

SEKISUI CHEMICAL Group’s New Medium-term Management Plan “Drive 2.0”

SEKISUI CHEMICAL CO., LTD. (Head Office: Osaka City; President and Representative Director: Keita Kato; hereinafter, “SEKISUI CHEMICAL”) has formulated its new medium-term management plan “Drive 2.0” as given below. As the crucial second phase of SEKISUI CHEMICAL Group’s “**Vision 2030**,” the plan seeks to realize this long-term vision through “Sustainable Growth” and “Accelerate Strategic Innovation.” The plan covers all companies under SEKISUI CHEMICAL Group and will be implemented over the three-year period from fiscal 2023 to fiscal 2025.

■SEKISUI CHEMICAL Group Medium-term Management Plan “Drive 2.0”

1. Overview of Drive 2.0

Policy	The aim of the plan is to realize the Group’s long-term vision “ Vision 2030 ” through “Sustainable Growth” and “Accelerate Strategic Innovation”
Basic Strategy	Three initiatives for enhancing corporate value: <ul style="list-style-type: none"> ◆ Strategic Innovation (Accelerate growth) Create & acquire new business by accelerating activities ◆ Organic Growth (Profitability) Achieve steady growth of organic businesses and refine portfolio ◆ Strengthen Sustainability (Reliability) Strengthen ESG management base that contributes to new management policy
Target	Fiscal 2025 Net sales: 1,410 billion yen, Operating profit: 115 billion yen, ROIC: 8.5%, ROE: 11.0%
Priority KPIs	<ul style="list-style-type: none"> ◆ Net sales of Products to Enhance Sustainability: Over 1 trillion yen Expand products and businesses that will raise the Group’s level of contribution towards resolving social issues and drive forward sustainable growth ◆ Operating profit margin: Over 8% Strengthen individual businesses through portfolio management ◆ EBITDA: 175 billion yen Maximize returns from past investments, and accelerate innovation to generate future earnings ◆ Percentage of employees starting up new challenges: 60% To create an energized and engaged company where everyone wants to take on challenges

[Medium-term Management Plan “Drive 2.0” Policies and Basic Strategies]



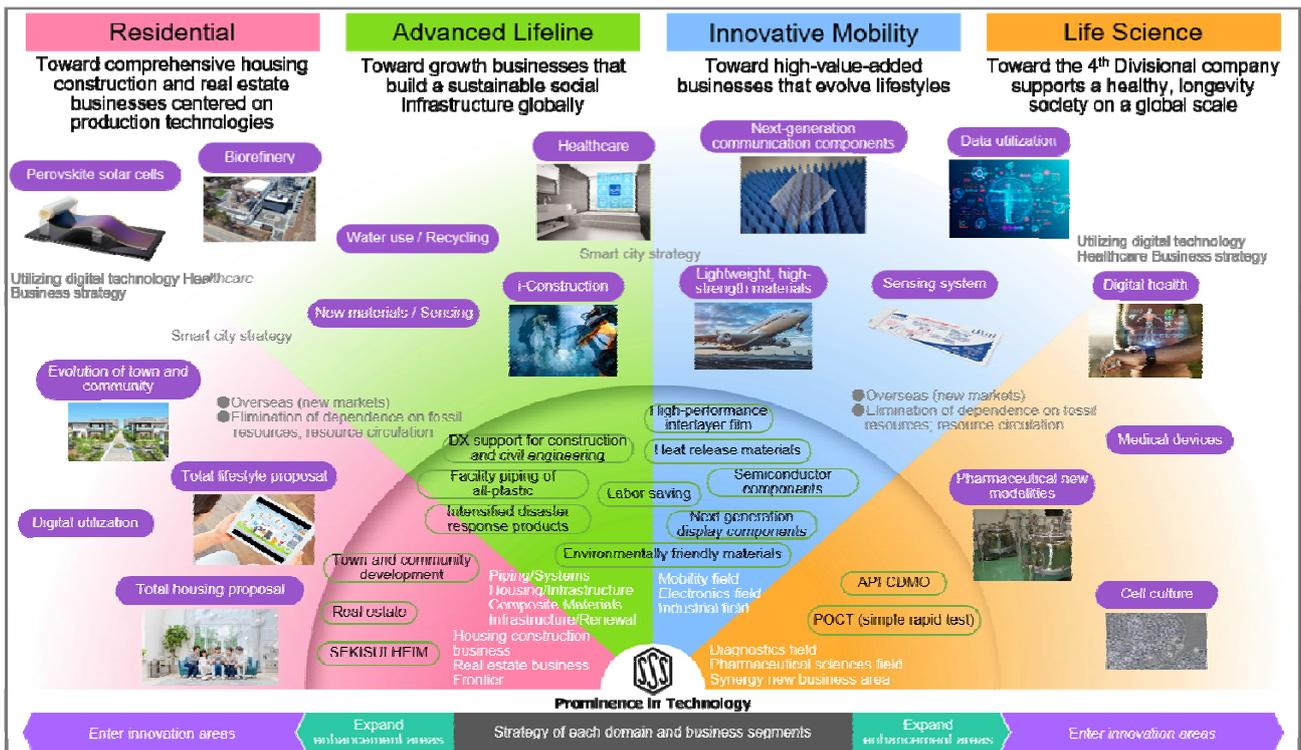
[Execution of Growth Strategies Based on Strategic Area Map]

Strategic Area Map, a compass to achieve the Long-term Vision

→ Expand **enhancement areas** and enter **innovation areas**

- **Enhancement areas**: Areas of prioritized products to be expanded by extending from existing businesses

- **Innovation areas**: Areas where new innovations are created through fusion, etc.



2. Key Strategy Details

1) Strategic Innovation

SEKISUI CHEMICAL Group has selected seven key themes (perovskite solar cells, Bio-refinery (“waste to ethanol”) technology, the new area of pharmaceutical CDMO, entry to new aeronautical fields, next-generation communication components, smart city strategies and overseas development of infrastructure materials), and will accelerate the creation of businesses in these areas. Based on core technologies and making use of fusions of technology from inside and outside SEKISUI CHEMICAL Group, as well as M&As, the Group will accelerate its creation of new businesses with the aim of ensuring that these innovative domains contribute to SEKISUI CHEMICAL Group’s business performance at an early stage.

2) Organic Growth

SEKISUI CHEMICAL Group will step up its portfolio management in order to accelerate expansion of the businesses that will be the Group’s growth drivers. The Group will analyze and evaluate existing businesses from multiple perspectives (including not only “profitability/ROIC and growth potential” but also “position within Group strategy” and “competitiveness from ESG perspectives”), clarify their respective roles, and divide them into “growth-driving businesses*1” and “growth-potential businesses*2,” with a strong focus on management resources. In the medium-term management plan, the aim is to generate over 90% of the increase in profits from these “growth-driving businesses” and “growth potential businesses.”

*1: Growth-driving business: high-performance interlayer film, heat release materials, semiconductor and display materials, pipe renewal, fire resistant and non-flammable materials, construction and industrial piping, railroad sleepers, overseas testing system, etc.

*2: Growth-potential business: town and community development, real estate (purchase and resale, etc.), Molding products, sensing, Pharmaceutical science (CDMO), etc.

3) Strengthen Sustainability

SEKISUI CHEMICAL Group has set out those materialities that are of high importance to stakeholders and for the management of the Group. Below, the Group has formulated policies within the medium-term management plan for each of these materialities, and sifted out those points that need to be strengthened.

Key Issues	Medium-term plan policies	Points to be strengthened
Products to Enhance Sustainability	<ul style="list-style-type: none"> Ensure growth in sales through expansion policies, for each Company/business Create and expand products to resolve issues through use of support systems and TFs 	Expand sales of products that will drive forward the aims of “realizing a more sustainable society” and “ensuring sustainable growth of the Group itself” <div style="border: 1px solid black; padding: 2px; margin-top: 5px;"> Products to Enhance Sustainability: Net sales (of which, premium product sales) FY2022: 900 billion yen (440 billion yen) FY2025: over 1 trillion yen (540 billion yen) </div>
Internal Control	Safety, Quality, Accounting, Legal/ Ethics, Information Management <ul style="list-style-type: none"> Boost risk forecasting/risk discovery abilities Strengthen the organization’s self-improvement abilities (organizational culture/people) 	Shore up the organization’s scope for risk-taking, through reducing and controlling business risks
Digital transformation (DX)	<ul style="list-style-type: none"> Revamp our global business base Accelerate the digital transformation of core domains Secure human resources for driving forward the digital transformation 	Secure and cultivate digital transformation human resources who can use digital transformation as leverage for driving forward business reforms
Environment	<ul style="list-style-type: none"> Resolve climate change issues Resource recycling Minimize water risks and maintain water resources 	Look at environmental issues as new opportunities, and focus efforts on creating new products created through decarbonized/low-carbon approaches and switching to alternative materials
Human Resources	<ul style="list-style-type: none"> The Right Person in the Right Place Foster an organizational culture where people can take on challenges Promote diversity 	Cultivate and select next-generation leaders, and strategically increase the numbers of specialized human resources (through reskilling etc.)

SEKISUI CHEMICAL Group will take actions under the following three items, which have been accorded the status of top-priority matters.

i) Environmental initiatives -2050 Earth with preserved biodiversity-

- Climate Change Countermeasures:

Reduce fuel-derived greenhouse gas emissions, and accelerate the transition to renewable energy in its purchased electric power.

GHG emission reduction rate (vs. FY19): -27% (FY2022 forecast), -33% (FY2025 target), -50% (FY2030 target) *3

*3) targets re-approved by the SBT initiative (=limiting global warming to 1.5°C above pre-industrial levels)

- Resource recycling

Improve material recycling rate of waste plastic, promote resource conversion of raw material resins

Material recycling rate (in Japan): 59% (FY2022 forecast), 65% (FY2025 target)

- Water risks

Reduce water withdrawal and COD emissions, minimize business impact

It is anticipated that investments in these environmental initiatives will reach 40 billion yen in total by 2030.

ii) Investment in human capital

In addition to salary increases, the following initiatives will be implemented in the medium-term plan to realize our long-term vision and become an energized and engaged company that encourages everyone to take on challenges.

- Employee career advancement: common training for all employees (DX etc.), Skill-specific training (leader, overseas business)

- Talent acquisition as a whole Group: the Group will invest 12 billion yen over there years to improve working conditions / environment (return profits to employees), and personnel acquisition.

- Discovery and promotion of best employees: realize nomination and selection of successors, visualize internal careers

- Acquisition and retention of diverse talents: establish a base that can accommodate diverse human resources, maintain and revitalize employees

- Nurture employees who take on challenges to support the business: develop next generation of leaders, Create a culture that fosters human resources who can take on challenges

We strive to enhance the value of all employees by creating an environment in which employees can take on challenges with peace of mind.

iii) Human rights-related initiatives

SEKISUI CHEMICAL Group will work to respond to social demands relating to human rights by according “Business and Human Rights” the status of a management issue and embedding this approach into the Group.

- Cultivate and instill a culture of respect for human rights

- Implement human rights due diligence to reduce risk

- Implement a grievance handling mechanism

3. Investment and Financial Strategies

While keeping an eye on the investment balance, we are also actively seeking growth by taking advantage of debt. We invest based on the accuracy of returns and improve ROIC over the medium to long term. In the previous medium-term management plan, only a portion of the investments were made for growth, in part due to its prioritization of structural reforms in the wake of the lingering impact of the COVID-19 pandemic; however, the Group made steady progress with investment into growth areas, including increasing production capacity for heat dissipation materials and active pharmaceutical ingredients. In “Drive 2.0,” the Group will increase the upper limit on strategic investment to 450 billion yen, including M&A investment of up to 300 billion yen.

Investment plan and capital allocation (Unit: billions of yen)

	Previous medium-term plan	Previous medium-term results	New medium-term plan
Strategic investment	Investment limit 400	41.7	Investment limit 450
(of which) M&As etc.	Investment limit 300	0	Investment limit 300
(of which) Capital investment	100	41.7	150
ESG investment (Included within the strategic investment and normal investment categories)	40	31.4	30
Normal investment	100	126.3	150
Total investment	500	168	600
R&D expenses	130	112.5	140

4. Profit Distribution

SEKISUI CHEMICAL Group will continue to strengthen its commitments to returns to shareholders. In this medium-term, we will raise the dividend payout ratio to 40% or higher.

	Previous medium-term plan	New medium-term plan
Dividend payout ratio	35% or higher	40% or higher
DOE	3% or higher	3% or higher
Total return ratio	50% or higher when D/E ratio is 0.5 or less	- 50% or higher when D/E ratio is 0.5 or less - Additional returns will be delivered as appropriate, taking into consideration the progress of investments under the medium-term management plan, cash position and stock prices
Retirement of treasury stock	Retire newly acquired treasury stock to a level equivalent to less than 5% of the total number of shares issued and outstanding	Retire newly acquired treasury stock to a level equivalent to less than 5% of the total number of shares issued and outstanding

5. Business Targets (unit: 100 million yen)

◆ Group-wide

	Fiscal 2022 results	Fiscal 2025	Difference
Net sales	12,425	14,100	1,674
Operating profit	916	1,150	233
Operating profit margin	7.4%	8.2%	0.8%
Net profit	692	820	127
ROIC	7.6%	8.5%	0.9%
ROE	10.0%	11.0%	1.0%
Overseas sales	3,750	4,800	1,049
EBITDA	1,420	1,750	329

◆ By segment

Housing Company

	Fiscal 2022 results	Fiscal 2025
Net sales	5,373	5,800
Operating profit	328	400
Operating profit margin	6.1%	6.9%
ROIC	14.4%	15.6%

Urban Infrastructure and Environmental Products Company

	Fiscal 2022 results	Fiscal 2025
Net sales	2,342	2,610
Operating profit	211	250
Operating profit margin	9.0%	9.6%
ROIC	10.0%	10.6%

High Performance Plastics Company

	Fiscal 2022 results	Fiscal 2025
Net sales	3,963	4,730
Operating profit	400	610
Operating profit margin	10.1%	12.9%
ROIC	9.4%	12.0%

Medical

	Fiscal 2022 results	Fiscal 2025
Net sales	896	1,125
Operating profit	125	180
Operating profit margin	14.0%	16.0%
ROIC	10.3%	12.7%