

# Key ESG Management Issues (Materiality) and KPIs

< Current Medium-term Management Plan (FY2020-FY2022) >

Implemented on a consolidated basis (certain items are implemented on a SEKISUI CHEMICAL non-consolidated and domestic consolidated only basis)

		KPIs	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results	Reference Page(s)	
Outputs	Products to enhance sustainability	Net sales of products to enhance sustainability	¥800 billion	¥908.9 billion <input checked="" type="checkbox"/>	P.36	
		Net sales of products to enhance sustainability that are categorized as Premium	—*1	—*1	P.24	
Key Issues (Materiality)	Risk mitigation/avoidance	<b>Number of serious incidents in the 5 fields</b> <ul style="list-style-type: none"> <li>Number of workplace accidents resulting in a fatality</li> <li>Number of major quality issues</li> <li>Number (incidence) of serious non-compliance and negligence</li> <li>Cybersecurity incidents*3</li> </ul>	0	—*1	P.40	
		Safety: Incidences of injuries attributable to machines and equipment	0	4	P.41	
		Quality: Rate of application of measures for development risk prevention*4	100%	100%	P.59	
		Accounting: Preparation for SAP introduction	Completion of the SAP (accounting) design process; begin the development process	Completed the SAP (accounting) design process; began the development process	P.77	
		Accounting: Number of companies incorporating accounting information	Completion of incorporation in Japan; completion of preparations for incorporation overseas	Completed preparations for the incorporation of all consolidated companies		
		Accounting: Number of educational programs implemented to improve accounting skills	4	4	P.72	
		Legal/ethics: Deployment rate of important rules at overseas Group companies	100%	96%		
		Legal/ethics: Number of regions where internal whistleblower systems have been established at overseas Group companies	All overseas regions (10 regions)	Established in 9 regions	P.82	
		Information management: Recovery time following incidence occurrence	Ongoing monitoring to set a baseline	Ongoing monitoring		
		Information management: Formulation and overseas deployment of CSIRT*5 introduction plans	Formulation of detailed plans and the start of deployment	Commenced monitoring and operation at 3 companies*6 in North America		
	<b>BCP operating rate</b>	<b>BCP operating rate 100% (establishment of PDCA)</b>	<b>BCP operating rate 100% (establishment of PDCA)</b>	P.87		
	Investment for minimizing future costs (Improving sustainability KPI)	DX	<b>Net sales per direct/indirect employee</b>	<b>Fiscal 2030: Indirect productivity 40% increase; direct productivity 15% increase (compared with fiscal 2019)</b>	—*1	P.98
			Execution status of development for constructing global standard operations and system models	Design and development of a backbone system for global rollout, and preparations for deployment	Completed design work for subject business processes/began development; confirmation of the outline of operations at overseas bases currently underway in preparation for global deployment	P.100
			Progress status of initiatives aimed at indirect materials purchasing (Deployment plans)	Enhancement of Governance (Internal Control) by visualization of transaction status, improvement of efficiency by consolidating purchasing operations	Deployment of an indirect purchasing system to major location in Japan currently underway; preparations completed for the launch of a centralized purchasing organization	
			Progress status of initiatives aimed at sales and marketing reforms (Number of participants and workload shift)	Reduction of steps in inward operations, expansion of steps in sales activities and use of IT to expand sales	Completed introduction of a sales support system to sales bases; development of new data-based business processes currently underway	
		Progress and usage status of initiatives for establishing new work styles	Provision of remote-work platforms that balance security and convenience	Completed deployment of secure remote work platform (MobileNET: 6,000 users, Integrated Authentication Platform: 25,000 users), established new work styles		
		<b>Renewable energy ratio of purchased electricity</b>	<b>20%</b>	<b>36.4%</b> <input checked="" type="checkbox"/>	P.149	
Environment		Resource recycling: Waste generated; per unit of production	-1% (over the three-year Medium-term Management Plan)	-1.7% (compared with fiscal 2019)	P.156	
		Water-related risks: Water intake volume at production sites which use large quantities of water	-10% (over the three-year Medium-term Management Plan)	-7.8% (compared with fiscal 2016)	P.169	
	Water-related risks: Total COD volume of river discharge water at production sites with large COD emission volumes	-10% (over the three-year Medium-term Management Plan)	-14.3% (compared with fiscal 2016)			

		KPIs	Current Medium-term Management Plan Final Fiscal Year (FY2022) Targets	Fiscal 2022 Results	Reference Page(s)	
<b>Key Issues (Materiality)</b>	Investment for minimizing future costs (Improving sustainability KPI)	<b>Human capital</b>	■ Degree of challenging behavior expression*7	17%	11% ✓	P.214
			Rate of deployment of the Long-term Vision to each department	Rate of deployment to employees 100% Long-term Vision expansion workshops (for the heads of Group organizations): 100%	Rate of deployment to employees 69% Long-term Vision expansion workshops (for the heads of Group organizations): 88%	P.214
			Transition to the new HR system	Completion of transition to the new HR system (general employees and managerial positions)	Completion of transition to the new HR system (general employees and managerial positions)	P.218
			Rate of career interview implementation between superiors and subordinates for independent career development	Implementation of career interviews (general employees, managerial positions and senior experts) 100%	Implementation of career interviews (general employees, managerial positions and senior experts) 75.4%	P.216
		<b>Fusion (Innovation)</b>	■ Increase in net sales from fusion	Up ¥50 billion (compared with fiscal 2019)	Up ¥46.8 billion (compared with fiscal 2019)	P.243
			Number of new A-type products launched, number of A-type projects*8	— *1	— *1	P.243
			Number of external collaborations	— *1	— *1	

\*1 Undisclosed.

\*2 Based on individual divisional company standards.

\*3 Virus infection, information leakage, backbone system outage, or other incident resulting from cyber attacks that have a significant impact.

\*4 When using methods to prevent development risk at the product development stage

\*5 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.

\*6 Three companies in North America: SEKISUI AMERICA CORPORATION, SEKISUI VOLTEK, SEKISUI DIAGNOSTICS

\*7 Questionnaire survey to measure whether employees actually expressed challenging behaviors to achieve the Long-term Vision. Under the current Medium-term Management Plan, the percentage of respondents who answered "yes" from a 4-answer selection was used as an indicator. (See p. 213)

\*8 New A-type product: Product developed using new technologies with the aim of cultivating new markets and customers. A-type project: Large-scale subdivision project with more than 30 lots.

< Next Medium-term Management Plan (FY2023-FY2025) >

		KPIs	Next Medium-term Management Plan (FY2025) Targets	
Outputs	Products to enhance sustainability	Net sales of products to enhance sustainability	Over ¥1,000 billion	
		Net sales of products to enhance sustainability that are categorized as Premium	—*3	
Key Issues (Materiality)	Risk mitigation/avoidance	<b>Number of serious incidents in the 5 fields</b>	<b>0</b>	
		Safety: Incidences of injuries attributable to machines and equipment	0	
		Quality: Events to increase the level of CS & Quality	4	
		Accounting: Rate of sales coverage of new ERP introduction companies	50% (excluding housing (number of companies: 23 in Japan, 3 overseas))	
		Accounting: Percentage of new ERP introduction companies that automatically prepare consolidated financial accounting formats	100% (new ERP introduction companies)	
		Legal/ethics: Deployment rate of important rules at overseas Group companies	100%	
		Legal/ethics: Number of regions where internal whistleblower systems have been established at overseas Group companies	All overseas regions (10 regions)	
		Information management: Recovery time following detection	Within 3 business days	
		Information management: Deployment of Overseas CSIRT <sup>2</sup>	Completion of deployment in all regions	
	Investment for minimizing future costs (Improving sustainability KPI)	DX	<b>Net sales per direct/indirect employee</b>	<b>Fiscal 2030: Indirect productivity 43% increase, Direct productivity 30% increase (vs.fiscal 2019)</b>
			Status of development and deployment progress of global standard operations and system models	Start of renewal and deployment of global management foundation; realization of the business transformation we are aiming for (introduction locations)
			Progress in the deployment of DX theme initiatives to the Group and globally as well as that status of benefit creation	Maximization of effectiveness in such key core areas as indirect purchasing, sales, and manufacturing
			Status of progress of initiatives to secure human resources that employ digital tools and data to generate benefits	Continuous acquisition of DX promotion human resources
			Progress in establishing a global cyber security response system	Completion of global cyber security management system deployment
		Environment	<b>Climate Change: Rate of GHG reduction</b>	<b>-33% (compared with fiscal 2019)</b>
			Climate Change: Renewable energy ratio of purchased electricity	70%
			<b>Resource recycling: Recycling rate for waste plastic materials (Japan)</b>	<b>Japan:65%(Overseas:BM+5%)</b>
			Resource recycling: Reduction rate of amount of waste generated per unit of production	-3% (compared with fiscal 2022)
		Human capital*7	Water-related risks: Reduction rate of water intake volume at production sites which use large quantities of water	-10% (compared with fiscal 2016)
			<b>Degree of challenging behavior expression</b>	<b>60%*3</b>
			<b>Rate of successor candidate preparation*4</b>	<b>100%</b>
			Hours of training*5	10 hours
			Ratio of women to total hires	35%
			Ratio of female managers	5%
			Gender wage disparity*6	—*1
		Fusion (Innovation)	Ratio of male employees taking childcare leave	75%
			<b>Number of open innovation</b>	<b>—*1</b>
			Number of new A-type products launched, number of A-type projects*8	—*1
	Number of external collaborations	—*1		

\*1 Undisclosed.

\*2 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.

\*3 Targets after redefining indicators. (See p. 213)

\*4 Number of successor candidates to the most senior business leader post ÷ Number of the same post

\*5 Hours of training per employee in the fiscal year.

\*6 No institutional wage disparity; differentials based on the composition of labor (age and qualifications) rate.

\*7 KPIs other than the degree of challenging behavior expression and the successor candidate readiness rate are disclosed as SEKISUI CHEMICAL non-consolidated targets.

\*8 New A-type product: Product developed using new technologies with the aim of cultivating new markets and customers. A-type project: Large-scale subdivision project with more than 30 lots.