing GHG emissions made by Products to Enhance Sustainability are calculated using general-purpose products as a comparison, where the calculation indicates the contribution to reduction as the difference from comparison products given by MilCA (Japan Environmental Management Association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

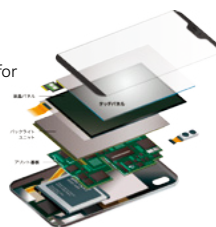
Contribute to the performance of energy-efficient products and reduce CO₂

- 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.

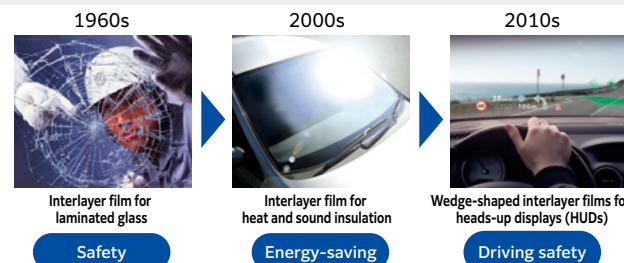
Reduce fuel consumption and CO₂ by decreasing vehicle weights and through heat insulation

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

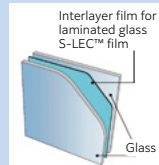


Product Example: Automotive Interlayer Film

- 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

Compact pipemaking machine

Existing pipe

Renewed pipe

Wire

Hydraulic hose

Profile

Filler

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

*1 Rate of installation for detached housing orders

*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

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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

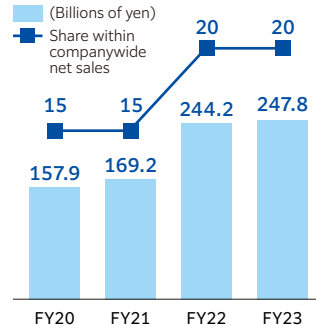


Rainwater storage systems contribute to torrential rain countermeasures



Synthetic sleepers for railroads have exceptional water resistance and durability

Water-related Business Net Sales Trends



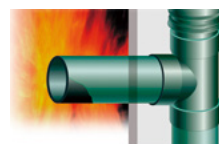
* The water-related business was redefined in FY2022.



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



Drinking water storage system



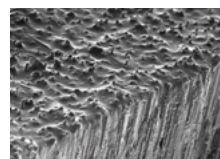
Fire-resistant VP Rigid PVC pipes for buildings



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

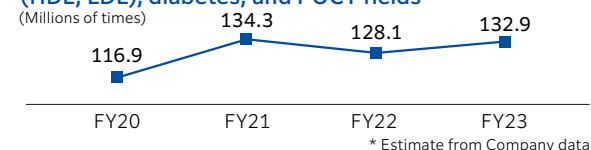
Contributing to the Early Detection of Diseases

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.

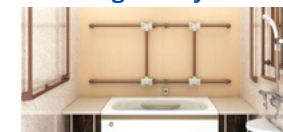


Reference Image

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