

Corporate Governance

Message from an Outside Director



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

Outside Director **Yoshihiko Hatanaka**

Q.01

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

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

Q.02

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

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

Q.03

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

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

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

Corporate Governance

Message from an Outside Director

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance

Message from an Outside Director

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

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

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

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

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

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

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

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

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

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

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

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

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



Corporate Governance

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

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



**Teiji
Koge**

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

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

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

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

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

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



**Keita
Kato**

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

Number of Shares of the Company Owned: 96,218 shares **N D**
Tenure as Director: 10 years

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

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

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



**Futoshi
Kamiwaki**

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

Number of Shares of the Company Owned: 84,887 shares **D**
Tenure as Director: 4 years

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

Duties

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



**Yoshiyuki
Hirai**

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

Number of Shares of the Company Owned: 52,750 shares
Tenure as Director: 9 years

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

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

Areas of Responsibility

President of Urban Infrastructure & Environmental Products Company



**Ikusuke
Shimizu**

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

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

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

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

Areas of Responsibility

President of High Performance Plastics Company



**Masahide
Yoshida**

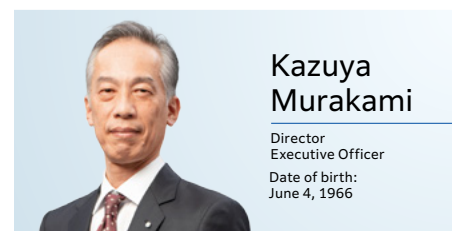
Director
Managing Executive Officer
Date of birth:
July 9, 1966

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

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

Duties

President of the Housing Company



**Kazuya
Murakami**

Director
Executive Officer
Date of birth:
June 4, 1966

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

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

Areas of Responsibility

Head of Human Resources Department



**Hiroshi
Oeda**

Independent Outside
Director
Date of birth:
March 12, 1957

Number of Shares of the Company Owned: 7,000 shares **N D**
Tenure as Director: 6 years

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

Important Position of Other Organizations Concurrently Assumed

Special Advisor of Nisshin Seifun Group Inc.
Independent Director, Chairman of the Board of Directors of EBARA CORPORATION
Outside Director, Japan Post Holdings Co., Ltd.
President of Hitotsubashi University Koenkai

Corporate Governance

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

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



**Haruko
Nozaki**

Independent Outside
Director
Date of birth:
June 19, 1955

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



Ms. Haruko Nozaki possesses experience in personnel affairs and education at HORIBA, Ltd., and deep insight on the promotion of diversity, as well as on development of the next generation, etc. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

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



**Miharu
Koezuka**

Independent Outside
Director
Date of birth:
September 2, 1955

Number of Shares of the Company Owned: 4,000 shares
Tenure as Director: 2 year



Ms. Miharu Koezuka held positions of Senior Managing Director (Representative Director), General Manager of Planning Headquarters and General Manager of Sales Headquarters of Takashimaya Company, Limited, and was involved in management of the said company for many years. By leveraging her extensive experience in the management of department stores, in addition to her experience and past achievements in management in various industries, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

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



**Machiko
Miyai**

Independent Outside
Director
Date of birth:
September 29, 1960

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



Ms. Machiko Miyai held executive positions at Panasonic Corporation and then has served as Director and the head of the marketing department at MORINAGA & CO., LTD. As such, Ms. Miyai possesses broad job experience mainly in consumer-conscious duties in industries that are different from that of the Company. Leveraging this insight, she is providing advice to the Company's management and appropriately supervising business execution at Board of Directors' meetings.

Important Position of Other Organizations Concurrently Assumed

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



**Yoshihiko
Hatanaka**

Independent Outside
Director
Date of birth:
April 20, 1957

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



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

Important Position of Other Organizations Concurrently Assumed

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



**Hiroyuki
Taketomo**

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

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



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



**Tomoyasu
Izugami**

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

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



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



**Yoshikazu
Minomo**

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

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



As an attorney at law, Mr. Yoshikazu Minomo is equipped with a wealth of achievements and significant knowledge concerning overall corporate legal affairs, such as business revitalization, corporate reorganization, mergers & acquisitions, compliance, and internal control. Reflecting these achievements and knowledge in its audits, the Company will ask Mr. Minomo to check the appropriateness of our management decisions, especially from a compliance perspective, and provide useful opinions and suggestions to improve the trust that society places in the Company.

Important Position of Other Organizations Concurrently Assumed

Partner of MIYAKE IMAI IKEDA LAW OFFICE



**Wakyu
Shinmen**

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

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



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

Important Position of Other Organizations Concurrently Assumed

Representative, Shinmen Certified Public Accountant Office



**Kenji
Tanaka**

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

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



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

Important Position of Other Organizations Concurrently Assumed

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

Corporate Governance

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

Name	Position in the Company	Board of Directors (FY2023 Attendance)	Audit & Supervisory Board (FY2023 Attendance)	Nomination and Remuneration Advisory Committee (FY2023 Attendance)	Diversity Promotion Committee (FY2023 Attendance)	Policy Committee	Sustainability Committee R&D Committee	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities*2									
								Management	Core Function of Manufacturing Business		Preparations for Long-term Growth				Strengthening the Management Base		
								Corporate Management/ Management Strategy	Manufacturing/ Safety/Quality	Marketing/ Sales	Environment	Innovation (Research & Development/ New Business Development/ Alliance)	Global Business	DX (Digital Transformation)	Legal Affairs/ Compliance	Financial Affairs/ Accounting	Human Resources/ Diversity/ Human Rights
Teiji Koge	Director Chairman of the Board	● *1 (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	—	—	●		●	●						●
Keita Kato	President and Representative Director Chief Executive Officer	○ (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	●	●	●	●	●	●	●	●			●	
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	○ (3 out of 3)	○	○	●		●	●	●		●		●	
Yoshiyuki Hirai	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	●		●	●	●	●			●	
Ikusuke Shimizu	Director Senior Managing Executive Officer	○ (17 out of 17)	—	—	—	○	○	●	●	●			●				
Masahide Yoshida	Director Managing Executive Officer	—	—	—	—	○	○	●		●							
Kazuya Murakami	Director Executive Officer	○ (17 out of 17)	—	—	○ (3 out of 3)	○	○	●									●
Hiroshi Oeda	Independent Outside Director	○ (17 out of 17)	—	● (6 out of 6)	○ (3 out of 3)	—	—	●					●			●	●
Haruko Nozaki	Independent Outside Director	○ (16 out of 17)	—	○ (6 out of 6)	● (3 out of 3)	—	—	●									●
Miharu Koezuka	Independent Outside Director	○ (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	—	—	●		●	●			●			
Machiko Miyai	Independent Outside Director	○ (17 out of 17)	—	○ (6 out of 6)	○ (3 out of 3)	—	—	●		●	●	●	●				
Yoshihiko Hatanaka	Independent Outside Director	○ (13 out of 13)	—	○ (5 out of 5)	○ (3 out of 3)	—	—	●		●			●			●	
Hiroyuki Taketomo	Full-time Audit & Supervisory Board Member	○ (17 out of 17)	● (14 out of 14)	—	—	—	—	●							●		●
Tomoyasu Izugami	Full-time Audit & Supervisory Board Member	○ (13 out of 13)	○ (11 out of 11)	—	—	—	—		●	●				●			
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	○ (17 out of 17)	○ (14 out of 14)	—	—	—	—								●		●
Wakyu Shinmen	Independent Outside Audit & Supervisory Board Member	○ (13 out of 13)	○ (11 out of 11)	—	—	—	—									●	
Kenji Tanaka	Independent Outside Audit & Supervisory Board Member	○ (13 out of 13)	○ (11 out of 11)	—	—	—	—		●			●		●			

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

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

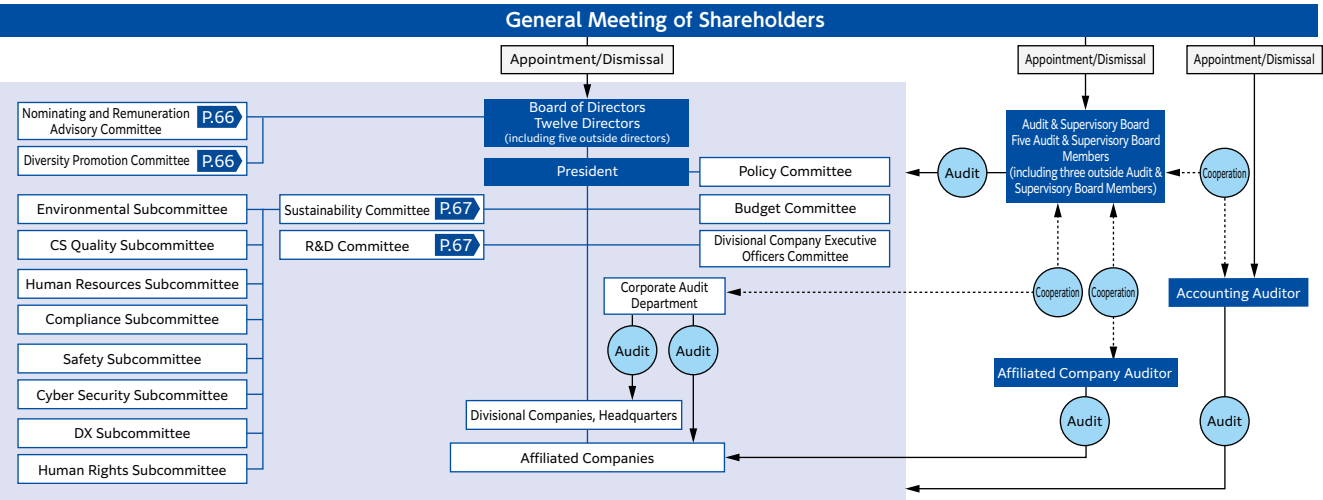
Corporate Governance

Corporate Governance System

Basic Policy

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

Corporate Governance System Chart (As of June 20, 2024)



Board of Directors

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

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

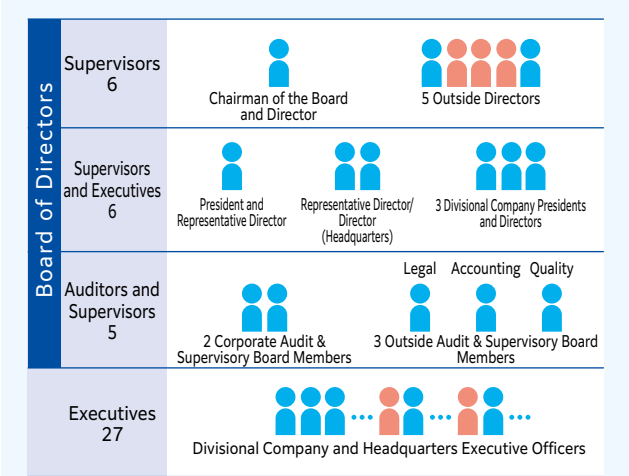
Organizational structure	A company with an Audit & Supervisory Board
Total number of directors*	12 (In-house: 7; Outside: 5) including 3 female directors
Ratio of outside (independent) directors	41.7%
Ratio of female directors	25.0%
Director's term of office	1 year
Executive officer system introduced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

* The number of Directors shall not exceed 15

Initiatives Taken to Enhance Corporate Governance



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



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

The Company has adopted the Executive Officer System to clearly distinguish the business execution function (executive officers) from the supervisory function (directors) in order to respond quickly to changes in the business environment of each divisional company.

Executive Committee

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

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

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

Corporate Governance System

Audit & Supervisory Board

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

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

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

Internal Control System

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

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

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

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's wide range of businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites.

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

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

Main deliberations by the Board of Directors in FY2023

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

Assessment Relating to the Board's Effectiveness

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

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

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

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

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

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

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

Convocation Notice

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

Nomination and Remuneration Advisory Committee

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

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

Succession Planning for SEKISUI CHEMICAL Group's President

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

Diversity Promotion Committee

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

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

Major Deliberation Issues

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

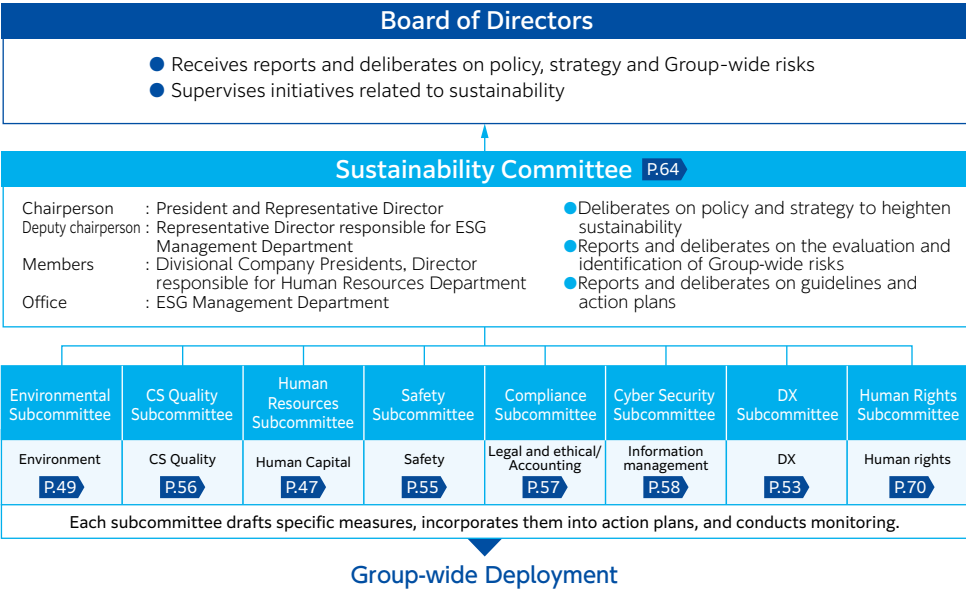
Corporate Governance System

Supervisory Promotion System of ESG Management

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

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

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



Other Management Committees

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

Cross-shareholdings

Basic Policy on Cross-shareholdings

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

Verification of the Necessity of Cross-shareholdings

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

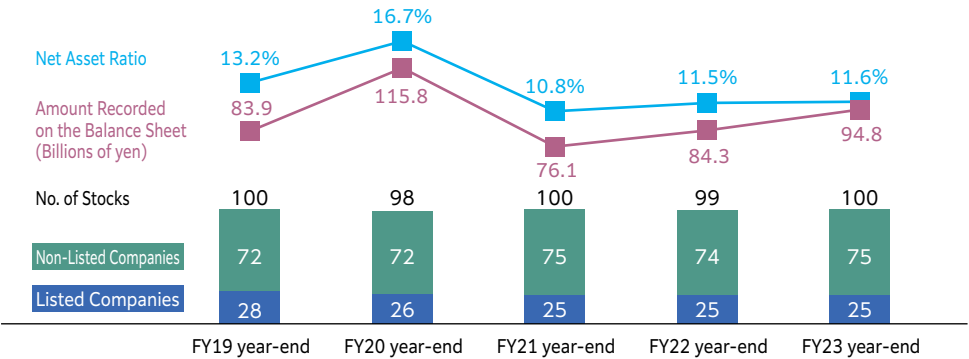
As of the end of March 2024, the Company did not hold any stocks for pure-investment purposes, such as solely for gaining profits from share price fluctuations or from related dividends.

Criteria for the Exercise of Voting Rights Concerning Cross-shareholdings

SEKISUI CHEMICAL performs its monitoring function as a shareholder by exercising voting rights at shareholder meetings of the shareholding companies in accordance with the specific standards with respect to its established voting rights to reflect perspectives of connecting the medium- to long-term enhancement of its corporate value after taking into consideration the strategic position of such holding and dialogue and so forth with them.

As to the exercise of voting rights, SEKISUI CHEMICAL applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items, etc.), business performance (equity ratio, profit/loss condition, etc.) in their current fiscal year, and their business sustainability. SEKISUI CHEMICAL then makes the final comprehensive decision on proposals based in part on dialogue with those companies.

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



Remuneration for Officers

Basic Policy

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

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

Remuneration Mindset

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

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

Short-term incentives (bonuses)

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

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

Process of Determining Officers' Remuneration

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

- The chairperson (Outside Director) convenes a meeting of the Nomination and Remuneration Advisory Committee.
- Proposals to the meeting are put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc., is determined ultimately by the Board of Directors by adhering to the report.

In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and Company's management. Furthermore, the purpose of the policy determination must not be for the personal benefit of the Company or any third party, including the Company's management.

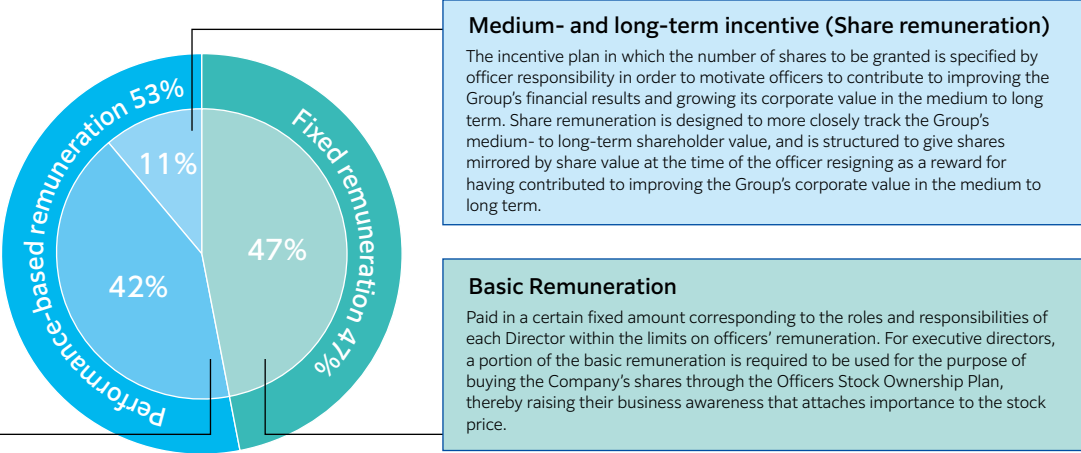
- The specific amounts of individual remuneration of Directors, the payment timing, and the payment methods are also determined ultimately by the Board of Directors by adhering to the opinions of this Committee

Officer Remuneration in FY2023

(Millions of yen)

Classification	Basic remuneration		Bonus		Share remuneration		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	13	426	7	320	7	83	13	829
(Of which Outside Directors)	6	72	—	—	—	—	6	72
Audit & Supervisory Board Members	8	79	—	—	—	—	8	79
(Of which Outside Audit & Supervisory Board Members)	5	36	—	—	—	—	5	36

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



Risk Management

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

Risk Management System, Identification of Risks and Opportunities

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

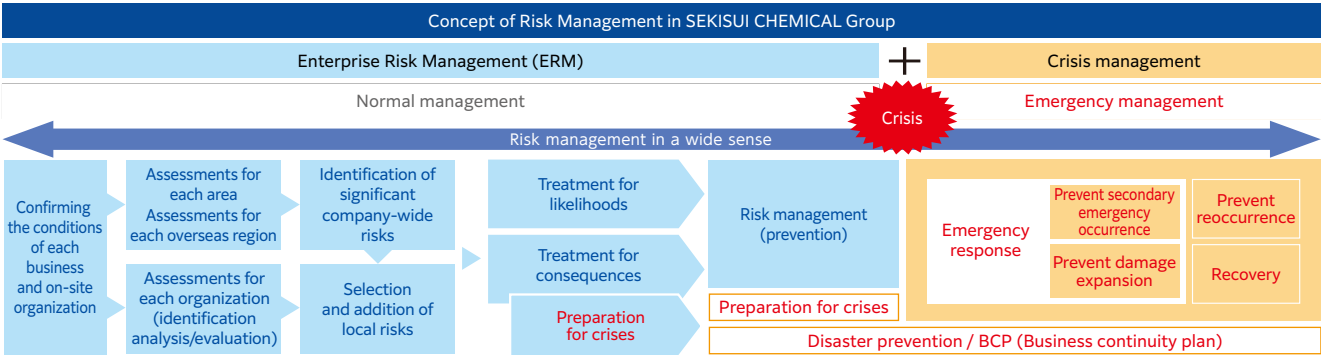
Head Office Governance in Risk Management Organization



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

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

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



Crisis-management System

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

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



Business Continuity Management (BCM) Establishment Initiatives

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

Crisis Management Activities

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

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

Respect for Human Rights

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

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

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

Promotion System

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

Board of Directors

Sustainability Committee

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

Human Rights Subcommittee

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

Working Groups (WG)

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

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

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

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

Human Rights Due Diligence

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

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

Conducting human rights interviews with foreign employees at overseas production sites

Targets:

HPP Company employees working at PT. SEKISUI POLYMATECH INDONESIA

Implementation method:

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

Survey content:

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

Results:

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

Human rights interviews at domestic construction and care sites

Targets:

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

Implementation method:

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

Results:

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

Responsible Procurement

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

SEKISUI CHEMICAL Group Basic Procurement Policy

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

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

The Sustainable Procurement Guidelines (Supplier Code of Conduct)

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

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

Sustainable Timber Procurement

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

Responsible Mineral Procurement Survey

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

Target Risk

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

Target Area

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

Target minerals

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

Target raw materials

Raw materials which contain target minerals