

[Translation: Please note that the following purports to be an accurate translation of excerpt contents of the original Japanese document, prepared for foreign shareholders solely as a reference material. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain explanations for the domestic voting procedures are omitted or modified in this translation.]

SEKISUI CHEMICAL CO., LTD.

Stock Exchange Code: 4204

June 1, 2023

To Our Shareholders:

NOTICE OF CONVOCATION OF THE 101ST ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

SEKISUI CHEMICAL CO., LTD. (the “Company”) hereby notifies you of that the 101st Annual General Meeting of Shareholders of the Company as follows.

The General Meeting of Shareholders will be held with measures put in place to prevent novel coronavirus infections, but we request shareholders to take into account the situation regarding the spread of infections on the date of the meeting and your own health condition to attend the meeting in person. Please note that no gifts will be provided at the meeting. Please exercise your voting rights by mail or via the Internet after studying the Reference Document Concerning the General Meeting of Shareholders before 5:30 p.m. on June 21, 2023 (Wednesday, JST).

Yours very truly,

By: **KEITA KATO**
President and Representative Director
SEKISUI CHEMICAL CO., LTD.
4-4 Nishitemma 2-Chome,
Kita-ku, Osaka 530-8565

PARTICULARS

1. Date and Time of the Meeting: 10:00 a.m. on June 22, 2023 (Thursday, JST)

2. Place of the Meeting: Manyo no Ma Room
3rd Floor
ANA Crowne Plaza Osaka Hotel
1-3-1 Dojimahama, Kita-ku, Osaka

3. Agenda of the Meeting:

Matters for Reporting:

Report on the Business Report, the Consolidated Accounting Documents, the Non-Consolidated Accounting Documents and the report on the Results of the Audits of Consolidated Accounting Documents by the Accounting Auditor and the Audit & Supervisory Board for the 101st Business Term (from April 1, 2022 to March 31, 2023).

Matters for Resolution:

First Item of Business:	Appropriation of Surplus
Second Item of Business:	Election of Twelve (12) Directors
Third Item of Business:	Election of Three (3) Audit & Supervisory Board Members

Matters regarding Measures for Providing Information in Electronic Format

For the convocation of this General Meeting of Shareholders, we have taken measures for providing information that constitutes the content of the reference documents for the General Meeting of Shareholders, etc. (items subject to measures for providing information in electronic format) in electronic format. The items are posted on each of the following websites on the Internet, and we invite you to check them by accessing either of the websites.

- The Company's website
https://www.sekisuichemical.com/ir/stock/shareholder_info/
- Website for posted informational materials for the general meeting of shareholders
<https://d.sokai.jp/4204/teiji/>

- End -

For those attending, please present Voting Rights Exercise Form (not enclosed in this translation) at the reception desk on arrival at the Meeting. For saving natural resources, please take this notice of convocation with you to the Meeting.

(For Reference Only)

REGISTERED SHAREHOLDERS IN JAPAN may exercise voting rights by means of either of the following:

[In case of exercising voting rights by mail]

Please indicate on the Voting Right Exercise Form enclosed herewith your approval or disapproval of each of the items listed thereon and return the form to the Company before 5:30 p.m. on June 21, 2023 (Wednesday, JST).

[In case of exercising voting rights via the Internet, etc.]

Please access the website for exercising voting rights designated by the Company (<https://evote.tr.mufg.jp/>), indicate your approval or disapproval of each of the items by following the guidance on the display after entering the "log-in ID" and "password" shown on the enclosed Voting Right Exercise Form.

The Company cordially requests the shareholders who exercise voting rights via the Internet, etc. to understand the Guidance for the Exercise of Voting Rights via the Internet, etc. below. (omitted)

■ Reference Documents Concerning the General Meeting of Shareholders (Items and Matters for Reference)

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First Item of Business

Appropriation of Surplus

One of the Company's primary policies in the management is to increase the corporate value, with an emphasis on returning the Company's profits to the shareholders proactively. In connection with returning the Company's profits to the shareholders, the Company's basic policy is to have the consolidated payout ratio of at least 35% of the consolidated profit and the total return ratio of at least 50% (when the debt to equity (D/E) ratio is 0.5 or less), to ensure the Dividend-On-Equity (DOE) ratio of at least 3%, and to implement its stable dividend policy depending upon the business results.

Refer to page 35 of this notice of convocation for the basic policy of dividends of surplus in the new Medium-term Management Plan from fiscal 2023.

Based on its capital policy and the basic policy regarding dividends from surplus as described above, the Company proposes that the year-end dividend for the business term under review be ¥30 per share.

The annual dividend for the business term under review is ¥59 per share, together with the interim dividend of ¥29 per share that was paid in December 2022, and a ¥10 increase per share from the previous business term.

Matters Concerning the Year-End Dividend

1. Type of Dividend Assets:

Cash

2. Matters Concerning Distribution of Dividend Assets and the Aggregate Amount:

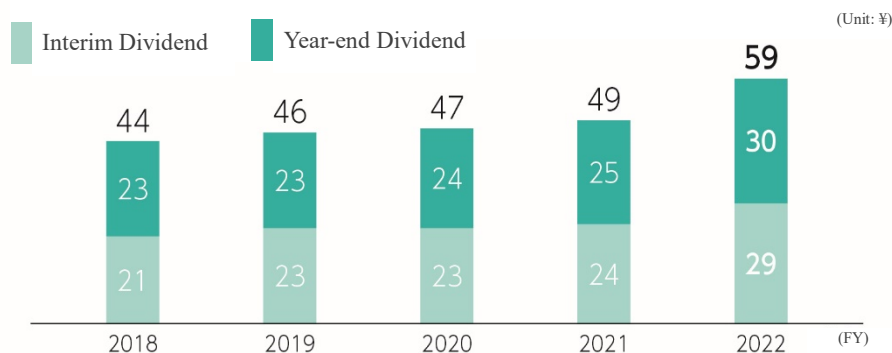
¥30 per share of common stock of the Company

Aggregate amount of dividends: ¥12,916,179,450

3. The Date When Dividends from Surplus Takes Effect:

June 23, 2023

Changes in the Dividends Per Share



The terms of offices of all the twelve (12) Directors will expire at the closing of this Annual General Meeting of Shareholders. Therefore, the Company proposes that the following twelve (12) Directors be newly elected. The following candidates for Directors have been determined by the Board of Directors based on the recommendations of the Nomination and Remuneration Advisory Committee (a majority of Independent Outside Directors), which is chaired by an Independent Outside Officer.

Five (5) candidates out of twelve (12) are candidates for Outside Directors. All of the five (5) candidates have expertise in each domain and international mindset, including abundant experience and past achievements as management executives. Therefore, the Company has judged that they would be able to duly fulfill their duties as Outside Directors including provision of advice with respect to the business management of the Company and supervision of business execution, etc. The five (5) candidates for Outside Directors meet the conditions of the Company's "Criteria for Independence of Outside Board Members" (refer to page 19) and the conditions of Independent Directors stipulated by Tokyo Stock Exchange, Inc.

The candidates are as follows.

Candidate Number	Name	Current Position and Duty at the Company		Number of Years (At the closing of this Annual General Meeting of Shareholders)	
1	Teiji Koge	Chairman of the Board	Renominated	18 years	
2	Keita Kato	President and Representative Director Chief Executive Officer	Renominated	9 years	
3	Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	Renominated	3 years	
4	Yoshiyuki Hirai	Director Senior Managing Executive Officer	Renominated	8 years	
5	Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	Renominated	4 years	
6	Ikusuke Shimizu	Director Senior Managing Executive Officer	Renominated	4 years	
7	Kazuya Murakami	Director Executive Officer	Renominated	2 years	
8	Hiroshi Oeda	Outside Director	Candidate for Independent Outside Director	Renominated	5 years
9	Haruko Nozaki	Outside Director	Candidate for Independent Outside Director	Renominated	1 year
10	Miharu Koezuka	Outside Director	Candidate for Independent Outside Director	Renominated	1 year
11	Machiko Miyai	Outside Director	Candidate for Independent Outside Director	Renominated	1 year
12	Yoshihiko Hatanaka		Candidate for Independent Outside Director	Newly Nominated	—

**Career Summary, Position and Duty**

- Apr. 1976: Joined the Company
- Jun. 2005: Director of the Company
President of Nagoya Sekisui Heim Co., Ltd.
- Oct. 2005: Director of the Company
Head of President's Office of Housing Company
- Apr. 2006: Director of the Company
Head of Planning & Control Department of Housing Company
- Apr. 2007: Director of the Company
Head of Housing Division and Planning & Control Department of Housing Company
- Jul. 2007: Director of the Company
Responsible for Sales Department, Head of Housing Division of Housing Company
- Feb. 2008: Director of the Company
President of Housing Company
Responsible for Sales Department, Head of Housing Division
- Apr. 2008: Director of the Company
Managing Executive Officer of the Company
President of Housing Company
- Apr. 2009: Director of the Company
Senior Managing Executive Officer of the Company
President of Housing Company
- Mar. 2014: Director of the Company
Senior Managing Executive Officer of the Company
Head of CSR Department
Head of Corporate Communication Department
- Mar. 2015: President and Representative Director of the Company
Chief Executive Officer of the Company
- Mar. 2020: Chairman of the Board and Representative Director of the Company
- Jun. 2022: Chairman of the Board of the Company [incumbent]
- Mar. 2023: Outside Director of EBARA CORPORATION [incumbent]

■ **Number of Shares of the Company Owned**
133,553 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Important Position of Other Organizations Concurrently Assumed

Outside Director of EBARA CORPORATION

Reasons for Nomination of the Candidate for Director

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 which aims for ESG management and doubling of the business scale, with the aim of maintaining Sekisui Chemical Group's strong corporate presence for 100 years and beyond premised on the Group's management principles. Furthermore, 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 Inside Director who is not concurrently responsible for business execution. Therefore, the Company has judged that he is expected to further contribute to the establishment of the basic management policy and the proper supervision of management by the Board of Directors of the Company and thus renominated him as a candidate for Director.



■ **Number of Shares of the Company Owned**
93,394 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Career Summary, Position and Duty

- Apr. 1980: Joined the Company
- Apr. 2008: Executive Officer of the Company
Head of Interlayer Film Division of High Performance Plastics Company
- Jul. 2011: Executive Officer of the Company
Head of New Business Promotion Division of High Performance Plastics Company
- Mar. 2013: Executive Officer of the Company
Head of New Business Promotion Division and Head of Research & Development Institute of High Performance Plastics Company
- Oct. 2013: Executive Officer of the Company
Head of Research & Development Institute of High Performance Plastics Company
- Mar. 2014: Managing Executive Officer of the Company
President of High Performance Plastics Company
- Jun. 2014: Director of the Company
Managing Executive Officer of the Company
President of High Performance Plastics Company
- Apr. 2015: Director of the Company
Senior Managing Executive Officer of the Company
President of High Performance Plastics Company
- Jan. 2019: Representative Director of the Company
Senior Managing Executive Officer of the Company
Head of Business Strategy Department
- Apr. 2019: Representative Director of the Company
Senior Managing Executive Officer of the Company
Responsible for ESG Management Department
Head of Business Strategy Department
- Jul. 2019: Representative Director of the Company
Senior Managing Executive Officer of the Company
Responsible for ESG Management Department
Head of Business Strategy Department
Head of New Business Development Department
- Jan. 2020: Representative Director of the Company
Senior Managing Executive Officer of the Company
Responsible for ESG Management Department
Head of Business Strategy Department
- Mar. 2020: President and Representative Director of the Company
Chief Executive Officer of the Company [incumbent]

Reasons for Nomination of the Candidate for Director

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. Additionally, 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. in the Board of Directors while also promoting the long-term vision which aims for ESG management and doubling of the business scale. Therefore, the Company has judged that he would be qualified as Chief Executive Officer of the Company and thus renominated him as a candidate for Director.



Career Summary, Position and Duty

■ **Number of Shares of the Company Owned**

83,622 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings

(Attendance rate: 100%)

(The business term under review)

- Apr. 1983: Joined the Company
- Apr. 2011: Executive Officer of the Company
Head of Planning & Control Department of Housing Company
- Oct. 2012: Executive Officer of the Company
Responsible for Public Relations & External Relations Department
Head of Planning & Control Department of Housing Company
- Jan. 2013: Executive Officer of the Company
Head of Housing Product Research & Development Department of Housing Company
- Jan. 2014: Executive Officer of the Company
Head of Product Research & Development Department of Housing Company
- Apr. 2017: Managing Executive Officer of the Company
Head of Product Research & Development Department of Housing Company
- Mar. 2018: Managing Executive Officer of the Company
Head of Housing Renovation Sales Management Division
Head of Administrative Management & Control Department of Housing Company
- Mar. 2019: Managing Executive Officer of the Company
Head of Administrative Management & Control Department of Housing Company
- Jan. 2020: Managing Executive Officer of the Company
Head of New Business Development Department
- Mar. 2020: Managing Executive Officer of the Company
Responsible for ESG Management Department and New Business Development Department
Head of Business Strategy Department
- Apr. 2020: Senior Managing Executive Officer of the Company
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department
Head of Business Strategy Department
- Jun. 2020: Director of the Company
Senior Managing Executive Officer of the Company
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department
Head of Business Strategy Department
- Jun. 2022: Representative Director of the Company
Senior Managing Executive Officer of the Company
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department
Head of Business Strategy Department [incumbent]

Reasons for Nomination of the Candidate for Director

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. Leveraging the aforementioned experience, since he was appointed as Head of New Business Development Department within the corporate organization 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 by leveraging the broad experience he has gained to date, having been appointed as Director in 2020. Therefore, the Company has judged that he has high capabilities necessary for deliberating and overseeing the Board of Directors' business strategy, and further enhancing the corporate value of the Sekisui Chemical Group by utilizing his experience, especially in the area of ESG management promotion and digital transformation, and thus renominated him as a candidate for Director.



Career Summary, Position and Duty

- Apr. 1985: Joined the Company
- Apr. 2014: Executive Officer of the Company
Head of Foam Division of High Performance Plastics Company
- Apr. 2015: Executive Officer of the Company
Responsible for CSR Promotion Department
Head of Business Strategy Department
- Jun. 2015: Director of the Company
Executive Officer of the Company
Responsible for CSR Promotion Department
Head of Business Strategy Department
- Apr. 2017: Director of the Company
Managing Executive Officer of the Company
Responsible for Corporate Finance & Accounting Department
Head of Business Strategy Department
- Apr. 2018: Director of the Company
Managing Executive Officer of the Company
Head of Business Strategy Department
- Jan. 2019: Director of the Company
Managing Executive Officer of the Company
President of Urban Infrastructure & Environmental Products Company
- Apr. 2020: Director of the Company
Senior Managing Executive Officer of the Company
President of Urban Infrastructure & Environmental Products Company
[incumbent]

■ **Number of Shares of the Company Owned**
49,288 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Reasons for Nomination of the Candidate for Director

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of global management structure and promoting constructive engagement with shareholders as Head of Business Strategy Department by leveraging the knowledge fostered through his abundant experience so far. As President of Urban Infrastructure & Environmental Products Company since January 2019, he has been performing his duties by applying his deep insight. He is also highly knowledgeable of the stakeholders' expectations and issues surrounding the Sekisui Chemical Group and has been performing his duties by applying his advanced management capabilities. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus renominated him as a candidate for Director.



Career Summary, Position and Duty

- Apr. 1983: Joined the Company
- Apr. 2013: Executive Officer of the Company
President of SEKISUI HEIM TOHOKU CO., LTD.
- Jan. 2014: Executive Officer of the Company
Head of Sales Management Division of Housing Company
- Jan. 2015: Executive Officer of the Company
President of TOKYO SEKISUI HEIM CO., LTD.
- Jan. 2018: Executive Officer of the Company
Head of Housing Sales Management Division, Head of Housing Renovation
Sales Management Division
Head of Administrative Management & Control Department of Housing
Company
- Mar. 2018: Executive Officer of the Company
Head of Housing Sales Management Division of Housing Company
- Apr. 2018: Managing Executive Officer of the Company
Head of Housing Sales Management Division of Housing Company
- Jan. 2019: Managing Executive Officer of the Company
President of Housing Company
Head of Housing Sales Management Division and Head of Town and
Community Development Department of Housing Company
- Jun. 2019: Director of the Company
Managing Executive Officer of the Company
President of Housing Company
Head of Housing Sales Management Division and Head of Town and
Community Development Department of Housing Company
- Jan. 2020: Director of the Company
Managing Executive Officer of the Company
President of Housing Company
- Apr. 2020: Director of the Company
Senior Managing Executive Officer of the Company
President of Housing Company [incumbent]

■ **Number of Shares of the Company Owned**
65,546 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**
17 out of 17 Board of Directors meetings
(Attendance rate: 100%)
(The business term under review)

Reasons for Nomination of the Candidate for Director

Mr. Toshiyuki Kamiyoshi has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM TOHOKU CO., LTD., President of TOKYO SEKISUI HEIM CO., LTD. and Head of Housing Sales Management Division of Housing Company. Since he was appointed as President of Housing Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date. Following his appointment as Director in 2019, he has used these experiences to deliberate and oversee the Board of Directors' business strategy. Therefore, the Company has judged that he has high capabilities necessary for further enhancing the corporate value of the Sekisui Chemical Group and thus renominated him as a candidate for Director.



Career Summary, Position and Duty

- Apr. 1987: Joined the Company
- Apr. 2015: Executive Officer of the Company
Head of Foam Division of High Performance Plastics Company
- Apr. 2016: Executive Officer of the Company
Responsible for Automobiles & Transportation field
Head of Foam Division of High Performance Plastics Company
- Apr. 2018: Executive Officer of the Company
Responsible for Electronics
Head of Foam Division of High Performance Plastics Company
- Jan. 2019: Managing Executive Officer of the Company
President of High Performance Plastics Company
Responsible for Electronics of High Performance Plastics Company
Director of SEKISUI FULLER CO., LTD. [incumbent]
- Apr. 2019: Managing Executive Officer of the Company
President of High Performance Plastics Company
- Jun. 2019: Director of the Company
Managing Executive Officer of the Company
President of High Performance Plastics Company
- Apr. 2021: Director of the Company
Senior Managing Executive Officer of the Company
President of High Performance Plastics Company [incumbent]

■ **Number of Shares of the Company Owned**
57,686 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**
17 out of 17 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Important Position of Other Organizations Concurrently Assumed

Director of SEKISUI FULLER CO., LTD.

Reasons for Nomination of the Candidate for Director

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 Electronics 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, having been appointed as Director in 2019. Therefore, the Company has judged that he has high capabilities necessary for deliberating and overseeing the Board of Directors' business strategy, and further enhancing the corporate value of the Sekisui Chemical Group by utilizing his experience, especially in the area of global business, and thus renominated him as a candidate for Director.

**Career Summary, Position and Duty**

- Apr. 1989: Joined the Company
- Mar. 2014: Head of Human Resources Development Division of High Performance Plastics Company
- Apr. 2020: Executive Officer of the Company
Head of Human Resources Development Division of High Performance Plastics Company
- Oct. 2020: Executive Officer of the Company
Head of Human Resources Department
- Jun. 2021: Director of the Company
Executive Officer of the Company
Head of Human Resources Department [incumbent]

■ **Number of Shares of the Company Owned**
14,050 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Reasons for Nomination of the Candidate for Director

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. Leveraging the aforementioned experience, since his appointment as Head of Human Resources Department in October 2020, Mr. Murakami has exercised his strong leadership in the 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. In addition to performing his duties by applying his deep insight and advanced management capabilities by leveraging the experience he has gained to date, Mr. Murakami has been working on the personnel system reform and health management utilizing such experience since he was appointed as Director in 2021. Therefore, the Company has judged that he has high capabilities necessary for enhancing the corporate value of the Sekisui Chemical Group and thus renominated him as a candidate for Director.

**Career Summary, Position and Duty**

Candidate for Independent Outside Director

- Apr. 1980: Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)
- Jun. 2008: Executive Officer of Nisshin Seifun Group Inc.
- Jun. 2009: Director of Nisshin Seifun Group Inc.
- Apr. 2011: Director and President of Nisshin Seifun Group Inc.
- Apr. 2017: Director and Executive Advisor of Nisshin Seifun Group Inc.
- Jun. 2017: Special Advisor of Nisshin Seifun Group Inc. [incumbent]
President of Seifun Kaikan Inc. [resigned in 2022]
- Mar. 2018: Outside Director of EBARA CORPORATION
- Jun. 2018: Outside Director of the Company [incumbent]
- Jun. 2019: President of Hitotsubashi University Koenkai [incumbent]
- Mar. 2022: Outside Director, Chairman of the Board of Directors of EBARA CORPORATION [incumbent]

■ **Number of Shares of the Company Owned**
7,000 shares

■ **Number of Years in Office of the Company**
5 years (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**
17 out of 17 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Important Position of Other Organizations Concurrently Assumed

- Special Advisor of Nisshin Seifun Group Inc.
- Outside Director, Chairman of the Board of Directors of EBARA CORPORATION
- President of Hitotsubashi University Koenkai

Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since his appointment as Outside Director in 2018, Mr. Hiroshi Oeda has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Mr. Oeda would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging his broad experience and skill in global corporate management, business strategy, execution of overseas M&A, etc. gained from serving as a management executive of the largest milling company in Japan. The Company has thus renominated Mr. Oeda as a candidate for Outside Director.

Independence of the Candidate for Outside Director

The Company has no business relationship with Nisshin Seifun Group Inc. and Hitotsubashi University Koenkai where Mr. Hiroshi Oeda concurrently holds a position. While the Company has business transactions with EBARA CORPORATION, the ratio of the transaction value to the net sales of EBARA CORPORATION and the Company for the business year last closed was less than 1% for each of both parties. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, his independence as Outside Director is deemed to be sufficiently secured. The Company has registered Mr. Oeda as an Independent Officer with the Tokyo Stock Exchange. If his reappointment is approved, it is planned that he will continue to act as an Independent Officer.

Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Mr. Oeda limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Mr. Oeda is approved, the Company will continue the limiting liability agreement with him.



Career Summary, Position and Duty

Candidate for Independent Outside Director

- Apr. 1978: Joined HORIBA Community Corporation
- Mar. 1980: Reassigned to HORIBA, Ltd.
- Apr. 2001: General Manager, Human Resources Department of HORIBA, Ltd.
- Jan. 2008: Deputy General Manager in charge of personnel, General Administration Division of HORIBA, Ltd.
- Apr. 2014: Junior Corporate Officer of HORIBA, Ltd. [resigned in 2022]
- Jul. 2015: Chairman of HORIBA, Ltd. Health Insurance Association [resigned in 2022]
- Jun. 2020: External Director of West Japan Railway Company [incumbent]
- Jun. 2021: Special Appointment Professor of International Academic Research Institute of Kyoto University of Advanced Science [resigned in 2022]
- Apr. 2022: Executive Vice-President of Kyoto University [incumbent]
- Jun. 2022: Outside Director of the Company [incumbent]

■ **Number of Shares of the Company Owned**

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■ **Number of Years in Office of the Company**

1 year (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**

13 out of 13 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

Important Position of Other Organizations Concurrently Assumed

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

Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since her appointment as Outside Director in 2022, Ms. Haruko Nozaki has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Nozaki would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her experience and past achievements in personnel affairs and education, and deep insight on promotion of diversity, development of the next generation, etc. The Company has thus renominated Ms. Nozaki as a candidate for Outside Director.

Independence of the Candidate for Outside Director

There is no business relationship between West Japan Railway Company, where Ms. Nozaki concurrently holds office, and the Company. Moreover, business relationships exist between Kyoto University, where she concurrently holds office, and the Company, but the amount of such transactions in the most recent fiscal year has been less than 1% of either ordinary profit of the said university or net sales of the Company, and as the “Criteria for Independence of Outside Board Members” and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured. The Company has registered Ms. Nozaki as an Independent Officer with the Tokyo Stock Exchange. If her reappointment is approved, it is planned that she will continue to act as an Independent Officer.

Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Ms. Nozaki limiting her liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which her liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Ms. Nozaki is approved, the Company will continue the limiting liability agreement with her.



Career Summary, Position and Duty

Candidate for Independent Outside Director

■ **Number of Shares of the Company Owned**
4,000 shares

■ **Number of Years in Office of the Company**
1 year (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**
13 out of 13 Board of Directors meetings
(Attendance rate: 100%)

(The business term under review)

- Apr. 1979: Joined Takashimaya Company, Limited
- May 2007: Executive Officer, General Manager of Public and Investor Relations Office, Planning Headquarters of Takashimaya Company, Limited
- Mar. 2009: Senior Executive Officer, General Manager of Sales Planning Division of Takashimaya Company, Limited
- Feb. 2010: President (Representative Director) of Okayama Takashimaya Co., Ltd.
- May 2013: Director of Takashimaya Company, Limited
- Sep. 2013: Senior Managing Director (Representative Director), General Manager of Planning Headquarters (General Manager of Reform Promotion Headquarters), in charge of General Affairs Headquarters, CSR Promotion Office, IT Promotion Office, Nihombashi Redevelopment Planning Office of Takashimaya Company, Limited
- Director of Okayama Takashimaya Co., Ltd. [resigned in 2021]
- Mar. 2014: Senior Managing Director (Representative Director), General Manager of Sales Headquarters of Takashimaya Company, Limited
- May 2015: Member of the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society, Information Technology (IT) Strategy Planning Office, Cabinet Secretariat [resigned in 2019]
- Mar. 2016: Director of Takashimaya Company, Limited
- May 2016: Consultant of Takashimaya Company, Limited
- Jun. 2018: Outside Director of Japan Post Holdings Co., Ltd. [incumbent]
- Jun. 2019: Outside Director of Nankai Electric Railway Co., Ltd. [incumbent]
- Mar. 2020: Counselor of Takashimaya Company, Limited [resigned in 2021]
- Outside Director of Nippon Paint Holdings Co., Ltd. [resigned in March 2023]
- Jun. 2022: Outside Director of the Company [incumbent]

Important Position of Other Organizations Concurrently Assumed

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

Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since her appointment as Outside Director in 2022, Ms. Miharu Koezuka has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Koezuka would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her extensive experience in the management of department stores in addition to her experience and past achievements in management in various industries. The Company has thus renominated Ms. Koezuka as a candidate for Outside Director.

Independence of the Candidate for Outside Director

The Company has no business relationship with Japan Post Holdings Co., Ltd. and Nankai Electric Railway Co., Ltd. where Ms. Miharu Koezuka concurrently holds a position. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured. The Company has registered Ms. Koezuka as an Independent Officer with the Tokyo Stock Exchange. If her reappointment is approved, it is planned that she will continue to act as an Independent Officer.

Matters concerning the candidate for Outside Director

Japan Post Holdings Co., Ltd. at which Ms. Miharu Koezuka serves as Outside Director received a business improvement order each from the Minister for Internal Affairs and Communications and the Financial Services Agency in December 2019 in relation to the case in which many inappropriate solicitations of insurance products occurred in JAPAN POST INSURANCE Co., Ltd., a subsidiary of the said company. Although Ms. Koezuka was not aware of the aforementioned fact until the fact was found out, she has usually fulfilled her duties through the Board of Directors, etc. from the standpoint of legal compliance and makes efforts so that execution of operations that violates any laws or regulations is not conducted, and after the fact was revealed, she confirmed the content of the said company's measures for recurrence prevention.

Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Ms. Koezuka limiting her liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which her liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Ms. Koezuka is approved, the Company will continue the limiting liability agreement with her.



Career Summary, Position and Duty

Candidate for Independent Outside Director

■ **Number of Shares of the Company Owned**

-

■ **Number of Years in Office of the Company**

1 year (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**

11 out of 13 Board of Directors meetings
(Attendance rate: 85%)

(The business term under review)

- Apr. 1983: Joined Matsushita Electric Industrial Co., Ltd. (Panasonic Corporation from 2008; currently Panasonic Holdings Corporation)
- Oct. 2001: Director-General of Life Research Institute of Matsushita Electric Industrial Co., Ltd.
- Apr. 2005: Executive Director of Matsushita Electric Industrial Co., Ltd.
- Apr. 2006: Executive Director, General Manager of Cooking Equipment Business Unit of Matsushita Electric Industrial Co., Ltd.
- Apr. 2011: Executive Officer, Director of Environment Division of Panasonic Corporation
- Oct. 2012: Executive Officer, in charge of Lifestyle Research for New Markets, R&D Division of Panasonic Corporation
- Apr. 2014: Corporate Advisor of Panasonic Corporation [resigned in 2016]
- Jun. 2014: Outside Director of MORINAGA & CO., LTD. [resigned in 2018]
- Dec. 2014: Outside Director of KATO SANGYO CO., LTD. [resigned in 2018]
- May 2015: Outside Director of YOSHINOYA HOLDINGS CO., LTD. [resigned in 2019]
- Feb. 2016: Commissioner of Personal Information Protection Commission, an external bureau of the Cabinet Office [resigned in 2021]
- Jun. 2018: Director, Managing Operating Officer of MORINAGA & CO., LTD. [incumbent]
- Feb. 2019: Chairman of Sustainability Forum Japan [incumbent]
- Apr. 2022: Auditor of Ochanomizu University [incumbent]
- Jun. 2022: Outside Director of the Company [incumbent]

Important Position of Other Organizations Concurrently Assumed

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

Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since her appointment as Outside Director in 2022, Ms. Machiko Miyai has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Miyai would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her broad job experience in industries that are different from that of the Company, in particular her consumer-focused work as an internal officer of several listed companies. The Company has thus renominated Ms. Miyai as a candidate for Outside Director.

Independence of the Candidate for Outside Director

The Company has no business relationship with MORINAGA & CO., LTD., Sustainability Forum Japan, and Ochanomizu University where Ms. Machiko Miyai concurrently holds a position. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured. The Company has registered Ms. Miyai as an Independent Officer with the Tokyo Stock Exchange. If her reappointment is approved, it is planned that she will continue to act as an Independent Officer.

Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Ms. Miyai limiting her liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which her liabilities for compensations are limited to the minimum limited liability amount provided in

the laws and ordinances. Furthermore, in the event that the election of Ms. Miyai is approved, the Company will continue the limiting liability agreement with her.



■ Number of Shares of the Company Owned
1,000 shares

Career Summary, Position and Duty

Candidate for Independent Outside Director

- Apr. 1980: Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
- Jun. 2005: Corporate Executive, Head of Corporate Planning Department, Strategy Division of Astellas Pharma Inc.
- Apr. 2006: Executive Officer of Astellas Pharma Inc.
President & CEO of Astellas US LLC
President & CEO of Astellas Pharma US, Inc.
- Jun. 2008: Senior Corporate Executive of Astellas Pharma Inc.
President & CEO of Astellas US LLC
President & CEO of Astellas Pharma US, Inc.
- Apr. 2009: Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CStO & CFO) of Astellas Pharma Inc.
- Jun. 2011: Representative Director, President and CEO of Astellas Pharma Inc.
- Jun. 2016: President of Japan Pharmaceutical Manufacturers Association [resigned in 2018]
- Apr. 2018: Representative Director, Chairman of the Board of Astellas Pharma Inc. [resigned in 2022]
- Jun. 2018: Vice Chair of the Board of Councillors, KEIDANREN (Japan Business Federation) [resigned in 2022]
- Jun. 2019: Outside Director of Sony Corporation (currently Sony Group Corporation) [incumbent]
- Jun. 2020: Chairman of the Pharmaceutical Manufacturers' Association of Tokyo [resigned in 2022]
- Mar. 2023: Outside Director of Shiseido Company, Limited [incumbent]

Important Position of Other Organizations Concurrently Assumed

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

Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

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. Based on this experience and past records, the Company expects that Mr. Hatanaka will provide appropriate advice on the management of the Group, and judging that he will contribute to improving the corporate value of the Group, the Company has nominated him as a candidate for Outside Director.

Independence of the Candidate for Outside Director

The Company has no business relationship with Sony Group Corporation and Shiseido Company, Limited, where Mr. Yoshihiko Hatanaka concurrently holds a position. As the "Criteria for Independence of Outside Board Members" of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, his independence as Outside Director is deemed to be sufficiently secured. If Mr. Hatanaka's appointment is approved, it is planned that he will be designated as an Independent Officer.

Limiting Liability Agreement

In the event that this Item of Business is approved, so that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company is scheduled to enter into an agreement with Mr. Hatanaka limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances.

(Note) Each of the candidates has no interest with the Company.

<Criteria for Independence of Outside Board Members>

The Company has established the following “Criteria for Independence of Outside Board Members” and the Company has nominated a candidate satisfying all of the criteria.

Criteria for Independence of Outside Board Members	
1)	The candidate has never been an executive director, an executive officer, a manager or any other employee of the Company or any of the companies within the Group.
2)	The candidate is not receiving compensation more than 10 million yen per year from the Group other than the compensation as an officer.
3)	The candidate and the main company of the candidate ^(Note 1) is not a major shareholder ^(Note 2) of the Company.
4)	The business of the main company of the candidate does not compete with the main business(es) ^(Note 3) of the Company.
5)	The main company of the candidate is not a major business partner ^(Note 4) of the Company.
6)	The main company of the candidate is not a major lender of the Company.
7)	The candidate has never worked for an accounting auditor of the Company for the period of five years immediately preceding the scheduled date of assumption of office.
8)	None of the executive directors of the Company is concurrently serving as a director of the main company of the candidate.
9)	The candidate is not a relative ^(Note 5) of any of the officers or employees of the Company who has not fallen under any of 1 through 8 above.
(Notes)	<ol style="list-style-type: none">1. Main company of the candidate shall mean the company, if any, at which the candidate for an outside board member is an executive director, executive officer, or manager or other employee.2. Major shareholder shall mean top 10 shareholders of the Company.3. Main business(es) of the Company shall mean business(es) disclosed as main business(es) of Company on the business report of the Company.4. Major business partner shall mean the business partner whose transaction with the Company is not less than 2% of consolidated gross sales of the Company or such business partner.5. Relative shall mean the person’s spouse, partner, relative within the second degree of kinship or relative who lives with the person.

<Overview of Directors’ and Officers’ Liability Insurance Contract>

The Company has executed a directors’ and officers’ liability insurance contract as defined in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. If the appointment of the twelve Directors as proposed in the Second Item of Business is approved, the appointed Directors will be insureds under the insurance contract. The insureds under the insurance contract are Directors, Audit & Supervisory Board Members, Executive Officers, etc. of the Company and its domestic subsidiaries. The Company pays the insurance premiums for all the insureds. The insurance covers legal claims for damages, legal expenses, etc.

In order to prevent the duties expected to be performed by Directors, etc. from being compromised, the contract sets deductibles, exclusions, and reduced coverage rate.

Election of Three (3) Audit & Supervisory Board Members

At the closing of this Annual General Meeting of Shareholders, the terms of offices of Audit & Supervisory Board Members Mr. Kazuyuki Suzuki and Ms. Ryoko Shimizu will expire, and Audit & Supervisory Board Member Toshitaka Fukunaga will resign. Therefore, the Company proposed that three (3) Audit & Supervisory Board Members be elected.

The following candidates for Audit & Supervisory Board Members have been determined by the Board of Directors based on the recommendations of the Nomination and Remuneration Advisory Committee, which consists of a majority of Independent Outside Officers and is chaired by an Independent Outside Officer.

Mr. Wakyu Shinmen and Mr. Kenji Tanaka, candidates for Outside Audit & Supervisory Board Members, meet the conditions of the Company's "Criteria for Independence of Outside Board Members" (refer to page 19) and the conditions of Independent Auditors stipulated by Tokyo Stock Exchange, Inc.

The Audit & Supervisory Board has given prior consent to the submission of this Item.

1 Tomoyasu Izugami (Date of birth: November 18, 1962)

Newly Nominated



Career Summary, Position and Duty

- Apr. 1987: Joined the Company
- Apr. 2016: Head of Device Materials Business Division of High Performance Plastics Company
President and Representative Director of Sekisui Nano Coat Technology Co., Ltd.
- Apr. 2020: Head of Purchasing Division of High Performance Plastics Company
- Apr. 2021: Head of Digital Transformation Division of High Performance Plastics Company
- Mar. 2023: Assistant to the President of High Performance Plastics Company [incumbent]

■ Number of Shares of the Company Owned
14,703 shares

Reasons for Nomination of the Candidate for Audit & Supervisory Board Member

Mr. Tomoyasu Izugami has successively served as factory manager, division head, and staff department head related to manufacturing at the High Performance Plastics Company, and has been the leader in a wide range of efforts to promote large-scale capital investment, strengthening manufacturing competitiveness and manufacturing innovation, and strengthening the foundations of CS & Quality, safety, the environment, and DX. The Company expects that he will contribute to the improvement of the supervisory function of the Audit & Supervisory Board and the Board of Directors by leveraging his extensive management experience as well as his advanced knowledge in the field of manufacturing, including production technology and quality control, so the Company has nominated him as a candidate for Audit & Supervisory Board Member.

Limiting Liability Agreement

In the event that this Item of Business is approved, so that Audit & Supervisory Board Members may fully fulfil their expected roles, the Company is scheduled to enter into an agreement with Mr. Izugami limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances.



■ **Number of Shares of the Company Owned**
– shares

Career Summary and Position

Oct. 1982: Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
 Mar. 1983: Registered as CPA
 Aug. 1997: Became a member (currently partner) of Deloitte Touche Tohmatsu LLC
 Oct. 2013: Head of Kansai Business Department, Auditing Division of Deloitte Touche Tohmatsu LLC [resigned in 2021]
 Sep. 2022: Established Shinmen Certified Public Accountant Office, Representative [incumbent]

Candidate for Independent Outside Audit & Supervisory Board Member

Important Position of Other Organizations Concurrently Assumed

Representative, Shinmen Certified Public Accountant Office

Reasons for Nomination of the Candidate for Outside Audit & Supervisory Board Member

Mr. Wakyu Shinmen has specialized knowledge and a wealth of auditing experience as a certified public accountant and is an appropriate person for the Group's aim for sustainable improvement of corporate value. In addition, he has experience in management as a partner of a major auditing firm, and judging that he will appropriately perform his duties as an Outside Audit & Supervisory Board Member, the Company has nominated him as a candidate for Outside Audit & Supervisory Board Member. Mr. Shinmen has never been directly involved in the management of a company, however, the Company judges he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member based on the above reasons.

Independence of the Candidate for Outside Audit & Supervisory Board Member

The Company has no business transactions with Mr. Wakyu Shinmen and the firm where Mr. Shinmen currently holds a position. As the "Criteria for Independence of Outside Board Members" of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, his independence as Outside Audit & Supervisory Board Member is deemed to be sufficiently secured. If Mr. Shinmen's appointment is approved, it is planned that he will be designated as an Independent Officer.

Limiting Liability Agreement

In the event that this Item of Business is approved, so that Audit & Supervisory Board Members may fully fulfil their expected roles, the Company is scheduled to enter into an agreement with Mr. Shinmen limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances.



■ Number of Shares of
the Company Owned
– shares

Career Summary and Position

Candidate for Independent Outside
Audit & Supervisory Board Member

- May 2004: Professor of Graduate School of Information System (currently Graduate School of Informatics and Engineering), University of Electro-Communications [resigned in March 2023]
- Apr. 2012: Vice-president of University of Electro-Communications [resigned in 2014]
- Apr. 2023: Specially Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations, University of Electro-Communications [incumbent]

Important Position of Other Organizations Concurrently Assumed

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

Reasons for Nomination of the Candidate for Outside Audit & Supervisory Board Member

Mr. Kenji Tanaka has a high level of insight and extensive experience in quality control, system reliability and safety, and a track record of joint research with many companies, and in order to have this reflected in the Company's auditing, the Company has nominated him as a candidate for Outside Audit & Supervisory Board Member. Mr. Tanaka has never been directly involved in the management of a company, however, the Company judges he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member.

Independence of the Candidate for Outside Audit & Supervisory Board Member

The Company has no business transactions with Mr. Kenji Tanaka and the university where Mr. Tanaka currently holds a position. As the "Criteria for Independence of Outside Board Members" of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, his independence as Outside Audit & Supervisory Board Member is deemed to be sufficiently secured. If Mr. Tanaka's appointment is approved, it is planned that he will be designated as an Independent Officer.

Limiting Liability Agreement

In the event that this Item of Business is approved, so that Audit & Supervisory Board Members may fully fulfil their expected roles, the Company is scheduled to enter into an agreement with Mr. Tanaka limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances.

- (Notes) 1. There are no special relationships of interest between each candidate and the Company.
 2. If this Item of Business is approved as proposed, the composition of the Audit & Supervisory Board will be as follows.

Name	Position and Duty at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)
Hiroyuki Taketomo (Date of birth: July 8, 1961)	Fulltime Audit & Supervisory Board Member	2 years
Tomoyasu Izugami (Date of birth: November 18, 1962)	Fulltime Audit & Supervisory Board Member	—
Yoshikazu Minomo (Date of birth: December 13, 1969)	Outside Audit & Supervisory Board Member Independent Outside Audit & Supervisory Board Member	1 year
Wakyu Shinmen (Date of birth: January 14, 1957)	Outside Audit & Supervisory Board Member Independent Outside Audit & Supervisory Board Member	—
Kenji Tanaka (Date of birth: April 14, 1957)	Outside Audit & Supervisory Board Member Independent Outside Audit & Supervisory Board Member	—

<Overview of Directors' and Officers' Liability Insurance Contract>

If the appointment of the three Audit & Supervisory Board Members as proposed in the Third Item of Business is approved, the appointed Audit & Supervisory Board Members will be insureds under the insurance contract. An overview of the insurance contract is provided on page 19 of this notice of convocation.

(Reference)

1. Reasons for description of each item for the skills matrix on the following pages

The revision of the Corporate Governance Code in June 2021 has required companies to disclose combinations of skills, etc. possessed by Directors after the Board of Directors identifies skills, etc. with which it should be equipped in the context of the business strategy.

In response to this requirement, the Company has set items for the skills matrix based on the context of the “Drive 2.0” Medium-term Management Plan.

Under the “Drive 2.0” Medium-term Management Plan, in order to demonstrate the feasibility of our long-term vision “VISION 2030,” the Company will implement the following three initiatives to improve corporate value:

- (i) Organic Growth
- (ii) Strategic Innovation
- (iii) Strengthen Sustainability

Based on the above,

- (i) As skills matrix items derived from “Organic Growth,” “Manufacturing/Safety/Quality” and “Marketing/Sales” have been set as the two items to cover the whole set of functions from manufacturing, the core of the manufacturing business, to sales.
- (ii) As skills matrix items derived from “Strategic Innovation,” “Environment,” “Innovation,” “Global Business,” and “DX” have been set as the four items to clarify the attitude aiming for creation and acquisition of new business areas.
- (iii) As skills matrix items derived from “Strengthen Sustainability,” “Legal Affairs/Compliance,” “Financial Affairs/Accounting,” and “Human Resources/Diversity/Human Rights” have been set. In particular, under “Human Resources/Diversity/Human Rights,” the Company has clarified its stance to further promote diversity in the Board of Directors and core human resources.

2. Structure of Directors and Audit & Supervisory Board Members after the conclusion of this Annual General Meeting of Shareholders (Planned)

Ratio of outside officers within Directors and Audit & Supervisory Board Members
47% (8/17 persons)

Ratio of female officers within Directors and Audit & Supervisory Board Members
18% (3/17 persons)

Ratio of outside officers within Directors
42% (5/12 persons)

Ratio of female officers within Directors
25% (3/12 persons)

Name	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities									
	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	●		●	●						●
Keita Kato	●	●	●	●	●	●			●	
Futoshi Kamiwaki	●		●	●	●		●		●	
Yoshiyuki Hirai	●		●	●	●	●			●	
Toshiyuki Kamiyoshi	●		●							
Ikusuke Shimizu	●	●	●			●				
Kazuya Murakami	●									●
Hiroshi Oeda	●					●			●	●
Haruko Nozaki	●									●
Miharu Koezuka	●		●	●			●			
Machiko Miyai	●		●	●	●	●				
Yoshihiko Hatanaka	●		●			●			●	
Hiroyuki Taketomo	●							●		●
Tomoyasu Izugami		●	●				●			
Yoshikazu Minomo								●		
Wakyu Shinmen									●	
Kenji Tanaka		●			●		●			

(Reference) List of Officers [subject to approval of this Annual General Meeting of Shareholders]

Name	Position at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)	Number of Attendance of the Board of Directors Meetings of the Company (The business term under review)	Number of Attendance of the Audit & Supervisory Board Meetings of the Company (The business term under review)	Number of Attendance of the Nomination and Remuneration Advisory Committee of the Company (The business term under review)	Number of Attendance of the Diversity Promotion Committee of the Company (The business term under review)
Teiji Koge	Chairman of the Board	18 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Keita Kato	President and Representative Director Chief Executive Officer	9 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	3 years	100% (17 out of 17)	—	—	100% (3 out of 3)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	8 years	100% (17 out of 17)	—	—	—
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	—
Ikusuke Shimizu	Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	—
Kazuya Murakami	Director Executive Officer	2 years	100% (17 out of 17)	—	—	100% (3 out of 3)
Hiroshi Oeda	Independent Outside Director	5 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Haruko Nozaki	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Miharu Koezuka	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Machiko Miyai	Independent Outside Director	1 year	85% (11 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Yoshihiko Hatanaka	Independent Outside Director	—	—	—	—	—
Hiroyuki Taketomo	Fulltime Audit & Supervisory Board Member	2 years	100% (17 out of 17)	100% (17 out of 17)	—	—
Tomoyasu Izugami	Fulltime Audit & Supervisory Board Member	—	—	—	—	—
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	1 year	100% (13 out of 13)	100% (12 out of 12)	—	—
Wakyu Shinmen	Independent Outside Audit & Supervisory Board Member	—	—	—	—	—

Name	Position at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)	Number of Attendance of the Board of Directors Meetings of the Company (The business term under review)	Number of Attendance of the Audit & Supervisory Board Meetings of the Company (The business term under review)	Number of Attendance of the Nomination and Remuneration Advisory Committee of the Company (The business term under review)	Number of Attendance of the Diversity Promotion Committee of the Company (The business term under review)
Kenji Tanaka	Independent Outside Audit & Supervisory Board Member	—	—	—	—	—

(Note) The above list does not present all knowledge held by the candidates.

Business Report

(from April 1, 2022 to March 31, 2023)

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1	Basic Management Policy
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1. Management Principles and Code of Conduct

The SEKISUI CHEMICAL Group has a set of management principles. They comprise elements such as our “Corporate Philosophy,” “Group Vision” that expresses the ideal form aimed for by the Group in the medium to long term, and our concrete “Management Strategies” to realize the Group Vision.

(1) Corporate Philosophy: The “3S Principles”

Our company symbol comprises the three S’s of the Company’s original name, adopted at the time of its foundation, “SEKISUI SANGYO” enclosed in a hexagonal shape resembling a tortoise shell (the chemical symbol for benzene), symbolizing the Chinese character meaning “water.” In November 1959, this mark was defined as the “3S Principles” and formally established as the company creed.

The “3S Principles” of “creating social, environmental and economic value through responsible business practices (Service),” “accelerating innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times (Speed),” and “contributing to society by helping to solve social issues with our superior technologies and quality (Superiority)” is the base of the SEKISUI CHEMICAL Group’s principles and is shared among its roughly 27,000 employees.

<Corporate Philosophy: The “3S Principles”>

• Service	At SEKISUI, we serve our stakeholders by creating social, environmental and economic value through responsible business practices.
• Speed	At SEKISUI, we accelerate innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times.
• Superiority	At SEKISUI, we contribute to society by helping to solve social issues with our superior technologies and quality.

(2) Group Vision

The SEKISUI CHEMICAL Group aims to create social value as expected by its stakeholders and contribute to society through its business activities.

We aim to continue creating value conducive to resolving these social challenges by tapping into experience and knowledge in residential and social infrastructure creation and chemical solutions that have been accumulated by the Group to date. We will do so at a time when population growth and climate change on a global basis, an aging population and aging urban infrastructure mainly in developed nations, and energy resource issues related to all of them are becoming social challenges more pressing than ever.

<Group Vision>

Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment by continuing to open up new frontiers in residential and social infrastructure creation and chemical solutions.

(3) SEKISUI CHEMICAL Group Corporate Activity Guidelines

We established the "SEKISUI CHEMICAL Group Corporate Activity Guidelines," behavior guidelines to be obeyed by its officers and employees, and aim to enhance the confidence that society places in us through our day-to-day business activities and become an evermore highly acclaimed enterprise.

<Corporate Activity Guidelines>

- 1 Our business activities contribute to the positive development of our global society.
- 2 We activate our operations by maximizing each employee's personal abilities.
- 3 We maintain an enterprise in which society has confidence, and which is highly regarded by our customers, business partners, shareholders, local communities and the general public.
- 4 We comply with the laws and the spirit therein, and act with sincerity, in all aspects of our business activities.
- 5 We, as a good corporate citizen, work for global environmental protection and contribute to the well-being of society from the viewpoint of sustainability.

2. Management Strategies Aimed at Realizing Our Group Vision

We aim to grow, driven by both residential and social infrastructure creation and chemical solutions, which are set out in our Group Vision, under the Corporate Philosophy of the "3S Principles." To this end, the SEKISUI CHEMICAL Group established "VISION 2030," a long-term vision, and "Drive 2.0," a medium-term management plan for the period of three years from fiscal 2023 to fiscal 2025, and is engaged in the following initiatives.

(1) Long-term Vision "VISION 2030"

"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 the future' in order to realize a sustainable society." This Vision lays down the four business domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double 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."

<ESG Management>

The SEKISUI CHEMICAL Group aims to balance the improvement of social sustainability with the profitable growth of the SEKISUI CHEMICAL Group. We work with our stakeholders on strengthening the following three forces.

- (i) Development of "three prominences" (Environment, CS & quality, Human Resources) and "governance"
- (ii) Accelerate the solution of social issues through three approaches (increasing quantity, improving quality, and providing sustainably)
- (iii) Create and expand "peace of mind for the future" in four business domains

In order to accelerate our ESG management, we formulated the medium-term and long-term plans for the SEKISUI CHEMICAL Group's main measures and set the ESG strengthening expenses at 55.0 billion yen (capital investment and expenses) in the current Medium-term Management Plan. We are working on initiatives to lower risks potentially leading to serious incidents, and strengthening our management platform for digital transformation (DX), human resources and the environment.

(2) Medium-term Management Plan “Drive 2.0”

Under the Medium-term Management Plan “Drive 2.0,” which is the second phase of the Long-term Vision, the Company has set aiming to realize the long-term vision through “sustainable growth” and “enhanced preparation” toward the SEKISUI CHEMICAL Group doubling our business as our basic policy, and we will work on the three basic strategies of (i) strategic innovation, (ii) organic growth, and (iii) strengthening sustainability to promote the improvement of corporate value.

Numerical targets for the Medium-term Management Plan

Item	Fiscal 2025 Targets	
	Medium-term Management Plan	Medium-term increase
Net Sales	1,410.0 billion yen	+167.4 billion yen
Operating profit (ratio)	115.0 billion yen (8.2%)	+23.3 billion yen (+0.8%)
Profit	82.0 billion yen	+12.7 billion yen
ROIC (return on invested capital)	8.5%	+0.9%
ROE (return on equity)	11.0%	+1.0%
Overseas Sales (ratio)	480.0 billion yen (34%)	+104.9 billion yen (+4%)
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	175.0 billion yen	+32.9 billion yen

- (Notes) 1. Profit means profit attributable to owners of parent.
2. The numerical targets shown above exclude new merger & acquisition (M&A) activities.
3. The plan for fiscal 2023 is as stated on page 53 of the Notice of Convocation.

<Basic Strategies>

The basic strategy of the Medium-term Management Plan “Drive 2.0” is to address the three issues of (i) strategic innovation, (ii) organic growth, and (iii) strengthening sustainability as the second phase of our long-term vision in order to promote ESG management and sustainable enhancement of corporate value, and will accelerate the creation and expansion of products to enhance sustainability as the driver that will drive this.

(i) Strategic Innovation

Realization of preparation aimed at creating new business areas

(ii) Organic Growth

Steady growth of existing businesses and refinement of the portfolio

(iii) Strengthen Sustainability

Strengthening of ESG management that will contribute to sustainable growth and enhanced preparation

<Investment and Financial Strategies>

In addition to the cash generated during the three years of the Medium-term Management Plan Drive 2.0, the Company will establish an investment limit of 600.0 billion yen in order to procure funds in an appropriate and flexible manner. The Company has set an investment limit of 300.0 billion yen each for capital investment (strategic investment and normal Investment) and M&A investment, which will be used for investment in increased production associated with market development, technology and know-how through M&A, and acquisition of global sales channels. Moreover, we have set the ESG strengthening expenses at 55.0 billion yen (capital investment and expenses) to control long-term capital costs and contribute to greater corporate value through reduced environmental impact, human capital investment, and digital transformation (DX).

(Billions of yen)

Item	Results of the previous medium-term plan	New Medium-term Plan
Strategic Investment	41.7	(Limit) 450.0
M&A, etc.	0	(Limit) 300.0
Capital Expenditures	41.7	150.0
ESG Investment (amounts also reflected in Strategic Investment and Normal Capital Investment)	31.4	30.0
Normal Capital Investment	126.3	150.0
Total	168.0	600.0
R&D Expenses	112.5	140.0

<Returns to Shareholders>

In the Medium-term Management Plan “Drive 2.0,” we revised the Basic Policy Regarding Dividends from Surplus for shareholders, and strengthened and clarified our commitment to distributing profits to them. The Company will seek to secure a dividend payout ratio of 40% or higher, a total return ratio of 50% or higher (when the debt to equity (D/E) ratio is 0.5 or less), and a dividend-on-equity (DOE) ratio of 3% or higher all on a consolidated basis, and implement stable dividend measures in line with its performance.

(3) Initiatives towards climate change issues

The Group recognizes that climate change is both a major social issue and a major risk for the Group, and has been actively working to resolve it. In 2018, we became the first company in the chemical industry to obtain SBT certification (Note), and set a target of reducing GHG (greenhouse gases: gases such as CO₂ and methane that contribute to the greenhouse effect) emissions by 26% compared to fiscal 2013 levels by 2030. From fiscal 2017 to fiscal 2019, we focused on “energy consumption innovation,” such as promoting the renewal of aging equipment, and from fiscal 2020 to fiscal 2022, we have promoted “energy procurement innovation,” such as converting purchased electricity to renewable energy and introducing in-house solar power generation equipment. (Note) SBT (Science Based Targets) certification: Certification by a joint initiative which includes the United Nations Global Compact that the greenhouse gas reduction targets set by a company are scientifically consistent with their contribution to long-term climate change countermeasures.

As a result of promoting energy procurement innovation in fiscal 2022, 31 business sites in Japan and overseas have switched their purchased electricity to 100% renewable energy, 15 business sites have introduced in-house solar power generation equipment, and the renewable energy ratio of electric power across the entire Group will likely reach 36% (as of April 2023). This corresponds to 1.8 times the original plan.

As climate change becomes an even more pressing social issue, in October 2022 the Company decided to take on technologically difficult initiatives ahead of the original schedule, such as electrification of equipment that uses fuel and conversion to low-carbon fuels, and reduction of fuel-derived GHG emissions through production process innovation, and raise the GHG emission reduction rate for 2030 as described below. In addition, SBT certification has been re-acquired for these target values (March 2023).

• New GHG emission reduction targets

	Previous target	New target	Method of achieving the new target
Scope 1 + 2	Base year: 2013 Target year: 2030 Reduction ratio: 26% (2°C target)	Base year: 2019 Target year: 2030 (No change) Reduction ratio: 50% (1.5°C target)	In addition to the previously planned conversion of purchased electricity to renewable energy, initiatives to reduce GHG emissions derived from fuels through the conversion to low-carbon fuels, electrification, and manufacturing innovation will be addressed ahead of schedule
Scope 3	Base year: 2016 Target year: 2030 Reduction ratio: 27%	Base year: 2019 Target year: 2030 (No change) Reduction ratio: 30%	Add resource recycling initiatives (conversion to non-fossil raw materials, expanded use of recycled materials, and recycling of waste) to promote reductions in raw materials, production processes, and when customers make disposals

(Notes) 1. Scope 1: Direct emissions of greenhouse gases by business operators themselves

(fuel combustion, industrial processes)

2. Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies

3. Scope 3: Indirect emissions other than Scope 1 and Scope 2

(Emissions by other companies related to the business' activities)

(4) Contributing to achieving sustainable development goals (SDGs) through products to enhance sustainability

There are increasingly more serious social challenges such as climate change and growing voices calling on companies to contribute to achieving a sustainable society. In response, the SEKISUI CHEMICAL Group is engaged in corporate activities aimed at helping achieve the sustainable development goals (SDGs) the world must attain by 2030 to realize a sustainable society. It is doing so through its various products and businesses as a company that declared, in its Group Vision statement, that it will contribute to improving the lives of the people of the world and the Earth's environment.

There are products with a high degree of contribution to resolving environmental challenges for the global and social environments, including interlayer films for sound insulation and heat insulation for automobiles, solar power generation system-equipped homes, and products using the SPR method (to rehabilitate sewage pipes). These in particular were designated as products to enhance sustainability. We are boosting sales of these products as a percentage of our total consolidated net sales.

TOPICS

Selected as one of the Global 100 Most Sustainable Corporations in the World for six consecutive years

In January 2023, the Company was selected by Canadian company Corporate Knights Inc. as one of the 2023 Global 100 Most Sustainable Corporations in the World Index (“Global 100”). The selection in 2023 marks the sixth consecutive and eighth time overall that SEKISUI CHEMICAL has been included in this index. Four Japanese companies, including the Company, were selected, and it was ranked 84th.

The 2023 Global 100 ranking selected approximately 6,700 major companies around the world from all sectors and evaluated them from aspects such as financial position, the environment, personnel affairs, and safety. The Company was highly evaluated for its sustainable revenues, sustainable investments (capital investment and research & development), and linkage between sustainability and remuneration.

Main external evaluations (fiscal 2022)

Earned selection to the “World Index” category of the DJSI (US)

Earned selection to the FTSE4Good Index series (UK)

Earned selection to the MSCI ESG Leaders Indexes (US)

Top 10% in S&P Global’s Corporate Sustainability Assessment (housing construction sector) (US)

(5) Diversity management initiatives

Toward the realization of the long-term vision, the SEKISUI CHEMICAL Group aims to be an “excellent and vibrant company where all employees thrive on challenges.” The activity in which superiors themselves communicate the long-term vision of each organization to their subordinates has been continued at all organizations of the SEKISUI CHEMICAL Group to promote awareness of the vision. In addition, all Group companies constitute the project, aiming to solve common issues such as diversity, work-style reforms, and health management.

(i) Diversity

The Company is promoting the active participation of diverse human resources (women, work-life balance support, seniors, etc.) to respond to social issues. In fiscal 2022, we established a Diversity Promotion Committee as an advisory body under the direct control of the Board of Directors, which is conducting various deliberations. Regarding the core issue of promotion of female empowerment, in fiscal 2022 the Company implemented a development program for managerial candidates and career training for young and mid-career employees. In addition, in order to increase opportunities for older employees to play an active role, as of March 2023 the retirement age has been extended (from 60 to 65 years old) at the Company and 28 subsidiary companies. We plan to extend the retirement age at all subsidiary companies by the end of fiscal 2025.

(ii) Work-style reforms

We have sought to reduce the working hours of Group employees by striving to improve productivity and flexible work styles (remote work, paperless format, etc.). Through various policies and tools, we have a work style not bound by time and place. From fiscal 2022, the Company has been promoting initiatives to improve productivity by having each employee work autonomously in order to improve the quality of labor.

(iii) Health management

We improve the fulfillment, rewards and productivity of the employees through working via health management (healthy minds and bodies of employees and organizational health). Under the Basic Policy for Health and Productivity Management laid out in fiscal 2019, in addition to healthcare-application-based “Seven Health Habits” support programs, we have conducted mental health training targeting all employees, managerial levels and HR employees.

TOPICS

32 subsidiary companies certified as Health & Productivity Management Outstanding Organizations (White 500) for the seventh year in a row

The Group works as a whole to promote health management, and in March 2023, SEKISUI CHEMICAL CO., LTD. along with 32 affiliated companies in Japan was certified as a 2023 Health & Productivity Management Outstanding Organization in the large enterprise category (White 500) for the seventh year in a row.

3. Capital Policy

The Company's basic thinking on its capital policy is as follows.

- (i) We consider our capital policy to be one of the most important challenges for our corporate governance.
- (ii) We will not conduct any capital policy not thought to be conducive to generating shareholder value in the long term in a sustained manner. When intending to conduct any capital policy that will alter or greatly dilute controlling rights, the Board of Directors will properly deliberate on its objectiveness, necessity, and reasonableness, make sure to secure adequate procedures, and brief shareholders amply and clearly.
- (iii) In our Medium-term Management Plan, we set and present the targets for capital efficiency indicators such as return on equity (ROE).
- (iv) We will always pay attention to optimizing our balance sheet and seek to strike an optimal balance between shareholder returns and investments as we aim for sustained growth of the Company.
- (v) We will return profits to our shareholders in accordance with our business performance and in consideration of an optimal balance between a stable dividend policy and a flexible acquisition of treasury stock while considering ROE, DOE, and total return ratio.

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

(1) Basic policy on cross-shareholdings

SEKISUI CHEMICAL Group shall strategically hold listed 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 and important for the purpose of maximizing its medium- to long-term enhancement of corporate value as well as that of business partners. Strategic rationale shall be reviewed in an appropriate and timely manner and SEKISUI CHEMICAL Group reduces those holdings without sufficient strategic benefits or that are inconsistent with its capital policies as necessary.

(2) Verification of the necessity of cross-shareholdings

SEKISUI CHEMICAL conducted an assessment of the individual holdings in accordance with the aforementioned basic policy to examine specific benefits by such shareholdings (listed companies) and consistency with the risk-benefit evaluation of such individual holdings over the cost of capital and other factors, and made a judgment for appropriateness of holding them at the Board of Directors meeting held on June 10, 2022. The total number of shareholdings of listed companies was 25 as of the end of March 2022, and was 25 as of the end of March 2023 as a result of the sale of two holdings during fiscal 2022 and the addition of two holdings in conjunction with the public listing of their shares which were previously unlisted.

(3) 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 with the corporate value enhancement of the above companies based on the strategic position of such holding and dialogue and so forth with them.

As to the exercise of voting rights, SEKISUI CHEMICAL Group 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.

5. Returns to Shareholders

(1) Basic policy regarding dividends from surplus

The Company considers increasing corporate value and actively returning profits to shareholders as an important management issue, and the basic policy is to implement a stable dividend policy in line with business performance while taking into consideration ROE, DOE (dividend on equity), and total return ratio in order to meet the expectations of our shareholders.

Under the Medium-term Management Plan that started in fiscal 2023, the Company's policy is to secure a dividend payout ratio that is increased from 35% to 40%, a DOE of 3% or higher, and a total return ratio of 50% or higher (when D/E ratio is 0.5 or less) all on a consolidated basis. From now on also, we will continue active business investment and will consider additional returns to shareholders as appropriate, taking into account the progress of investments under the Medium-term Management Plan, cash position, and stock price.

(2) Dividends from surplus

Based on its capital policy and the basic policy regarding dividends from surplus up to fiscal 2022, the Company proposes that the year-end dividend for the business term under review be 30 yen per share, which is an agenda item to be approved at the Annual General Meeting of Shareholders. The annual dividend for the business term under review is 59 yen per share, together with the interim dividend of 29 yen per share that was paid in December 2022. We will work on a stable distribution of dividend assets with an emphasis on returning profits to shareholders.

(3) Purchase of treasury stock

We attach importance to purchasing treasury stock as part of our shareholder return measures, coupled with the dividend policy, and will purchase treasury stock flexibly in consideration of the outlook for the business environment and our financial position.

In order to improve capital efficiency and to allow flexible capital policies corresponding to changes in the business environment, the Company decided at the meeting of its Board of Directors held on April 27, 2022 to purchase up to 8,000,000 shares of its common stock for up to 16,000 million yen (maximum). The Company acquired 8,000,000 shares of its common stock for 14,071 million yen in total from May 19, 2022 to June 6, 2022. In addition, the Company decided at the meeting of its Board of Directors held on October 27, 2022 to purchase up to 7,000,000 shares of its common stock for up to 14,000 million yen (maximum), and acquired 7,000,000 shares of its common stock for 13,336 million yen in total from November 22, 2022 to February 7, 2023.

The Company also decided at the meeting of its Board of Directors held on April 28, 2023 to acquire up to 4,000,000 shares of its common stock for up to 8,000 million yen (maximum).

6. Basic Policy on Control of Stock Company

The Company believes that its shareholders should be determined through open transactions in the market. Therefore, it believes whether to accept offers for large-scale acquisition of shares entailing transfer of control of a stock company should ultimately be determined based on the decisions of the shareholders. However, purchases of large volumes of shares of listed companies or purchase proposals are assumed to contain ones that are likely to evidently destroy the long-term shareholder value for the target company, such as: i) one in which, in light of its purpose and method, etc., the purchaser undoubtedly pursues only its profits without paying attention to the corporate value of the company and the common interest of the shareholders; ii) one that in effect forces the shareholders to sell shares; and iii) one that fails to provide sufficient information and time for the shareholders and the board of directors of the target company to consider the details, etc. of the purchase of the large volume of shares or for the board of directors of the target company to put forward an alternative proposal.

From the perspective of securing the common interest of shareholders and preventing destruction of the corporate value of the Company, when anyone attempts to acquire a large volume of the Company's shares, the Company

will request the purchaser to provide necessary and sufficient information for shareholders to make appropriate judgment. The Company will also publish an opinion, etc. from the Board of Directors, make efforts to secure enough information and time for consideration by shareholders, and take appropriate measures, as allowed by the Financial Instruments and Exchange Act, Companies Act, and other related laws and regulations.

7. Basic Policy for Constructive Dialogue with Shareholders

It is highly important to have dialogue with shareholders toward achieving sustainable growth and medium- to long-term enhancement of the Company's corporate value. We work to have constructive dialogue with shareholders by arranging for mainly the President and the Director in charge of the Business Strategy Department to proactively conduct a general meeting of shareholders, have quarterly results briefings, and hold meetings with domestic and foreign investors.

The Company aims to achieve sustainable growth and medium- to long-term enhancement of its corporate value. Hence, the Company has adopted the following basic policy for constructive dialogue with shareholders.

- (1) The Company appoints the Director in charge of the Business Strategy Department who is in charge of the overall supervision of the development of medium- to long-term management strategies and investor relations as the person responsible, and develops the framework and undertakes initiatives for the realization of constructive dialogue with investors under his/her leadership.
- (2) The Director in charge of the Business Strategy Department is responsible for ensuring organic coordination among departments that support dialogue, by, for example, ensuring information-sharing among them, while ensuring that insider information is not leaked particularly through each divisional company, the Corporate Finance & Accounting Department, the Legal Department, the Corporate Communication Department, and other departments concerned.
- (3) To promote constructive dialogue with shareholders, the Company strives to understand the shareholder structure and to enhance the dialogue by implementing the following measures as a means to have dialogue.
 - (i) To conduct quarterly results briefings by the President and the Director in charge of the Business Strategy Department
 - (ii) To hold one-on-one meetings with domestic and foreign investors
 - (iii) To conduct business briefings for shareholders and investors as appropriate
 - (iv) To enhance the disclosure of corporate information on the website of the Company targeting both domestic and foreign investors (including integrated reports, materials for results briefings and voice recordings from such briefings)
 - (v) To secure opportunities to post an opinion through the website of the Company
- (4) The Director in charge of the Business Strategy Department shall, in accordance with the "Corporate Information Disclosure Regulations," summarize the opinions and comments of investors obtained from the dialogue with them and share them in the meetings of the Board of Directors and on other occasions as appropriate on a timely basis so that they can be reflected in the management of the Company.
- (5) The Company will strengthen its information management pursuant to the "Corporate Information Disclosure Regulations" and "Insider Trading Restriction Regulations." The Company will pay close attention when having dialogue with shareholders.

Promoting Constructive Dialogue with Shareholders and Investors

(1) Dialogue with shareholders

The management briefing for shareholders was held online in January 2023 and attended by the President and Representative Director and the Director, Head of Business Strategy Department of the Company, and the Group's initiatives for resolving social issues were explained.

(2) Dialogue with institutional investors

The Company engages in dialogue through various briefings and one-on-one meetings. Questions and opinions received from institutional investors at briefings and one-on-one meetings are reported regularly at the Board of Directors meetings.

- Business briefings (quarterly)
- One-on-one meetings in Japan and abroad (approximately 300 times annually)
- “Strategic area map & life science business briefing” (June 2022)

(3) Enhancement of the IR website

As seen in being selected as a “All Markets Ranking AAA Website” in the “All Japanese Listed Companies’ Website Ranking of 2022” of Nikko Investor Relations Co., Ltd., the Company endeavors to disclose easy-to-understand IR information.

Information disclosure through the Integrated Report

The Company prepares the Integrated Report for the purpose of specifically introducing and explaining initiatives that lead to enhancement of the long-term corporate value by combining financial information and non-financial information. Furthermore, the Company received an outstanding performance award of “NIKKEI Integrated Report Award 2023” in March 2023.

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

English version <https://www.sekisuichemical.com/ir/report/annual/>

2 Corporate Governance Initiatives

1. Basic Policy for Corporate Governance

The Company sets forth as the basic policy for corporate governance the promotion of sustainable corporate growth and the increase of corporate value over medium- to long-term. To achieve this, the Company will continue to meet the expectations of five stakeholder categories it deemed important, namely, customers, shareholders, employees, business partners, and local communities and the environment. It will do so by improving business transparency and fairness, seeking to make decisions swiftly, and creating social value.

2. Corporate Governance Systems

(1) Organizational structure

As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board.

Under the Divisional Company System, in order to respond to changes in business environment at the divisional companies, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function (Executive Officers) from the monitoring function in management (Directors).

(2) Roles and responsibilities of the Board of Directors

The Board of Directors continually strives to strengthen its role as a body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues, and supervising the execution of business. The Board includes Outside Directors, who have sufficient independence, to build a highly viable monitoring system for Directors and to ensure transparency in management and fairness in business decisions and operations.

(3) Composition of the Board of Directors

The number of Directors shall not exceed 15, and two or more of them shall be independent Outside Directors.

The Board of Directors of the Company is composed of Directors who have excellent personality and insights, and a strong sense of ethics and are well equipped with knowledge, experience, and skills. In addition, all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall attend the meetings of the Board of Directors. A meeting of the Board of Directors is chaired by the Chairman of the Board who is a non-executive director.

The Company ensures diversity among board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size. The presidents of the divisional companies who are the top management of each business and senior corporate officers with significant experience and strong expertise are appointed as Inside Directors. Together with two or more Independent Outside Directors who have broad knowledge and experience, they effectively perform the roles and responsibilities of the Board of Directors, taking the balance with respect to diversity, optimal size, and capabilities, with Audit & Supervisory Board Members with strong expertise.

(4) Outside Directors

The Company appointed Independent Outside Directors who met the "Criteria for Independence of Outside Board Members" it laid down and had broad knowledge and experience in company management and corporate governance. As for the ratio of Independent Outside Directors on the Board of Directors, we decided at the 100th Annual General Meeting of Shareholders held on June 22, 2022 to increase the number of Independent Outside Directors by three, so that five out of the 12 Directors are Independent Outside Directors (an Independent Outside Director ratio of 41.7%), in comprehensive consideration of the size of our future business, the expansion of our business domains, and the environment surrounding the Company.

(5) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee deliberates on the appointment/dismissal of senior executives such as Representative Directors and Directors, etc., appointment of candidates for Audit &

Supervisory Board Members, and the remuneration system and remuneration levels, etc. for Directors. Moreover, the Committee deliberates on material business challenges as required and gives its opinion and advice to the Board of Directors. The Committee also deliberates on the appointment/dismissal and remuneration of Executive Advisors and Advisors, including former Presidents and Representative Directors, thereby enhancing them further. The Committee consists of seven members, the majority of which must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.

(6) Diversity Promotion Committee

The Diversity Promotion Committee will strengthen 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 which must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.

(7) Transactions between interested parties

To prevent any transaction that is done between the Company and an officer of the Company or a major shareholder, etc. of it from harming the interest of the Company or the common interest of the shareholders, the Board of Directors Regulations stipulates a conflict of interest transaction between the Company and its Director as the matter requiring the resolution of the Board of Directors. Actual individual transactions are monitored by the Board of Directors through the approval or reporting processes. The Audit & Supervisory Board also audits such transactions in accordance with the Note of Audit & Supervisory Board Member Auditing Standards.

(8) Knowledge refinement for Directors and Audit & Supervisory Board Members

The Company intends to provide, as required, Directors and Audit & Supervisory Board Members with opportunities to acquire and refine the knowledge required for fulfilling their roles and responsibilities properly, and will assist them in paying for the expenses required, etc.

3. Policy and Procedures Concerning Appointment/Dismissal of Officers

(1) Policy and procedure concerning appointment/dismissal of Directors and Audit & Supervisory Board Members

The Company appoints professionals who have excellent personality and insights, and a strong sense of ethics and are well equipped with knowledge, experience, and skills as candidates for Directors. In appointing Directors, the Nomination and Remuneration Advisory Committee deliberates and submit an opinion to the Board of Directors, which then determines the appointment in order to enhance transparency and fairness.

The Company nominates at least one person equipped with knowledge and insights in corporate finance and accounting and at least one person equipped with them in the legal system as candidates for Audit & Supervisory Board Members.

(2) Development and determination of presidential successor

Presidential succession planning for, and supervision of, a presidential successor are conducted appropriately in light of our management principles and management strategies. To enhance the objectivity, timeliness, and transparency for the procedures, the Nomination and Remuneration Advisory Committee takes sufficient time to deliberate and judge whether the candidate is equipped with qualities showing him/her to be suitable for the post of President, and expresses an opinion to the Board of Directors, which then makes a decision.

(3) 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 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 (the status of significant concurrent services by Directors and Audit & Supervisory Board Members is shown on pages 43 to 44 of the Notice of Convocation).

4. Criteria for Independence of Outside Officers

The Company believes Outside Directors and Outside Audit & Supervisory Board Members are required to be highly independent in order to enhance management transparency and fairness important for its corporate governance. 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 (“Criteria for Independence of Outside Board Members” is shown on page 19 of the Notice of Convocation).

5. Remuneration for Directors and Audit & Supervisory Board Members

(1) Policy regarding determination of remuneration and other compensation

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

(ii) Remuneration mindset

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

Category of remuneration, etc.	Basic remuneration	Bonuses	Share-based compensation
Description	Fixed remuneration	Short-term incentive	Medium- to long-term incentive
	<ul style="list-style-type: none"> • Fixed monthly remuneration* • Is paid in a certain amount corresponding to each Director’s roles and responsibilities within a limit on officers’ remuneration <p>* For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company’s stock through the Officers Stock Ownership Plan</p>	<ul style="list-style-type: none"> • Is paid in accordance with the financial results for the fiscal year under review • Is determined within a range of payment rate (0% to 100%) tracking target achievement rates for operating profit, ROIC and divisional company financial results if certain standard for ROE or dividend is met • Shown in the table below are targets and results for indicators for the fiscal year under review 	<ul style="list-style-type: none"> • Is intended to further motivate officers to contribute to improving the Company’s financial results and growing its corporate value in the medium- to long-term • Points corresponding to a given officer’s title are annually granted to him/her, and at the time of resigning he/she is given shares commensurate with the points accumulated during the period of service

Indicator		Targets	Results
Group financial results (operating profit)		100.0 billion yen	91.6 billion yen
Financial results by business segment (operating profit)	Housing	38.0 billion yen	32.8 billion yen
	Urban Infrastructure & Environmental Products	18.0 billion yen	21.1 billion yen
	High Performance Plastics	48.0 billion yen	40.0 billion yen
	Medical	12.5 billion yen	12.5 billion yen
ROE		9.7%	10.0%
ROIC		8.6%	7.6%
Dividend		53 yen	59 yen

(Note) Targets and results of the performance-linked remuneration indicator for the fiscal year under review

(2) Process of determining officers' remuneration

To achieve the objective of the officers' remuneration system, the Company has the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors, running the system through objective and transparent procedures with the Committee deliberating on the remuneration structure-levels for Directors and the reasonableness of individual payouts.

The specific amount, timing, and method of payment of individual remunerations of Directors will be determined by the Board of Directors based on the report of the Nomination and Remuneration Advisory Committee, in order to further strengthen the supervisory function of the Board of Directors and to ensure further objectivity and transparency.

The Board of Directors has determined that details of individual remuneration for the fiscal year under review is in line with the decision policy because the individual remuneration is determined with respect to the report of the Nomination and Remuneration Advisory Committee, regardless of before or after the change in the decision-making process.

<Outline of the Nomination and Remuneration Advisory Committee and how remuneration, etc. is determined>

- A meeting of the Nomination and Remuneration Advisory Committee is convened by the chairperson (Outside Director).
- A proposal to the meeting is put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc. is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and they must not aim for their own individual interests or those of a third party such as the Company's management.
- In accordance with the change in the process of determining the specific amount, timing, and method of payment of individual remunerations of Directors, remuneration for fiscal 2022 will be paid as follows. As noted above, all of these have obtained reports from the Nomination and Remuneration Advisory Committee.

(Since the Board of Directors considered that the President and Representative Director was the most appropriate person to evaluate each Director's responsibilities while overlooking the Company's overall business performance, the Board of Directors took measures to ensure that the authority was properly exercised by obtaining the report of the Nomination and Remuneration Advisory Committee and entrusted

President and Representative Director Keita Kato with the decision on the specific amounts, timing and method of payment of basic remuneration and share-based compensation.)

- Basic remuneration and share-based compensation are paid upon resolution of discretionary authority to President and Representative Director Keita Kato.
- Bonuses will be paid upon resolution at the Board of Directors meeting scheduled for June 2023.

The indicators for performance-linked remuneration are operating profit, divisional company performance, ROE, ROIC, and dividends that motivate returns to shareholders.

The reason for selecting these indicators is because we believe that they function effectively as an incentive for the Directors of the Company to improve corporate value and achieve management plans, and also that they can ensure a highly objective and transparent remuneration process.

The amount of payment is determined to keep the balance with the above indicators by utilizing the executive remuneration data of outside research agencies and periodically making comparisons with companies similar in size and business performance to the Group.

(3) Description of officers' remunerations

(Millions of yen)

Category	Basic remuneration		Bonuses		Share-based compensation		Total	
	Target officers	Amount	Target officers	Amount	Target officers	Amounts expensed	Target officers	Total amount
Directors	12	383	7	209	7	83	12	675
Of whom, Outside Directors	5	61	–	–	–	–	5	61
Audit & Supervisory Board Members	6	76	–	–	–	–	6	76
Of whom, Outside Audit & Supervisory Board Members	4	36	–	–	–	–	4	36

- (Notes) 1. The above includes one Audit & Supervisory Board Member who resigned at the conclusion of the 100th Annual General Meeting of Shareholders held on June 22, 2022.
2. The amounts of remuneration, etc. shown above do not include 68 million yen in employee bonus portion paid to Directors concurrently serving as employees.

(4) Date of resolving officers' remuneration, etc. at General Meeting of Shareholders

As regards officers' remuneration, etc., it was resolved at the 85th Annual General Meeting of Shareholders held on June 28, 2007 to pay up to an annual total of 1,100 million yen in remuneration, etc. for Directors and up to an annual total of 120 million yen in remuneration, etc. for Audit & Supervisory Board Members. The numbers of officers involved in the decision at the time of the resolution were 21 for Directors and five for Audit & Supervisory Board Members.

As regards share-based compensation (Board Incentive Plan trust) to be granted to Directors excluding Outside Directors, it was resolved at the 94th Annual General Meeting of Shareholders held on June 28, 2016 to pay up to 330 million yen in such compensation for a period of three years. The numbers of officers involved in the decision at the time of the resolution were 10 for Directors and five for Audit & Supervisory Board Members.

6. Names of Directors and Audit & Supervisory Board Members

(1) Status of Directors and Audit & Supervisory Board Members

Name	Position	Duty and important position of other organizations concurrently assumed
Teiji Koge	Chairman of the Board	Outside Director of EBARA CORPORATION
Keita Kato	President and Representative Director Chief Executive Officer	
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department Head of Business Strategy Department
Yoshiyuki Hirai	Director Senior Managing Executive Officer	President of Urban Infrastructure & Environmental Products Company
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	President of Housing Company
Ikusuke Shimizu	Director Senior Managing Executive Officer	President of High Performance Plastics Company Director of SEKISUI FULLER CO., LTD.
Kazuya Murakami	Director Executive Officer	Head of Human Resources Department
Yutaka Kase	Outside Director	Advisor of Sojitz Corporation Outside Director of JAC Recruitment Co., Ltd.
Hiroshi Oeda	Outside Director	Special Advisor of Nisshin Seifun Group Inc. Outside Director, Chairman of the Board of Directors of EBARA CORPORATION President of Hitotsubashi University Koenkai
Haruko Nozaki	Outside Director	Executive Vice-President of Kyoto University External Director of West Japan Railway Company
Miharu Koezuka	Outside Director	Outside Director of Japan Post Holdings Co., Ltd. Outside Director of Nankai Electric Railway Co., Ltd.
Machiko Miyai	Outside Director	Director, Managing Operating Officer of MORINAGA & CO., LTD. Chairman of Sustainability Forum Japan Auditor of Ochanomizu University
Hiroyuki Taketomo	Fulltime Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member of Sekisui Jushi Corporation

Name	Position	Duty and important position of other organizations concurrently assumed
Toshitaka Fukunaga	Fulltime Audit & Supervisory Board Member	Outside Auditor of Sekisui Kasei Co., Ltd.
Kazuyuki Suzuki	Outside Audit & Supervisory Board Member	Specially-appointed professor of Graduate School of Informatics and Engineering, University of Electro-Communications Visiting Professor of Institute of Statistical Mathematics, Research Organization of Information and Systems
Ryoko Shimizu	Outside Audit & Supervisory Board Member	Full-time Professor of Graduate School of Accountancy and Faculty of Business and Commerce, Kansai University Outside Director of Sumitomo Densetsu Co., Ltd.
Yoshikazu Minomo	Outside Audit & Supervisory Board Member	Partner of MIYAKE IMAI IKEDA LAW OFFICE

- (Notes) 1. Directors Mr. Yutaka Kase, Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Miharu Koezuka, and Ms. Machiko Miyai are Outside Directors as set forth in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Mr. Kazuyuki Suzuki, Ms. Ryoko Shimizu, and Mr. Yoshikazu Minomo are Outside Audit & Supervisory Board Members as set forth in Article 2, Item 16 of the Companies Act.
3. Audit & Supervisory Board Member Ms. Ryoko Shimizu is a Certified Public Accountant and is equipped with significant knowledge in finance and accounting.
4. Directors Mr. Yutaka Kase, Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Miharu Koezuka, and Ms. Machiko Miyai as well as Audit & Supervisory Board Members Mr. Kazuyuki Suzuki, Ms. Ryoko Shimizu, and Mr. Yoshikazu Minomo were designated as Independent Officers under the provisions of the Tokyo Stock Exchange, and it was informed of their names.
5. At the 100th Annual General Meeting of Shareholders held on June 22, 2022, Ms. Haruko Nozaki, Ms. Miharu Koezuka, and Ms. Machiko Miyai were newly elected as Directors, and Mr. Yoshikazu Minomo was newly elected as an Audit & Supervisory Board Member, and each took office.
6. Audit & Supervisory Board Member Mr. Tetsuo Ozawa resigned from office at the conclusion of the 100th Annual General Meeting of Shareholders held on June 22, 2022.

(2) Outline of limiting liability agreement

Shown below is an outline of the limiting liability agreement entered into with all the Directors (excluding executive directors, etc.) and Audit & Supervisory Board Members pursuant to the Articles of Incorporation of the Company.

If any of Directors (excluding executive directors, etc.) or Audit & Supervisory Board Members has caused damage to the Company by failing to perform his/her tasks and if he/she has been in good faith when conducting his/her duties and has not committed serious negligence, he/she shall be held liable for an amount not more than the minimum liability as set forth in Article 425, Paragraph 1 of the Companies Act.

(3) Outline of directors' and officers' liability insurance contract

The Company has executed a directors' and officers' liability insurance contract as defined in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and an outline of the contract is as shown on page 19 of the Notice of Convocation.

(4) Executive Officers

Shown below are the titles and names of Executive Officers of the Company (excluding Executive Officers concurrently serving as Directors).

Category	Title	Name
Housing Company	Managing Executive Officer	Kenji Yagi, Masahide Yoshida
	Executive Officer	Shinichi Jose, Satoru Maruyama, Masaru Fujimoto, Kenichi Tadokoro, Ken Miyashita
Urban Infrastructure & Environmental Products Company	Executive Officer	Takeo Kishitani, Hiroki Okubo, Toru Kurita, Jitsuo Kitamura, Masataka Uemura, Katsumi Take
High Performance Plastics Company	Executive Officer	Toshio Konno, Akira Asano, Masayuki Inoue, Takashi Muramatsu, Hiroyuki Yamashita, Yoshitaka Miyake
Headquarters	Executive Officer	Katsunori Mukai, Tatsuya Nishida, Yoshiki Deguchi, Meiko Koga, Naoko Fukutomi, Eiichi Takahashi

(Note) Executive Officers are shown with the titles and names as of April 1, 2023.

7. Matters Regarding Outside Officers

(1) Main activities during the fiscal year under review

Shown below are the main activities conducted by Outside Officers during fiscal 2022.

Name	Title	Main activities
Yutaka Kase <u>Board of Directors meeting attendance rate:</u> <u>100%</u>	Director	Mr. Kase attended all 17 Board of Directors meetings held during the fiscal year under review, and advised on the Company's management on such occasions. He supervised its business execution properly by leveraging the extensive experience and results associated with global corporate management and management strategy that he had accumulated as a top manager at a general trading company. As the chairperson of the Nomination and Remuneration Advisory Committee and as a member of the Diversity Promotion Committee, he gave the necessary comments as appropriate at meetings of each Committee.
Hiroshi Oeda <u>Board of Directors meeting attendance rate:</u> <u>100%</u>	Director	Mr. Oeda attended all 17 Board of Directors meetings held during the fiscal year under review, and advised on the Company's management on such occasions. He supervised its business execution properly by leveraging the diverse experience and skills such as in global corporate management and management strategies and mergers and acquisitions results that he had accumulated as a top manager of the biggest flour-milling company in Japan. As a committee member of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee, he gave the necessary comments as appropriate at meetings of each Committee.
Haruko Nozaki <u>Board of Directors meeting attendance rate:</u> <u>100%</u>	Director	Ms. Nozaki attended all 13 Board of Directors meetings held after her assumption of office in June 22, 2022, and advised on the Company's management on such occasions. She supervised its business execution properly by leveraging her experience and results regarding human resources and training, and her deep insight regarding matters including promoting diversity and the development of the next generation. As a member of the Nomination and Remuneration Advisory Committee and the chairperson of the Diversity Promotion Committee, she gave the necessary comments as appropriate at meetings of each Committee.

Name	Title	Main activities
Miharu Koezuka <u>Board of Directors meeting attendance rate:</u> 100%	Director	Ms. Koezuka attended all 13 Board of Directors meetings held after her assumption of office in June 22, 2022, and advised on the Company's management on such occasions. She supervised its business execution properly by leveraging her extensive experience in the management of department stores in addition to her experience and results in management in various industries. As a committee member of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee, she gave the necessary comments as appropriate at meetings of each Committee.
Machiko Miyai <u>Board of Directors meeting attendance rate:</u> 85%	Director	Ms. Miyai attended 11 out of 13 Board of Directors meetings held after her assumption of office in June 22, 2022, and advised on the Company's management on such occasions. She supervised its business execution properly by leveraging her wide practical experience in industries that differ from the Company's, in particular her consumer-focused work as an internal officer of several listed companies. As a committee member of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee, she gave the necessary comments as appropriate at meetings of each Committee.
Kazuyuki Suzuki <u>Board of Directors meeting attendance rate:</u> 88% <u>Audit & Supervisory Board meeting attendance rate:</u> 94%	Audit & Supervisory Board Member	Mr. Suzuki attended 15 out of 17 meetings of the Board of Directors and 16 out of 17 meetings of the Audit & Supervisory Board that were held during the fiscal year under review. He gave comments required for deliberation on proposals by leveraging his excellent knowledge and extensive experience in quality control and reliability engineering.
Ryoko Shimizu <u>Board of Directors meeting attendance rate:</u> 94% <u>Audit & Supervisory Board meeting attendance rate:</u> 100%	Audit & Supervisory Board Member	Ms. Shimizu attended 16 out of 17 meetings of the Board of Directors and all 17 meetings of the Audit & Supervisory Board that were held during the fiscal year under review. As a Certified Public Accountant, she gave comments required for deliberation on proposals mainly from the perspective of an expert in finance and accounting.
Yoshikazu Minomo <u>Board of Directors meeting attendance rate:</u> 100% <u>Audit & Supervisory Board meeting attendance rate:</u> 100%	Audit & Supervisory Board Member	Mr. Minomo attended all 13 meetings of the Board of Directors and 12 meetings of the Audit & Supervisory Board that were held after his assumption of office in June 22, 2022. He gave comments on the establishment and maintenance of the compliance framework of the Group mainly from an expert perspective as a lawyer.

(2) Relationship between a significant entity concurrently served at and the Company

There is no such relationship between an entity concurrently served at by Outside Officers and the Company that is required to be disclosed.

8. System to Secure the Appropriateness of Operations

At a Board of Directors meeting, the Company resolved as follows on the "System to Secure Conformity of Execution of Duties by Directors to Laws and the Articles of Incorporation and Secure the Appropriateness of Other Operations."

- (1) System to secure conformity of execution of duties by Directors, Executive Officers, and employees of the Company and Group companies to laws and the Articles of Incorporation

The Board of Directors deliberates and makes resolutions on the Fundamental Compliance Policies. The Compliance Sub-committee was established as a specialized sub-committee to the Sustainability Committee that is chaired by the President, and plans, considers, and decides on important matters on compliance for the purpose of building and practicing a compliance system at the Company and Group companies. The Sub-committee is to be chaired by a Director or an Executive Officer appointed by the President, and the chairperson supervises compliance initiatives by the Company and Group companies on a group-wide basis.

We established the SEKISUI CHEMICAL Group Compliance Manual, which presents guidelines under which the Directors, Executive Officers, and employees of the Company and Group companies are supposed to act in accordance with laws, the Articles of Incorporation, and corporate ethics. We provide the Directors, Executive Officers, and employees of the Company and Group companies with training courses on various laws and corporate ethics in the form of group training and e-learning. In addition to building an internal system to avoid damage from antisocial forces, the Company uses the “SEKISUI CHEMICAL Group Compliance Manual” to demonstrate that Directors, Executive Officers and employees of the Company and Group companies should avoid having any relationship with any antisocial force and act sternly when receiving any unfair demand from one.

The Company has in place a system in which, if any compliance issue arises, an employee can directly report it to an internal contact point and lawyer contact via the Sekisui Compliance Assist Network (SCAN).

- (2) System to store and manage information on the execution of duties of Directors and Executive Officers of the Company and Group companies

In accordance with the Document Management Rules, information on the execution of duties of Directors and Executive Officers of the Company and Group companies is recorded in document or electromagnetic media format and stored and managed in an appropriate manner.

- (3) Rules and other systems related to management of risk of loss of the Company and Group companies

The Company strives to prevent risks from arising by identifying significant risks through the collection and evaluation of risk information in a centralized/complete manner based on the “SEKISUI CHEMICAL Group Risk Management Guidelines.” In the event a significant risk has arisen, the Company will establish the emergency response headquarters to take prompt and appropriate measures based on the “SEKISUI CHEMICAL Group Crisis Management Guidelines.”

- (4) System to ensure that Directors and Executive Officers of the Company and Group companies execute their duties in an efficient manner

The meeting of the Board of Directors shall be held at regular intervals—i.e., once a month—and shall also be held whenever necessary. Important matters relating to the Company’s management policy and management strategy are discussed at the meeting of the Policy Committee separately, and following its deliberation, they are determined at the meeting of the Board of Directors.

Furthermore, the Company has delegated authority by adopting the divisional company system and Executive Officer system. Each divisional company sets up an Executive Officers Committee, which serves as the company’s highest decision-making body, to facilitate prompt decision-making in the company. In addition, meetings of senior-level employees, meetings of branch general managers, etc. are held within the divisional company as necessary, and reports are made in a prompt and precise manner to the divisional company’s president, who is responsible for the execution of duties in the divisional company.

- (5) System to ensure proper business operations of the Company and Group companies

The Company and Group companies collaborate closely with each other in terms of supervision, directives and communication, having formulated the “Corporate Activity Guidelines” based on the Group’s management principles in order to improve the corporate value of the Group as a whole and fulfill its social responsibility. The

Company also seeks to conduct business operations in an appropriate manner on a Group-wide scale while guiding, advising and assessing Group companies.

In regards to the business management of Group companies, monitoring is conducted by Audit & Supervisory Board Members, the Corporate Audit Department, etc., and enhancements are made to the system for Group companies to seek approval from and make reports to the Company based on the “Rules for handling affiliated companies” and “Guidelines for final decisions at affiliated companies.”

In addition, if misconduct arises at the Company or a Group company, thoroughgoing efforts will be made to prevent it from occurring again by requiring that a report on the nature of the misconduct be made to the divisional company in charge or the Compliance Promotion Sub-committee at the corporate headquarters without fail and that the Compliance Sub-committee be contacted by the Compliance Promotion Sub-committee so that all information will be collected and brought to the Director or Executive Officer appointed as the chairperson of the Compliance Sub-committee.

- (6) Matters concerning employees to assist in the duties of Audit & Supervisory Board Members if such employees are requested by Audit & Supervisory Board Members

If Audit & Supervisory Board Members request employees to assist in their duties, the Company shall take appropriate action such as appointing employees to serve as their assistants subject to consultation with the Audit & Supervisory Board Members.

- (7) Matters concerning independence of the employees referred to in (6) from Directors and Executive Officers

In cases where employees are to be appointed to assist in the duties of Audit & Supervisory Board Members, the evaluation and transfer of such employees shall require the prior approval of the Audit & Supervisory Board Members.

- (8) Matters related to ensuring effectiveness of instructions to the employees referred to in (6)

In cases where employees are to be appointed to assist in the duties of Audit & Supervisory Board Members, such employees shall follow the directions and orders of the Audit & Supervisory Board Members.

- (9) System for Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and Group companies or recipients of their report to make a report to Audit & Supervisory Board Members and other systems for making a report to Audit & Supervisory Board Members

Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and Group companies make a report on the following matters to the Audit & Supervisory Board:

(i) Matters that are important in the context of monthly management status; (ii) matters that may inflict significant damage to the Company or Group companies; (iii) important matters related to risk management; (iv) material breaches of laws, regulations or the Articles of Incorporation; (v) whistle-blowing status of the intra-company whistle-blower system; and (vi) other matters that are important in terms of compliance.

Also, the Corporate Audit Department of the Company conducts operational audits and accounting audits with respect to the Company and Group companies, and reports the audit results to the Representative Director and the Audit & Supervisory Board of the Company on every occasion.

- (10) System to ensure that the person who made a report to Audit & Supervisory Board Members, etc. will not be treated unfairly on the grounds of making such report

The Company prohibits the unfair treatment of anyone who works at the Company or Group company on the grounds that he/she has made a report to Audit & Supervisory Board Members, etc., and makes this thoroughly known among Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and Group companies.

- (11) Matters regarding policy on handling advance payment or repayment of expenses resulting from Audit & Supervisory Board Members' execution of duties or other expenses or debts arising from the said execution of duties

Expenses deemed necessary for the execution of duties by Audit & Supervisory Board Members shall be budgeted for in advance. However, it shall not be required in cases where unplanned duties should be executed.

- (12) Other systems under which audit by Audit & Supervisory Board Members is ensured efficiently to be performed

A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to exercise without any obstacle their authorities by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, and examining the approval documents of important projects. Sufficient information-sharing and exchange of opinions take place among the members of Audit & Supervisory Board (including Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members also hold a regular meeting with the Representative Directors to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make requests deemed necessary to enhance mutual understanding with the Representative Directors.

9. Outline of the Administration of a System to Secure the Appropriateness of Operations

Through the above-mentioned systems, the Company endeavors to administrate its internal control system appropriately. Shown below are initiatives important for internal control that were conducted during fiscal 2022.

(1) Compliance

As the operational arm of the Sustainability Committee that is chaired by the President, we operate a Compliance Sub-committee with the Legal Department serving as the secretariat. In addition to the general managers of Compliance Section at divisional companies and headquarters, the Heads of the Corporate Audit Department are also serving as members on this Sub-committee, and this organization is reporting compliance activity results and matters for Compliance Advisory Board deliberation, as well as discussing future activity policies.

In fiscal 2022, expansion of the applicable scope of our internal reporting system overseas and adjustment of the SEKISUI CHEMICAL Group regulations were important working items. With cooperation from regional headquarters in the United States, China, Europe and Thailand, we carried out these activities.

In October 2022 we established the SEKISUI CHEMICAL Group Compliance Policy and externally publicized our approach to compliance on our website, and as part of our "Compliance Reinforcement Month" activities, we asked all management executives to send out a compliance message and submit a report regarding their message. In addition, compliance training and other activities were carried out not only in Japan but also for local employees at overseas locations such as the United States, Europe, China, ASEAN, and India.

(2) Execution of duties by Directors

The Board of Directors met 17 times in fiscal 2022 to ensure the efficiency of duties of Directors. In addition, discussions of important matters related to our management policies and strategies were carried out at meetings of the Policy Committee, which is made up of Inside Director members. These matters were decided by the Board of Directors following these discussions.

(3) Execution of duties by Audit & Supervisory Board Members

Audit & Supervisory Board Members attended not only the Board of Directors meetings but also other important meetings, confirming the maintenance and operating conditions of the internal control system through operations such as investigating related departments, including at Group companies, and confirming approval documents for major projects. In addition, they also receive reports from each headquarters department that has jurisdiction over internal control. The Audit & Supervisory Board met 17 times in fiscal 2022 and shared the information from these reports.

Audit & Supervisory Board Members regularly exchanged information and opinions with the Accounting Auditor, cooperating closely to improve the effectiveness of auditing efforts. They received reports from and exchanged

opinions with the Corporate Audit Department of the Company on audit policy, an audit plan and audit results. In addition, from fiscal 2022, we have held three-way audit meetings involving the Accounting Auditor, the Corporate Audit Department, and the Audit & Supervisory Board Members to strengthen cooperation among the three auditors. Liaison meetings were held with Audit & Supervisory Board Members of Group companies to improve coordination with auditors and enhance the quality of auditing, and Audit & Supervisory Board Members received reports on results of audits of Group companies. In addition, regular meetings were held with the Representative Director, and Audit & Supervisory Board Members also exchanged opinions with Outside Directors.

(4) Risk management

The SEKISUI CHEMICAL Group has established a risk management structure for integrated management of measures to prevent risk events from occurring (risk management) and to respond when risk events occur (crisis management).

In our risk management activities, we comprehensively identify risks related to our corporate value based on the SEKISUI CHEMICAL Group Risk Management guidelines as the business environment becomes increasingly uncertain and complex. Each of these risks is quantitatively evaluated in terms of the likelihood of occurrence and impact, risks to be addressed on a priority basis are identified, and an ERM (enterprise risk management) system has been constructed for sharing and managing risks within the Group. Company-wide risks and specific risks identified for each organization are analyzed and evaluated. We then determine countermeasures for these risks and carry out repeated periodic review and revision, which will be run through the PDCA management cycle every year.

In the event of a major incident, crisis management activities are carried out based on the SEKISUI CHEMICAL Group Crisis Management Guidelines. Crisis Management Liaison Meetings are held regularly with each specialized department of headquarters and divisional company representatives in attendance to ensure appropriate handling measures are implemented rapidly, and we also continually carry out cash studies and training sessions.

In fiscal 2022, as a Group-wide initiative to strengthen the crisis management system, all 135 organizations in Japan and overseas that are subject to preparing a BCP (business continuity plan: planning for a time of crisis that includes structural preparations, prevention of damage and impact on business, and restoration.) conducted desktop self-training, and also a PDCA cycle of the BCM (business continuity management: activities of maintaining and improving the BCP during non-emergency periods) cycle was conducted by performing a verification of the effectiveness of and revision to the emergency response plan (ERP) documents. In addition, each divisional company conducted divisional company emergency response headquarters drills with the divisional company president in attendance in order to improve the resilience of the divisional companies.

(5) Group company business management

Through rules such as our domestic and overseas affiliate company handling regulations and decision-making authority standard requirements, we have constructed a framework for receiving decision-making and reports from Group companies to the Company.

10. Evaluation of the Effectiveness of the Board of Directors

The Company deems the Board of Directors to be the body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues, and supervising the execution of business. We believe that the role and responsibility of the Board of Directors is to ensure transparency in management and fairness in business decisions and operations by building a highly effective supervision system for Directors through appointing multiple Outside Directors who are sufficiently independent.

(1) Initiatives for securing the effectiveness of the Board of Directors

Starting from 2007, we shortened the term of office of Directors from two years to one year in order to further clarify management's responsibility to shareholders.

To separate our supervision function from our executive function, we in 2008 introduced an Executive Officer system while changing the number of Directors from 21 to nine, and appointed two Outside Directors meeting

independent officer requirements. The Board of Directors was clarified as a body that decides a basic policy for the Group, makes advanced business judgments and supervises the state of our business execution. We seek to sufficiently provide information to, and ensure collaboration for, Outside Directors by providing them with opportunities to exchange opinions with the management of the Company and its Audit & Supervisory Board and Accounting Auditor and have a tour of our works and on a regular basis.

In 2016, we set up the Nomination and Remuneration Advisory Committee the majority of whose members were Independent Officers and which was chaired by an Independent Outside Officer in order to further enhance transparency and objectivity for determining presidential successor candidates, director candidates, and the remuneration for Directors.

We stepped up our governance in 2018 by increasing our Independent Outside Directors by one in order to strengthen the supervision of the Board of Directors from a shareholder perspective and further improve its effectiveness.

In 2022, in consideration of the ratio of Outside Directors and ensuring diversity, including gender diversity, we have increased the number of Independent Outside Directors to five (including three women), in an effort to ensure the diversity of the Board of Directors.

(2) Evaluation of the effectiveness of the Board of Directors

We think the Board of Directors contributes to improving the corporate value of the Group and functions appropriately, judging from the fact that appropriate agendas are set for Board of Directors meetings, sufficient time is secured for them, and opinions and suggestions are actively given by Directors, including Outside Directors, and by Audit & Supervisory Board Members.

During fiscal 2022, the Board of Directors deliberated sufficiently on the next Medium-term Management Plan (FY2023 - FY2025), growth strategies (such as for R&D, large new businesses, and large-scale capital investment), foundation strategies (such as for sustainability, digital innovation, safety, compliance, CS quality, and environment) by bringing up their subjects as significant management issues. In addition, we conducted a questionnaire survey on the effectiveness evaluation for the Board of Directors, targeting Directors and Audit & Supervisory Board Members, and identified important management issues that should be the subject of expanded deliberation.

The Nomination and Remuneration Advisory Committee deliberated on appointment of candidates for Directors and Audit & Supervisory Board Members and individual evaluations and remunerations, and then the Board of Directors determined them upon receiving its recommendation. The Nomination and Remuneration Advisory Committee met five times such as for discussing the composition and effectiveness of the Board of Directors and governance enhancement initiatives.

During fiscal 2023 as well, we will seek to secure the transparency and fairness of our management by further enhancing our deliberations on significant business issues and arranging for the Board of Directors to make decisions appropriately.

3 Matters on the Current State of the SEKISUI CHEMICAL Group

1. Business Processes and Their Results as Well as Issues Required to Be Addressed

Financial results of the SEKISUI CHEMICAL Group for fiscal 2022

	[Billions of yen]	Year on year [%]
Net Sales	1,242.5	+7.3
Operating Profit	91.6	+3.1
Profit	69.2	+86.9

As for the business environment in fiscal 2022, the final year of the “Drive 2022” Medium-term Management Plan formulated based on the Sekisui Chemical Group’s Long-term Vision “VISION 2030,” automobile production remained at a higher level than the previous fiscal year, despite the impact of production cuts due to the semiconductor shortage. Smartphone shipment volumes were significantly lower than in the previous fiscal year due to inventory adjustments mainly in China that continued from the second quarter onward. The number of domestic housing starts remained below the level of the previous fiscal year.

Under these circumstances, net sales reached a record high due to increased sales of high value-added products as well as progress in improving selling prices and positive foreign exchange effects.

Although results were significantly affected by soaring prices of raw materials, fuels, and component parts, these effects were offset by improvement of selling prices, increased sales of high value-added products, cost reductions, and other factors, and operating profit increased. Ordinary profit increased due in part to the effect of foreign exchange rates. Profit attributable to owners of parent increased significantly as a result of the effect of recording impairment losses in the previous fiscal year. Ordinary profit and profit attributable to owners of parent both reached new record highs.

As a result, net sales for the fiscal year under review rose 7.3% to ¥1,242.5 billion, operating profit rose 3.1% to ¥91.6 billion, ordinary profit increased 7.5% to ¥104.2 billion, and profit attributable to owners of parent rose 86.9% year on year, to ¥69.2 billion.

Outline of our fiscal 2023 plans		
	[Billions of yen]	Year on year [%]
Net Sales	1,312.0	+5.6
Operating Profit	100.0	+9.1
Profit	70.0	+1.1

In fiscal 2023, the first year of the “Drive 2.0” Medium-term Management Plan, the Company will promote measures for sustainable growth and strengthening the ESG management base.

Although there are uncertain factors in the business environment, global market conditions for automobiles, smartphones, and other products and the number of housing starts are expected to gradually recover into the second half. We will steadily identify changes in the environment, expand sales of high value-added businesses and products that contribute to resolve social issues, implement measures to strengthen profit structures, such as reducing fixed costs, optimizing production, and implementing business structure reforms. We project higher sales and profit in all segments, a new record high for companywide net sales, and new record high operating profit and profit attributable to owners of parent.

Through these efforts, we aim to record net sales of ¥1,312.0 billion, ¥69.4 billion higher than the previous year, operating profit of ¥100.0 billion, ¥8.3 billion higher than the previous year, ordinary profit of ¥103.0 billion, ¥1.2 billion lower than the previous year, and profit attributable to owners of parent of ¥70.0 billion, ¥0.7 billion higher than the previous year.

In addition, we will accelerate preparations to achieve our long-term vision and growth investment, including commercializing perovskite solar cells and biorefineries, promoting DX, and reinforcing research and development, and human capital investments such as wage increases.

We kindly ask shareholders to continue supporting the SEKISUI CHEMICAL Group strongly as it aims to grow in a sustained manner.

Financial results of the Housing Company for fiscal 2022

Financial results for fiscal 2022

	[Billions of yen]	Year on year [%]
Net Sales	537.3	+4.3
Operating Profit	32.8	-7.0

Housing, Housing Renovation, Real Estate, and Town and Community Development businesses all saw increases, and sales rose 4.3% from the previous fiscal year to ¥537.3 billion, a new record high for the Company. On the other hand, operating profit was down 7.0% from the previous fiscal year to ¥32.8 billion, due to the impact of soaring component prices, especially in the Housing business, resulting in higher sales and lower profit.

Measures such as pursuing the qualities of “smart” and “resilient” were carried out for the Housing, Housing Renovation, and Town and Community Development businesses amid growing concerns regarding energy instability against a backdrop of intensifying natural disasters.

In the Housing business, the number of houses ordered decreased year on year due to effects from COVID-19 and lower purchasing intent caused by higher commodity prices and other factors. In October 2022, we launched United Heim Park, a new subdivision brand. In addition, we reinforced online marketing through our own website and focused on expanding sales of subdivision and ready-built houses.

In the Housing Renovation business, orders increased year on year due to increased sales of storage batteries and other factors. We strove to expand periodic checkups and strengthen proposal capabilities.

Outline of our fiscal 2023 plans

Fiscal 2023 plan

	[Billions of yen]	Year on year [%]
Net Sales	561.0	+4.4
Operating Profit	35.0	+6.6

We anticipate an extremely challenging business environment in fiscal 2023 including the continuation of high prices, but we aim to record higher sales and profit as a result of increased sales in the Housing, Housing Renovation, Real Estate, and other businesses and cost reductions.

In the Housing business, we will take measures to enhance competitiveness by launching products with smart and resilient and improved designs to expand sales by increasing the number of orders received and unit prices. In addition, we will focus on strengthening our management structure by working to improve productivity, such as by leveling the construction process and optimize production systems.

In the Housing Renovation business, we will increase sales personnel, expand periodic checkups and expand sales of smart and resilient products to increase profit. We will also make efforts to capture demand in the general renovation market from customers other than SEKISUI HEIM owners.

In the Real Estate business, we will focus on expanding the Be HEIM purchase and resale business.

TOPICS

Town and Community Design [Smart & Resilience]

Recipient of a 2022 GOOD DESIGN AWARD

The Company's "Town and Community Design [Smart & Resilience]" initiative won a 2022 GOOD DESIGN AWARD (hosted by the Japan Institute of Design Promotion).

This town and community development is an initiative that started as the nationwide Town and Community Development project and is aimed at expanding the contribution to solving social issues that are close to us. This "town and community development system" was highly evaluated for its combination of detailed support according to "Town Design Guidelines" that are based on the characteristics of an area, together with the utilization of the characteristics of industrialized housing that can be mass-produced quickly and with high quality, in addition to standardizing environmental and disaster prevention measures for all subdivisions.

In order to further accelerate the development of the award-winning "Town and Community Design [Smart & Resilience]" initiative, we have launched "United Heim Park," a new detached house subdivision brand, and are expanding our contribution to the environment and society on a nationwide scale.

Financial results of the Urban Infrastructure & Environmental Products Company for fiscal 2022

Financial results for fiscal 2022

	[Billions of yen]	Year on year [%]
Net Sales	234.2	+8.5
Operating Profit	21.1	+39.2

In fiscal 2022, the domestic non-housing market was sluggish and there was an impact from a decline in housing demand starting in the third quarter, but as a result of securing profit through selling price improvements, solid capital investment demand in semiconductors in Japan and overseas, and other factors, net sales increased 8.5% year on year to ¥234.2 billion, and operating profit rose 39.2% year on year to ¥21.1 billion, reaching a new record high, with increases in both sales and profit.

In the Pipe Systems field, demand for both residential and non-residential applications in Japan was below expectations, but as a result of firm sales of piping materials for plants, at which demand for capital investment in semiconductors is increasing in Japan and overseas, and of chlorinated polyvinyl chloride (CPVC) resin overseas, particularly in India, sales increased year on year.

In the Buildings and Infrastructures Composite Materials field, despite lower-than-expected housing demand, sales increased year on year due to increased sales of highly prioritized products including fire protection and non-combustible materials and large high-capacity drainage systems as well as expanded overseas sales of synthetic lumber for railway sleepers, particularly in Europe and the United States.

In the Infrastructure Renovation field, sales increased year on year, supported by an overseas recovery in demand for pipeline renewal, improvements in selling prices in Japan and overseas, and gradual recovery of demand for panel tanks.

(Note) For financial results after fiscal 2021, the figures reflect the change in classification of some businesses in Urban Infrastructure & Environmental Products and High Performance Plastics segments, implemented in October 2022. Details of the change in classification are described on page 61 of the Notice of Convocation.

Outline of our fiscal 2023 plans

Fiscal 2023 plan

	[Billions of yen]	Year on year [%]
Net Sales	241.6	+3.1
Operating Profit	22.2	+4.8

In fiscal 2023, we expect the slump in the domestic non-residential and residential markets to become prolonged, but we will focus on expanding sales of prioritized products that contribute to resolve social issues and expanding overseas businesses and assure profit by improving selling prices in response to rising prices for raw materials and fuel, and we aim to record higher sales and record high profits.

In the Pipe Systems field, we will seek to expand sales of prioritized products that contribute to solutions to social issues, such as chronic labor shortages and aging infrastructure, and increase sales by capturing demand for capital investment for plants used for semiconductors and demand for chlorinated polyvinyl chloride (CPVC), which are expected to grow.

In the Buildings and Infrastructures Composite Materials field, we will expand the fire protection materials business with a focus on non-flammable urethane products and further expand sales of large high-capacity drainage systems and nursing care products. We will also accelerate the overseas adoption of synthetic lumber for railway sleepers and steadily advance preparations for the start of production at our production plant in Europe, which is currently under construction, in the second half of fiscal 2023.

In the Infrastructure Renovation field, we will take action to expand overseas orders for pipeline renewal and to reinforce sales of tank renewals.

Flat roof high-discharge system won a 2022 GOOD DESIGN AWARD

The flat roof high-discharge system launched in May 2022 won a 2022 GOOD DESIGN AWARD (hosted by the Japan Institute of Design Promotion).

The flat roof high-discharge system improves drainage capacity by continuously generating a siphon phenomenon with “siphon inducing material” built into the high drainage basin and discharging the water when the pipe is full.

As the damage to large-scale buildings due to abnormal weather in recent years has become serious and the urgent improvement of building materials and equipment is required, the system was highly evaluated for its overall success in improvement, as well as its high compatibility with existing parts and size reduction, which succeeded in reducing the cost of manufacturing and transportation as well as reducing the environmental burden.

In addition, the Company was highly evaluated not only for its pursuit of sales, but also for our corporate stance of trying to improve the overall environment and architecture.

Financial results of the High Performance Plastics Company for fiscal 2022

Financial results for fiscal 2022

	[Billions of yen]	Year on year [%]
Net Sales	396.3	+12.1
Operating Profit	40.0	-2.7

Despite the impact of automobile production cutbacks resulting from lockdowns in China in response to COVID-19, the situation in Ukraine, and other factors as well as a downturn in the electronics market due to smartphone inventory adjustments starting in the second quarter, net sales increased 12.1% year on year to ¥396.3 billion due to expanded sales of high-performance products, improved selling prices, positive effects from foreign exchange rates, and other factors. The impact of the sharp rise in raw material and fuel prices and the slump in the electronics market was substantial, and the Company worked to offset these factors by improving selling prices, expanding sales of high-performance products, and reducing costs. Despite these efforts, operating profit decreased 2.7% from the previous fiscal year to ¥40.0 billion, resulting in higher sales and lower profit.

In the Electronics field, sales decreased year on year as a result of effects from a significant market slump that was greater than expected due to smartphone inventory adjustments in China from the second quarter onward as well as a downturn in the non-LCD sector, which had been firm until then.

In the Mobility field, sales increased year on year due to growth of high-performance products, mainly interlayer films for head-up displays, and the positive effects of foreign exchange rates, despite stagnation in the automobile market, mainly in China, caused by the impact of COVID-19, a shortage of parts, and other factors.

In the Industrial Business field, sales increased year on year despite effects from a downturn in the packaging materials market, as a result of the Company promoting expanded sales of labor-saving and environmentally friendly products, such as foam materials and long craft tapes, steadily improving selling prices, and positive effects of foreign exchange rates.

(Note) For financial results after fiscal 2021, the figures reflect the change in classification of some businesses in Urban Infrastructure & Environmental Products and High Performance Plastics segments, implemented in October 2022. Details of the change in classification are described on page 61 of the Notice of Convocation.

Outline of our fiscal 2023 plans

Fiscal 2023 plan

	[Billions of yen]	Year on year [%]
Net Sales	427.7	+7.9
Operating Profit	48.0	+19.7

In fiscal 2023, while there is a sense of pause in the sharp rise in raw material and fuel prices, we aim to record higher sales and profits as a result of making a shift to further growth measures in strategic fields and achieving continued effects from improved selling prices.

In the Electronics field, we expect a recovery in the smartphone market, which remains stagnant, toward the second half, and we will seek to expand sales by accelerating expansion of sales of non-LCD products including substrate and semiconductor related products.

In the Mobility field, we anticipate a market recovery and will maintain selling prices and expand sales of high-performance interlayer films with a focus on head-up displays to achieve an increase in sales. We will also make steady preparations for full-scale operation of our thermally conductive products production site in North America.

In the Industrial Business field, a gradual market recovery is expected, and we will expand sales of construction labor-saving and environmentally friendly products, such as foam materials and long craft tapes, which have been designated as growth sectors, and continue to improve selling prices to achieve higher sales.

TOPICS

Expansion of polyolefin foam production capacity and thermally conductive products business in the United States

In November 2022, we decided to expand our production capacity by building a new building and production line for polyolefin foam in the United States. The Foam Division is developing the polyolefin foam business globally and has the top share in the North American and South American markets. As the market is expected to continue growing, we aim to improve the stable supply system and increase production volume by about 20% from the current level.

In addition, in January 2023, we decided to establish a new production base in the United States for thermally conductive products for eco-friendly vehicles such as electric vehicles (EVs). The demand for thermal conductivity from vehicle manufacturers in the United States and the manufacturers of lithium-ion batteries and electrical equipment used in electric vehicles is growing rapidly. The Company has made the Mobility field a strategic field, and we will strengthen and accelerate marketing activities in the United States and Europe, further expand the thermally conductive products business, and focus on developing new products for mobility.

Medical Business

Financial results for fiscal 2022			Fiscal 2023 plan		
	[Billions of yen]	Year on year [%]		[Billions of yen]	Year on year [%]
Net Sales	89.6	+1.3	Net Sales	95.0	+5.9
Operating Profit	12.5	+11.9	Operating Profit	13.5	+7.9

In fiscal 2022, diagnostics demand from outpatient suffering from lifestyle-related diseases recovered in Japan and overseas, sales of influenza test kits increased in the United States, and sales of new pharmaceutical ingredients in the Pharmaceutical Sciences business were firm, and net sales increased 1.3% year on year to ¥89.6 billion, and operating profit increased 11.9% to ¥12.5 billion, achieving record high profit.

In fiscal 2023, we anticipate a recovery in domestic and overseas diagnostics demand and aim to achieve a 5.9% year-on-year increase in net sales to ¥95.0 billion and a 7.9% year-on-year increase in operating profit to ¥13.5 billion, marking record high profits for the third consecutive year. For Diagnostics business, in the United States, we will enter the over-the-counter (OTC) market for COVID-19 diagnostics, and in China, we will expand the blood coagulation field by increasing sales of blood coagulation analysis devices and reagents. In the Pharmaceutical Sciences business, we will continue to focus our efforts on expanding sales of new pharmaceutical ingredients and obtaining new orders.

Cases of research & development (R&D) initiative

Started an initiative in collaboration with Shiseido and Sumitomo Chemical to construct a new circular model for plastic cosmetic containers

In July 2022, the Company, Shiseido Company, Limited (Shiseido), and Sumitomo Chemical Co., Ltd. (Sumitomo Chemical) started working on building a circular model that will collect plastic cosmetic containers, recycle them into resources and raw materials without sorting them, and recycling them as containers.

Cosmetic containers are made from a variety of plastics due to the importance placed on protecting their contents, ease of use and design, but separating these materials is difficult, so recycling them as plastic resources has become a problem. Therefore, the three companies decided to build a new system that leverages each company's strengths.

Shiseido will work on building a collection scheme for plastic cosmetic containers through stores and to recycling them as cosmetic containers. The Company will gasify combustible waste such as used plastics without sorting them, and recycle them into ethanol, which is the raw material of plastics, using technology that uses the power of microorganisms to convert plastics into ethanol. Sumitomo Chemical will use its technology to produce ethylene using the recycled ethanol as a raw material to provide recycled polyolefin with the same quality as products made from conventional fossil resources.

The three companies will collaborate across corporate boundaries and encourage related industries and companies to participate, with the aim of realizing a circular economy.

Started joint research with the Tokyo Metropolitan Government on film-type perovskite solar cells

In December 2022, the Company decided to start joint research on film-type perovskite solar cells with the Tokyo Metropolitan Government. From the spring of 2023, we will install film-type perovskite solar cells at the Morigasaki Water Reclamation Center, monitor their power generation and confirm their corrosion resistance.

As climate change is focused on as a worldwide problem and the expansion of sustainable renewable energy is being sought, the film-type perovskite solar cell is a next-generation solar cell that is expected to accelerate the spread of renewable energy and contribute significantly to the realization of carbon neutrality.

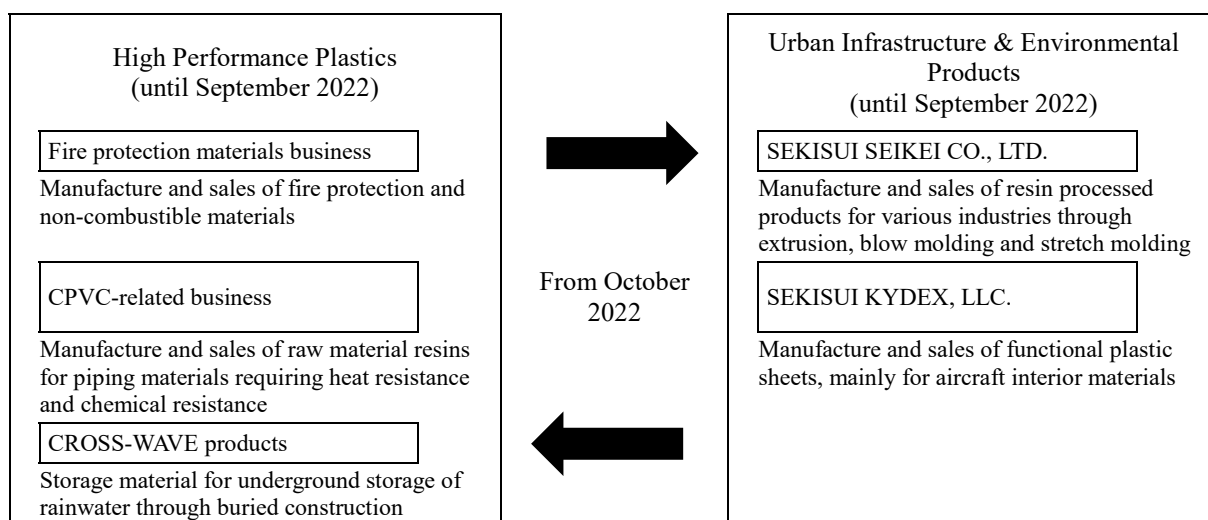
From fiscal 2023, we will proceed with technical demonstrations and the establishment of installation and construction methods through installations for various purposes, starting with the installation of this project. At the same time, utilizing the Green Innovation Fund of the New Energy and Industrial Technology Development Organization (NEDO), we will establish a manufacturing process for film with a width of 1 m and proceed with development to further improve durability and power generation efficiency, with the aim of commercialization in 2025.

2. Principal Business Activities

In October 2022, we optimized our business portfolio to expand synergies.

As background, some of the business activities have become closer between the High Performance Plastics Company and the Urban Infrastructure & Environmental Products Company as each business has expanded its target areas.

Another objective was to pursue synergies in all aspects of business, including marketing, production, and technology, with the aim of achieving business growth and expansion, as well as more efficient operations and utilization of assets through improved productivity.



SEKISUI CHEMICAL Group is composed of the Housing Company, the Urban Infrastructure & Environmental Products Company, the High Performance Plastics Company, and the Medical Business. Their principal business activities are as follows.

Housing Company	
Housing Business	Stock Business
Provides steel-framed and wood-framed housing that takes into account comfort, safety and security, and the environment by making full use of the unit construction method, which realizes housing that meets design performance through factory production	Exerts SEKISUI CHEMICAL Group's comprehensive capabilities to meet all possible kinds of housing-related needs of mainly customers living in modular houses from the Company such as the need to support renovation and house moves corresponding to one's life stages as well as management and guarantee services for rental homes
Town and Community Development Business	Residential Service Business
Aims to develop a sustainable town and community setting that is secure and safe and friendly to the environment by fully tapping into the comprehensive capabilities of the SEKISUI CHEMICAL Group	Supplies buildings and services to suit every life stage including construction and operation of housing for the elderly with support and day nursing care services
Overseas Business	
Provides valuable housing attentive to local needs Plans to cultivate the Thai housing market and expand to neighboring countries	

Urban Infrastructure & Environmental Products Company		
Pipe Systems Field		
Contributes to achieving a secure, safe, and comfortable housing environment by offering building water supply and hot water supply piping materials that do not suffer from rust and corrosion, are long-life and are easy to work with, which is useful for worker shortages on construction sites and shortening of construction periods.	Develops various pipe materials and valves with excellent chemical resistance, antistatic plates used in semiconductor factory equipment, and plastic pipe deterioration diagnosis which uses our extensive knowledge. Contributes to the stable operation of factories.	Flood damage has become more frequent and severe in recent years. Minimizes the damage to the town by the combination of CROSS-WAVE plastic underground rainwater storage tanks and RCP large-diameter rainwater storage pipes.
Buildings and Infrastructure	Composite Materials Field	Infrastructure Renovation Field
Synthetic lumber (FFU) railway sleepers are also increasingly being used overseas. They combine the advantages of natural wood and plastic, such as light weight, durability, weather resistance, and workability, and contribute to reducing environmental impact.	PUXFLAME is a non-combustible polyurethane foam insulation material that is the first in Japan to be certified as a non-combustible organic spray insulation material. It can be easily sprayed onto complex structures, realizing the shortening of constructions period and cost reduction.	Measures to address aging sewage pipes have become an urgent issue not only in Japan but also overseas. The SPR method, which minimizes noise and traffic congestion and produces little waste, continues to evolve.

High Performance Plastics Company	
Electronics Field	Mobility Field
Provides advanced materials such as conductive fine particles and liquid crystal sealants that are ranked top in global market shares as well as double-sided tapes and various semiconductor materials	Its flagship product is interlayer film for laminated glass used in automobiles that is ranked top in global market share. Provides foam materials and molding resin products that are used for automobile interiors and exteriors
Industrial Business Field	
Provides products and materials such as resin molded products which use adhesives and recycled materials, centered on labor-saving products that reduce workload and environmentally friendly products for various industries that support life and society.	

Medical Business	
Diagnostics Business	Pharmaceutical Sciences Business
Provides various analysis devices such as plastic vacuum blood collection tubes and automated blood coagulation analysis devices that are essential for types of clinical testing drugs and clinical testing mainly for the fields of blood coagulation, lifestyle disease, and infection	The Pharmaceuticals and Enzymes Business manufactures and supplies pharmaceutical companies with active pharmaceutical ingredients, pharmaceutical intermediates, pharmaceutical amino acids, and enzymes for manufacturing pharmaceuticals. In addition, the Drug Development Solution Business provides comprehensive support for drug development, as well as expanding newborn screening tests to detect congenital diseases in newborns and sells reagents.

3. Main Business Bases and Plants

Housing Company		
Business bases	Subsidiaries	HOKKAIDO SEKISUI HEIM CO., LTD. (Sapporo City) SEKISUI HEIM TOHOKU CO., LTD. (Sendai City) TOKYO SEKISUI HEIM CO., LTD. (Shinjuku-ku, Tokyo) GUNMA SEKISUI HEIM CO., LTD. (Maebashi City) SEKISUI HEIM SHINETSU CO., LTD. (Matsumoto City) SEKISUI HEIM CHUBU CO., LTD. (Nagoya City) SEKISUI HEIM KINKI CO., LTD. (Osaka City) SEKISUI HEIM CHUSHIKOKU CO., LTD. (Okayama City) SEKISUI HEIM KYUSHU CO., LTD. (Fukuoka City) SEKISUI HEIM REAL ESTATE CO., LTD. (Shinjuku-ku, Tokyo)
Production plants	Subsidiaries	SEKISUI HEIM INDUSTRY CO., LTD. (Hasuda City)
Research institutes	The Company	Housing Technology Institute (Tsukuba City)

Urban Infrastructure & Environmental Products Company		
Business bases	The Company	Higashinohon Branch (Minato-ku, Tokyo), Chubu Branch (Nagoya City), Nishinohon Branch (Osaka City), Kyushu Branch (Fukuoka City)
	Subsidiaries	SEKISUI HOMETECHNO CO., LTD. (Osaka City) SEKISUI AQUA SYSTEMS CO., LTD. (Osaka City)
Production plants	The Company	Shiga-Ritto Plant (Ritto City), Gunma Plant (Isesaki City)
	Subsidiaries	TOKUYAMA SEKISUI CO., LTD. (Shunan City)
Research institutes	The Company	General Institute (Kyoto City)

High Performance Plastics Company		
Business bases	The Company	Electronic Business Strategy Department (Minato-ku, Tokyo) Mobility Business Strategy Department (Minato-ku, Tokyo) Industrial Business Strategy Department (Minato-ku, Tokyo)
	Subsidiaries	SEKISUI POLYMATECH CO., LTD. (Saitama City) SEKISUI SEIKEI CO., LTD. (Osaka City) SEKISUI FULLER CO., LTD. (Minato-ku, Tokyo)
Production plants	The Company	Musashi Plant (Hasuda City), Shiga-Minakuchi Plant (Koga City), Taga Plant (Taga-cho, Inukami-gun, Shiga)
Research institutes	The Company	Research & Development Institute (Shimamoto-cho, Mishima-gun, Osaka)
Overseas bases	Subsidiaries	SEKISUI AEROSPACE CORPORATION (U.S.) SEKISUI SPECIALTY CHEMICALS AMERICA, LLC. (U.S.) SEKISUI ALVEO AG (Switzerland) SEKISUI S-LEC B.V. (Netherlands) SEKISUI SPECIALTY CHEMICALS EUROPE S.L. (Spain) SEKISUI S-LEC (SUZHOU) CO., LTD. (China) YOUNGBO CHEMICAL CO., LTD. (South Korea)

Headquarters	
Head Office	Head Office (4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan) Tokyo Head Office (10-4 Toranomom 2-Chome, Minato-ku, Tokyo, Japan)

Business bases	Subsidiaries	SEKISUI MEDICAL CO., LTD. (Chuo-ku, Tokyo)
Research institutes	The Company	Advanced Technology Institute (Tsukuba City)
Overseas bases	Subsidiaries	SEKISUI DIAGNOSTICS, LLC (U.S.) SEKISUI EUROPE B.V. (Netherlands) SEKISUI AMERICA CORPORATION (U.S.) SEKISUI CHEMICAL (CHINA) CO., LTD. (China) SEKISUI SOUTHEAST ASIA CO., LTD. (Thailand)

4. Other Important Matters Concerning the Current Status of the SEKISUI CHEMICAL Group

On April 14, 2023, we disclosed nonconformity with building standards in residential complexes and detached houses. The first is nonconformity with the provisions of the Building Standards Act concerning the separating walls of timber-constructed residential complexes, and the second is nonconformity with the ministerial certification concerning fire prevention equipment. We have reported these two points to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). We currently continue to provide careful and detailed explanations to our customers and carry out the necessary improvements, based on guidance from MLIT and the relevant specific administrative agencies and administrative bodies. We deeply apologize for any inconvenience and concern this may cause not only to the customers concerned, but also to our shareholders and other related parties. The Company takes this incident very seriously and we will implement prompt corrective measures and make company-wide efforts to prevent a recurrence of such incidents.

5. Assets and Profit and Loss

Category	97th Business Term (FY2018)	98th Business Term (FY2019)	99th Business Term (FY2020)	100th Business Term (FY2021)	101st Business Term (The fiscal year under review) (FY2022)
Net Sales (Millions of yen)	1,142,713	1,129,254	1,056,560	1,157,945	1,242,521
Operating Profit (Millions of yen)	95,686	87,974	67,300	88,879	91,666
Ordinary Profit (Millions of yen)	93,146	87,202	62,649	97,001	104,241
Profit (Millions of yen)	66,093	59,181	41,544	37,067	69,263
Profit per Share (Yen)	141.74	128.80	91.92	83.17	159.19
Total Assets (Millions of yen)	1,023,706	1,105,781	1,150,143	1,198,921	1,228,131
Net Assets (Millions of yen)	632,746	634,219	694,392	702,753	732,525
Net Assets per Share (Yen)	1,307.75	1,333.76	1,485.89	1,519.19	1,642.67
ROE (return on equity) (%)	11.1	9.7	6.5	5.5	10.0

(Notes) 1. Profit per share was calculated in accordance with the average total number of shares outstanding for the fiscal year under review, and net assets per share was calculated in accordance with the ending total number of shares outstanding. The average total number of shares outstanding for the fiscal year under review and the ending total number of shares outstanding exclude shares of treasury stock.

2. Profit represents profit attributable to owners of parent.

3. As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of fiscal 2021, each figure for fiscal 2021 and onward is the figure, etc. after applying the accounting standard.

6. Capital Expenditures

Capital expenditures totaled ¥56.7 billion (up 8.0% year on year), mainly for the construction of a 1/10-scale demonstration plant for converting waste into ethanol, DX-related investments, and the expansion of production facilities at two main plants in Pharmaceutical Sciences business.

7. Procurement of Funds

For fiscal 2022, we did not conduct any significant fund procurement by means of capital increase and/or issuance of bonds.

8. Main Lenders

Lenders	Loan amount (Millions of yen)
MUFG Bank, Ltd.	16,000
The Norinchukin Bank	10,000

9. Employees

Unit	Number of employees	Year-on-year change
Housing Company	11,368	Up 351
Urban Infrastructure & Environmental Products Company	4,537	Down 360
High Performance Plastics Company	7,964	Up 458
Medical	2,127	Down 87
Others	462	Up 39
Corporate (common)	380	Up 18
Total	26,838	Up 419

(Notes) 1. Of the above, the number of the Company’s employees stood at 2,818, up 57 compared with the end of the previous fiscal year.

2. Number of employees of Urban Infrastructure & Environmental Products Company and High Performance Plastics Company reflects the change in classification of some businesses implemented in October 2022. Details of the change in classification are described on page 61 of the Notice of Convocation.

10. Significant Subsidiaries, Etc.

(1) Significant affiliates

Company name	Paid-in capital	Equity interest ratio	Principal business activities
	Millions of yen	%	
Sekisui Kasei Co., Ltd.	16,533	21.83	Manufacture and sales of foamed styrene molding materials and styrene foam products
Sekisui Jushi Corporation	12,334	22.58	Manufacture and sales of traffic and sign products, scenery and sport products, house building material products, general distribution material and agricultural products, and related group company products

(Note) The equity interest ratios include those of shares held by subsidiaries of the Company.

(2) Significant subsidiaries

Company name	Paid-in capital	Equity interest ratio	Principal business activities
	Millions of yen	%	
SEKISUI MEDICAL CO., LTD.	1,275	100.00	Manufacture and sales of diagnostic reagents, testing devices, and pharmaceuticals
TOKUYAMA SEKISUI CO., LTD.	1,000	70.00	Manufacture and sales of polyvinyl chloride resins
SEKISUI POLYMATECH CO., LTD.	990	100.00	Manufacture and sales of mold and thermally conductive products
SEKISUI HEIM INDUSTRY CO., LTD.	500	100.00	Manufacture and sales of unit housing materials
SEKISUI SEIKEI CO., LTD.	450	100.00	Manufacture and sales of various synthetic resin products
TOKYO SEKISUI HEIM CO., LTD.	400	100.00	Contract construction work service and real estate sales
SEKISUI HEIM KINKI CO., LTD.	400	100.00	Contract construction work service and real estate sales
SEKISUI FULLER CO., LTD.	400	50.00	Manufacture and sales of industrial and general adhesives
SEKISUI HOMETECHNO CO., LTD.	360	100.00	Assembling, processing, and sales of housing equipment
SEKISUI HEIM TOHOKU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM SHINETSU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM CHUBU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM CHUSHIKOKU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM KYUSHU CO., LTD.	300	100.00	Contract construction work service and real estate sales
HOKKAIDO SEKISUI HEIM CO., LTD.	200	100.00	Contract construction work service and real estate sales
GUNMA SEKISUI HEIM CO., LTD.	200	100.00	Contract construction work service and real estate sales
SEKISUI AQUA SYSTEMS CO., LTD.	200	83.93	Construction of various industrial plants, manufacture, sales, and work for water environmental engineering facilities such as water supply and drainage tanks
SEKISUI HEIM REAL ESTATE CO., LTD.	200	100.00	Real estate leasing management, trading, and brokerage services
SEKISUI DIAGNOSTICS, LLC	Thousands of U.S. dollars 132,000	100.00	Development, manufacture, and sales of diagnostic reagents

Company name	Paid-in capital	Equity interest ratio	Principal business activities
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Thousands of U.S. dollars 107,000	100.00	Manufacture and sales of polyvinyl alcohol resins
SEKISUI AMERICA CORPORATION	Thousands of U.S. dollars 8,421	100.00	Management of affiliated companies in the Americas
SEKISUI AEROSPACE CORPORATION	Thousands of U.S. dollars –	100.00	Development, manufacture, and sales of composite material mold products for aircraft and drones
SEKISUI SPECIALTY CHEMICALS EUROPE S.L.	Thousands of euros 18,000	100.00	Manufacture and sales of polyvinyl alcohol resins
SEKISUI S-LEC B.V.	Thousands of euros 11,344	100.00	Manufacture and sales of interlayer films for laminated glasses
SEKISUI EUROPE B.V.	Thousands of euros 1,000	100.00	Management of affiliated companies in Europe
SEKISUI ALVEO A.G.	Thousands of Swiss francs 21,000	100.00	Sales of foam polyolefins and foams
YOUNGBO CHEMICAL CO., LTD.	Hundreds of millions of won 100	52.30	Manufacture and sales of synthetic resin products
SEKISUI CHEMICAL (CHINA) CO., LTD.	Thousands of yuan 361,447	100.00	Management of affiliated companies in China
SEKISUI S-LEC (SUZHOU) CO., LTD.	Thousands of yuan 195,979	100.00	Manufacture and sales of interlayer films for laminated glasses
SEKISUI SOUTHEAST ASIA CO., LTD.	Thousands of baht 10,000	100.00	Management of affiliated companies in South East Asia

- (Notes) 1. The equity interest ratios include those of shares held by subsidiaries of the Company.
2. The consolidated subsidiaries of the Company as of the end of the fiscal year under review totaled 148, including those shown above.

4 Stock Information

(1) Total number of shares authorized to be issued 1,187,540,000

(2) Total number of shares outstanding 456,507,285

(Note) We resolved at a Board of Directors meeting held on April 28, 2023 to retire shares of treasury stock, which will likely reduce the total number of shares outstanding by 4 million shares to 452,507,285 shares. (Planned date of retirement: May 25, 2023)

(3) Number of shareholders 25,936

(4) Major shareholders (top 10)

Name of shareholder	Number of shares held (Thousands of shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	63,924	14.84
Custody Bank of Japan, Ltd. (Trust Account)	24,085	5.59
The Dai-ichi Life Insurance Company, Limited	15,737	3.65
Asahi Kasei Corp.	11,149	2.58
Employees Stock Ownership Plan	11,115	2.58
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	8,216	1.90
Sekisui House, Ltd.	7,998	1.85
THE BANK OF NEW YORK MELLON 140042	7,603	1.76
National Mutual Insurance Federation of Agricultural Cooperatives	7,302	1.69
STATE STREET BANK WEST CLIENT - TREATY 505234	7,140	1.65

(Notes) 1. The Company maintains 25,967,970 shares of treasury stock, which are not included in the major shareholders above. Shares of treasury stock account for 5.68% of the total number of shares outstanding.

2. The treasury stocks exclude 211,000 shares held by an Employee Stock Ownership Plan trust and 811,000 shares held by the Board Incentive Plan trust as an officer remuneration system.

3. The percentage of ownership is calculated after subtracting the treasury stock from the total number of outstanding shares.

(5) Stock price (Tokyo Stock Exchange, First Section and Prime Market)

■ Highest and lowest stock prices by fiscal year for the past five years

(Yen)

By fiscal year	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Highest stock price	2,114	1,986	2,243	2,187	2,019
Lowest stock price	1,532	1,142	1,267	1,648	1,613

■ Highest and lowest stock prices by month for the past one year

(Yen)

By month	2022									2023		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Highest stock price	1,767	1,858	1,902	1,950	1,971	1,962	1,869	2,019	1,939	1,942	1,859	1,961
Lowest stock price	1,613	1,669	1,781	1,801	1,826	1,743	1,752	1,845	1,837	1,803	1,782	1,821

5 Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

(Note) Ernst & Young ShinNihon LLC, the former Accounting Auditor of the Company, retired upon expiration of its term of office at the end of the 100th Annual General Meeting of Shareholders held on June 22, 2022.

2. Amount of Fee, Etc. for the Accounting Auditor

Amount of accounting auditor fee for the fiscal year under review ¥150 million

Total amount of money and asset profits required to be paid by the Company and its subsidiaries ¥235 million

(Note) Of our significant subsidiaries, 11 overseas subsidiaries were audited by KPMG, which belongs to the network which the Accounting Auditor of the Company belongs to.

3. Reason for Consent by the Audit & Supervisory Board to the Fee, Etc. for the Accounting Auditor

The Audit & Supervisory Board approved the fee, etc. for the Accounting Auditor because, as a result of confirming the content of the Accounting Auditor's audit plan and conducting the necessary verification of the appropriateness of the basis for calculating the estimated amount of fees, it was determined that the number of man-hours is necessary to deal with global fraud risks and establish an audit system, as the Accounting Auditor has been changed from fiscal year under review and audits are expected to be conducted from a new perspective.

4. Decision Policy for Dismissal or Non-re-election of Accounting Auditor

At the Company, if any of the dismissal reasons set forth in Article 340 of the Companies Act applies to the Accounting Auditor, the Audit & Supervisory Board dismisses it with the consent of all the Audit & Supervisory Board Members. If it is deemed to be challenging for the Accounting Auditor to execute its duties properly or if it is judged to be inappropriate for an Accounting Auditor to be reappointed, the Audit & Supervisory Board determines a proposal for dismissal or non-re-election to be submitted to General Meeting of Shareholders.

5. Standard for the Audit & Supervisory Board to Select and Evaluate the Accounting Auditor in an Appropriate Manner

The Audit & Supervisory Board identifies conducted audits through audit reports from the Accounting Auditor and onsite audits, and evaluates it and resolves to re-elect it under a standard that takes into account matters such as the quality control system, the audit structure, and audit appropriateness at an Audit & Supervisory Board meeting each fiscal year.

(Note) Any number less than the display unit has been truncated to present values, numbers of shares, equity interest ratios, and shareholding ratios that are shown in this Business Report.

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Consolidated Balance Sheets

(Millions of yen)

	End Fiscal Year 2022 (As of March 31, 2023)	End Fiscal Year 2021 (For Reference) (As of March 31, 2022)
(Assets)		
Current assets	621,650	609,395
Cash and deposits	101,080	144,534
Notes receivable - trade	38,400	36,999
Accounts receivable - trade	153,380	148,748
Contract assets	752	721
Merchandise and finished goods	104,091	86,262
Land for sale in lots	64,154	55,364
Work in process	62,604	56,611
Raw materials and supplies	55,950	45,600
Advance payments to suppliers	4,055	4,551
Prepaid expenses	8,414	8,092
Short-term loans receivable	114	182
Other	29,616	22,984
Allowance for doubtful accounts	(965)	(1,257)
Non-current assets	606,481	589,525
Property, plant and equipment	377,381	365,254
Buildings and structures	120,761	120,810
Machinery, equipment and vehicles	109,933	108,218
Land	83,828	83,059
Leased assets	19,961	19,618
Construction in progress	31,338	21,606
Other	11,558	11,939
Intangible assets	51,003	46,733
Goodwill	11,028	10,736
Software	15,614	10,561
Leased assets	117	137
Other	24,242	25,298
Investments and other assets	178,096	177,537
Investment securities	137,314	130,688
Long-term loans receivable	1,163	1,157
Long-term prepaid expenses	1,970	2,030
Retirement benefit asset	15,284	21,066
Deferred tax assets	10,034	10,909
Other	14,483	14,038
Allowance for doubtful accounts	(2,154)	(2,352)
Total assets	1,228,131	1,198,921

(Note) The amounts presented above have been rounded down to the nearest million yen.

(Millions of yen)

	End Fiscal Year 2022 (As of March 31, 2023)	End Fiscal Year 2021 (For Reference) (As of March 31, 2022)
(Liabilities)		
Current liabilities	327,978	329,694
Notes payable - trade	759	1,386
Electronically recorded obligations - operating	28,777	28,335
Accounts payable - trade	107,067	108,460
Short-term borrowings	3,569	4,293
Lease liabilities	5,156	5,000
Accrued expenses	41,177	43,500
Income taxes payable	11,817	23,678
Provision for bonuses	19,198	19,709
Provision for bonuses for directors (and other officers)	354	290
Provision for warranties for completed construction	3,105	1,482
Provision for share awards	115	138
Advances received	53,514	46,068
Other	53,364	47,350
Non-current liabilities	167,627	166,473
Bonds payable	40,030	40,000
Long-term borrowings	56,187	58,093
Lease liabilities	15,515	15,170
Deferred tax liabilities	4,046	4,624
Retirement benefit liability	42,731	41,840
Provision for share awards	900	773
Other	8,216	5,971
Total liabilities	495,606	496,168
(Net assets)		
Shareholders' equity	630,041	612,409
Share capital	100,002	100,002
Capital surplus	108,583	109,042
Retained earnings	468,094	447,958
Treasury shares	(46,637)	(44,592)
Accumulated other comprehensive income	74,984	62,226
Valuation difference on available-for-sale securities	37,836	33,726
Deferred gains or losses on hedges	(24)	(18)
Revaluation reserve for land	321	322
Foreign currency translation adjustment	39,253	25,507
Remeasurements of defined benefit plans	(2,402)	2,687
Non-controlling interests	27,498	28,116
Total net assets	732,525	702,753
Total liabilities and net assets	1,228,131	1,198,921

(Note) The amounts presented above have been rounded down to the nearest million yen.

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2022 (From April 1, 2022 to March 31, 2023)	Fiscal Year 2021 (For Reference) (From April 1, 2021 to March 31, 2022)
Net sales	1,242,521	1,157,945
Cost of sales	865,281	801,994
Gross profit	377,240	355,950
Selling, general and administrative expenses	285,574	267,071
Operating profit	91,666	88,879
Non-operating profit	16,915	13,999
Interest income	1,211	544
Dividend income	3,677	3,813
Share of profit of entities accounted for using equity method	2,254	108
Foreign exchange gains	5,195	4,816
Miscellaneous income	4,576	4,715
Non-operating expenses	4,339	5,877
Interest expenses	871	774
Miscellaneous expenses	3,468	5,102
Ordinary profit	104,241	97,001
Extraordinary Profit	1,189	25,909
Gain on sale of investment securities	319	25,909
Gain on sale of shares of subsidiaries and associates	870	-
Extraordinary losses	5,937	53,052
Amortization of goodwill	1,974	-
Loss on valuation of shares of subsidiaries and associates	1,319	-
Impairment losses	468	51,508
Loss on sale and retirement of non-current assets	2,174	1,544
Profit before income taxes	99,494	69,859
Income taxes - current	27,325	35,995
Income taxes - deferred	1,401	(4,896)
Profit	70,767	38,760
Profit attributable to non-controlling interests	1,504	1,692
Profit attributable to owners of parent	69,263	37,067

(Note) The amounts presented above have been rounded down to the nearest million yen.

Consolidated Statements of Changes in Equity; Statements of Shareholders' Equity

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,002	109,042	447,958	(44,592)	612,409
Changes during period					
Dividends of surplus			(23,816)		(23,816)
Profit attributable to owners of parent			69,263		69,263
Increase and decrease in retained earnings resulting from exclusion of subsidiaries in consolidation			(152)		(152)
Cancellation of treasury shares		(25,258)		25,258	–
Purchase of treasury shares				(27,454)	(27,454)
Disposal of treasury shares		99		150	250
Transfer from retained earnings to capital surplus		25,158	(25,158)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(459)			(459)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(459)	20,135	(2,044)	17,631
Balance at end of period	100,002	108,583	468,094	(46,637)	630,041

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	33,726	(18)	322	25,507	2,687	62,226	28,116	702,753
Changes during period								
Dividends of surplus								(23,816)
Profit attributable to owners of parent								69,263
Increase and decrease in retained earnings resulting from exclusion of subsidiaries in consolidation								(152)
Cancellation of treasury shares								–
Purchase of treasury shares								(27,454)
Disposal of treasury shares								250
Transfer from retained earnings to capital surplus								–
Change in ownership interest of parent due to transactions with non-controlling interests								(459)
Net changes in items other than shareholders' equity	4,109	(6)	(0)	13,746	(5,090)	12,758	(618)	12,139
Total changes during period	4,109	(6)	(0)	13,746	(5,090)	12,758	(618)	29,771
Balance at end of period	37,836	(24)	321	39,253	(2,402)	74,984	27,498	732,525

(Note) The amounts presented above have been rounded down to the nearest million yen.

(For Reference) Summary of Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2022 (From April 1, 2022 to March 31, 2023)	Fiscal Year 2021 (From April 1, 2021 to March 31, 2022)
Net cash provided by (used in) operating activities	71,543	105,023
Net cash provided by (used in) investing activities	(59,430)	2,694
Net cash provided by (used in) financing activities	(62,906)	(54,729)
Effect of exchange rate change on cash and cash equivalents	2,262	4,064
Net increase (decrease) in cash and cash equivalents	(48,531)	57,052
Cash and cash equivalents at beginning of period	133,739	76,649
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	36
Cash and cash equivalents at end of period	85,207	133,739

(Note) The amounts presented above have been rounded down to the nearest million yen.

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Non-Consolidated Balance Sheets

(Millions of yen)

	End Fiscal Year 2022 (As of March 31, 2023)	End Fiscal Year 2021 (For Reference) (As of March 31, 2022)
(Assets)		
Current assets	225,006	192,383
Cash and deposits	8,604	9,864
Notes receivable - trade	7,377	6,295
Accounts receivable - trade	72,844	72,943
Merchandise and finished goods	26,626	22,050
Land for sale in lots	17,087	12,886
Work in process	6,418	5,247
Raw materials and supplies	8,796	6,212
Advance payments to suppliers	1,119	924
Prepaid expenses	748	840
Short-term loans receivable	23,676	11,101
Accounts receivable - other	50,704	42,501
Other current assets	1,012	1,524
Allowance for doubtful accounts	(11)	(9)
Non-current assets	490,215	476,355
Property, plant and equipment	104,984	106,941
Buildings	34,908	36,181
Structures	2,616	2,710
Machinery and equipment	23,267	24,587
Vehicles	115	131
Tools, furniture and fixtures	3,306	3,665
Land	37,012	36,651
Leased assets	426	610
Construction in progress	3,331	2,403
Intangible assets	21,531	16,384
Industrial property	175	279
Right to use facilities	104	105
Software	12,749	7,453
Leased assets	0	0
Other intangible fixed assets	8,502	8,545
Investments and other assets	363,698	353,028
Investment securities	86,203	77,514
Shares of subsidiaries and associates	263,747	261,772
Long-term loans receivable	407	2,780
Long-term prepaid expenses	784	1,103
Prepaid pension costs	10,333	9,689
Leasehold and guarantee deposits	1,886	1,941
Other investments	610	676
Allowance for doubtful accounts	(274)	(2,449)
Total assets	715,221	668,738

(Note) The amounts presented above have been rounded down to the nearest million yen.

(Millions of yen)

	End Fiscal Year 2022 (As of March 31, 2023)	End Fiscal Year 2021 (For Reference) (As of March 31, 2022)
(Liabilities)		
Current liabilities	245,496	201,512
Notes payable - trade	0	6
Electronically recorded obligations - operating	6,147	5,508
Accounts payable - trade	101,909	95,697
Short-term borrowings	99,708	46,860
Lease liabilities	118	240
Accounts payable - other	8,480	6,745
Accrued expenses	16,047	18,789
Income taxes payable	199	18,340
Advances received	506	210
Deposits received	5,611	3,441
Provision for bonuses	4,187	4,341
Provision for bonuses for directors (and other officers)	209	161
Provision for warranties for completed construction	2,078	836
Provision for share awards	115	138
Other current liabilities	175	193
Non-current liabilities	129,487	127,583
Bonds payable	40,000	40,000
Long-term borrowings	55,100	57,600
Lease liabilities	307	370
Deferred tax liabilities	9,347	5,541
Provision for retirement benefits	23,766	23,224
Provision for share awards	900	773
Other non-current liabilities	66	73
Total liabilities	374,983	329,096

(Note) The amounts presented above have been rounded down to the nearest million yen.

(Millions of yen)

	End Fiscal Year 2022 (As of March 31, 2023)	End Fiscal Year 2021 (For Reference) (As of March 31, 2022)
(Net assets)		
Shareholders' equity	304,580	308,238
Share capital	100,002	100,002
Capital surplus	109,234	109,234
Legal capital surplus	109,234	109,234
Retained earnings	141,871	143,467
Legal retained earnings	10,363	10,363
Other retained earnings	131,508	133,104
Reserve for tax purpose reduction entry of land	4,141	4,141
Reserve for tax purpose reduction entry of depreciable assets	2,192	2,344
Reserve for open innovation promotion	53	53
General reserve	39,471	39,471
Retained earnings brought forward	85,651	87,095
Treasury shares	(46,528)	(44,466)
Valuation and translation adjustments	35,657	31,403
Valuation difference on available-for-sale securities	35,657	31,403
Total net assets	340,237	339,641
Total liabilities and net assets	715,221	668,738

(Note) The amounts presented above have been rounded down to the nearest million yen.

Non-Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2022 (From April 1, 2022 to March 31, 2023)	Fiscal Year 2021 (For Reference) (From April 1, 2021 to March 31, 2022)
Net sales	382,513	359,176
Cost of sales	289,242	264,531
Gross profit	93,271	94,645
Selling, general and administrative expenses	85,858	83,020
Operating profit	7,413	11,625
Non-operating profit	50,864	34,894
Interest and dividend income	34,547	21,718
Miscellaneous income	16,317	13,175
Non-operating expenses	993	3,922
Interest expenses	342	281
Interest on bonds	88	87
Miscellaneous expenses	563	3,553
Ordinary profit	57,284	42,598
Extraordinary profit	699	27,284
Gain on sale of shares of subsidiaries and associates	380	1,462
Gain on sale of investment securities	319	25,822
Extraordinary losses	5,110	1,120
Loss on valuation of shares of subsidiaries and associates	4,248	-
Impairment losses	165	497
Loss on sale and retirement of non-current assets	696	622
Profit before income taxes	52,873	68,762
Income taxes - current	3,341	14,928
Income taxes - deferred	2,152	(2,081)
Profit	47,379	55,915

(Note) The amounts presented above have been rounded down to the nearest million yen.

Non-Consolidated Statements of Changes in Equity

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity										
	Share capital	Capital surplus			Retained earnings						
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					Total retained earnings
						Reserve for tax purpose reduction entry of land	Reserve for tax purpose reduction entry of depreciable assets	Reserve for open innovation promotion	General reserve	Retained earnings brought forward	
Balance at beginning of period	100,002	109,234	–	109,234	10,363	4,141	2,344	53	39,471	87,095	143,467
Changes during period											
Reversal of reserve for tax purpose reduction entry of depreciable assets							(152)			152	–
Dividends of surplus										(23,816)	(23,816)
Profit										47,379	47,379
Cancellation of treasury shares			(25,258)	(25,258)							
Purchase of treasury shares											
Disposal of treasury shares			99	99							
Transfer from retained earnings to capital surplus			25,158	25,158						(25,158)	(25,158)
Net changes in items other than shareholders' equity											
Total changes during period	–	–	–	–	–	–	(152)	–	–	(1,443)	(1,595)
Balance at end of period	100,002	109,234	–	109,234	10,363	4,141	2,192	53	39,471	85,651	141,871

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(44,466)	308,238	31,403	31,403	339,641
Changes during period					
Reversal of reserve for tax purpose reduction entry of depreciable assets		–			–
Dividends of surplus		(23,816)			(23,816)
Profit		47,379			47,379
Cancellation of treasury shares	25,258	–			–
Purchase of treasury shares	(27,454)	(27,454)			(27,454)
Disposal of treasury shares	133	233			233
Transfer from retained earnings to capital surplus		–			–
Net changes in items other than shareholders' equity			4,254	4,254	4,254
Total changes during period	(2,062)	(3,658)	4,254	4,254	596
Balance at end of period	(46,528)	304,580	35,657	35,657	340,237

(Note) The amounts presented above have been rounded down to the nearest million yen.