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

Long-term Vision, Vision 2030

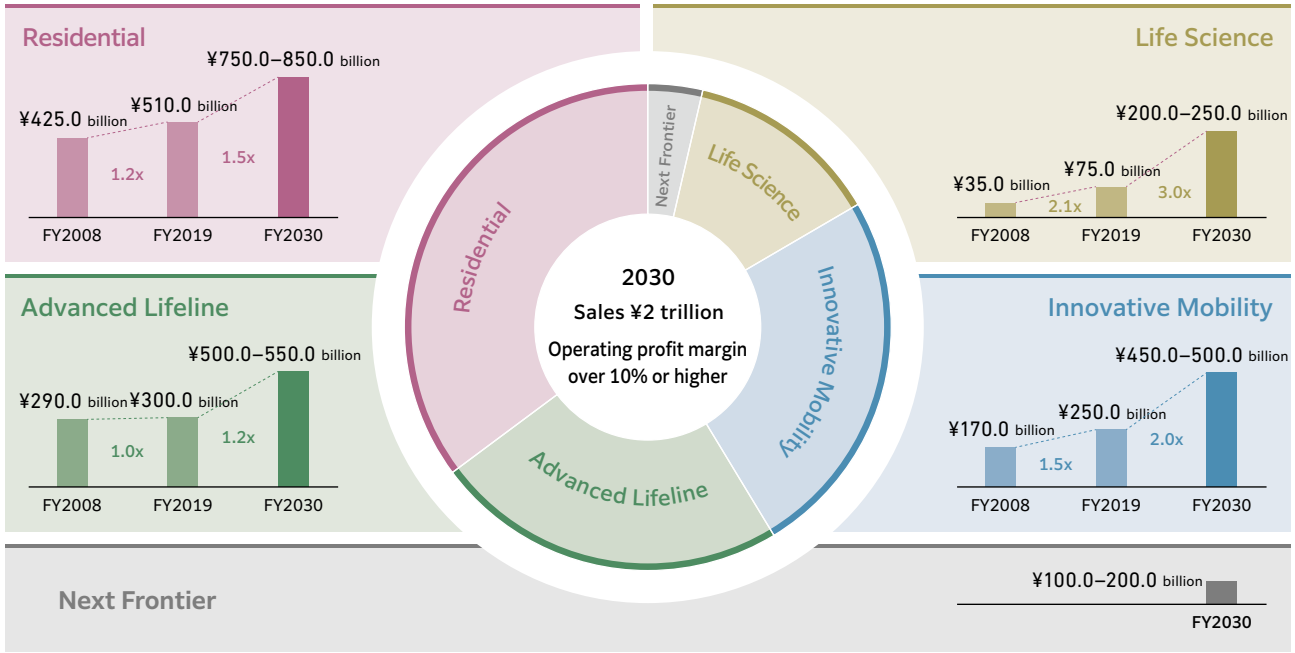
Growth Image and Strategic Investment

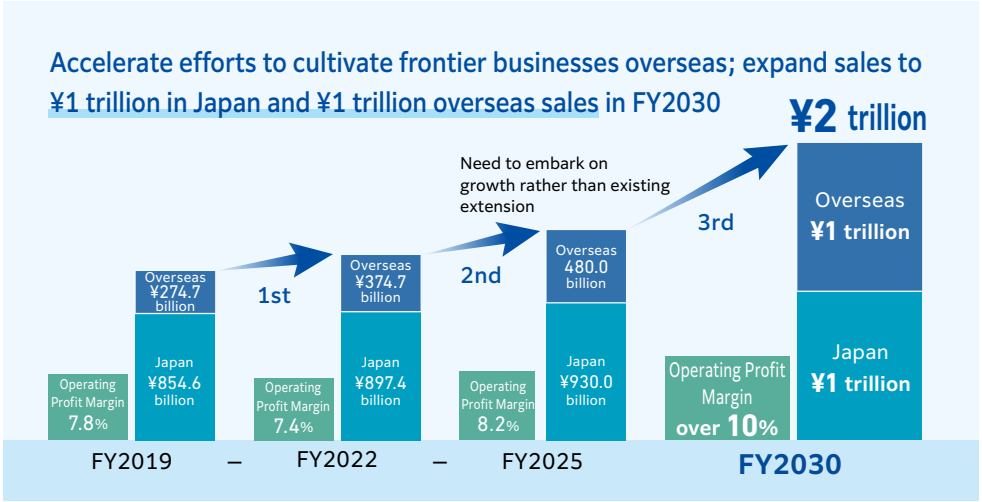
The expansion of business for which the Long-term Vision, Vision 2030, aims can only be achieved through substantial growth rather than the extension of existing businesses. Working to double its business and achieve net sales of ¥2 trillion by 2030, the Group will grow sales by 1.5 to 3 times in each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

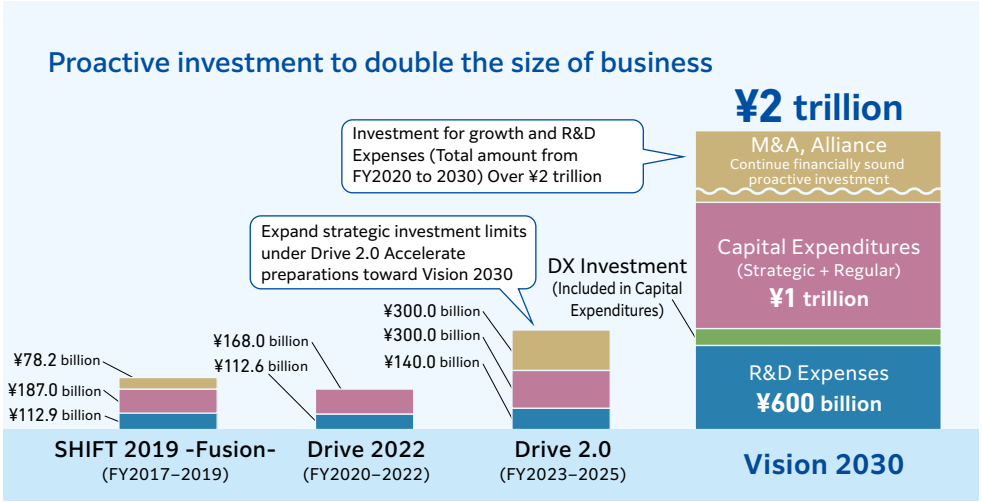
By taking up the challenge of pursuing innovation as an extension of core technologies in each domain, the Group will create new businesses and the next frontier for the new business domains in anticipation of major paradigm shifts. Along with aiming to achieve a scale of ¥1 trillion through domestic 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





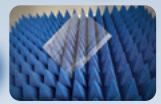
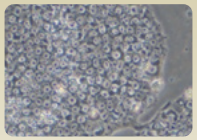
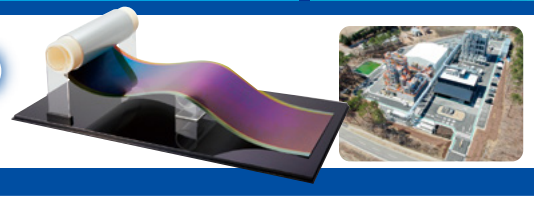


Long-term Vision, Vision 2030

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.

Aim for continually creating Products to Enhance Sustainability that support the sustainable growth of the Company and society.

	Residential	Advanced Lifeline	Innovative Mobility	Life Sciences
Existing businesses	Housing Company Housing, Renovation, Real Estate, Town & Community Development, Residential Services, Overseas	Urban Infrastructure & Environmental Product Company Pipe Systems, Building and Infrastructure Composite Materials, Infrastructure Renovation	High Performance Plastics Company Electronics, Mobility, Industrial	Medical Business (Headquarters) Diagnostics, Pharmaceutical Sciences
Enhancement Areas	The areas of existing businesses to be expanded • SEKISUI HEIM • Renovation, Real Estate • Town and Community Development リノベる。 P.44 	• Supporting work-style reform through labor-saving changes (Converting pipes to plastic etc.) • Developing social and industrial infrastructure (Water treatment support etc.) • Expanding overseas markets (New CPVC formulation etc.)  FFU Railway Sleeper P.36	• High-performance interlayer films • Semiconductor components • Heat release material • Next-generation displays • labor-saving changes • Environmentally friendly materials	• Point-of Care Test (POCT) (Simple, rapid tests) • API CDMO
	• Overseas (new market)	• Overseas expansion of infrastructure-related products		
Innovation Areas	• Total lifestyle proposals and total housing proposals  • Smart city strategy • Evolution of towns and communities	• Sensing • Digital fabrication • Water use and recycling WOTA FRD Japan P.45 • Smart maintenance • Self-repairing infrastructure material hibot	• Expansion into the new aircraft sector VOLOCOPTER P.45 • Lightweight, high-strength material • Next-generation communication components  Transparent and flexible radio wave reflection film • Meta material • Data utilization LATYS P.45  Sensing system for nursing care	• New pharmaceutical modalities • Cell cultures P.44   Cognitive Function Screening P.30 • Digital health • Medical devices mediVR
	• Digitally-enabled housing	Healthcare business strategy of using digital technologies • Healthcare / Life science	• Data utilization • Health management business	
	• Expand revolutionary Products to Enhance Sustainability • Use digital technology (Materials informatics, etc.) P.53	• Perovskite solar cells • Resource recycling P.52	• Biorefinery	

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 ● 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 ● Propose products and services that meet market needs	● 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 ● 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	● 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 ● 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	● 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 ● Business interruption (production stoppage due to the disaster, supply chain disruption, etc.)	● Engage in risk management and put in place the crisis management system ● Implement business continuity plans (BCPs)
	Politics and Society	Risk ● Tariff retaliatory measures, policy changes, amendments to laws and ordinances, and social and political turmoil (War and terrorism, racism, boycotts, etc.)	● 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 ● Manifestation of business environment risks ● Delays in development and business launch Opportunity ● Expanded business scale and manifestation of synergy	● 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 ● Fire, explosion, or hazardous substance leaks ● Incidence of major workplace accidents	● Identify risks to prevent any incidence/Give corrective guidance through regularly conduct onsite audits and emergency preparedness audits P.55 Safety
	Products / Quality	Risk ● Incidence of serious product accidents ● Product recalls or discontinuation due to questions over safety, the environment, or statutory and regulatory compliance	● Prevent quality issues through preliminary reviews at the development stage P.56 Quality
	Compliance	Risk ● Unethical or criminal behavior ● Violations of the Monopolies Act or fraudulent transactions ● Unauthorized overwriting of data ● Bribery ● Harassment	● 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 ● Customer, technology, and other information leaks ● Compensation for damages incurred due to system failures resulting from cyberattacks or natural disasters	● Monitor incidents constantly and systematically ● Disperse datacenter construction and provide complete redundancy for key business systems P.58 Information management
	Intellectual property	Risk ● Intellectual property disputes (infringement suits etc.), reputational damage Opportunity ● Management resources that support growth and profits	● Conduct intellectual property training for employees ● Conduct timely investigations to avoid intellectual property infringement P.46 Intellectual Property
	Climate change and environmental issues	Risk ● Rising energy procurement costs and reputation damage due to delays in policy and regulatory compliance Opportunity ● Growing needs due to decarbonization, infrastructure resilience, and water risk reduction	● 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 ● Insufficient human capital due to decreased competitiveness in recruitment and increased turnover	● 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

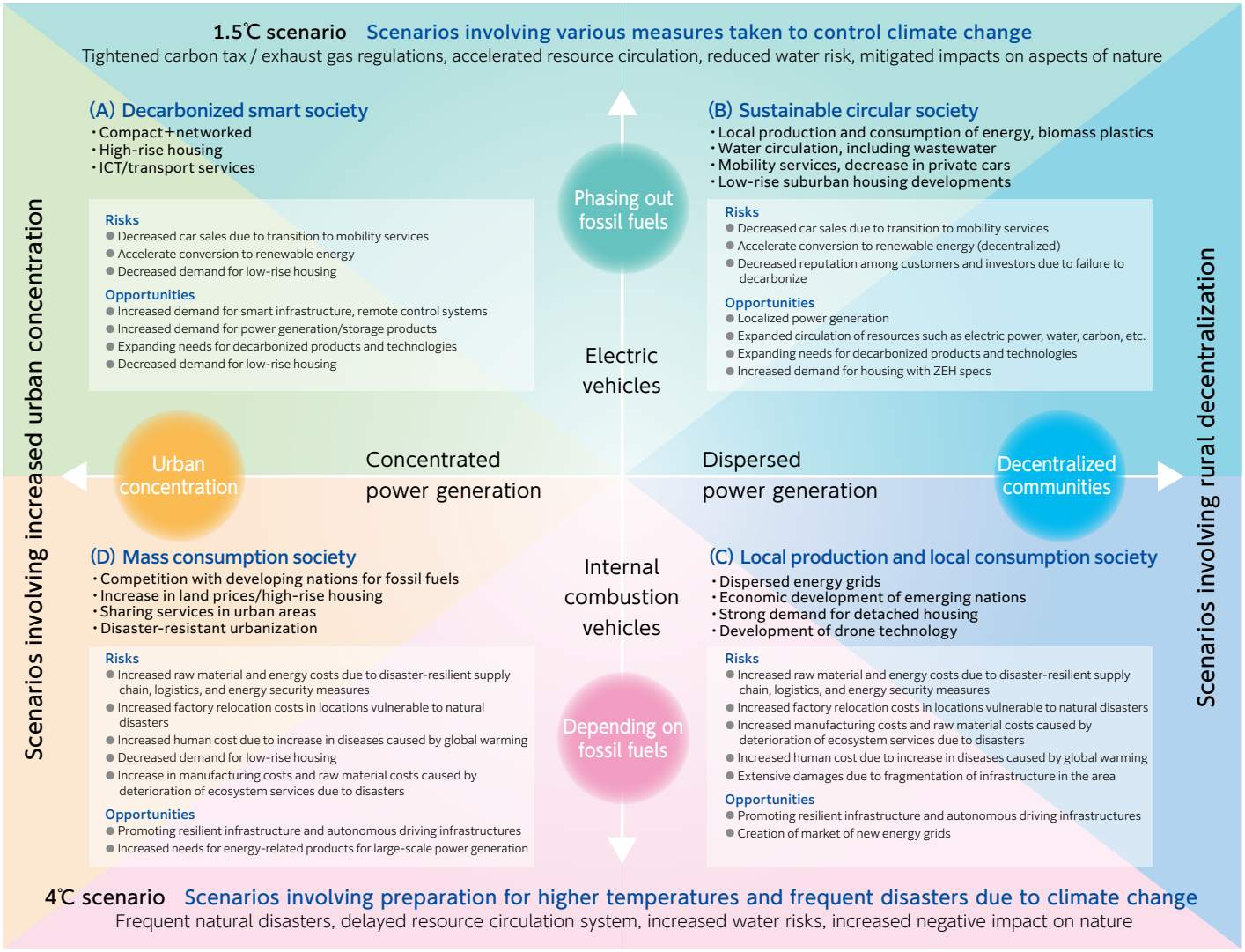
Risks and Opportunities

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, CFRTP)
- 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

Step 1: Extracting Issues

In line with the Corporate Philosophy System, extract issues based on social demands, including global guidelines such as the UN Global Compact, and feedback from customers, shareholders, and investors, as well as on other companies' trends.

Step 2: Identification of Riks and Opportunities

The Group-wide Risk Review Subcommittee identifies events that could be risks or opportunities from the three perspectives of impact, likelihood of occurrence, and spillover effects in the value chain.

Step 3: Identifying Key Issues

Prioritize issues along two axes: A. Importance to stakeholders and B. Importance to management. The former utilizes the SEKISUI Environment Sustainability Index P.49, and considers the positive and negative impacts on communities and society. The latter utilizes the ROIC Spread P.39, and estimates the degree of financial impact in the future. Key issues are then identified following deliberation by the Sustainability Committee P.67.

Step 4: Approval of Key Issues

Key issues deliberated by the Sustainability Committee are ultimately authorized by the Board of Directors. In addition, we will consider the necessity of changing these key issues every year taking into account changes in the SEKISUI CHEMICAL Group's situation, social conditions, and other factors.

KPI Medium-term Management Plan, Drive 2.0, during FY2023–2025

			KPI	FY2025 Targets	
Output	Products to Enhance Sustainability and Premium Framework	Drive the ability to create profit, contribute to solving social problems, and achieve sustainable management	Products to Enhance Sustainability and Premium Framework net sales	At least ¥1 trillion Includes Premium Framework ¥540 billion	P.16
Materiality: Foster Expectations for Growth (enhance preparations)	Innovation	Develop new products and steadily progress market launch in existing fields, and create and acquire new businesses	Number of open innovation	—	P.42
	Human Capital	Create an energized and engaged company that enables diverse human resources to take on challenges and play an active role	Employee Challenge Action Rate*1	60%	P.47
			Rate of successor candidate preparation*2	100%	P.47
	Environment	Aim to realize an earth with maintained biodiversity	Rate of GHG reduction(Scope1+2)	-33% (compared with FY2019)	P.50
			Material Recycling rate of waste plastic (Japan)	Japan:65% (Overseas: BM+5%)	P.52
	DX	Revise work processes and drastically increase productivity	Direct/Indirect Net Sales per Employee	FY2030: Direct productivity 30% increase Indirect productivity 40% increase (compared with FY2019)	P.53
Materiality: Improve Confidence (reduce capital costs)	Internal control (Safety, Quality, Legal/ethical, Accounting, Information management)	Reduce operational risks that may damage corporate value on a global basis	Number of major incidents in the 5 fields	0	P.55

*1 Four options were given for the answer to the question "Does the following statement apply to you: I am taking concrete actions to engage in challenging action to realize Vision 2030": [1] Yes, [2] Somewhat applicable, [3] Somewhat not applicable, and [4] No. Until FY2022, the Company only aggregated the total for answer [1]. In FY2023, the Company redefined the indicator in a way that aggregates the totals for [1] and [2].
*2 Number of successor candidates to the most senior business leader post ÷ Number of the same post

Visualization of Impact from Products to Enhance Sustainability and Various ESG (Non-Financial) Initiatives

In FY2023, the SEKISUI CHEMICAL Group conducted a bird's-eye view analysis (Yanagi model) to quantify the relationship between ESG (non-financial) initiatives and corporate value. As a result, a certain correlation was found between corporate value and some of the ESG (non-financial) initiatives linked to the current materiality, such as CO_2 reduction, especially overseas, human capital, and curbing major incidents.

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

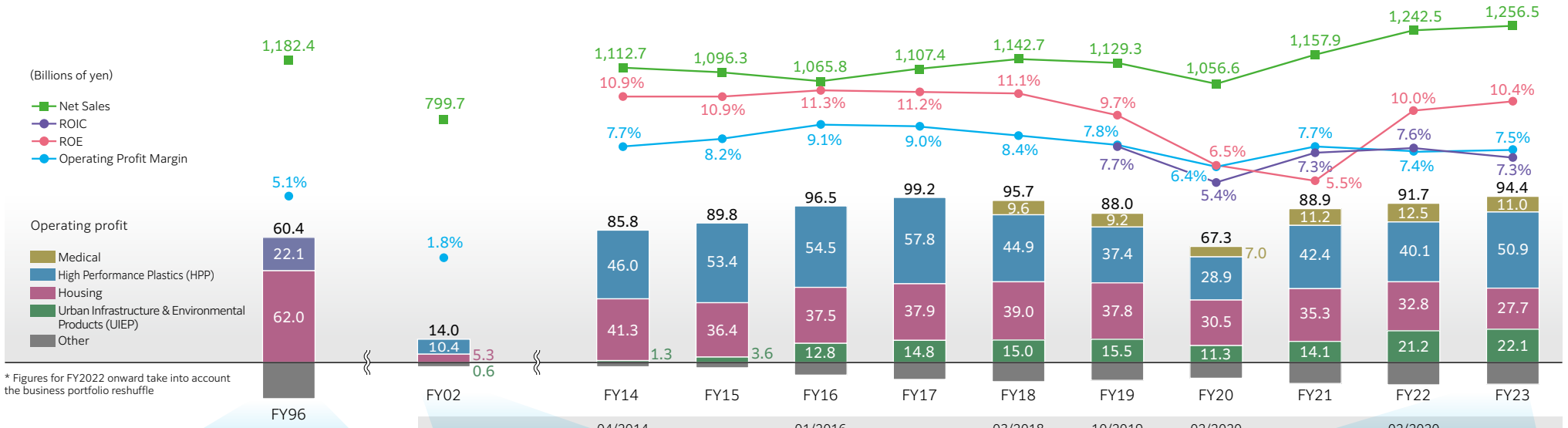
- **Relationship between overseas environmental initiatives, which are central to growth in the Long-term Vision, and corporate value** P.50
- **Relationship between retention-related indicators and corporate value** P.48
- **Relationship between efforts to curb major incidents and corporate value** P.55 and 56

In addition, as an effort to visualize the social impact of our Products to Enhance Sustainability, which symbolize our ESG management, we use impact-weighted accounting to convert the positive and negative environmental impact of our products into monetary values, which are then added to net income to calculate comprehensive income for our stakeholders. P.51
Going forward, we will continue to conduct this kind of analysis, visualize the results of our Products to Enhance Sustainability and non-financial initiatives, and build a system to monitor the effectiveness of our measures, which will lead to the resolution of environmental and social issues and the enhancement of corporate value.

*Model: "CFO Policy (Chuo Keizai-sha, 2023)", Yanagi (2023)
Analysis performed by: ABeam Consulting Ltd., Digital ESG Platform
The correlation between each ESG indicator (+ROE) and PBR is analyzed using multiple regression analysis to determine if the relationship can be considered proven, with a degrees-of-freedom-adjusted coefficient of determination of 0.5 or higher and a p-value for ESGKPI of 0.05 or lower as identification conditions.

Performance Trends and History of Changes in Business Portfolio

EBITDA (Billions of yen)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
	119.3	126.7	133.4	137.7	137.3	133.2	116.6	137.6	142.1	147.1



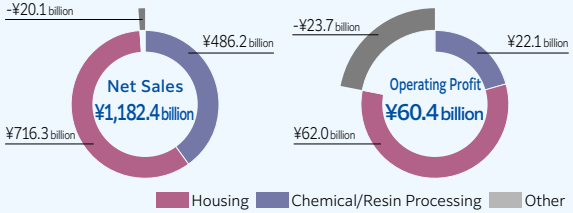
* Figures for FY2022 onward take into account the business portfolio reshuffle

External environment										
	04/2014 Consumption tax raised from 5% to 8%		01/2016 Sudden yen appreciation		03/2018 Emerging concerns toward global trade friction	10/2019 Consumption tax raised from 8% to 10%	02/2020 Spread of COVID-19		02/2020 Conflict between Russia and Ukraine	

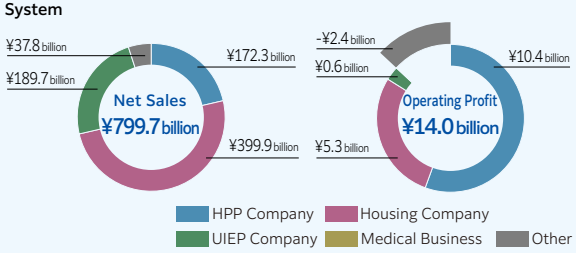
Forex Rate (Avg. rate for each term)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
	¥110/US$	¥120/US$	¥108/US$	¥111/US$	¥111/US$	¥109/US$	¥106/US$	¥112/US$	¥135/US$	¥145/US$

Business Portfolio Transformation

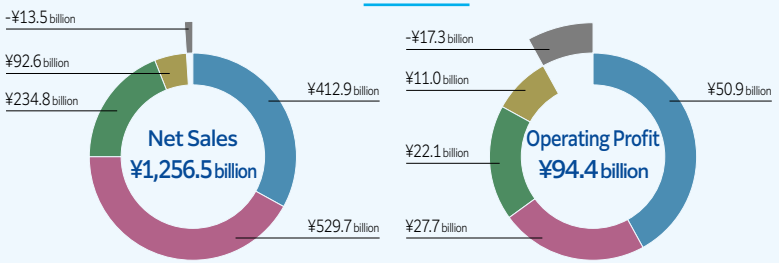
Seven Business Divisions System — **FY1996**



Post-introduction of the Divisional Company System — **FY2002**



FY2023



Housing Business led the Group to record high sales

Housing Business
Chemical/Resin Processing Business

Began transformation to overcome the business crisis following the collapse of Japan's bubble economy

March 2001
Introduced a Divisional Company System

Business domain per company (Strategic fields)

Housing Company	Housing
UIEP Company	Water infrastructure
HPP Company	AT/IT/MD*1

Medical business is spun off as a candidate for a new Group company

- Housing/Stock (Renovation, Real estate)/Town and Community Development, etc.
- Pipe Systems/Buildings and Infrastructure Composite Materials/Infrastructure Renovation
- Electronics/Mobility/Infrastructure
- Medical Business*2

*1 AT (automotive materials), IT (IT-related materials), MD (medical products) *2 The Medical Business was spun off from the High Performance Plastics Company in FY2019 as new company candidate to accelerate growth.

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

	SHINKA!-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	• Return to sales growth • Commercialization and building of frontier domains • CSR management rollout and further penetration among employees	• Delays in securing returns on growth investments • The speed of structural reform • Strengthening ESG management	• 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	June 2015 Operations commence at a CPVC plant in Thailand December 2015 Acquired EIDIA Co., Ltd.	August 2017 Acquired management rights to Polymatech Japan Co., Ltd. October 2017 Capital investment in Tien Phong Plastic JSC December 2017 Operations commence at a new interlayer film production line in Mexico December 2017 Acquired SoflanWiz Co., Ltd. April 2018 Operations commence at a new automotive exterior parts plant in Japan December 2018 Acquired Veredus Laboratories Pte. Ltd. November 2019 Acquired AIM Aerospace, Inc. 2018-2019 Operations commence at new foam plants in Thailand and China	August 2020 Decision to increase pharmaceutical raw material production in Japan and the U.K. October 2020 Operations commence in earnest at a new interlayer film production line in Europe October 2020 Decision to increase production of FFU sleepers for railroads in the Netherlands	September 2022 Transfer of Xenotech shares November 2022 Decision to increase production of foam materials in the U.S. January 2023 Decision to increase production of heat release materials in the U.S.

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

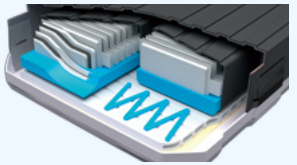
In the car electronics area, SEKISUI CHEMICAL Group will promote heat release materials on which PJ has great expertise and technologies as well as display device materials at which SEKISUI excels with PJ.

(2) R&D synergy

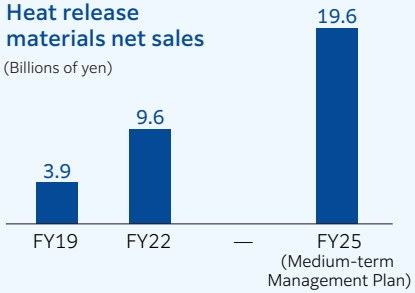
SEKISUI CHEMICAL Group will enhance its R&D through the fusion of its technologies with the PJ's "high level materials blending and design technology and production technology for silicon and elastomers" and "different materials complex molding technology for resins and metals."

(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.



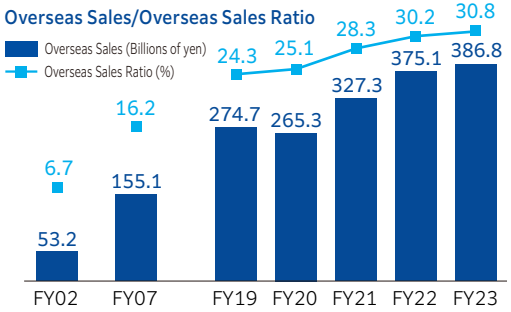
Heat release grease

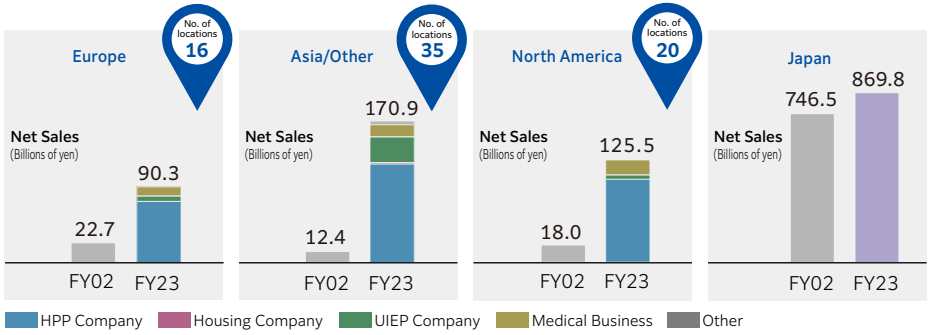


The heat release grease used as a thermal solution for EV vehicle batteries utilizes technology owned by PJ, which we acquired in 2017. Recently, as the amount of electricity used by automobiles has been increasing, the amount of heat generated around high-voltage devices has been increasing in plug-in 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.

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.

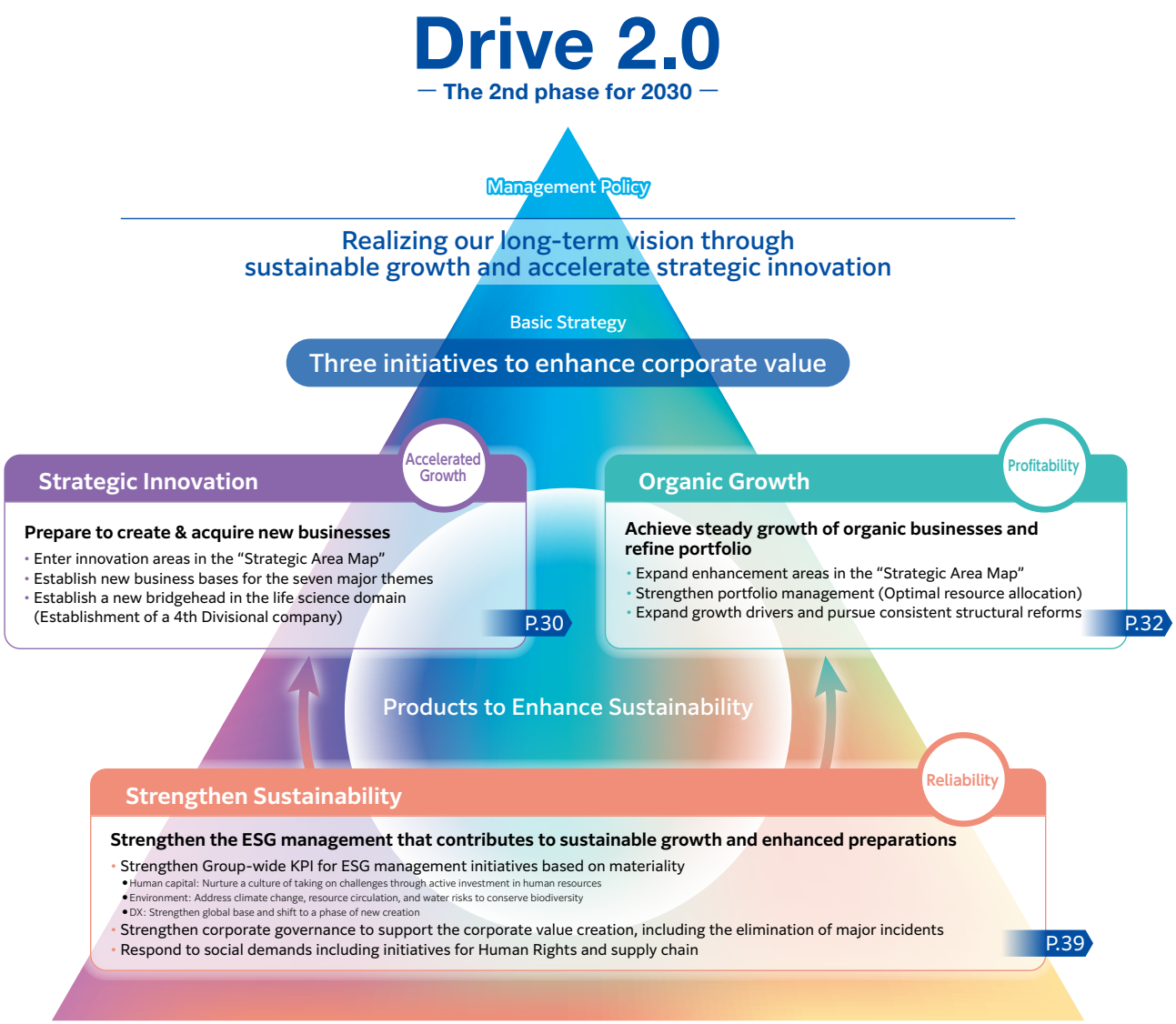




Medium-term Management Plan, Drive 2.0 (FY2023-2025)

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.



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.

Innovative Mobility | Residential | Advanced Lifeline | Life Science | Innovation areas | Begin realizing benefits | Realize benefits in earnest

Growth-potential businesses	Key themes	Investment benefit realization schedule (2024 / 2025 / 2026 –)
Entry into aeronautical fields	• Development of new applications • Entry into the air mobility market **Molding technology**	FY2025 business scale: From ¥19.0 billion
Next-generation communication components	• Collaboration with telecommunications companies • Development of radio wave environment business **Film processing technology**	FY2025 business scale: From ¥1.0 billion
Smart city strategy	• 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	• Strengthening of overseas marketing **Infrastructure materials**	FY2025 business scale: From ¥10.0 billion
New area of pharmaceutical CDMO	• 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	• 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	• Promotion of demonstration through external collaboration • Establishment of resource circulation model **Microbial catalyst technology**	Commercialization from FY2026

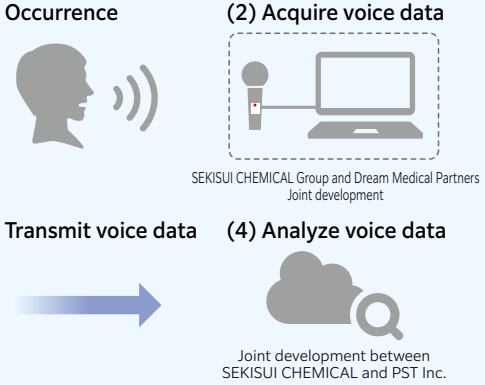
Topic

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.



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

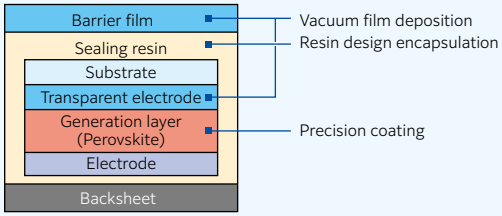
Next-generation solar cells, which are said to be the key to realizing a decarbonized society, use semiconductors with a perovskite crystal structure as the material for power generation. Unlike conventional silicon solar cells, these cells can be manufactured by applying the material to a film as if 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.

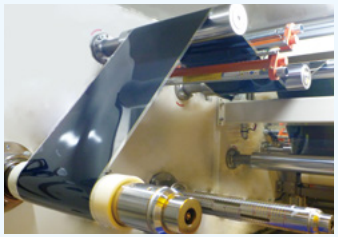
Ultra-lightweight Photovoltaic Battery Packed with Proprietary Technologies

<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

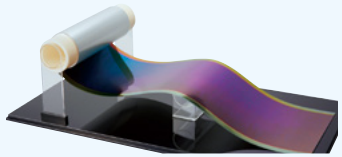
- Sealing resin : Acquire rights for original material compositions best suited for perovskite
- Element composition and electrode configuration : Elucidate the causes of deterioration and solve them with proprietary materials
- Manufacturing expertise : Nano-level power generation 4-layer precision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

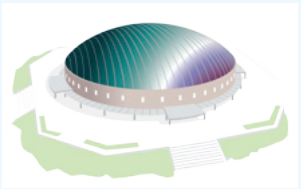
Commercialization in 2025

Manufacturing technology established with practical width	Promoting proving trials in various applications	Promoting partnerships
Working on solutions with the NEDO GI Fund ● Establish manufacturing technology for 1m width ● Improve yield ● Further raise generation efficiency and durability	**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	**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.

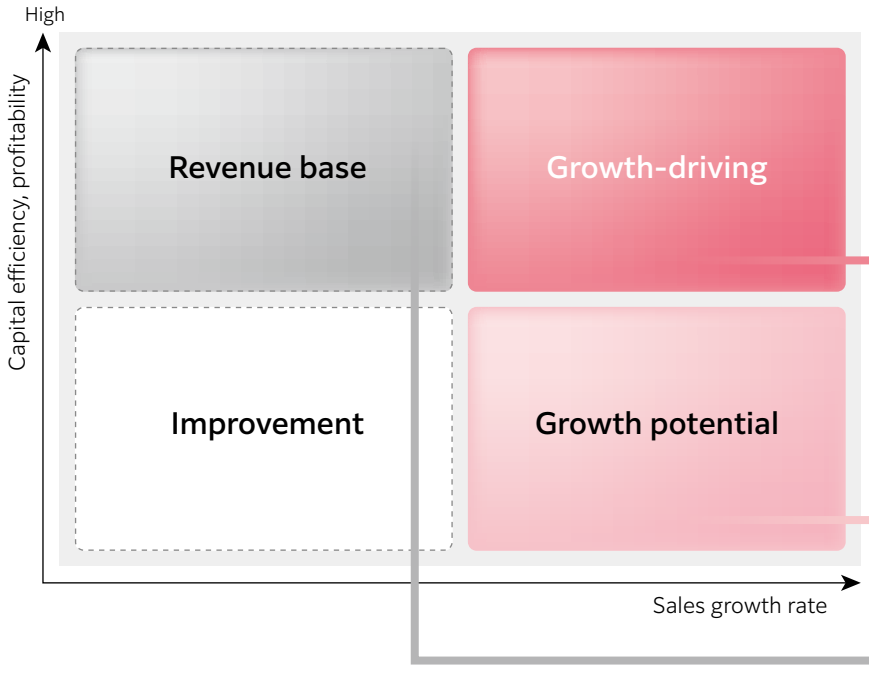
1. Analyze and evaluate existing businesses from multiple perspectives

- 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

New portfolio management: Clarify the role of each business unit



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

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

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

Mainstay Business Strategy: Mobility Field

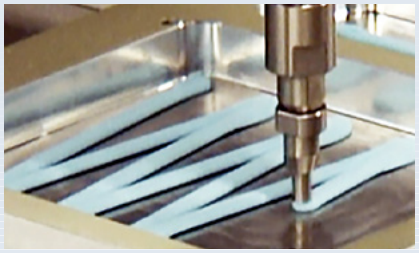
There are clear indications of a growth trajectory in the context of the expansion of the electrification of automobiles and automated driving.

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

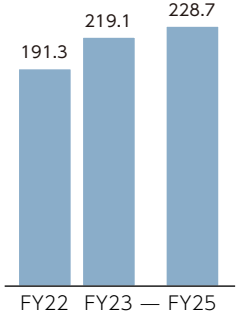
We produce molded composite materials such as sheets for aircraft and carbon fiber reinforced plastic (CFRP), which are flame-retardant, impact-resistant, and have excellent design characteristics. They contribute to weight reduction in aircraft materials and fuel efficiency in transportation equipment. 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

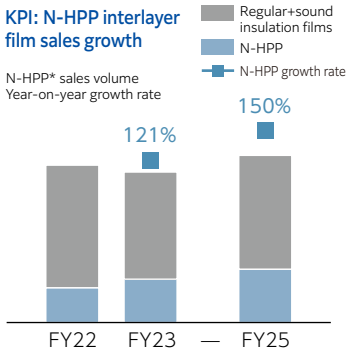
- **Interlayer film**
  Increase the ratio of N-HPP films (HUD-use / thermal- / and design-related)
  HUD-use film growth* of 130% (FY2022→FY2025) * On a sales volume basis
- **Heat release materials**
  Accelerate EV-related sales growth mainly in Europe and the U.S. Heat release materials net sales 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

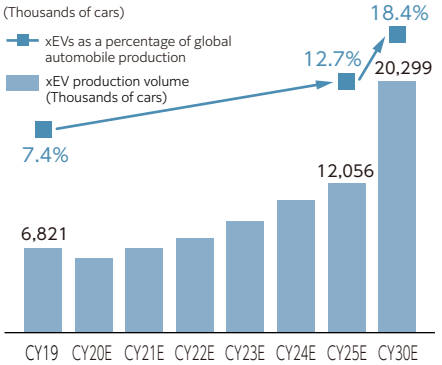


* N-HPP: New high-performance products; A generic term for all other HUD, heat insulation, and colored / designed film, excluding sound insulation film from conventional high-performance interlayer film

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

Trends in xEV Production Volume

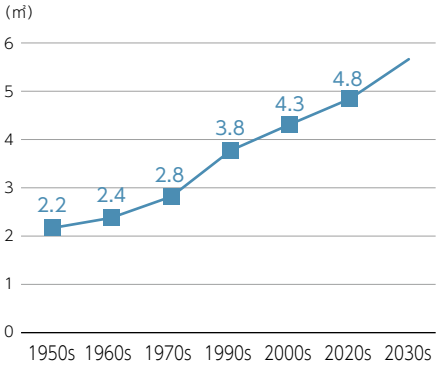
(Thousands of cars)



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

(㎡)



* Our investigation

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

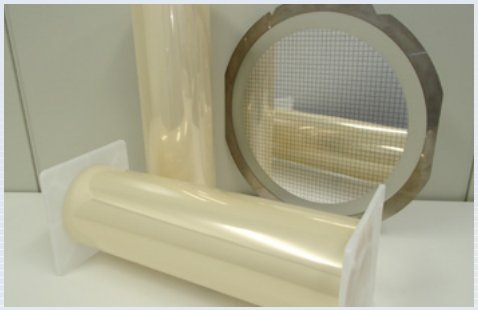
Mainstay Business Strategy: Electronics Field

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.

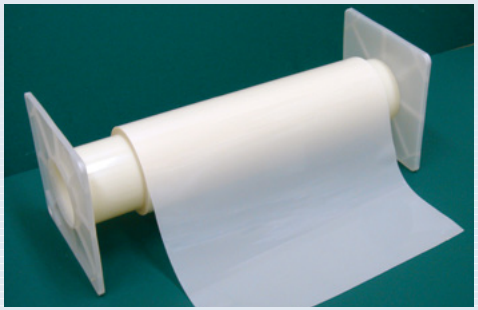
In addition, we are aiming for further growth and the strengthening of our portfolio through the development of new products and entry into the market for next-generation displays that make use of the knowledge we have cultivated in the development and sale of liquid crystal products.

Heat resistant Selfa® (semiconductor processing material)



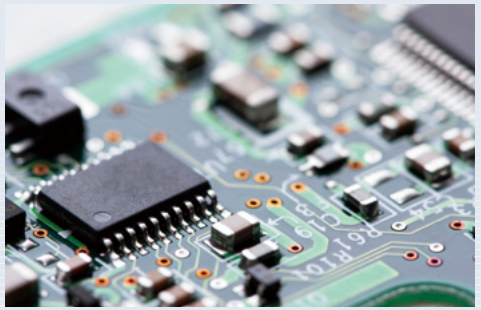
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components 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)

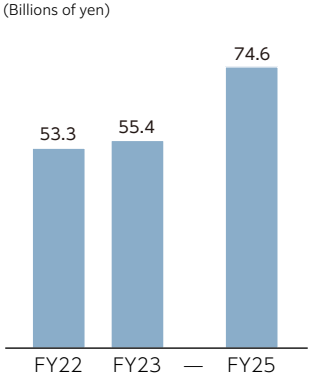


Based on the technical capabilities acquired through binders for interlayer films as the primary application for PVB, the Company's product design capabilities and technical service capabilities have received a highly positive response. We decided in 2023 to increase our production capacity of polyvinyl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

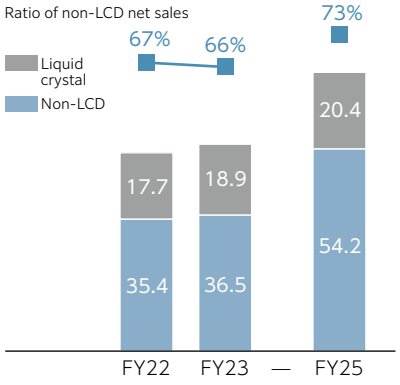
Business Strategies

- **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

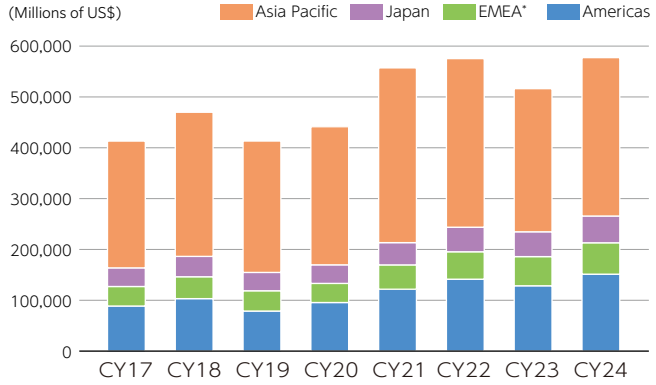
Electronics Field Net Sales



KPI: Focus on the Non-LCD Field



Global Semiconductor Market Forecasts by Region



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 D*1 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

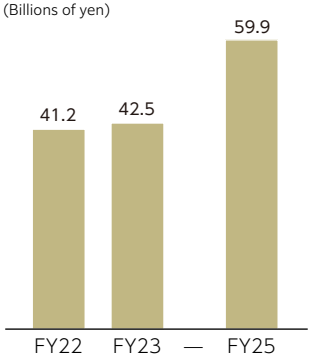
Based on the existing small molecular API CDMO business, the Company will also leverage M&As to establish a proposal-type CDMO business platform. By also expanding this platform to the medium and large molecule fields, the Company aims to strengthen relationships with pharmaceutical companies.

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

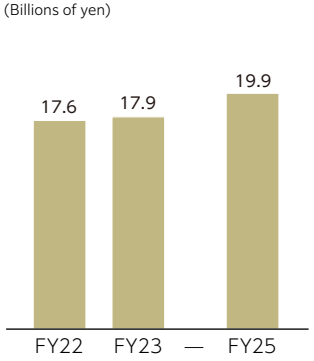
Overseas Diagnostics Field Net Sales

(Billions of yen)



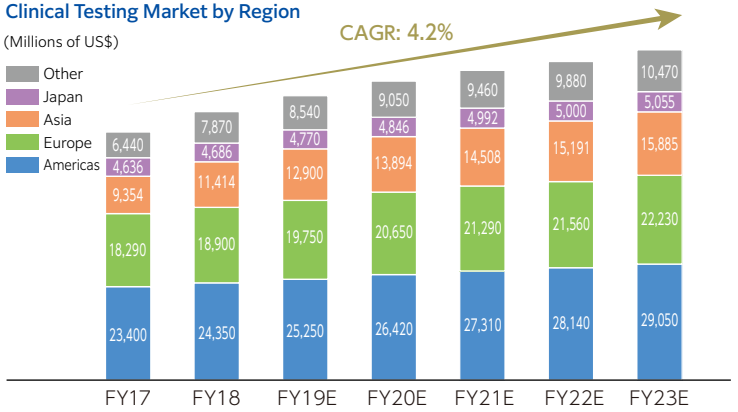
Pharmaceutical Sciences Field Net Sales

(Billions of yen)



Clinical Testing Market by Region

(Millions of US$)



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.

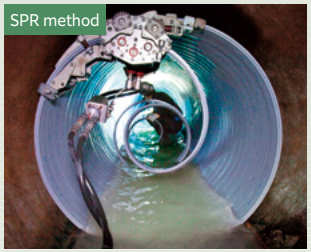
Fire-protection and nonflammable materials

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

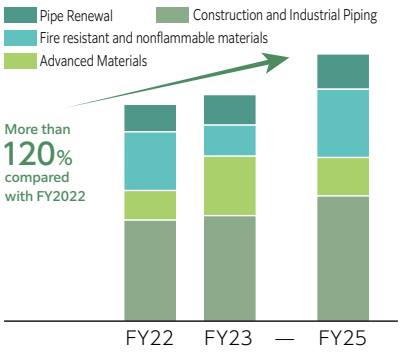


Method to line the inner surface of existing pipes; in addition to eliminating the need to dig up roads, the SPR method helps reduce labor while shortening the time required for construction; unaffected by changes in the weather, the SPR method also reduces noise levels during construction; realizes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

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

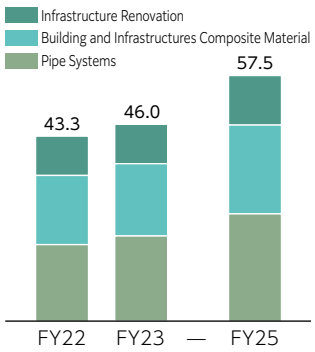
Net Sales for the Four Businesses

(Billions of yen)



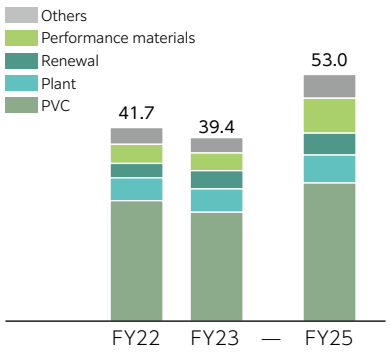
Prioritized Products Sales

(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

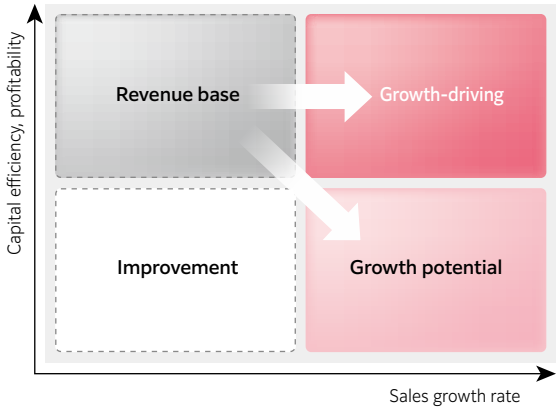
The Company supplies a wide range of piping materials from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants as well as other pipes for such social infrastructure as water supply/sewerage and gas supply systems that help shorten 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

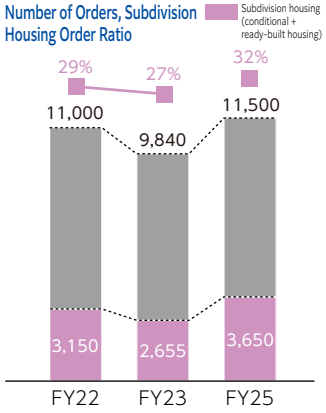
Oriented polypropylene (OPP) tape, which uses plastic as its base material, and kraft tape, which uses kraft paper as its base material, account for about 90%*1 of the market for packaging tape used for cardboard packaging of products, mainly in Japan's food and logistics industries. We have the top 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

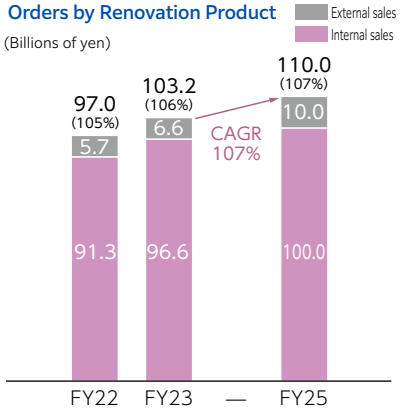
Allocate Cash Acquired through the Revenue Base



Number of Orders, Subdivision Housing Order Ratio

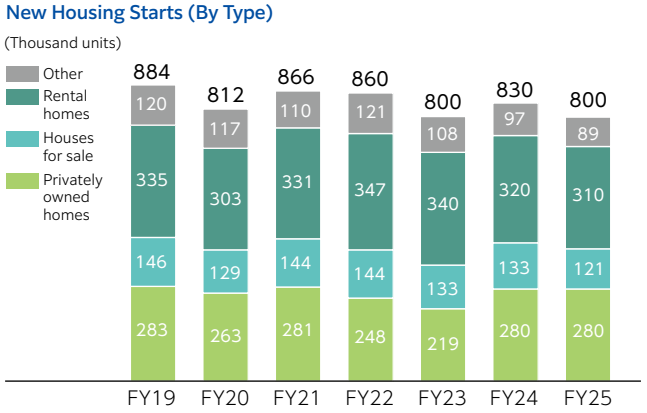


Orders by Renovation Product



* 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.

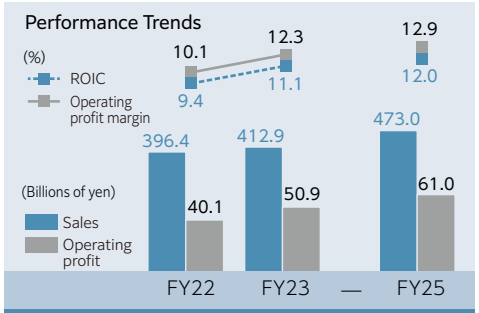
Medium-term Management Plan, Drive 2.0 (FY2023-2025)

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.



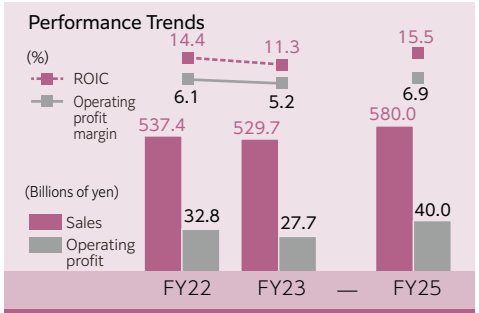
Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Further strengthen earnings power through a shift to high-performance products

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.



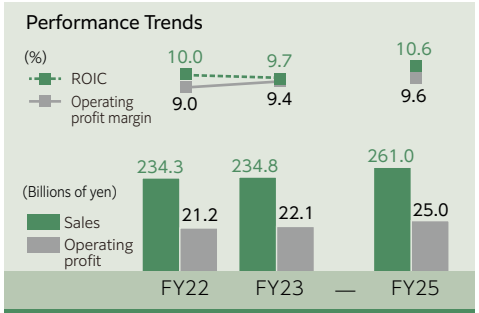
Main ROIC Improvement Measures

- Improve the land and stock of ready-built houses turnover rate
- Promote the automation and leveling of production and construction

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.



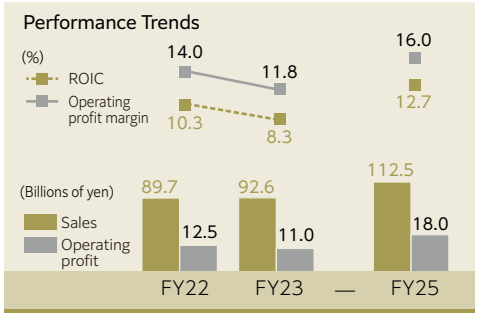
Main ROIC Improvement Measures

- Maintain raw materials and selling price margins
- Improve productivity by accelerating DX investment

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.

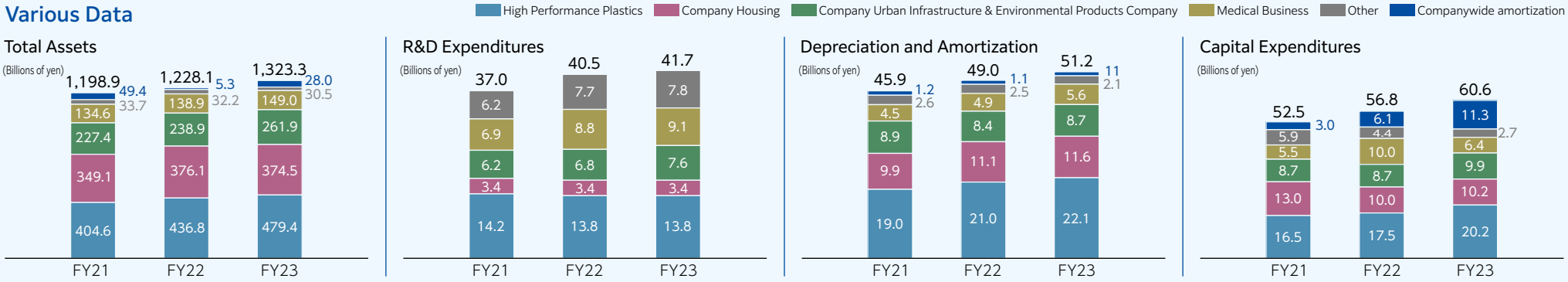
In FY2023, the Company steadily captured increased domestic demand for testing, mainly for infectious diseases, and sales of new bulk pharmaceuticals in the medical business remained strong. Sales increased from the previous fiscal year due to our focus on expanding sales of blood coagulation devices 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.



Main ROIC Improvement Measures

- Accelerate returns on growth investments
- Succession of New Product Launches

Various Data



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	• 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	• 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	• 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	• 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 employe	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	• 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

$$\frac{\text{after-tax Operating profit}}{\text{Invested capital}} = \frac{\text{after-tax Operating profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Invested capital (working capital* + fixed assets)}}$$

[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

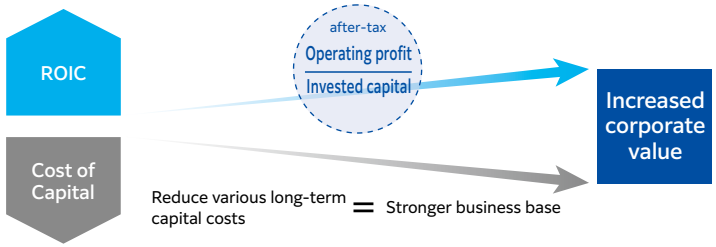
Support long-term growth; Control financial and non-financial capital costs 〉 **Forward-looking investments in financial and non-financial capital from a medium-to long-term perspective**

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

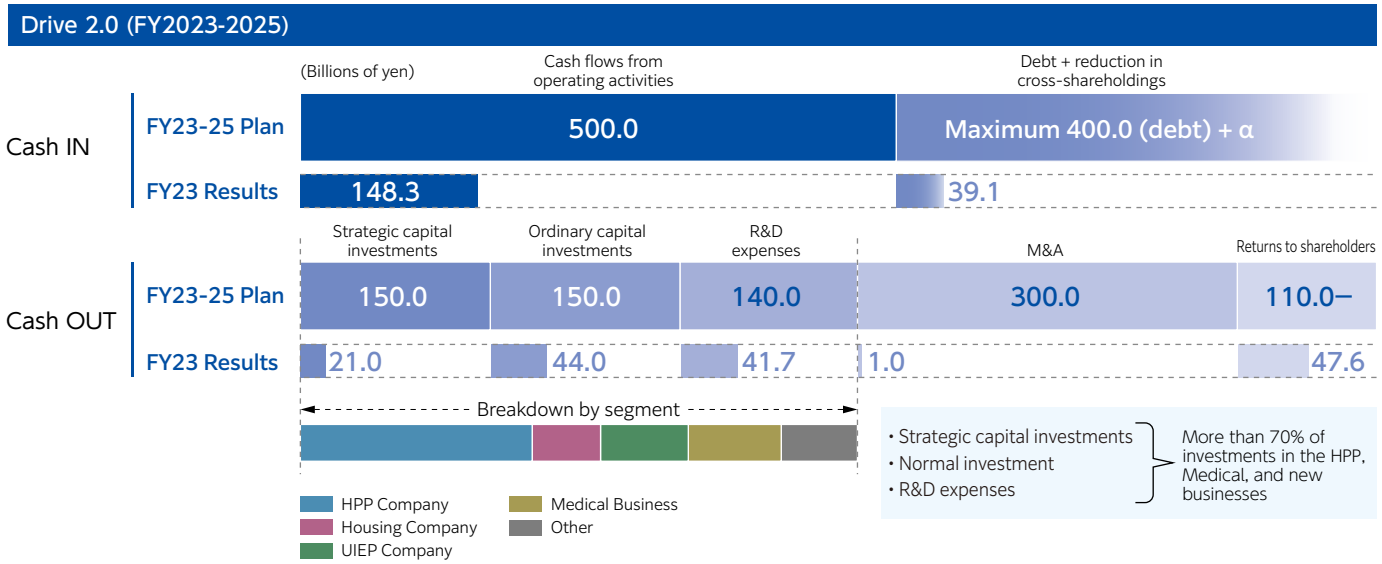
With aspirations for continued growth, SEKISUI CHEMICAL Group will leverage debt as necessary while actively expanding strategic investments.

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 (Included within the strategic investment and normal investment categories)	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.

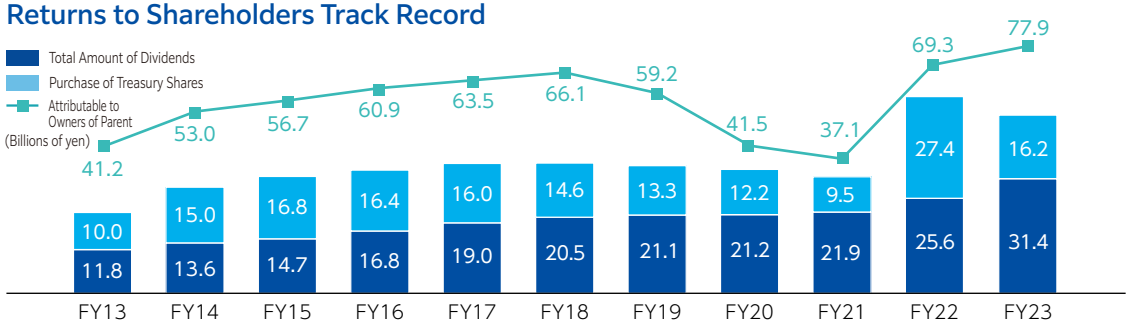
Investment value: Total value 5 billion yen, investment targets:
(1) Musashi Plant (2) Taiwanese semiconductor R&D site
Operation timing: (1) 1H of FY2027, (2) scheduled for April 2025

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

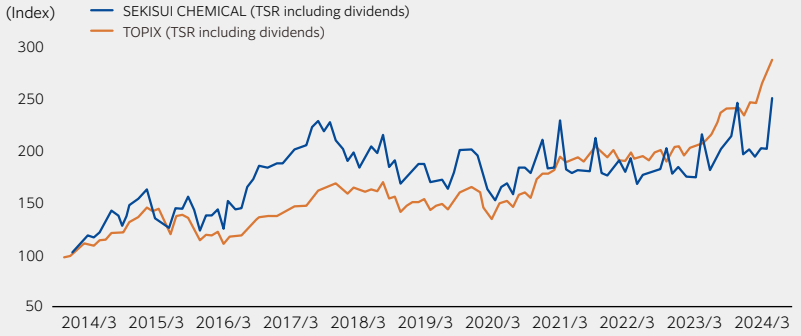
*1 Total return ratio = (Amount of treasury shares acquired + Total dividends) / Net income attributable to owners of parent *2 DOE = Total Amount of Dividends (full year) / Average equity

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
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

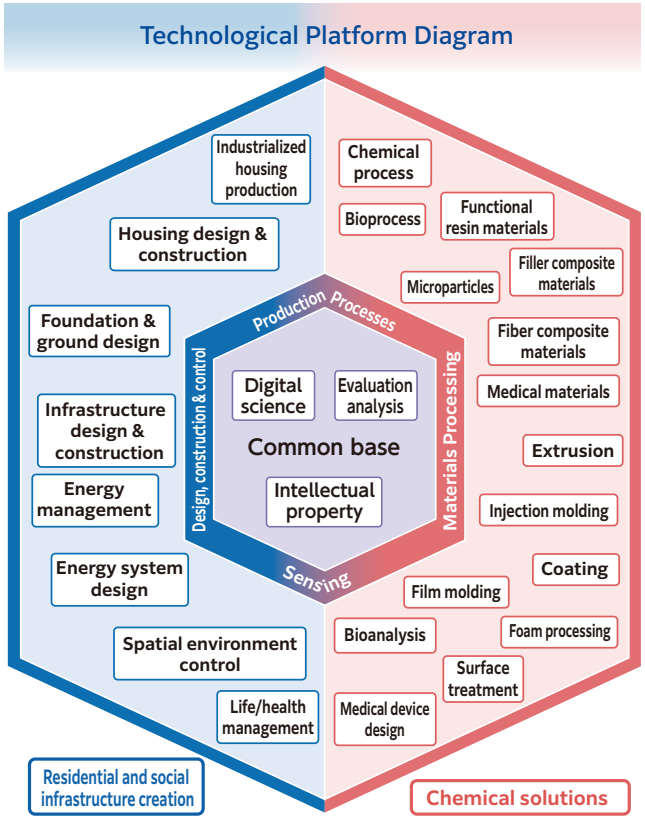
	High (yen)	Low (yen)	Closing (yen)
FY13	1,448	900	1,073
FY14	1,619	1,002	1,559
FY15	1,752	1,193	1,386
FY16	1,983	1,215	1,871
FY17	2,350	1,732	1,856
FY18	2,114	1,532	1,779
FY19	1,986	1,142	1,433
FY20	2,243	1,267	2,125
FY21	2,187	1,648	1,759
FY22	2,019	1,613	1,876
FY23	2,287	1,786	2,230

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

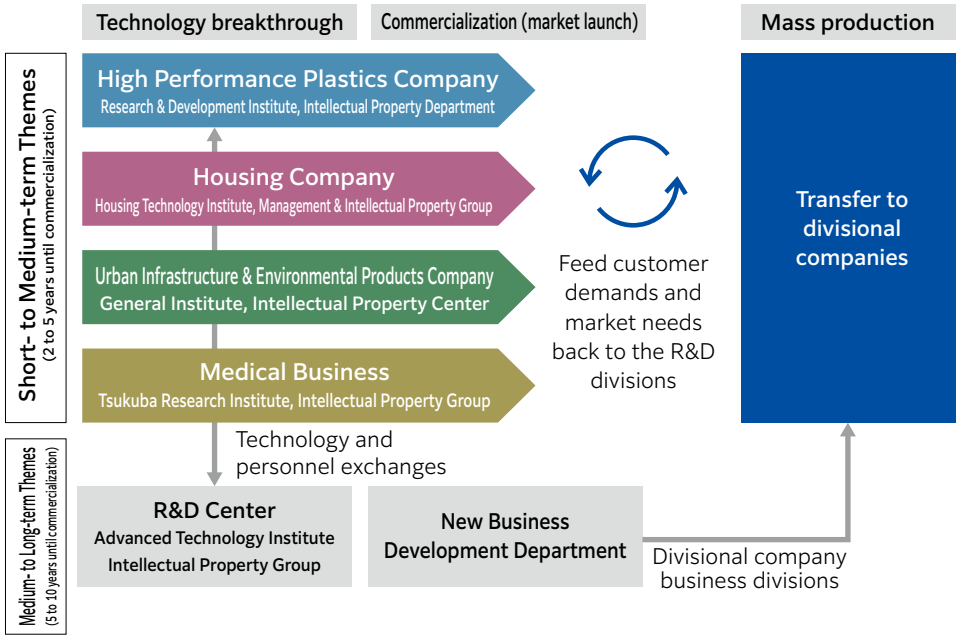
We believe that the source of value creation of the SEKISUI CHEMICAL Group lies in the core technologies owned by SEKISUI CHEMICAL. We define technologies that are particularly competitive or that need to be strengthened in the areas of Residential and Social Infrastructure Creation and Chemical Solutions 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

Digital science

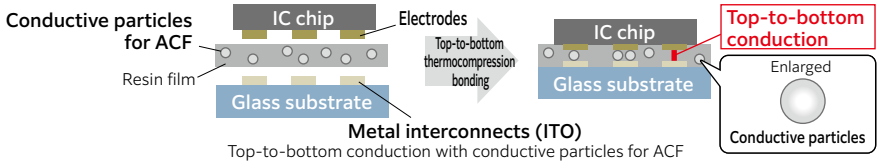
Kenichi Shinmei

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.

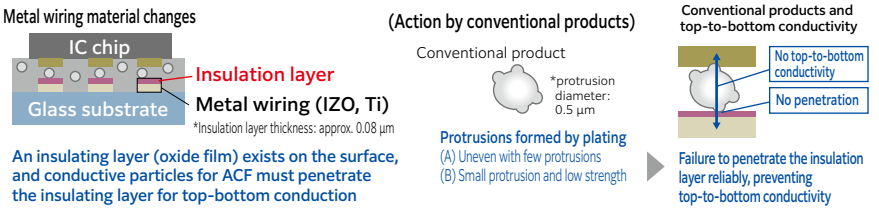
Invention Grand Prize Winner: Conductive Particles with Core Protrusions (1st Class)

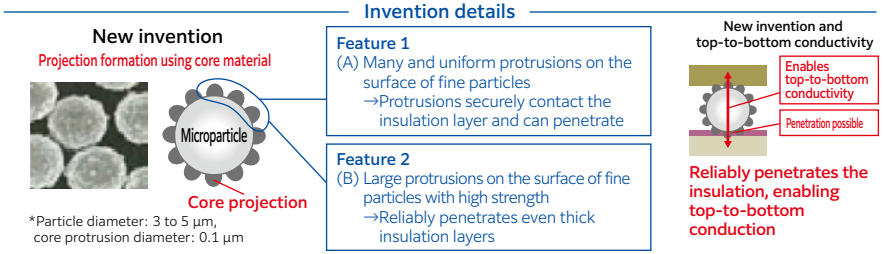
[Application method] Conductive particles for ACF inside resin film provide top-to-bottom conduction between the metal interconnects on the IC chip and the glass substrate



Top-to-bottom conduction with conductive particles for ACF

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.





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.

MINASE INNOVATION CENTER

Innovation

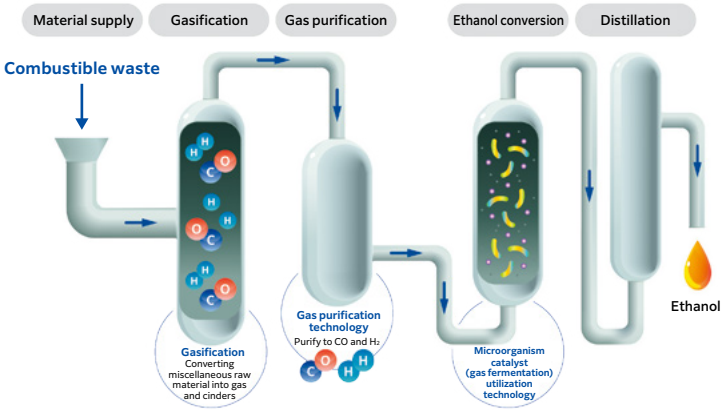
New Products and Businesses

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.

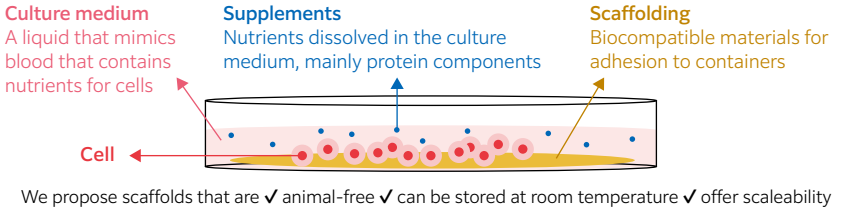
Cell Culture

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 scaleability

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.

Responsible Officer Comments

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 CO_2 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.

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

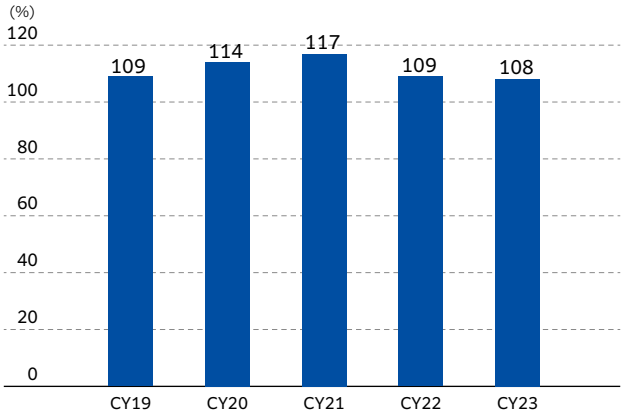
Fundamental Policy on Intellectual Property

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.

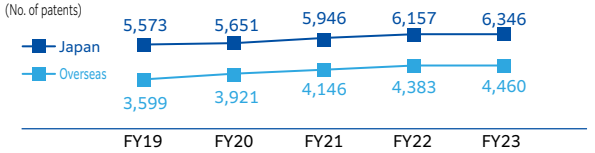
Group-wide Intellectual Property Application (IP Landscaping)

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.

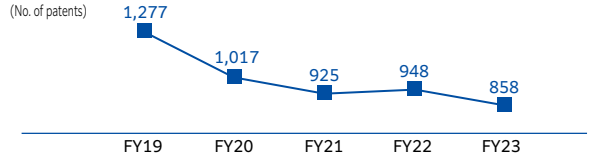
Performance Data

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

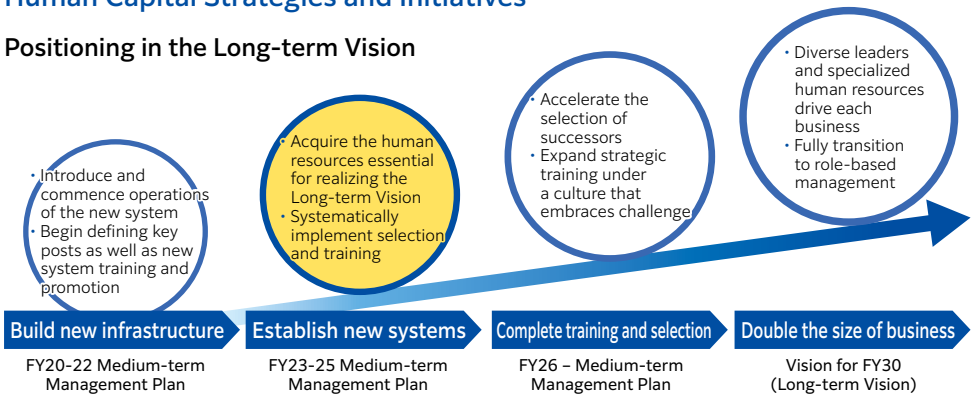
*1 Employee Challenge Action Rate: The percentage of respondents who replied either yes or somewhat applicable to the question: "I am taking concrete actions to engage in challenging action to realize Vision 2030." (redefined in 2023)
*2 (1- (Number of employees who left employment in 1 year/ Number 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** Accelerate career realization led by employees Provide opportunities to take on challenges **Support employees taking on challenges** Implement activities to foster a culture of taking on challenges (creation, innovation, improvement) and further strengthening of them Foster a corporate culture for career independence	**Foster "ambidextrous" business leaders** Select and train executive candidates Visualize the role of executives and conduct multifaceted evaluations **Secure professional human resources that "stand out"** Secure and strengthen highly specialized human resources Strengthen reskilling in line with business needs	**Promote the active participation of diverse human resources** Promote the employment and retention of diverse human resources Promote diversity and support work-life balance **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.

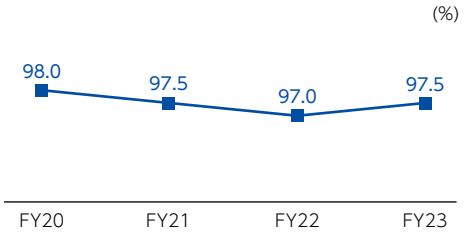
- Introduction of a new grade system for managers, abolition of the period for assessing appointments, and a system for training successor candidates
- Extension of mandatory retirement age: from 60 to 65 years old*1
- Visualization and utilization of qualitative information of employees through HR systems

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.

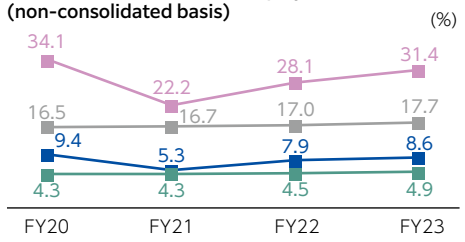
Achieving Diversity

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

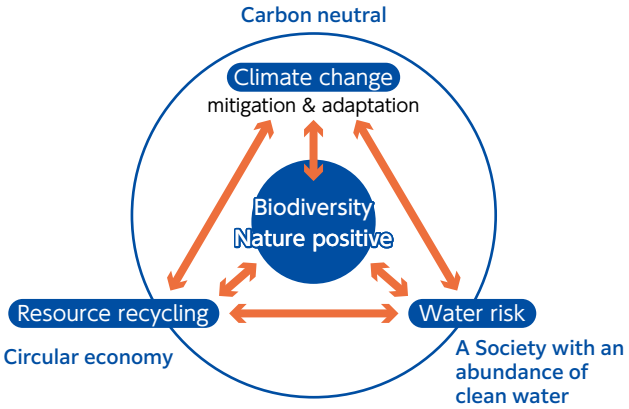
Environment

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.sekisuichemical.com/sustainability_report/report/#tcfd

Environmental Issue Initiatives

Correlation diagram of environmental issues related to the SEKISUI CHEMICAL Group



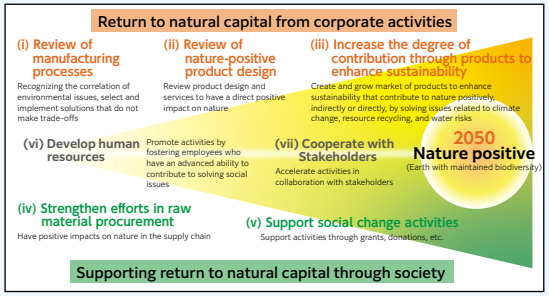
We have set targets for each medium-term environmental plan by backcasting from our long-term environmental vision, SEKISUI Environment Sustainability Vision 2050, and we are now implementing measures. In the medium-term environmental plan, SEKISUI Environment Sustainability Plan: EXTEND (2023~2025), 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.

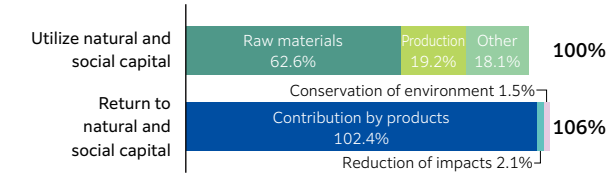
Risks related to environmental issues, such as climate change, are studied and evaluated by the Environmental Subcommittee, with the results reported to the Sustainability Committee, where they are deliberated on along with company-wide response policies, major measures, and achievement target levels.

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

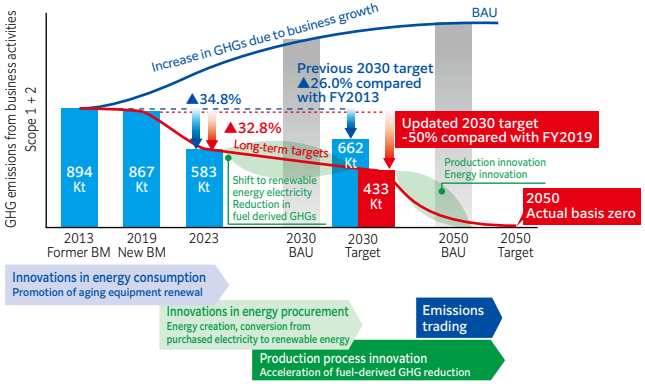
*MiLCA, a calculation system using LIME2 used to calculate the return rate has been updated to database IDEA ver3.1. As a result, the environmental impact per unit amount is larger, especially in terms of the impact of chemical substances on ecosystems. Placing even more importance on the impact on biodiversity,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

Road Map to Reducing GHG Emissions



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

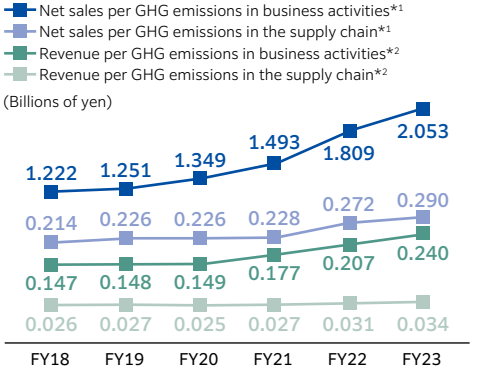
- **Breakdown of GHG emissions during production_Overseas (city gas) [%]: 1% decrease ➡ 5.19% improvement in PBR after 5 years**
- **Breakdown of GHG emissions during production_Overseas (electricity) [%]: 1% decrease ➡ 3.37% improvement in PBR after 1 year**
- **Waste generation at production sites_Overseas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

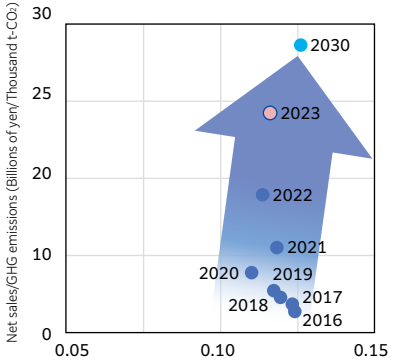
We verified how efforts that contribute to climate change mitigation and adaptation are affecting management using the trends in carbon efficiency (environmental) over time and using the correlation between carbon efficiency (environmental) and economic efficiency. First, the relationship between GHG 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-CO_2)
*2 Revenue per GHG emissions: EBITDA (Billions of yen) / GHG emissions (kt-CO_2)

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)	—	—	

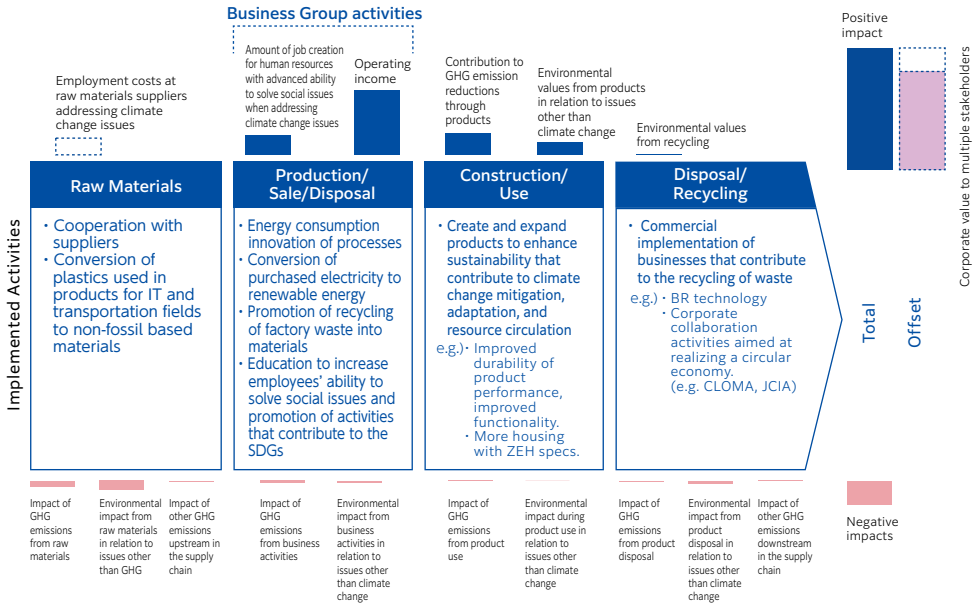
Environment

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 (%)

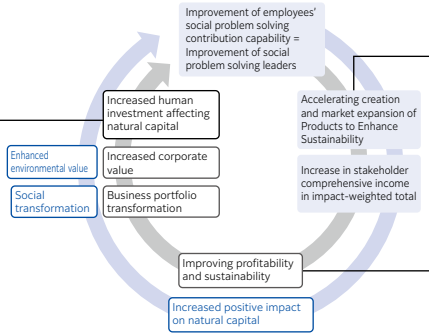
	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Share of employees with Levels A and B in the check for social problem solving contribution capability	2.8	7.2	6.7	6.7	10.1	7.2	20.4

*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]

We believe that increasing the number of human resources who drive solutions to social issues in the Group will create the following virtuous cycle and contribute to the long-term enhancement of corporate value.

The Ratio of Social Problem Solving Leaders shows that the number of leaders with deep insight into social issues and the ability to solve them is increasing, and that they are able to promote sustainable business strategies.

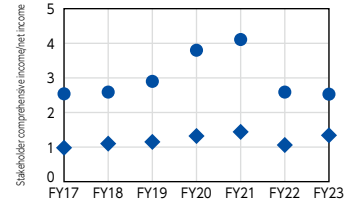


The Products to Enhance Sustainability Sales and Premium Framework Profit shows how creating products that make a significant contribution to solving natural and social environmental challenges can expand markets and improve profit margins.

By increasing ROIC and shifting our portfolio to sustainable businesses and products, we will be recognized as a highly profitable and sustainable company, and become a company that is trusted by society to grow by solving social issues, as envisioned in Vision 2030.

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.



●:Human capital approach 1= Assumes that all employees generate added value in solving social issues
◆:Human capital approach 2= Assumes that human resources with high social problem solving contribution ability create added value in solving social issues

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%

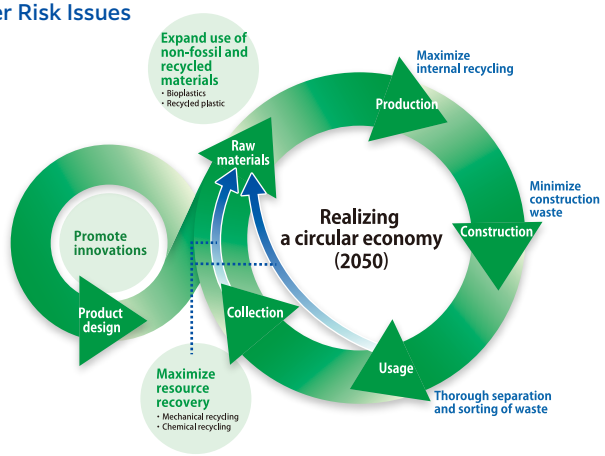
* Benchmark for net sales of Products to Enhance Sustainability that contribute to resource circulation: ¥55.3 billion (FY2020)

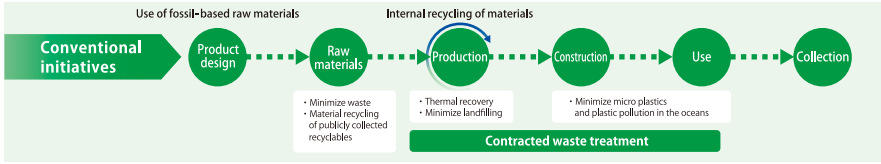
Plan for Recycling Waste Plastic into New Materials

Phase	Initiatives Implemented	FY23	FY24	FY25	FY28	FY30
[Phase1] Use of existing technologies	● Review of recycler suitability			Continued expansion of content		
	● 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			Establishment of material recycling methods for composite materials and other difficult-to-recycle materials		
[Phase3] Completion utilizing chemical recycling technologies	Use of Biorefinery (BR) and other chemical recycling technologies Acceleration through collaboration with other companies				Enable recycling up to miscellaneous and other waste	

●: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

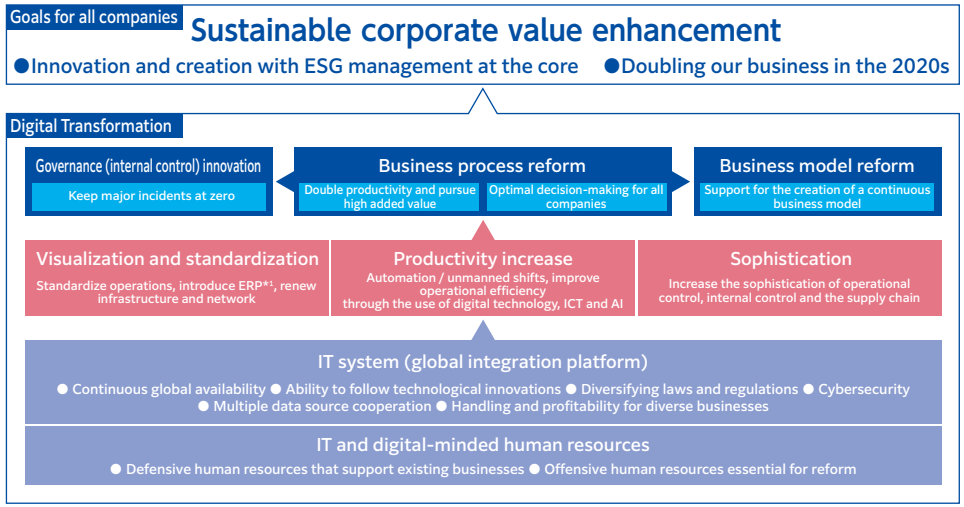
Base year: FY2016

	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

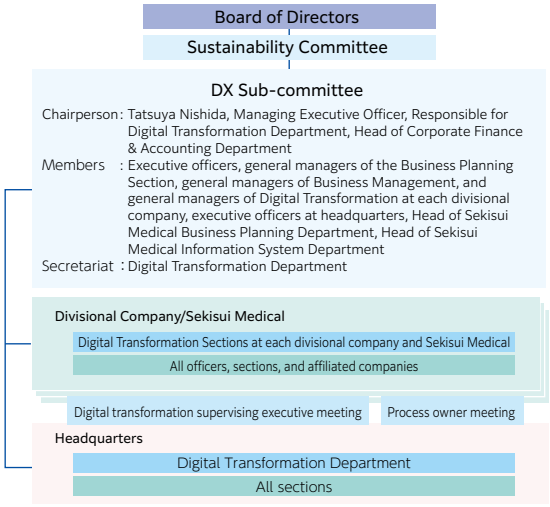
SEKISUI CHEMICAL Group will push forward corporate activities grounded in digital transformation in a bid to support the basis of LIFE and to continue to create peace of mind for generations to come in order to realize a sustainable society.

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

FY2020 to FY2022 — Introduction Phase
- Preparation for long-term growth
- Strengthening of governance
- Divisional Company DX start-up to acceleration

FY2023 to FY2025 — Deployment and Effect Creation Phase
- Renewal of global management infrastructure
- Full-scale reaping of DX effects
- Securing of human resources to create effects

Up to FY2030 — Establishment and Operation Phase
- Data-driven management
- Maximizing the effect of global DX
- Proactive company-wide control
- Amplification of effects through structural reforms

Offensive DX

- Operation and deployment of global ERP*1
- Reaping of existing DX theme effects
- Securing of DX human resources

Defensive DX

- Further strengthening of cybersecurity, especially overseas

MI evolution by external merger

*Introduction of Human Resources Promoting Materials Informatics P.43

Unique MI
Machine learning
Spectral multivariate analyses

MI by materials data integration
Data-driven developments
- Computational science (simulation, quantum scientific calculation)
- Evaluations/analyses (acquisition of development data, data refinement)
- Image analyses (automatic identification/classification)

MI evolution
Foundation building for data-driven materials development
Aiming for 2-10 times development efficiency

Deployment to functional materials development
- Materials for electronic equipment (Microparticles, adhesives, tapes, etc.)
- Films for automobiles

Collaboration with Kaneko Laboratory, Meiji University
2024 - Put into practical use

Cooperation with Hitachi, Ltd.
- CMOS annealing (increase MI accuracy and speed)
- Materials development integration knowledge base building (supplementing knowledge rearranging technology, diverse information/knowledge)
- Experimental digital twin (data collection automation, association)

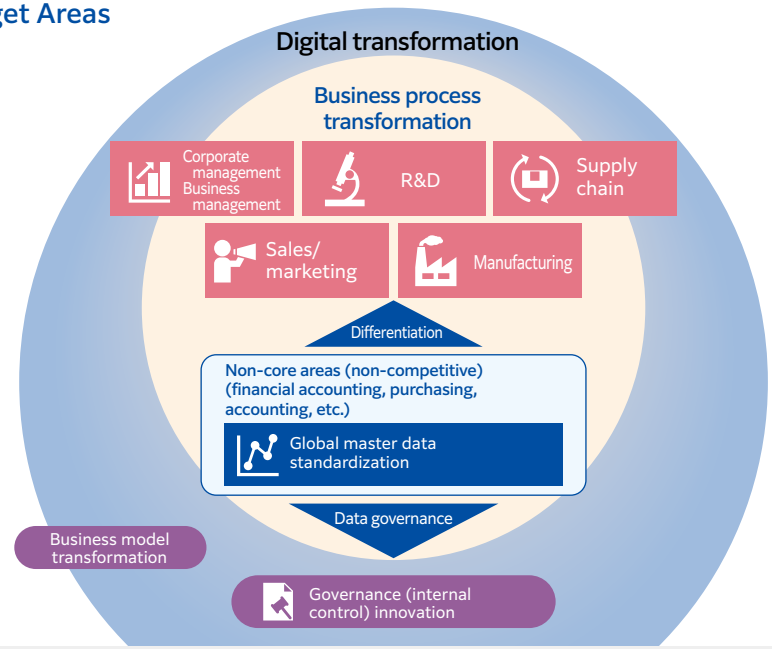
KPI

	FY2022 Results*3	FY2023 Results	FY2025 Target*3
Direct productivity*2	1.20	1.21	1.28
Indirect productivity*2	1.09	1.11	1.23

*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



Foundations	IT/digital human resources	Creating effectiveness through the use of digital technology and securing human resources for digital technology
	IT infrastructure/security	Developing an integrated infrastructure that securely supports global operations

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

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

Theme	Organization	Goals	Tools	FY2023 Results	FY2025 Targets
Innovation of global management infrastructure	Company-wide	● 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	● Accounting: Completed development of business processes and reviewed deployment roadmap based on operational test results ● Logistics: Defined and designed requirements for global expansion	● Accounting: Start of domestic accounting and site deployment ● Logistics: Start of global operations
Transformation of global indirect purchasing	Company-wide	● 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	● Completed deployment of indirect purchasing system at 68 sites in Japan ● Began to realize positive impact from established system use	● 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	● Thoroughly improve efficiency and productivity through standardization and automation of operations (shift to value-added operations) ● Improve top line by utilizing sales data	Salesforce	● Established new business processes through the utilization of sales data ● Strengthened sales processes through data analysis, including the use of external data	● Establish data-based sales activities ● Improve top line by strengthening customer management
	Housing*3	● Streamline sales and design operations and reduce workload (to accommodate changes in work styles) ● Improve the quality of presentation materials	Next-generation CAD systems	● Achieved positive impact from increased business efficiency, shift to in-house production, and expanded use of new functions	● Effective use of stored data and enhanced system integration ● Streamlining the preparation of presentation materials and regulatory checks

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*

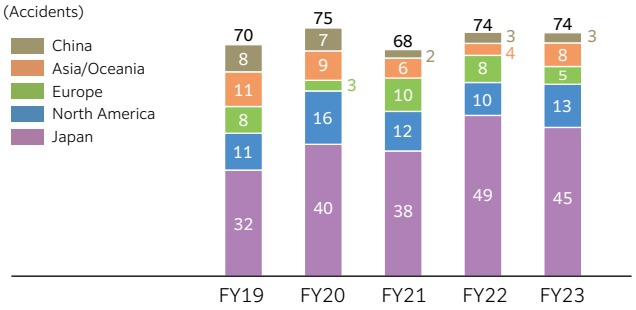
In terms of our efforts related to occupational health and safety, the Safety Subcommittee established under the Sustainability Committee formulates policies and activity guidelines and puts into practice and promotes them under the guidance of the Corporate Headquarters Safety & Environment Group and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

Number of workplace accidents resulting in a fatality in FY2022 : 0

Number of Occupational Accidents



* OHSMS: Occupational Health and Safety Management System

Theme 2 Intrinsic Equipment Safety*1 efforts

We are providing support for employees to obtain a safety sub-assessor (SSA)*2 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)*2, 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. n 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

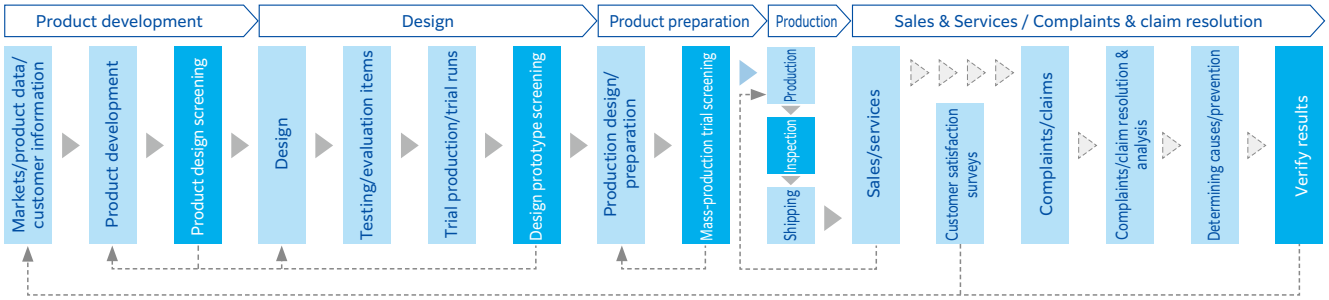
Concerning Nonconformity with Building Standards

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/Ethical | Accounting

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.