



## Governance

# Corporate Governance

## ● Strategy (Stance and Approach)

### | Basic Concept

SEKISUI CHEMICAL Group's basic corporate governance policy is to achieve sustainable growth and increase corporate value over the medium to long term.

To achieve this, we are increasing management transparency and fairness and pursuing swift decision-making. At the same time, we will continue to meet the expectations of our five stakeholders-customers, shareholders, employees, business partners, and local communities and the global environment-through the creation of social value as stated in our Corporate Philosophy.

### | SEKISUI Corporate Governance Principles

The Company has established and disclosed the SEKISUI Corporate Governance Principles for the purpose of further evolving its corporate governance initiatives and communicating its corporate governance approach and initiatives to stakeholders.

In addition to the above Principles, the status of the Company's initiatives and its approach with respect to the Corporate Governance Code, consisting of the General Principles, Principles, and Supplementary Principles, are summarized and disclosed in the Initiatives to Each of the Principles of the Corporate Governance Code.

Details of SEKISUI CHEMICAL Group's Corporate Governance Report, SEKISUI Corporate Governance Principles, and Initiatives to each of the Principles of the Corporate Governance Code are available at the following address.

Corporate Governance

<https://www.sekisuichemical.com/about/outline/governance/>

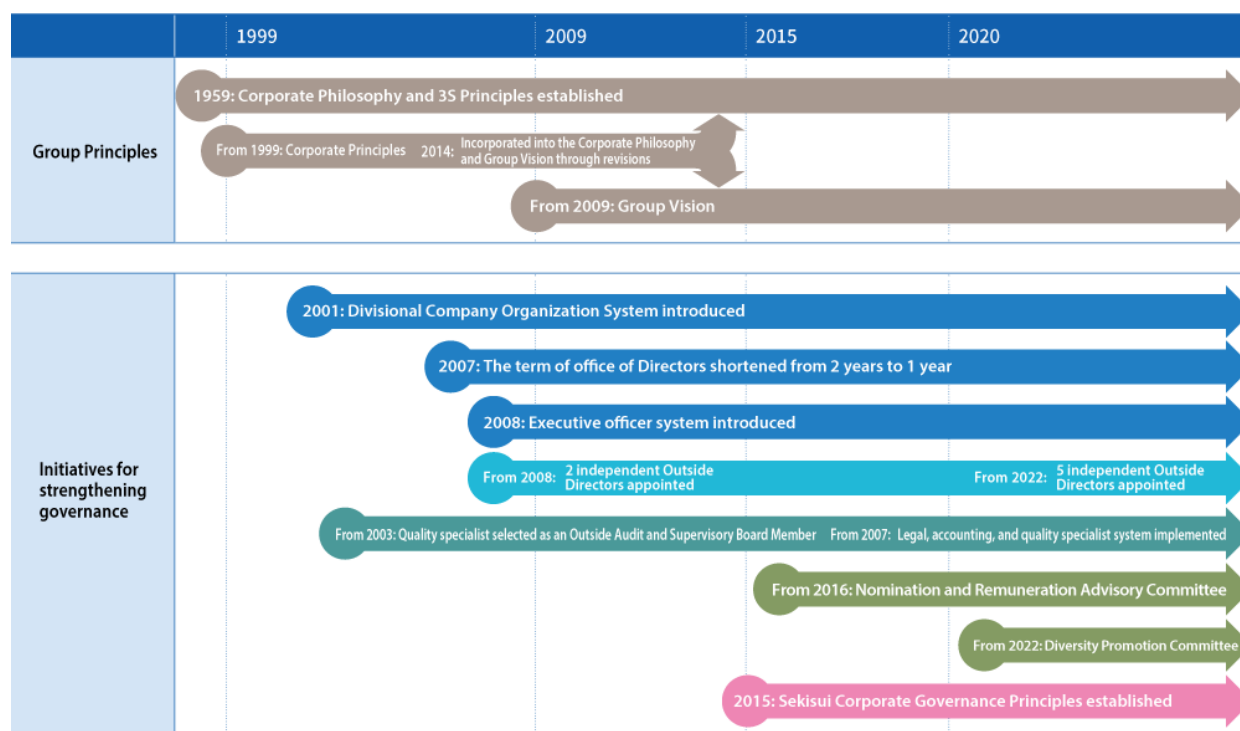
## ● Governance

### | Organizational Structure

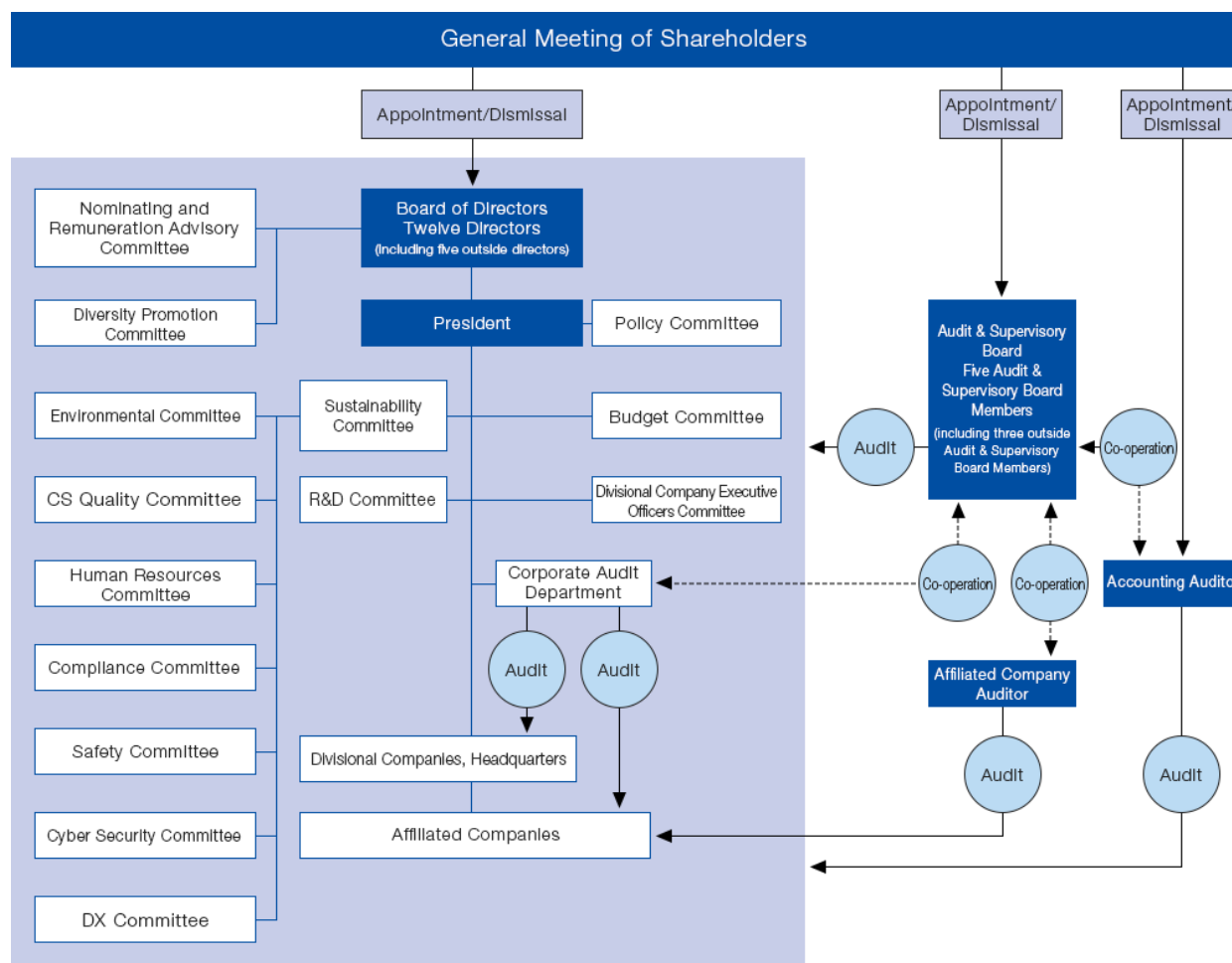
SEKISUI CHEMICAL has chosen a company with an Audit and Supervisory Board as its organizational structure under the Companies Act. Under the Divisional Company Organization System, we have adopted the Executive Officer System in order to separate the supervisory function of directors from the business execution function of executive officers and to ensure each divisional company responds swiftly to changes in the business environment.

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

## Initiatives Taken to Enhance Corporate Governance



## Corporate Governance System Chart (As of March 31, 2024)



## | Roles and Responsibilities of the Board of Directors

The Board of Directors is positioned as the body that determines basic Group-wide policies, makes sophisticated management decisions, and supervises the execution of business.

The Company's Chairman, who is a non-executive director, serves as the Chairman of the Board of Directors. In addition, the Company has established a highly effective supervisory system for directors by appointing outside directors with sufficient independence to ensure management transparency and fairness.

As a general rule, directors are required to attend all of the meetings of the Board of Directors.

## | Composition of the Board of Directors

We have limited the number of directors to 15, of which several outside directors are to be appointed.

Our Board of Directors is made up of directors with excellent character, insight, and high ethical standards, as well as knowledge, experience, and relevant capabilities.

In addition, all Audit and Supervisory Board members, including outside Audit and Supervisory Board members, attend meetings of the Board of Directors. At least one Audit and Supervisory Board member is appointed with knowledge of corporate finance and accounting, and at least one is appointed with knowledge of the legal system. The diversity and number of Board of Directors' members is set to ensure that appropriate decisions are made in accordance with the scope and size of our business.

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 the independent outside directors, who have broad knowledge and experience, and Audit and Supervisory Board members with strong expertise, the presidents of the divisional companies effectively perform the roles and responsibilities of the Board of Directors and maintain a balance with respect to diversity, optimal size, and capabilities. Following their initial appointment to the Company's Board of Directors at the Annual General Meeting of Shareholders held in June 2022, three female directors have been continuously reappointed.

In light of the above, we believe that the diversity of our Board of Directors is ensured in terms of both skills and gender.

## Attendance of Directors and Audit and Supervisory Board Members

| Name                   | Position in the Company   | Years in office<br>(June 2024<br>as of the conclusion<br>of the Annual<br>General Meeting of<br>Shareholders) | Attendance at<br>Board Meetings<br>(FY2023) | Attendance<br>at Audit and<br>Supervisory<br>Board Meetings<br>(FY2023) | Attendance at<br>Nomination and<br>Remuneration<br>Advisory Committee<br>Meetings<br>(FY2023) | Attendance<br>at Diversity<br>Promotion<br>Committee<br>Meetings<br>(FY2023) |
|------------------------|---|---|---|---|---|--|
| Teiji Koge             | Chairman of the Board   | 19 years  | 100%<br>(17/17)                             | —   | 100%<br>(6/6)   | 100%<br>(3/3)  |
| Keita Kato             | President and<br>Representative Director<br>CEO                 | 10 years  | 100%<br>(17/17)                             | —   | 100%<br>(6/6)   | 100%<br>(3/3)  |
| Futoshi Kamiwaki       | Representative Director<br>Senior Managing<br>Executive Officer | 4 years   | 100%<br>(17/17)                             | —   | —   | 100%<br>(3/3)  |
| Yoshiyuki Hirai        | Director<br>Senior Managing<br>Executive Officer                | 9 years   | 100%<br>(17/17)                             | —   | —   | —  |
| Toshiyuki<br>Kamiyoshi | Director<br>Senior Managing<br>Executive Officer                | 5 years   | 94%<br>(16/17)                              | —   | —   | —  |
| Ikusuke Shimizu        | Director<br>Senior Managing<br>Executive Officer                | 5 years   | 100%<br>(17/17)                             | —   | —   | —  |
| Kazuya Murakami        | Director<br>Executive Officer                                   | 3 years   | 100%<br>(17/17)                             | —   | —   | 100%<br>(3/3)  |
| Hiroshi Oeda           | Independent Outside<br>Director                                 | 6 years   | 100%<br>(17/17)                             | —   | 100%<br>(6/6)   | 100%<br>(3/3)  |
| Haruko Nozaki          | Independent Outside<br>Director                                 | 2 years   | 94%<br>(16/17)                              | —   | 100%<br>(6/6)   | 100%<br>(3/3)  |
| Miharu Koezuka         | Independent Outside<br>Director                                 | 2 years   | 100%<br>(17/17)                             | —   | 100%<br>(6/6)   | 100%<br>(3/3)  |
| Machiko Miyai          | Independent Outside<br>Director                                 | 2 years   | 100%<br>(17/17)                             | —   | 100%<br>(6/6)   | 100%<br>(3/3)  |
| Yoshihiko<br>Hatanaka  | Independent Outside<br>Director                                 | 1 year  | 100%<br>(13/13)                             | —   | 100%<br>(5/5)   | 100%<br>(3/3)  |
| Hiroyuki<br>Taketomo   | Full-time Audit and<br>Supervisory Board<br>Member              | 3 years   | 100%<br>(17/17)                             | 100%<br>(14/14)   | —   | —  |
| Tomoyasu Izugami       | Full-time Audit and<br>Supervisory Board<br>Member              | 1 year  | 100%<br>(13/13)                             | 100%<br>(11/11)   | —   | —  |
| Yoshikazu<br>Minomo    | Independent Outside<br>Audit and Supervisory<br>Board Member    | 2 years   | 100%<br>(17/17)                             | 100%<br>(14/14)   | —   | —  |
| Wakyu Shinmen          | Independent Outside<br>Audit and Supervisory<br>Board Member    | 1 year  | 100%<br>(13/13)                             | 100%<br>(11/11)   | —   | —  |
| Kenji Tanaka           | Independent Outside<br>Audit and Supervisory<br>Board Member    | 1 year  | 100%<br>(13/13)                             | 100%<br>(11/11)   | —   | —  |

## About the Age-group Composition of Officers

|                            |        | Under 30 | 30-39 | 40-49 | 50-59 | 60 or older |
|----------------------------|--------|----------|-------|-------|-------|-------------|
| Number of Directors by Age | Male   | 0        | 0     | 0     | 2     | 7           |
|                            | Female | 0        | 0     | 0     | 0     | 3           |

Note: As of March 31, 2024

## Outside Director

We have appointed independent outside directors with a wealth of management experience and expertise across different backgrounds to provide oversight and advice and to contribute to the enhancement of our corporate value. In particular, we receive advice from a variety of objective perspectives on such priority management issues as global expansion, business model innovations, and the strengthening of ESG management.

### Hiroshi Oeda, Outside Director

Mr. Oeda serves as Corporate Special Advisor at Nisshin Seifun Group Inc. As a management executive of the largest milling company in Japan, the Company expects him to provide advice with respect to the business management of the Company and supervise business execution appropriately by leveraging his abundant experience and skill regarding global corporate management, business strategies, and M&A activities fostered throughout his career. His appointment reflects the Company's judgment that he will contribute to the enhancement of the Group's corporate value through his advice on management and provision of appropriate oversight over business execution.

### Haruko Nozaki, Outside Director

Ms. Nozaki has experience in human resources and education at HORIBA, Ltd., as well as a high level of insight into the promotion of diversity and development of the next generation. She currently serves as Executive Vice-President of Kyoto University and External Director of West Japan Railway Company. The Company expects she will provide pertinent advice on medium-to long-term issues centered on her knowledge of human resources, and that this will contribute to the enhancement of the Group's corporate value.

### Miharu Koezuka, Outside Director

Ms. Koezuka has served as Representative Director and General Manager of Planning Headquarters, and General Manager of Sales Headquarters at Takashimaya Co., Ltd. As a member of the management team, she has been involved in the management of the company for many years. She currently serves as an outside director of Japan Post Holdings Co., Ltd. and Nankai Electric Railway Co., Ltd. Her appointment reflects the Company's judgment that she will utilize her experience in a variety of industries to provide diverse and accurate advice, and that this will help enhance the Group's corporate value.

### Machiko Miyai, Outside Director

Ms. Miyai has held executive positions at Panasonic Corporation, and subsequently served as a director and head of the Marketing Department at MORINAGA & CO., LTD.. She has a wide range of work experience in industries different from the Group, with a focus on consumer-conscious duties. Her appointment reflects the Company's judgment that she will utilize her abundant experience and wide-ranging knowledge at Board of Directors' meetings to provide accurate advice and thereby contribute to the enhancement of the Group's corporate value.

### Yoshihiko Hatanaka, Outside Director

Mr. Hatanaka has served as an executive at Astellas Pharma Inc., and in addition to his wide-ranging insight into global company management cultivated through his extensive experience in Europe, the United States, and other overseas countries, he has a high level of knowledge regarding corporate integration and other matters from his experience as a corporate planning officer. Based on these experiences and achievements, the Company expects that he will provide appropriate advice to the management of the Group. His appointment reflects the Company's judgment that he will contribute to the enhancement of the Group's corporate value.

## Assessment Relating to the Board's Effectiveness

Every year, the Company conducts a survey to evaluate the effectiveness of the Board of Directors for directors and Audit and Supervisory Board members, and to evaluate the effectiveness of the Board of Directors.

Based on the results of the survey, the Company confirmed that the Board of Directors set appropriate agenda items, ensured sufficient time for discussion, and allowed directors and Audit and Supervisory Board members, including outside directors, to actively offer their opinions and suggestions. For this reason, we believe that our Board of Directors contributes to enhancing the corporate value of the Group and is functioning properly.

In fiscal 2023, the Board of Directors thoroughly deliberated on key management issues, including growth strategies (R&D, new large-scale businesses, large-scale capital expenditures, etc.) and fundamental strategies (Sustainability Committee reports, digital transformation, safety, compliance, CS & Quality, etc.).

The Nomination and Remuneration Advisory Committee deliberates on the selection of candidates for directors and Audit and Supervisory Board members, as well as individual assessments and amount of compensation. Thereafter, the Board of Directors deliberates on the results. The Nomination and Remuneration Advisory Committee met six times, and held discussions on a variety of issues, including the composition and effectiveness of the Board of Directors and initiatives to strengthen governance.

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

In order to enhance deliberations at meetings of the Board of Directors, materials for meetings are distributed in advance and prior explanations are provided by the executive officer in charge of the Secretariat. In addition, we provide opportunities to deepen understanding of our business on an ongoing basis through orientation at the time of appointment, business briefings and site visits multiple times a year.

In order to further enhance the effectiveness of management oversight by outside executives, the Nomination and Remuneration Advisory Committee, which is composed of a majority of outside directors, has enhanced its deliberations. In addition, dialogue with Audit and Supervisory Board members and accounting auditors is also conducted. In terms of succession planning, we are also strengthening contact between the current management team and candidates for the next management level. For example, we offer lectures by outside directors at Executive Officers Liaison Committee meetings, which are held at the time of each quarterly settlement of accounts, and provide opportunities for directors, Audit & Supervisory Board members, and executive officers to come together when establishing a new management system after the Annual General Meeting of Shareholders.

## Opportunities to Deepen Understanding of the Company's Business

In order to deepen understanding of the Company and the characteristics of the Group's wide-ranging business, we conduct business site inspections by outside executives each year and business briefings for outside officers.

In fiscal 2023, we inspected the core plants of each divisional company (Housing Company: Sekisui Heim Industry Co., Ltd.; Urban Infrastructure & Environmental Products Company: Shiga-Ritto Plant; High Performance Plastics Company: Musashi Plant and Shiga-Minakuchi Plant), as well as Asaka Lead Town and the High Performance Plastics Company's MINASE INNOVATION CENTER.

## Grasp External Trends on Economic, Environmental, and Social Topics

We share details of earnings announcements at Executive Officers Liaison meetings held at the time of each quarterly settlement. In addition, we invite speakers from outside the company to provide the latest information on economic, environmental, and social trends that are directly related to management issues, as well as knowledge from other companies and industries.

[FY2023 Executive Officers Liaison Meeting Lecture Topics]

① Owls Consulting Group, Inc.

Principal Ayumi Yamori

Theme: Social trends related to business and human rights, leading examples, etc.

② Machiko Miyai, Outside Director

Theme: The Morinaga Group sustainable management

③ Takuya Shimamura, Director Chairman, AGC Inc.

Theme: Ambidextrous management: Working toward organizational cultural change

~Conditions for a leader to shine a light in people's hearts~

④ Yoshihiko Hatanaka, Outside Director

Theme: Responsibility and thoughts for the next generation

## Nomination and Remuneration Advisory Committee

We have established a voluntary advisory committee on nomination and remuneration to supplement the functions of the Board of Directors and to increase the fairness and transparency of management.

The Nomination and Remuneration Advisory Committee deliberates on matters related to improving the effectiveness of the Board of Directors, including the election and dismissal of senior management, the nomination of candidates for director, and the remuneration system and level of remuneration for directors. The Committee also deliberates on the appointment of former representative directors and presidents to the positions of advisors or executive advisors as well as other relevant factors as their treatment, and submits recommendations and advice to the Board of Directors.

The Nomination and Remuneration Advisory Committee is composed of seven members, the majority of whom are independent outside directors. The chairperson is selected from the independent outside directors.



## Remuneration and Other Compensation for Executives

### Policy regarding determination of remuneration and other compensation

#### ① Basic policy

Our executive remuneration system establishes the following policies to realize the Group's corporate philosophy.

- To contribute to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term
- To ensure that executives share a common sense of interest with shareholders and increase their awareness of shareholder-oriented management
- To be a highly performance-linked remuneration system for executives and serve as motivation to achieve management plans
- To improve the competitiveness of the Group and serve as a mechanism and standard that enables us to acquire and retain diverse and superior management personnel

#### ② Remuneration mindset

Remuneration for executive directors consists of base remuneration, bonuses, and share-based compensation.

Compensation for outside directors and Audit and Supervisory Board members consists solely of base remuneration.

##### <Base remuneration>

- Regular monthly remuneration\*
- Within the scope of executive remuneration, a fixed amount is paid according to the roles and responsibilities of directors.
- \* Executive directors are required to purchase shares of the Company through the Executive Stock Ownership Plan for a fixed amount of base remuneration.

##### <Bonuses>

- Determined within the scope of the payment rate (0% to 100%) linked to the achievement of targets for operating income, ROIC, Company performance, and other financial indicators as well as ESG indicators, if certain criteria are met regarding ROE and dividends.

##### <Share-based compensation>

- To further increase motivation and contribute to improving medium-to long-term performance and increasing corporate value
- Points are awarded every year according to the position, and shares equivalent to accumulated points during the term of service are issued at the time of retirement

## Determination Process for Executive Remuneration and Other Compensation

We have established the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors in order to achieve the purposes of the executive compensation system.

This committee deliberates on the structure and level of remuneration for directors, verifies the appropriateness of individual remuneration, and uses objective and transparent procedures. Through the above procedures, the Board of Directors has determined that the content of remuneration, etc. for each individual director for the fiscal year in question is in line with the decision-making policy.

<Overview of the Nomination and Remuneration Advisory Committee and the Methodology of Determining Remuneration, etc.>

- The Committee shall be convened by the chairperson (outside director).
- The agenda of the Committee shall be submitted to the Committee by the Secretariat, which shall be submitted to the Chairperson.
- The results of deliberations shall be reported to the Board of Directors by the chairperson.
- The Board of Directors shall respect the recommendations of the Committee and make the final decision on the policy for determining the remuneration of directors. Committee members and directors must make these decisions from the perspective of whether or not they contribute to the corporate value of the Company and the common interests of shareholders, and must not aim to benefit the personal interests of self or third parties, including the management of the Company.
- The Board of Directors decides the specific amount, timing, and method of payment of individual director remuneration based on the recommendations of the Nomination and Remuneration Advisory Committee from the viewpoint of further strengthening the Board of Directors' supervisory functions and ensuring further objectivity and transparency.

## Officer Remuneration in FY2023

(Amount: Millions of yen)

|  | Basic remuneration                    |        | Bonus                                 |        | Share-based compensation              |        | Total                                 |        |
|--|---------------------------------------|--------|---------------------------------------|--------|---------------------------------------|--------|---------------------------------------|--------|
|  | Number of eligible officers (persons) | Amount | Number of eligible officers (persons) | Amount | Number of eligible officers (persons) | Amount | Number of eligible officers (persons) | Amount |
| Directors  | 13                                    | 426    | 7                                     | 320    | 7                                     | 83     | 13                                    | 829    |
| Of which Outside Directors                           | 6                                     | 72     | —                                     | —      | —                                     | —      | 6                                     | 72     |
| Audit and Supervisory Board members                  | 8                                     | 79     | —                                     | —      | —                                     | —      | 8                                     | 79     |
| Of which outside Audit and Supervisory Board members | 5                                     | 36     | —                                     | —      | —                                     | —      | 5                                     | 36     |

Note 1: The aforementioned includes one Director and one Audit & Supervisory Board member who retired at the conclusion of the 101th General Meeting of Shareholders held on June 20, 2023.

Note 2: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to 46 million yen for Directors who concurrently serve as employees.

Notice of Convocation of the Annual General Meeting of Shareholders

[https://www.sekisuichemical.com/ir/stock/shareholder\\_info/](https://www.sekisuichemical.com/ir/stock/shareholder_info/)

## Director Company Stock Ownership Guidelines

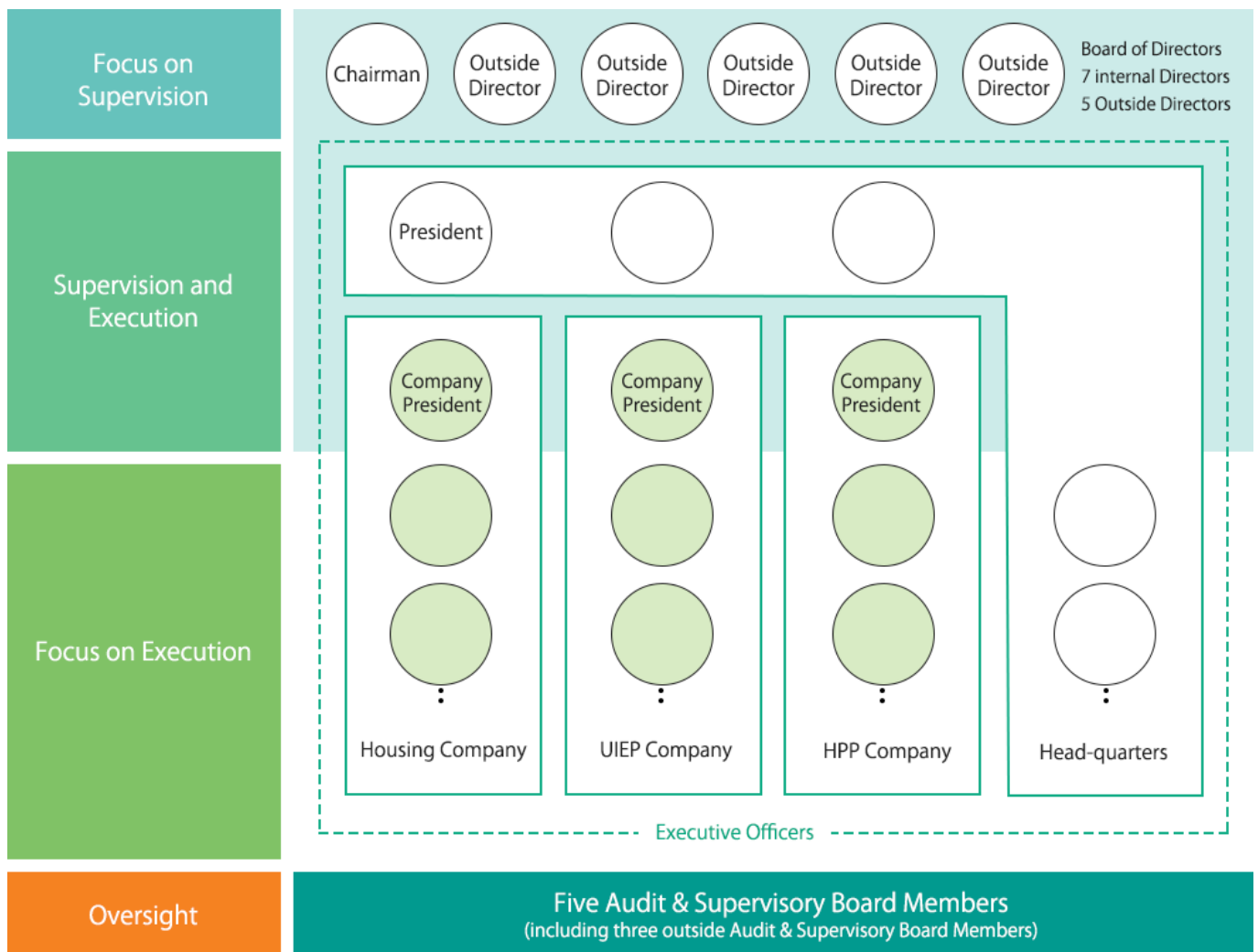
For directors (excluding outside directors) and executive officers, we have introduced a share-based compensation plan in order to further motivate them to contribute to improving medium-to long-term performance and increasing corporate value. In addition, we have established the "Stock Ownership Guidelines" for those who hold more than a certain number of shares.

## Executive Officer System and Executive Committee

We have established a management system based on the Divisional Company Organization System to maximize corporate value. Together with assigning operating officers specializing in business execution to each divisional company, the Executive Committee has been established to serve as the top decision-making body in each divisional company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee. Executive officers are appointed by a resolution of the Board of Directors for a term of one year.

Through the transfer of authority to divisional companies, the Board of Directors is responsible for determining the basic management policies of SEKISUI CHEMICAL Group and for making sophisticated management decisions and overseeing business execution in an effort to continuously increase corporate value.

## Management System



## | Auditing System

### Approach to the Appointment of Audit and Supervisory Board Members

The Audit and Supervisory Board has a total of five Audit and Supervisory Board members: Two full-time in-house Audit and Supervisory Board members and three part-time outside Audit and Supervisory Board members. As far as the composition of the Audit and Supervisory Board is concerned, one or more members will have knowledge and expertise in corporate finance and accounting, one or more will have knowledge and expertise in legal systems, and one or more will have knowledge and expertise in manufacturing and CS & Quality, which are extremely important for manufacturers.

Officers with experience as Head of Legal Department and plant managers have been appointed as in-house Audit and Supervisory Board members in fiscal 2024.

Three outside Audit and Supervisory Board members are appointed: A certified public accountant with experience working at an auditing firm, a lawyer with extensive experience in corporate legal affairs, and a university professor specializing in quality control.

## | Internal Control System

In May 2006, the Board of Directors adopted a basic policy for establishing an internal control system to ensure the appropriateness of its business.

Specifically, under the "Corporate Activity Guidelines" based on the Group corporate philosophy, we closely coordinate the direction, order, and communication of SEKISUI CHEMICAL Group (the Company and its subsidiaries). At the same time, we provide guidance, advice, and evaluation to Group companies to ensure the appropriateness of the Group's overall operations.

## | Internal Control System Overview

In order to appropriately develop and operate the internal control system for the Company and Group companies, our Corporate Audit Department conducted operational and accounting audits of the Company and Group companies based on the annual audit plan, and audited whether business execution was conducted appropriately and efficiently. The results of internal audits are regularly reported at management meetings. In addition, the director in charge or full-time Audit and Supervisory Board member reports to the Board of Directors, as necessary, on the status of improvements made to matters pointed out by internal audits.

## ● Major Initiatives

### ■ Execution of Duties by Directors

In order to ensure that Directors carry out their duties efficiently, the Board of Directors met 17 times in fiscal 2023. 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 charged with the responsibility of carrying out the executive function. Policy decisions were made by the Board of Directors following these discussions.

### ■ Execution of Duties by Audit and Supervisory Board Members

Audit and Supervisory Board members attended not only the Board of Directors meetings but also other important meetings, carrying out confirmation of the maintenance and operating conditions of the internal control system through operations such as investigation of related departments, including at Group companies, and confirmation of approval documents for major projects. In addition to personally visiting various sites for audits, they also receive reports from the Internal Auditing Department and each headquarters department that has jurisdiction over internal control. The Audit and Supervisory Board met 13 times in fiscal 2023 for the purpose of sharing the information from these reports. Audit and Supervisory Board members regularly exchanged opinions with accounting auditors, cooperating closely to improve the effectiveness of auditing efforts. Liaison meetings were held with related corporate auditors to improve coordination with auditors and enhance the quality of auditing. In addition, regular meetings were held with the Representative Director, and Audit and Supervisory Board members also exchanged opinions with Outside Directors.

### ■ Group Company Business Management

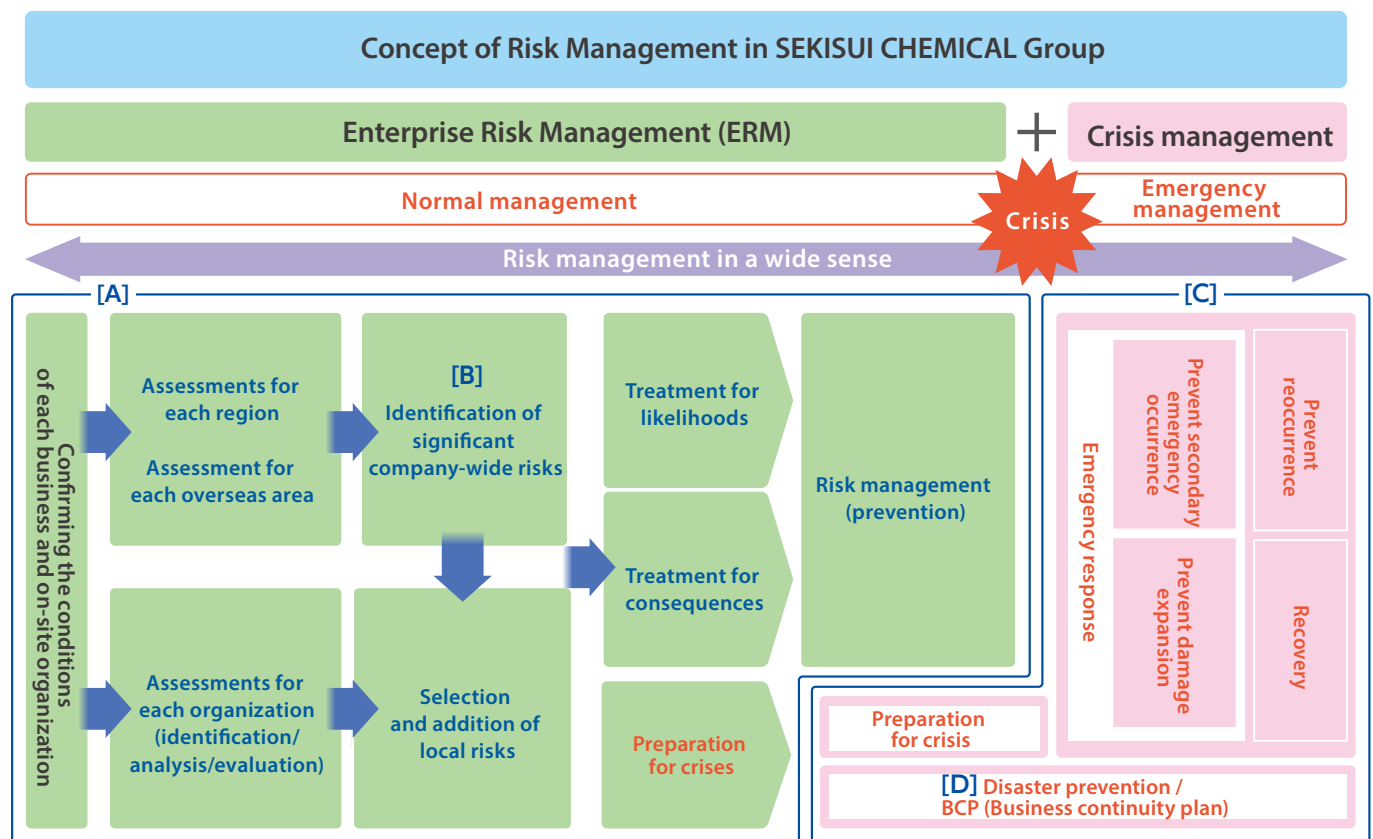
Through rules such as our domestic and overseas affiliate company handling policy and affiliate company decision-making guidelines, we have constructed a framework for getting approval and reports from Group subsidiaries to the Company. In addition, our Corporate Audit Department implements internal auditing and results of audits by Audit and Supervisory Board members of our Group companies are collected at Audit and Supervisory Board meetings.

# Risk Management

## ● Strategy (Stance and Approach)

### ■ Risk Management Philosophy

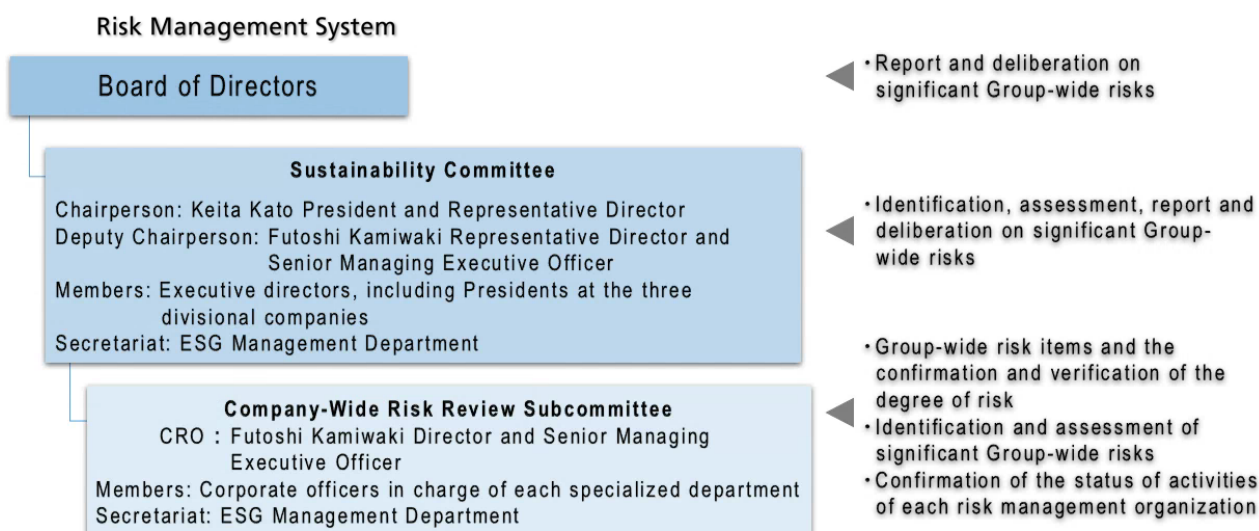
In order to realize our Long-term Vision in a rapidly changing business environment, it is essential to take decisive risks and earn the trust, expectations, and peace of mind of stakeholders. SEKISUI CHEMICAL Group believes that risk control and resilience capabilities that enable risk taking are key to this end. Based on this idea, our Group has positioned risk management as one of its management bases and is working to achieve this goal. As our Group engages in risk management, we centrally manage "risk management" and "crisis management" before and after the occurrence of risk events. We believe that this will enable flexible risk management without omission, and we have integrated prevention and minimize of the impact when it occurs.



See P.278 for more information on A and B systems and initiatives; see P.284 for more information on C and D initiatives.

## ● Governance

### | Structure of Risk Management Activities



The Group-wide Risk Review Subcommittee, with the participation of the directors in charge of each specialized corporate area, deliberates on whether or not there are any changes in the results and likelihood of correction or correction of major Group-wide risks identified in the previous fiscal year, based on changes in the internal and external environment. The results of deliberations by the Subcommittee and various measures to reduce risks are discussed by the Sustainability Committee and then reported to the Board of Directors. We are also moving forward with initiatives that will be reflected in the risk management activity plans for the following fiscal year in each organization.

### | ERM (Enterprise Risk Management): A reference to Group-wide risk management.

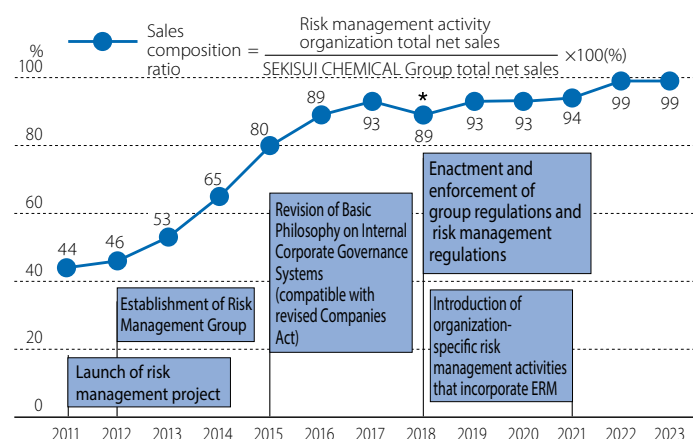
Amid increasing uncertainty and complexity in the business environment surrounding companies, SEKISUI CHEMICAL Group believes that improving the "risk sensitivity" of its employees is essential for the appropriate management of risks, and continues to implement PDCA cycles in accordance with ISO31000, the international standard for risk management. We comprehensively identify different risks related to the business objectives of each organization, and quantify those risks from the perspectives of "results" and "likelihood of occurrence", etc. In addition, each specialized corporate department identifies "Group-wide major risks" that are likely to lead to serious incidents in the five areas of "safety, quality, accounting, legal and ethical affairs, and information management." By making it mandatory to conduct assessments in organizational risk-management activities, we have built an ERM system to curb serious incidents and share and manage them within the Group. The effectiveness of ERM is continuously verified by regularly checking for uncertainties.

Overseas, starting in fiscal 2023, the Overseas Regional Headquarters identifies risks specific to each region. The operating companies in each region conduct assessments along with "Group-wide major risks" to assess risks specific to each region, and, as in Japan, promote risk management activities in each specialized area.



## Increasing Risk-sensitivity Using PDCA Cycles

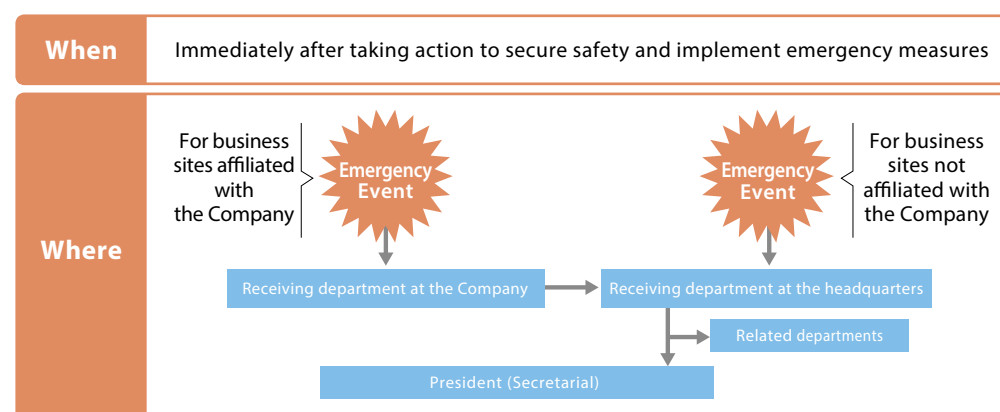
In the increasingly complex external and internal environment, it is extremely difficult to accurately grasp the risks that may occur in the future. In order to manage risks appropriately, our Group considers it essential to improve the risk sensitivity of its employees, and we continue to implement PDCA cycles that are in line with ISO31000, the international standard for risk management, on an organizational basis. This activity started in fiscal 2011 in 27 organizations, mainly business divisions, and the number of organizations increased year by year. In fiscal 2023, the number of organizations reached 170 domestically and overseas (99% of consolidated sales). Activities in the R & D departments of all in-house companies have also taken root.



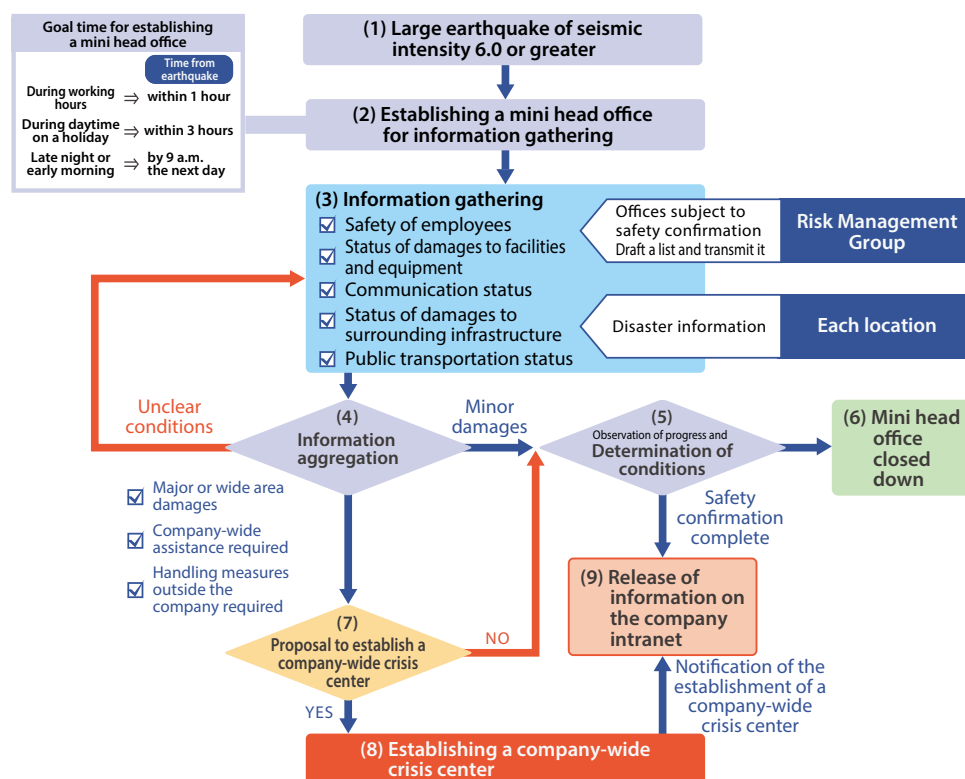
\* Temporary decline resulting from a large-scale M&A.

## Domestic Crisis Management Organizational Structure

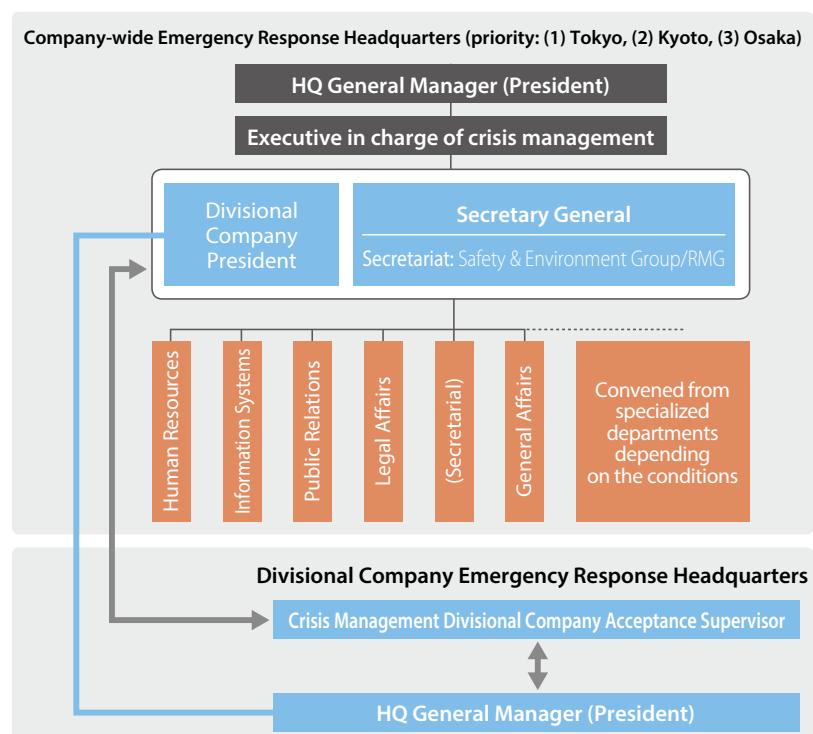
Procedures for contacting divisional companies / Corporate Headquarters from the frontline immediately after an emergency occurs.



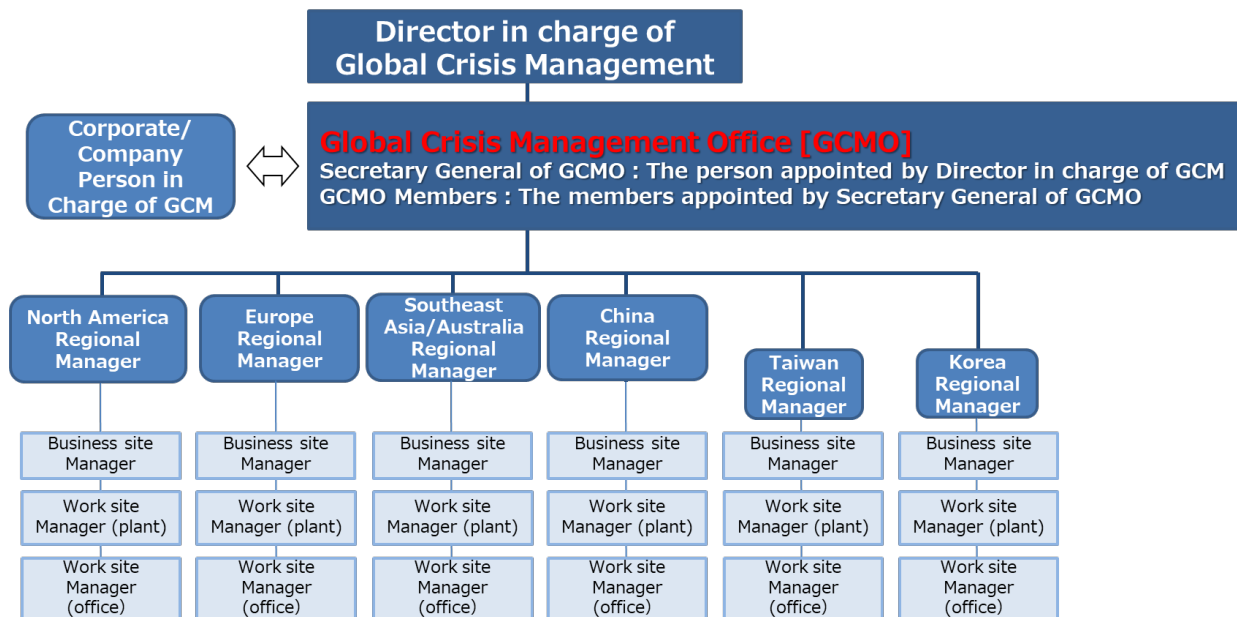
## Initial action of the Emergency Response Headquarters (in the event of a major earthquake)



## Emergency Response Headquarters Functions (when a major earthquake occurs)



## Overseas Crisis Management Organizational Structure



## ● Risk Management and Crisis Management

### ■ Risk Management

In the past, SEKISUI CHEMICAL Group's risk management focused on identifying and responding to risks in each business and organization (bottom-up approach) in line with the characteristics of a diverse range of businesses and business formats.

In addition to this, the current Medium-term Management Plan identifies risks that could disturb the management of the entire Group (Group-wide major risks) and has built and strengthened a top-down approach system to deploy them in Group-wide measures and in each business and organization.

In the next medium-term plan, we will strengthen our ability to detect risks globally and strengthen our ability to reduce risks by integrating each business and organization with specialized headquarters departments.

### ■ Crisis Management

In the wake of the outbreak of COVID-19 as of the end of fiscal 2019, Corporate Headquarters took the lead in developing and renewing BCPs for all organizations while putting in place a BCM system under the current Medium-term Management Plan.

Under the next Medium-term Management Plan, we will work to establish autonomous training programs while conducting reviews for each organization and constantly raising performance.

## ● Indicators and Targets

### ■ Targets

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group has worked to minimize the impact of earthquakes, pandemics, and other incidents by formulating a BCP and achieving a 100% operating rate. In the previous fiscal year, the Group achieved a 100% BCP operating rate. In fiscal 2023, steps were taken to complete the BCM cycle (voluntary training and document revision) and to make the BCP more functional from a practical standpoint.

In our risk management activities, we promoted the overseas deployment of a risk management system (digital dashboard) and completed the introduction of this system to all organizations, thereby creating a system that enables monitoring from domestic business companies, dedicated offices in Corporate Headquarters, divisional company business divisions, and overseas RHQ.

## ● Major Initiatives

### ■ Training Systems

As far as risk management activities by organization is concerned, SEKISUI CHEMICAL Group has conducted training for newly appointed risk managers on an annual basis since fiscal 2017 to ensure the competence of risk managers assigned to each organization. In fiscal 2023, three managers from new and other organizations received training, bringing the total number of participants to 268.

Note: Risk managers: Persons responsible for duties related to risk management activities in their respective organizations

### ■ Crisis Management Activities

Based on the experience of the Great East Japan Earthquake, SEKISUI CHEMICAL Group totally reviewed its crisis management system in fiscal 2011. Since then, we have been strengthening the system and mechanisms. Crisis management activities are conducted in accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines. Crisis management liaison meetings, which are attended by representatives from each Corporate Headquarters group and divisional companies, are held regularly to review case studies and conduct training.

Specifically, we conduct a review of the Emergency Situation Initial Response Procedures Manual through drills attended by members of initial response headquarters across the Group and confirm coordination.

We also distribute the Emergency Situation Initial Response Procedures Manual to all employees every year. This ensures that each individual can make an appropriate initial response in the event of an emergency. In addition, since fiscal 2019, we have installed a safety confirmation system on all employees' mobile phones and other devices so that we can quickly confirm the safety of employees in the event of an emergency.

To combat infectious diseases, we established an infectious disease emergency task force in March 2020 and set up a special page on our intranet for dealing with infectious diseases and disseminating action guidelines and sharing measures to prevent the spread of infectious diseases. In the event that an infected person is identified within the Group, we promptly assess the situation and share information with the people concerned, placing the highest priority on the safety of employees. As a result of these efforts, there was no major impact on our business up until the task force was dissolved in September 2022.

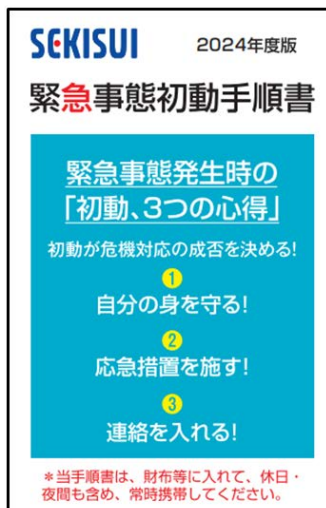
## Business Continuity Plan (BCP) Implementation

We have positioned the BCP as an essential tool to support our business strategy. In light of the Group's divisional company system and wide-ranging business operations, our basic stance is that those in charge of each line of business (the heads of business units, the presidents of business companies, etc.) individually determine the necessity of a BCP according to the nature of the business. Based on this, we have recommended the formulation of a BCP and the implementation of business continuity management (BCM) in line with ISO 22301, which standardizes the method of undertaking BCM. However, as different threats are increasing, it is increasingly necessary to determine how to continue operations in the event of the loss of major management resources over the medium to long term, and to prepare for such loss. Accordingly, all organizations formulated or revised an initial response plan (ERP) with "protecting human life" as the first priority as a Group-wide initiative in fiscal 2021. Major business organizations also developed a resource-based all-hazard BCP to respond to all crisis events.

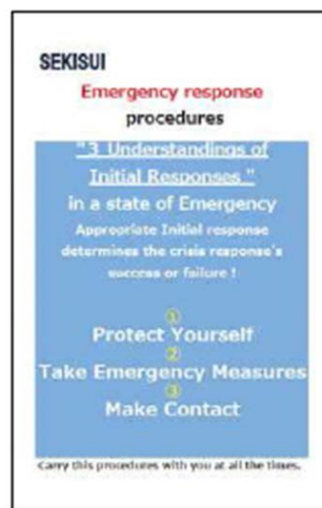
In fiscal 2022, we made desktop training mandatory for all relevant organizations, verified the effectiveness of and made revisions to ERP documents, and completed a PDCA assessment of the BCM cycle. In addition, with the participation of the presidents of each divisional company, we conducted a task force joint drill to improve the resilience of each divisional company. In fiscal 2023, individual organizations implemented BCM operations autonomously using a simple training tool. In the future, each divisional company will take the lead in developing a system for collaboration among bases and strengthening regional cooperation.

Through the above, in the event of an emergency that could threaten the continuance of operations, we will be able to respond quickly and resume important operations as soon as possible. We are building a system to minimize losses to our organization and customers and to fulfill our social responsibilities as a company.

### Emergency Situation Initial Response Procedures Manual (April 2024 revised edition)



Japanese edition



English edition

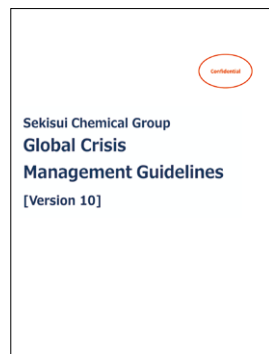
## Overseas Crisis Management Activities

The Group engages in crisis management across six regions around the world in accordance with its Overseas Safety Management Regulations. The Overseas Crisis Management Office (Risk Management Group, ESG Management Department) plays a central role in sharing risk management information with employees traveling on business, expatriates, and local employees, providing them with timely warnings and instructions on travel restrictions, and taking other measures in normal times and in emergencies. In light of the increasing number of overseas bases and the growing importance of overseas operations, we have established regional headquarters in four major regions and appointed a responsible manager each. In the event of a crisis, the Regional Head and Overseas Crisis Management Office work together to gather information and take initial action. In addition, we are building a more specialized support system in cooperation with security and medical assistance partner companies. We also provide pre-assignment education for employees posted overseas, pre-business trip e-learning for employees on business trips, and country-specific training focused on infectious diseases to educate employees on basic risk-management issues and specific safety measures.

### Global Crisis Management Guidelines



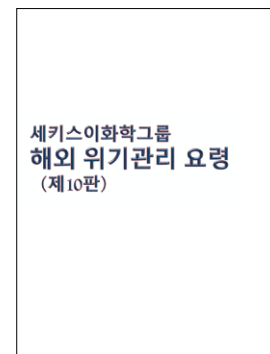
Japanese edition



English edition



Chinese edition



Korean edition



# Legal and Ethical Issues

## ● Strategy (Stance, Approach, and Awareness of Risk)

### | Basic Concept

#### Compliance Management

In Fiscal 2003, SEKISUI CHEMICAL Group established the Compliance Declaration. Based on the concepts of contribution to society, being a trusted company, and complying with the law and its spirit, we have clarified our stance of earning a high level of trust from society through compliance in accordance with our principles and the spirit set forth in our Corporate Activity Guidelines.

We are currently aiming to grow sustainably under our Long-term Vision, Vision 2030, and at the heart of this commitment is compliance. Under the current Medium-term Management Plan, we are working to improve our management ability to sustain business by suppressing the number of major incidents. We are working to raise the awareness of compliance among each and every employee by promoting various compliance programs.

We will continue our efforts to further strengthen compliance management so that the Group can be widely trusted by society.



### | Risk Awareness

The Group considers the risk of violating the Antitrust Law, bribery-related laws, security export control and related laws, and the Personal Information Protection Law to be a serious compliance risk, and is focusing its efforts on avoiding violation. In addition, the Group views compliance in a broader sense, which includes not only laws and regulations, but also internal rules and regulations, social norms, and morals. In other words, compliance in the Group means adapting to social demands. We recognize that this social requirement is constantly changing. We believe that there is a risk of non-compliance without being aware of it if we are not able to detect changes sensitively and respond to them.

## | Formulating the Compliance Policy

The Group prepared the Compliance Manual in 2003. It consists of conduct guidelines and detailed explanations of compliance items such as anti-corruption, conflicts of interest, compliance with the Antitrust Law, accounting, and harassment, and has been used for in-house education.

Beginning in 2022, with the purpose of making our Group-wide approach to compliance known to our stakeholders, we have formulated the SEKISUI CHEMICAL Group Compliance Policy by extracting the conduct guides from the Compliance Manual. This policy is posted on our website.

SEKISUI CHEMICAL Group Compliance Policy

[https://www.sekisuichemical.com/sustainability\\_report/pdf/update/Compliance\\_Policy\\_EN.pdf](https://www.sekisuichemical.com/sustainability_report/pdf/update/Compliance_Policy_EN.pdf)

Please refer to Compliance Policy on P.356

## ● Governance

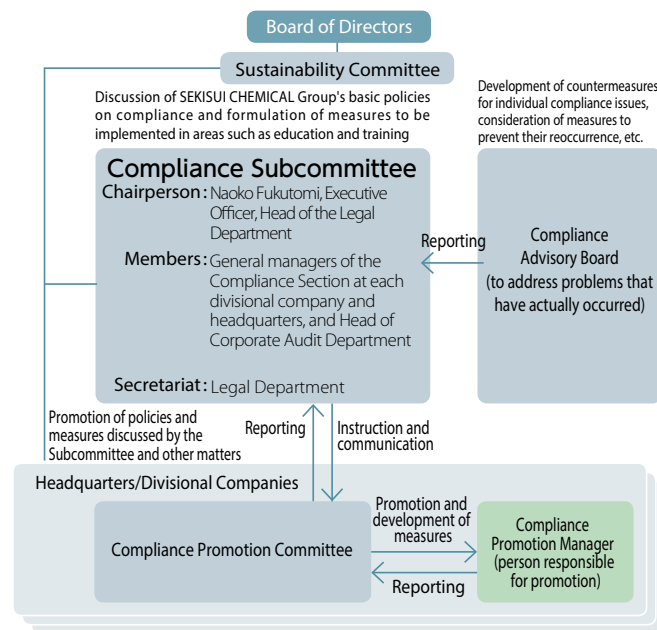
### | System

SEKISUI CHEMICAL Group has established a realistic and effective compliance promotion system to ensure the implementation of compliance management. The Compliance Subcommittee, which is chaired by the executive officer in charge of the Legal Department, has been established under the Sustainability Committee to oversee the Group's compliance, and formulates policies and implementation measures. In addition, the Compliance Promotion Subcommittee has been set up at Headquarters and each divisional company, and compliance promotion managers have been appointed to implement and develop each measure.

In the event of a major compliance issue, the Compliance Advisory Board will convene to discuss follow-up measures and prevent reoccurrence.

In fiscal 2023, the Compliance Subcommittee met twice, in May and November 2023.

#### Compliance Promotion System



## ● Risk Management

### ■ Risk Management System

To implement compliance management, SEKISUI CHEMICAL Group has established a compliance promotion system to identify and evaluate compliance risks. We also strive to reduce compliance risks and ascertain the status of compliance through regular education, training, audits, and other means.

The following are our main initiatives related to the management of compliance risks in the Group.

- Compliance-related training, including e-learning
- Legal audits related to antitrust laws and export controls
- Dissemination and operation of antitrust and bribery prevention programs
- Dissemination and operation of the S.C.A.N. intra-company whistleblowing system
- Reports and deliberates on the operation of the intra-company whistleblowing system and compliance violations at the Board of Directors and the Compliance Subcommittee
- Reports and deliberates on individual compliance violations and recurrence prevention measures at the Compliance Promotion Subcommittee

## ● Indicators and Targets

### ■ Targets

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group is strengthening control over its overseas Group companies with the aim of preventing damage to its corporate value caused by serious incidents. The results of major implementation measures are as follows.

| Key Implementation Measures                      | Management Indicators   | Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan | FY2023 Results             |
|--|---|---|----------------------------|
| Strengthen control over overseas Group companies | Deployment rate of important rules (regarding antitrust laws, anti-bribery, etc.) at overseas Group companies | 100%  | 94.7%<br>(54/57 companies) |
|  | Number of regions where the overseas internal whistle-blowing system has been established                     | All overseas geographic regions (10 geographic regions)                       | 10 regions completed       |

## ● Major Initiatives

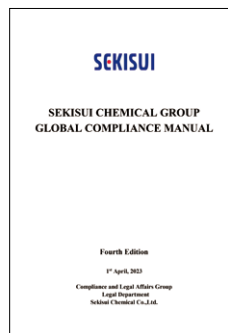
### | Fostering Compliance Awareness

SEKISUI CHEMICAL Group has prepared and distributed to all employees the Compliance Manual, its overseas version, the Global Compliance Manual, and the Compliance Card for portable use, in order to foster an awareness toward compliance in each and every employee.

In fiscal 2023, we conducted a global e-learning program on the subject of the Global Compliance Manual to ensure that it is thoroughly understood.



The Company's  
Compliance Manual



The Company's Global  
Compliance Manual  
(English edition)



The conveniently sized Compliance card

### | Compliance Training

As part of our efforts to put compliance management into practice, the Group focuses on employee compliance education.

Compliance-related content is included in new employee as well as rank-specific training. We also conduct e-learning sessions specific to compliance at least four times a year. In this manner, we provide opportunities for all Group employees to learn about the importance of compliance on an ongoing basis.

In fiscal 2023, we provided similar learning opportunities to employees who do not have access to the intranet individually, including those working on the production plant floor, by providing paper-based training opportunities at the request of Group companies and business sites.

## | Promoting and Operating the S•C•A•N. Internal Whistle-blowing System

SEKISUI CHEMICAL Group has established the SEKISUI Compliance Assist Network (S.C.A.N.), an internal whistle-blowing system. Under the supervision of the executive officer in charge of the Legal Department, this system is operated as a mechanism for the early detection, correction, and prevention of compliance problems within the Group, including harassment.

Employees of the Group can use this system, whether anonymously or not. In addition to the internal whistle-blowing system, it is also possible to report to an external independent lawyer.

Internal whistle-blowing regulations strictly protect the whistleblower, including the confidentiality of whistleblower information, and prohibit disadvantageous treatment and retaliation while requiring employees to report compliance violations that come to their attention.

When a report is received via S.C.A.N., a hearing is conducted. Hearings are conducted not only with the whistleblower, but also the subject of the report and related persons as necessary. Based on a variety of evidence, we confirm the veracity of the facts, and as a reporting desk try to solve organizational issues from an impartial standpoint. In addition, if management is involved in a reported case, an independent person from the management team investigates and responds accordingly.

In fiscal 2023, a whistle-blowing hotline was set up in Australia. The development of a system for receiving reports in local languages on a global basis was also completed.

In addition, the Group has established and operates a consultation and reporting desk for business partners.

The reporting desk is open to directors and employees of business partners in Japan who do business with Group companies on an ongoing basis. The hotline can be accessed at any time through a dedicated form on our website. In consultations with business partners, we confirm the facts and take corrective measures regarding alleged violations of laws and regulations, etc. The content of consultations and reports is shared only among the parties concerned to the minimum extent necessary to resolve the subject violation. All involved parties are obliged to keep the content confidential.

## | Status Regarding the Prevention of Bribery and Corruption

SEKISUI CHEMICAL Group is a signatory and endorser of the United Nation's Global Compact, which identifies anti-corruption as a voluntary action principle. In this spirit, and under the supervision of the executive officer in charge of the Legal Department, we have established the Bribery Prevention Regulations in accordance with the United Nations Convention against Corruption as one of our internal regulations, and are promoting efforts to prevent corruption and bribery through various means, including introducing the Regulations throughout the Group. The Bribery Prevention Regulations define bribery as the giving, offering, or promising of money or any other advantage (including but not limited to the giving etc. of checks, gift vouchers, travel, meals, or loans, or education or employment opportunities to friends or relatives. The same definition shall apply hereinafter.) with the intention of (i) causing a public official or an officer or employee of a private company to take or not to take particular action in connection with his/her duties or (ii) causing such public official or such officer or employee to use his/her position to influence other public officials or other officers and employees to take or not to take particular action in connection with their duties, in order to gain an illicit business advantage. The rules to prevent bribery and corruption also define the acceptance of bribes as the acceptance of, or request or promise to receive, money or any other advantage in connection with the recipient's duties for improper purposes.

In addition, we have formulated the Bribery Prevention Guidelines, which summarize the matters that Group employees must comply with when conducting business in Japan, the United States, and China. These rules and guidelines are made widely known through the intranet, and employees can check them at any time.

As a major measure to prevent corruption and bribery, we have established and operate policies to prevent violations before they occur. Specifically, we have identified high-risk cases and established the following rules.

- When entertaining or giving gifts to public officials  
A prescribed advance application form must be submitted to the administrator for approval.
- Appointment of agents, consultants, etc. in connection with transactions with overseas public officials, etc.  
Appointment can only proceed after confirming that payments of remuneration to that agent, consultant, etc. could not be classed as a bribe, that there are no reasonable grounds to suspect that payments could constitute a bribe, and only after a predetermined settlement procedure has been followed.

We also provide specialized training on anti-corruption for departments that are especially susceptible to the risk of corruption and bribery. In this manner, we encourage employees to learn about the relevant rules and guidelines and use the appropriate application forms.

In addition, the Compliance Policy, Compliance Manual, and Global Compliance Manual also convey policies on anti-bribery.

In fiscal 2023, questions on bribery were included in the e-learning program for employees of Group companies in Japan as well as overseas

No serious violations related to corruption or bribery were confirmed in fiscal 2023.

## | Status Regarding the Prevention of Transactions That Represent a Conflict of Interest

SEKISUI CHEMICAL Group has adopted a policy of "No damage to the company." Based on this policy, when there is a conflict between the interests of the Company and an individual director or employee, we make decisions from the perspective of whether it is in the Company's interest.

In order to thoroughly implement the above policy, we formulated the "Conflict of Interest Guidelines" in 2023. In this way, we operate rules to check in advance any outsourcing transactions that may cause conflicts of interest.



## Compliance with Anti-trust Law as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling.

As part of our anti-trust law compliance program, we operate a business organization membership payment system, an advance application system for contacting competitors, and a price revision committee system. Every year, we conduct audits on the operation of the program and review the program as appropriate. We have also introduced this program to domestic business companies with high cartel risk.

In conducting our business activities, we comply with the Act against Unjustifiable Premiums and Misleading Presentations and other laws and regulations in advertising and labeling, and conduct our business activities with integrity. No significant violations regarding anti-trust laws or advertising and labeling were identified in fiscal 2023.

## Initiatives to Strengthen Accounting Compliance

SEKISUI CHEMICAL Group is working to improve Group-wide accounting skills and financial knowledge in order to reduce risks related to finance and accounting.

Accounting meetings are held for employees in charge of accounting at domestic and overseas companies. At these meetings, fiscal-related rules and accounting compliance activities are explained and shared. We also provide training in accounting and financial literacy through study sessions and e-learning. In addition to preventing accounting treatment errors and accounting improprieties from occurring, we are also working to raise awareness of accounting compliance among divisions and employees involved in accounting. In fiscal 2023, accounting meetings were held in Japan and overseas in a hybrid format of online and face-to-face meetings. A total of 287 employees, mainly personnel in charge of accounting, participated.

Accounting training was conducted online on a specific topic, and a total of 71 employees attended, including video viewers. In addition, a total of 4,852 employees took the e-learning course, which is being conducted for a wider target audience to raise awareness of accounting compliance.

## Tax Compliance initiatives

SEKISUI CHEMICAL Group considers the payment of taxes to be one of the fundamental and important social responsibilities that a company should fulfill. We comply with the tax laws of the countries and regions in which we operate, and pay taxes appropriately.

The Group does not use tax havens for tax avoidance purposes. We will pay taxes appropriately in accordance with the economic conditions of the countries and regions in which we operate, contribute to the economies of those countries and regions, and aim for harmony and stable development together.

Transactions with tax risks are checked with outside experts as necessary to ensure their proper handling and to reduce tax risks.

Furthermore, as a response to transfer pricing risk, transactions are conducted in compliance with national and regional laws and regulations and arm's length prices in accordance with OECD Guidelines. In addition, in order to resolve unstable tax positions, the Company utilizes Advance Pricing Agreements (APAs) depending on the size of the transaction and the extent of tax risk.

We respond in good faith and appropriately to investigations by tax authorities. Results are reported to the Board of Directors and improvements made as appropriate. Through these initiatives, we strive to maintain good relationships with tax authorities.

## Compliance Reinforcement Month

### Initiatives Taken in Japan

SEKISUI CHEMICAL Group has designated October of each year as "Compliance Reinforcement Month." This is an opportunity for all employees to reaffirm the importance of compliance.

In fiscal 2023, we conducted training in Japan on four themes: labor management, contract basics, confidential information management, and vehicle operation management. In order to provide an opportunity for employees who could not participate in person, training was conducted remotely online. For labor management, we used a Web conferencing system. For the other three themes, we used video streaming.

### Initiatives Taken During Compliance Reinforcement Month in Japan (FY2023)

1. Thoroughly disseminated the Message from the President on Compliance (October 2023) to all Group employees
2. Conducted various compliance training programs as well as open-type legal seminars in which employees participated on a voluntarily basis (four seminars relayed via Web conferencing), video streaming (three themes)
3. Introduced Compliance Reinforcement Month activities and videos for training sessions in SWITCH Web newsletters
4. Conducted e-learning in Japan via the intranet, focusing on antitrust laws, anti-bribery, and labor relations
5. Conducted global e-learning using SuccessFactors (questions on human rights-related topics and topics covered in the Global Compliance Manual)
6. Undertook initiatives in North America, China, Southeast Asia, and Europe (October to January)

### Overseas Initiatives

In fiscal 2023, as in fiscal 2022, we implemented Compliance Reinforcement Month activities in North America, China, Southeast Asia, and Europe. Themes taken up are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

## Overseas Compliance Reinforcement Month Initiative Themes(FY2023)

North America :

1. Message from top management
2. Distributed training videos on the whistle-blowing system to all affiliated companies in charge
3. Implemented training (the following measures were implemented at each Group company in North America)
  - Conducted training on harassment prevention measures and data protection during Compliance Reinforcement Month
  - Training on the prohibition of corruption
  - Provided SuccessFactors training from regional headquarters (prediction of return to work, confidentiality, workplace privacy, data-protection)
4. Conducted research on the impact of measures related to employee understanding on whistleblowing before and after Compliance Reinforcement Month
5. Conducted a survey to receive feedback on activities during Compliance Reinforcement Month

China :

1. Implemented e-learning
2. Held poster contests, distributed compliance cards, held HR and legal meetings, monitored leaks at major Chinese websites
3. Implemented training
  - Training format: Face-to-face or Web training
  - Theme: Training by external lecturers (labor)
  - General theme training (shared details of the status of compliance status and provided an explanation of contract templates)
  - Individual theme training (reflecting requests from each company)

Southeast Asia :

Implemented training

- Training format: Based on zoom audio distribution, face-to-face or zoom live at the request of each subsidiary
- Topics: Message from top management, prevention of power harassment, prevention of corruption

Europe:

1. Sent messages related to compliance
2. Message from top management
3. Compliance measures focusing on "inappropriate behavior and harassment in the workplace"
  - Campaign jointly run by regional headquarters legal, public relations and human resources divisions
  - Handouts, posters, banners, etc.

## Responding to Compliance Violations

In the event of a violation of compliance, we will conduct a thorough investigation of the employee who committed the violation. After the investigation, the Company will take disciplinary action, including dismissal, demotion, and salary reduction, as well as reduction of personnel evaluation, depending on the extent and type of violation.

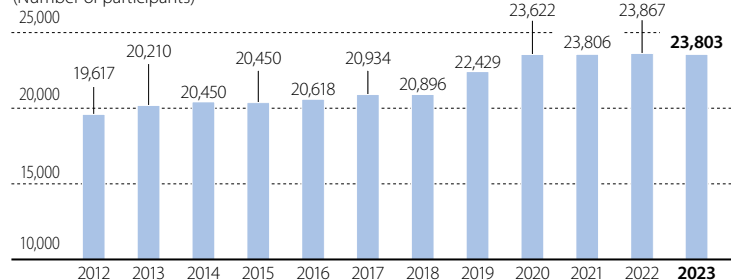
In addition to punishing individuals who have committed compliance violations, we are also working to prevent recurrence by correcting problems in the organizational culture that lie behind them.

## Performance Data

### Employees Using the e-learning System Over Time

#### Employees Using the e-learning System Over Time

(Number of participants)



Note 1: Average values for four sessions conducted in each year. However, the third and fourth sessions were underway during fiscal 2023 when this chart was created, so the average value for sessions one and two is provided for that year.

Note 2: With the exception of overseas local hires, all SEKISUI CHEMICAL and SEKISUI CHEMICAL Group employees are required to take part in e-learning programs.

### List of Results Relating to Compliance Training

#### FY2023 List of Results Relating to Compliance Training ☒

| Training                     | Training content  | Trainees                   |                 |          | Attendance |
|------------------------------|---|----------------------------|-----------------|----------|------------|
|                              |   | SEKISUI CHEMICAL Co., Ltd. | Group companies |          |            |
|                              |   |                            | Domestic        | Overseas |            |
| Employee rank-based training | New employee training   | ✓                          | ✓               |          | 595        |
|                              | Newly appointed deputy (assistant) manager training                                   | ✓                          | ✓               |          | 101        |
|                              | Compliance training   | ✓                          | ✓               |          | 1,694      |
|                              | Affiliated company director training  |                            | ✓               | ✓        | 137        |
|                              | Training for managers in Housing Company  | ✓                          | ✓               |          | 59         |
| Area-specific training       | Compliance training   | ✓                          | ✓               |          | 321        |
|                              | Harassment prevention training  | ✓                          | ✓               |          | 84         |
|                              | Export controls training  | ✓                          | ✓               |          | 2,724      |
|                              | Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors training | ✓                          | ✓               |          | 52         |
|                              | Anti-monopoly law training  | ✓                          | ✓               |          | 345        |
|                              | Personal information protection training  |                            | ✓               |          | 53         |

| Training                       | Training content                     | Trainees                      |                 |          | Attendance |
|--------------------------------|--------------------------------------|-------------------------------|-----------------|----------|------------|
|                                |                                      | SEKISUI CHEMICAL<br>Co., Ltd. | Group companies |          |            |
|                                |                                      |                               | Domestic        | Overseas |            |
| Area-specific<br>training      | Information management training      | ✓                             |                 |          | 52         |
|                                | Corruption prevention training       | ✓                             |                 |          | 8          |
|                                | Contract fundamentals training       | ✓                             |                 | ✓        | 8          |
|                                | Labor management training            |                               | ✓               |          | 28         |
| Global<br>training             | Overseas transfer training           | ✓                             | ✓               |          | 30         |
|                                | Affiliated company director training |                               |                 | ✓        | 7          |
| Compliance Reinforcement Month | Domestic training                    | ✓                             | ✓               |          | 2,630      |
|                                | North America training               |                               |                 | ✓        | 3,913      |
|                                | China training                       |                               |                 | ✓        | 625        |
|                                | Southeast Asia training              |                               |                 | ✓        | 804        |
|                                | Global e-learning                    | ✓                             | ✓               | ✓        | 9,347      |

## | Number of Whistleblowing Cases and Consultations

### FY2023 Number of Whistleblowing Cases and Consultations

| Reports/consultations                         | Number of cases |
|---|-----------------|
| Power harassment                              | 36              |
| Working conditions                            | 51              |
| Sexual harassment                             | 10              |
| Workplace environmental concerns              | 15              |
| Misuse of expenses                            | 4               |
| Sales method related                          | 6               |
| Misrepresentation of work performance         | 1               |
| Collusive relationship with business partners | 0               |
| Others  | 30              |
| Total number of complaints                    | 153             |

## | Donations to Political Organizations

SEKISUI CHEMICAL Group does not make illegal political contributions. In addition, donations to political organizations that promote the formulation of public policies that benefit society as a whole are managed appropriately under the supervision of the Executive Officer of the Legal Department. The amounts of donations to these political organizations (SEKISUI CHEMICAL on a consolidated basis) are shown below.

(Unit: thousands of yen)

| Fiscal Year | Amount |
|-------------|--------|
| FY2018      | 14,429 |
| FY2019      | 16,936 |
| FY2020      | 8,705  |
| FY2021      | 10,690 |
| FY2022      | 12,562 |
| FY2023      | 9,856  |

# Information Management

## ● Strategy (Stance, Approach, and Awareness of Risk)

### | Basic Concept

SEKISUI CHEMICAL Group has established systems and operation systems to ensure the confidentiality, integrity, and availability of information systems in order to avoid the occurrence of serious incidents related to information management that could affect the improvement of sustainable management capabilities. At the same time, we are working to improve the IT literacy of our employees through e-learning and incident response training.

We consider the following major incidents related to information management to be risks that could cause corporate value to be impaired.

1. Exploitation and destruction of data by cyber attacks
2. Large-scale and long-term information system failures
3. Leakage of personal information and confidential information, and violation of the Data Protection Law

### | Cyber Security Policy

The Group has formulated the Cyber Security Policy\* for all Group companies. This Policy is publicized both inside and outside the Company. In this way, we are working to strengthen our Group-wide cyber security measures.

\* For details of SEKISUI CHEMICAL Group's Cyber Security Policy see P.361.

## ● Governance

### | Cyber Management System

SEKISUI CHEMICAL Group has established CSIRT\*<sup>1</sup> under the Sustainability Committee, which is chaired by SEKISUI CHEMICAL's president, as an organization for dealing with cyber security.

CSIRT has established the Cyber Security Subcommittee as the policy-making body for information security. The subcommittee is chaired by Tatsuya Nishida, CISO (Chief Information Security Officer), and discusses Group-wide cyber security measures and significant security incidents.

The Cyber Security Promotion Subcommittee is responsible for promoting measures based on decisions made by the subcommittees, and has established the Cyber Security Center as a working unit.

The Cyber Security Center works with SOC\*<sup>2</sup> to monitor networking and device security. Security monitoring is conducted 24 hours a day, 365 days a year to ensure the early detection and recovery of incidents.

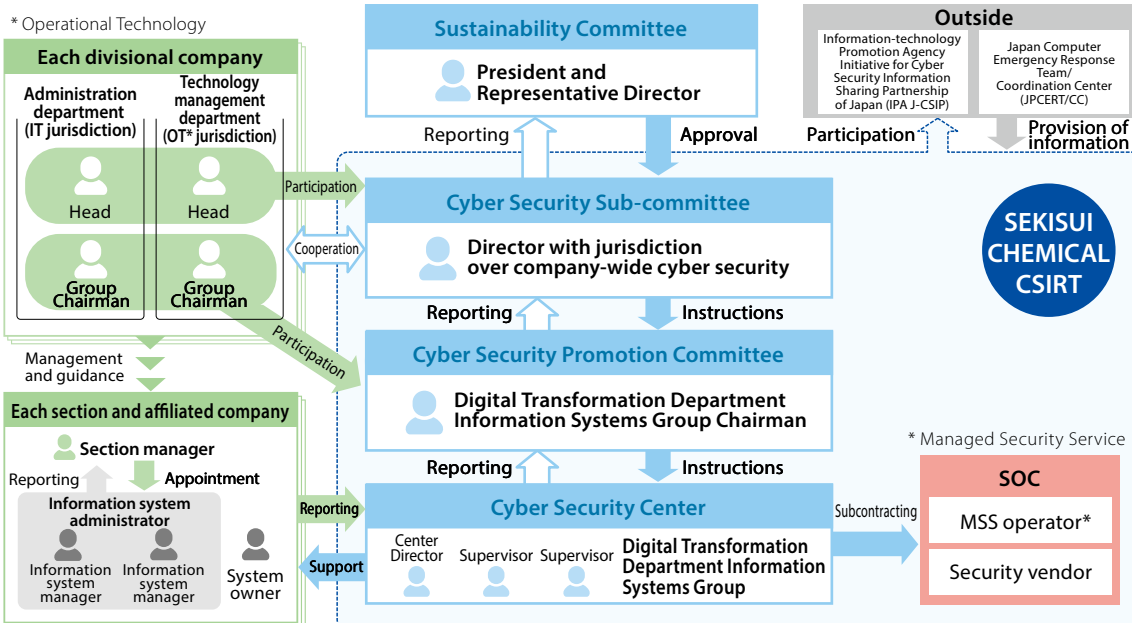
At least one information system manager has been assigned to each site to build an information management system that encompasses the entire Group. Even if there is an organizational change or a change in the information system administrator, the list management system allows us to keep track of the presence or absence of the information system administrator at each office.

In the future, we will upgrade the operation of CSIRT domestically and promote the establishment of CSIRT at overseas Group companies.

\*1 Computer Security Incident Response Team, or CSIRT, is the title given to specialized teams that receive reports, conduct surveys and enact response measures related to computer security incidents at companies and other organizations.

\*2 The Security Operation Center, or SOC, is a specialized entity devoted to monitoring and analyzing threats to information systems. It works to detect threats as soon as possible, and plays a role in supporting the CSIRT with its response and recovery efforts.

#### Diagram of Overall Management System



## ● Risk Management

### | SEKISUI CHEMICAL CSIRT's Protection Activities

SEKISUI CHEMICAL CSIRT's activities to protect confidential information, personal information, and information systems are as follows.

Plan: Planning and review

- Planning of cyber security enhancement plans

Do: Implementation of upgrade planning

- Strengthening overseas cyber security measures
- Educational activities for employees using e-learning
- Cyber security of the supply chain and thorough information management

Check: Inspection and assessment

- Report on risk assessment to the Cyber Security Subcommittee and report on countermeasures to the Cyber Security Promotion Subcommittee

Act: Improvement activities

- Setting improvement targets based on the results of activities and revising action plans



## ● Indicators and Targets

### ■ Targets

SEKISUI CHEMICAL Group has identified zero cyber security incidents as a KPI under its current Medium-term Management Plan and taken steps to promote information management activities. The purpose is to prevent any damage to its corporate value due to serious incidents.

As a result of these activities, there were no significant cyber security incidents in fiscal 2023. The results of major implementation measures are as follows.

#### Major Implementation Measures Chart

| Major Implementation Measures                      | Management Indicators      | Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan | FY2023 Results                       |
|--|----------------------------|---|--------------------------------------|
| Rapid response to cyber security incidents (Japan) | Detection to recovery time | Within 3 business days  | 3 business days                      |
| Overseas deployment of CSIRT                       | Overseas CSIRT deployment  | Completion of deployment across all regions                                   | Expansion to North America completed |

## ● Major Initiatives

### ■ Measures Against Information Leaks and Risks

SEKISUI CHEMICAL Group takes measures to ensure the safety of customer information, including personal information, and internal information, including confidential information, from both the perspective of systems and personnel measures. SEKISUI CHEMICAL CSIRT's Cyber Security Center plays a central role in swiftly implementing appropriate measures against external threats. Specifically, we are constantly aware of new threats such as newly reported viruses and targeted e-mails, and update the policies of our security products. In addition, we are working to prevent information leaks by educating employees through e-learning and conducting audits.

CSIRT holds regular Cyber Security Subcommittee and Cyber Security Promotion committee meetings. The subcommittee report on the evaluation of risk measures, while the promotion committee reports on the activities of risk countermeasures. In addition, every year, training sessions are held for subcommittee members to examine their ability to make management decisions in the event of an information security accident.

### ■ Key System-related Measures

The Group mainly implements the following system measures.

1. Important information is kept on the data center server, and the data center is fortified.
2. Complete separation of internal, external, and control networks using a firewall.
3. A cloud firewall is introduced that is effective even for direct Internet connections (including remote environments).
4. Next-generation antivirus on all servers and PCs.
5. The above three points 2. to 4. are monitored 24 hours a day, 365 days a year by SOC.
6. Mail filters and Web filters are introduced to ensure the safe use of e-mails and the Internet by employees.
7. User authentication infrastructure is revamped for both convenience and safety.

### ■ Key Personnel Measures

The Group mainly implements the following personnel-related measures.

1. Thorough information management by level of importance.
2. Strict confidentiality for retirees and newly hired employees.
3. Regular e-learning for all employees.  
Provision of additional e-learning to employees engaged in key R&D operations.
4. Desktop training for CSIRT members (confirming contact flows and questioning ability to make management decisions)

## Measures Against Natural Disaster Risks

Our core systems are installed in data centers that are earthquake-resistant and seismic-isolated. This makes it possible to continue operations even if social infrastructure is damaged by a natural disaster. In addition, by setting up data centers in multiple locations, we have built a system that will not delay operations even if a particular data center becomes unusable.

In addition, we are working to shorten the lead time to complete restoration of operations by fully duplicating (backing up) our critical business systems.

## Protecting Personal Information

The Group handles the individual information of its customers in accordance with our Privacy Policy.

In addition to complying with laws and regulations related to personal information, we have established voluntary rules and systems based on our internal confidential information management regulations to ensure appropriate protection.

In addition, we have established the Guidelines for Web Server Construction and Management to protect the servers that handle personal data management by related companies and departments.

At the same time, management privileges, such as access rights, are restricted according to the importance of handling information to ensure thorough management.

Furthermore, we are strengthening our governance of the handling of individual (customer) information by raising employee awareness and providing education, mainly during the Compliance Reinforcement Month every year.

## Preventing Leakage of Technical Information

In addition to measures to prevent leaks using IT technologies, we have introduced risk-management activities to departments that handle confidential technical information. We also provide moral education and training for engineers, and ensure that confidentiality is strictly enforced when hiring.

## CS & Quality Management

### ● Strategy (Stance, Approach, and Awareness of Risk)

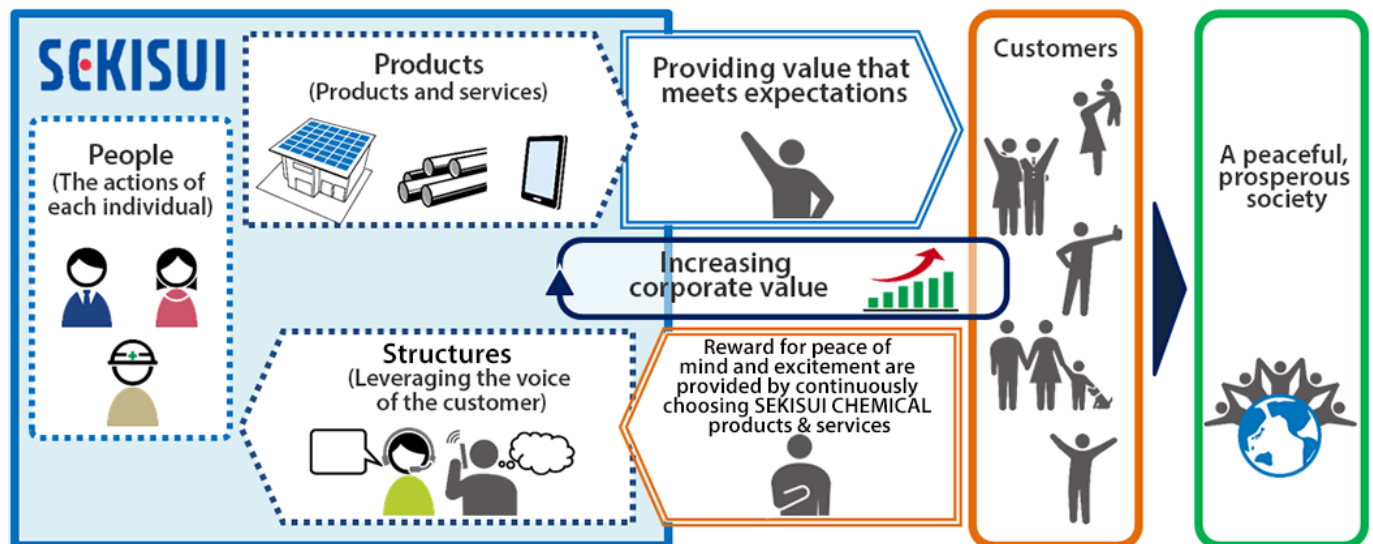
#### Basic Concept

Since 1999, SEKISUI CHEMICAL Group has placed the utmost emphasis on satisfying its customers and has accordingly practiced customer satisfaction (CS) management. Recognizing that customer satisfaction and quality are inseparable, we have engaged in CS & Quality management since 2004 to consistently deliver sufficient value that ensures we remain the preferred choice of customers.

In all of our business activities, we are thoroughly committed to service quality innovation and strive to constantly deliver value (products and services) that meet customers' expectations. Based on the slogan "our quality is based on the voice of our Customers" the Group is united in its efforts to refine the competence of its employees as well as the quality of its systems, products, and services with the aim of continuously meeting the quality expectations of its customers. Our goal is to ensure that our customers choose the Group while continuing to develop and grow together over the long term.

Recognizing that the quality that makes this possible is supported by the production frontline, we emphasize strengthening fundamental quality and adhering to quality compliance.

#### SEKISUI CHEMICAL Group's CS & Quality Management Circulation Diagram



For details, see SEKISUI CHEMICAL Group CS & Quality Management Policy. (P.355)

## CS & Quality Current Medium-term Plan

|   |  | FY2023  | FY2024   | FY2025   |
|---|--|---|--|--|
| Strengthening QMS   | New Businesses<br>New Products<br>(Development Management) | Gate Review* <sup>1</sup> Operation and Management  |  |  |
|   |  | Construction and Operation of a New Business Risk Mitigation Mechanism  |  |  |
|   | Existing Businesses<br>Manufacturing Daily Management      | Support for Businesses Requiring Reinforcement  | Status of Daily Management Monitoring and Support                      |  |
|   |  | Reinforce Testing Data Reliability by Divisional Company<br>Confirm the Status of System Operation                          |  |  |
|   | Evaluation and Correction                                  | Grasp the Status of Audits  | Plan and Prepare for Audit Level Improvement                           |  |
|   |  | Confirm Corrections to Major Quality Issues   |  |  |
| Strengthening CS  | CS Monitoring  | Analyze the Status of Surveys<br>Consider Improvement Measures  | Feedback Preparation   | Individualized Support for Each Base and Issue |
|   | CS & Quality Information Dissemination                     | Rebuild Media and Methods   | CS & Quality Seminars, Disseminate through New Media                   |  |
| KAIZEN Activities<br>Activity Groundwork                    | Improve Quality  | Japan: Support Promotion Themes<br>Overseas: Promote the Transfer of Theme Promotion Support Functions to RHQ* <sup>2</sup> |  |  |
|   |  | Enhance Group KAIZEN Activity Presentations, Promote Group-wide Collaboration Planning                                      |  |  |
|   | Expand Domains   | Deploy to Indirect Operations   | Improve Coordination with Each Divisional Company                      |  |
| Strengthening CS & Quality personnel<br>(Training / System) |  | Digitize the Content of Each Training Program   |  |  |
|   |  | Conduct Hands-on Training and Open Seminars   |  |  |
|   |  | Organize Manufacturing Training   | Manufacturing Training<br>Reorganize by Job Category and Employee Rank |  |

\*1 Gate Review (GR): Systematic activities (checkpoint control function) to determine whether or not to move on to the next stage.

\*2 RHQ (Regional Headquarters)

## Awareness of Risk

### Prevention of Defects, Strengthening of Daily Management, and the Elimination of Quality Data Falsification

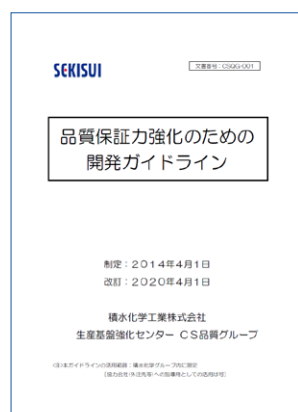
SEKISUI CHEMICAL Group adheres strictly to quality compliance. We are working to build a culture that prioritizes quality and the prevention of fraud by continuously strengthening the foundations that support quality through such efforts as preventing defects and strengthening daily management. Especially with regard to quality data falsification, we have been working since 2020 to revise organizational systems, digitalize quality data and promote data reliability, conduct quality compliance education, and reinforce the review of new businesses opportunities in order to eradicate the root causes of risk, based on the hypothesis that quality data falsification can arise due to the insufficient allocation of resources to such areas as quality and organizational systems as well as various types of both internal and external pressure.

## Formulating Quality Guidelines

SEKISUI CHEMICAL Group engages in consistent quality control across the entire value chain, from product development to design, production, sales, and after-sales service. In order to improve the quality of its quality control in each process, we have established and published the following three guidelines.

- Development Guidelines for Strengthening Quality Assurance  
The purpose is to prevent quality-related problems from occurring by predicting quality risks that may occur after commercialization.
- "The Guidelines for Daily Management Activities"  
A summary of the basic guidelines for day-to-day management to be implemented by the manufacturing department.
- Contract / Specification Guidelines  
The purpose is to reduce the risk of expanded compensation\* related to product sales.

\* Expanded compensation: Customer compensation in the case of product defects that extend beyond returns and exchanges to indemnify the customer for any products, workmanship, or objects that the customer has processed, installed, or used, as well as for any related damages.



## Self-declaration for Consumer-oriented Management Follow-up Activities

In January 2017, we endorsed the Consumer Affairs Agency's initiative to realize "consumer-oriented management" and implemented the "Self-declaration for Consumer-oriented Management\*," which expresses our stance and policy on the initiative.

[https://www.caa.go.jp/en/policy/consumer\\_research/pdf/consumer-oriented.pdf](https://www.caa.go.jp/en/policy/consumer_research/pdf/consumer-oriented.pdf)

\* An activity in which a company declares that it will voluntarily engage in consumer-oriented management, takes measures based on the declaration, follows up, and discloses details of results.



In fiscal 2023, we worked on the following initiatives based on the "Self-declaration for Consumer-oriented Management."

### 1. Ensuring Basic Qualities

We have established a quality assurance system covering the entire process from product development to design, production, and sales while promoting design and development management, as well as daily management activities.

In addition, Group companies in Japan and overseas are developing and promoting Group KAIZEN Activities, in which employees in each workplace form small groups to address various topics such as improvements in quality and productivity.

### 2. Creating Value That Exceeds Customers' Expectations

We held three CS & Quality seminars to introduce internal experts and case studies to provide hints on how to create value that exceeds customers' expectations.

### 3. Upgrading Technological Capabilities

In the development of new products, we held one development prevention seminar with the purpose of imparting knowledge on effective and efficient methods to prevent quality problems before they occur.

Furthermore, we operate our quality management system (QMS) on a process-based approach to ensure processes are efficient. As far as internal audits in particular are concerned, we conducted SPMC Internal Audit Practical Training at three sites to enable the use of SEKISUI CHEMICAL's proprietary assessment tool, the SEKISUI Process Management Chart (SPMC).

### 4. Enhancing Communication

We published the STAR 55 Bulletin, which introduces positive examples of CS & Quality. We have also published a booklet called VOICE, which is based on inquiries received from the Customer Consultation Office. In the second half of 2023, we integrated these two tools and launched the inaugural edition of Shining, a new CS & Quality-information magazine.

### 5. Providing Thoroughgoing Employee Education

We conduct CS & Quality-related training for new employees every year. We encourage our employees to think about our concept of "CS & Quality management" and what we can do to satisfy our customers, so that they can apply this information in their daily business activities.



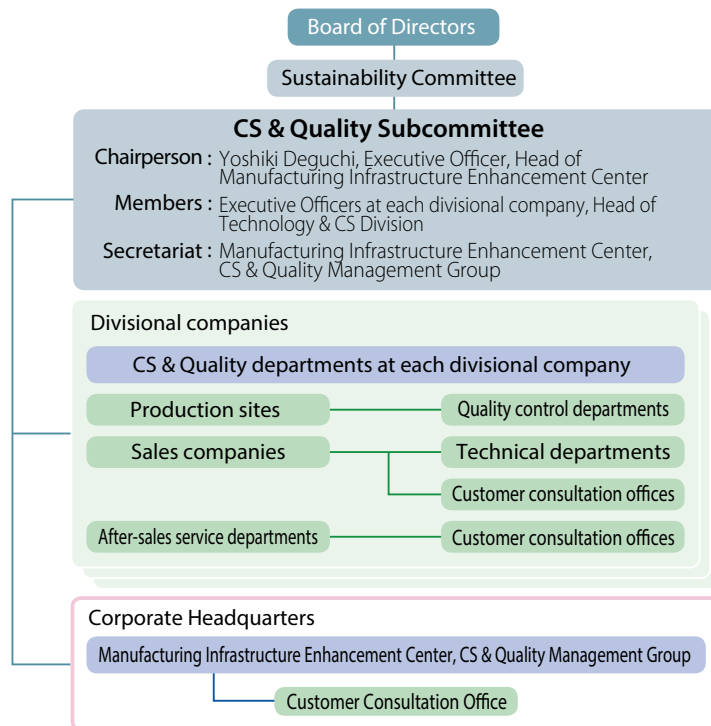
## ● Governance

### | CS & Quality Subcommittee

SEKISUI CHEMICAL Group holds twice-yearly meetings of the Sustainability Committee and CS & Quality Subcommittee, which is a subordinate committee, with respect to CS & Quality.

In fiscal 2023, the CS & Quality Subcommittee met twice in total in October and March.

#### CS & Quality Management Promotion System



## Establishment of a Quality Assurance System

The Group has established a quality assurance system that covers all processes from design and development, production, and sales.

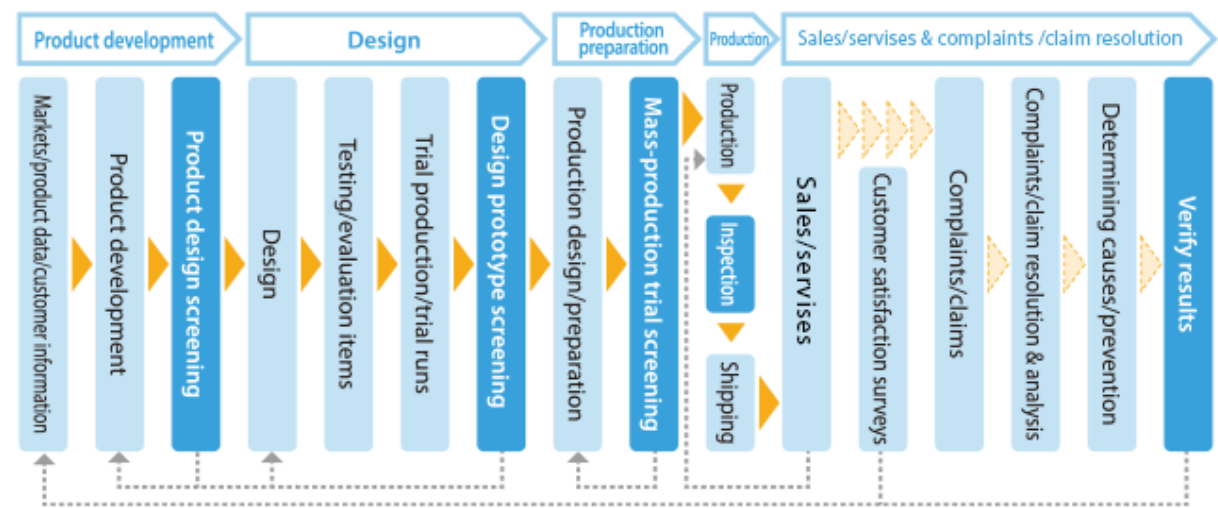
We have established a quality assurance system for each process and promote daily management with an emphasis on standards.

At the same time, we are focusing on manufacturing innovation, recognizing that on-site manufacturing is the key to supporting quality.

In addition, when developing and improving products, we conduct rigorous design reviews from the perspective of quality assurance and safety.

We have also established a system that enables us to sustain and manage services for our customers even after sales are made.

### Quality Assurance System



## ● Risk management

### | Addressing New Products and Business Risks

SEKISUI CHEMICAL Group considers the occurrence of defects when launching new businesses to be a risk. In order to reduce this risk, we have established and are operating the Gate Review (GR)\* system as a mechanism to conduct rigorous design reviews.

We use a design check sheet that shows points to be aware of during design, and clarify the points to be discussed during the design review. We also conduct an external knowledge review, which aims to obtain new knowledge from internal and external experts as initial input information for the design of industry, laws, and other matters related to new businesses.

\* GR: Systematic activities (checkpoint control function) to determine whether or not to move on to the next stage.

### | Addressing Existing Business Risks

In promoting its existing businesses, the Group considers major quality issues\* to be the risk of solving them first. In order to reduce this risk, we are responding to major quality issues based on a problem-solving flow established to resolve them quickly and appropriately. The executive officer in charge of quality monitors the status of correction of major quality issues that have arisen.

\* Major quality issues are issues that will cause serious damage to customers, social, and the Group if we do not urgently resolve the fundamental issues related to the quality of our products, technologies, and services.

## ● Indicators and Targets

### ■ Targets

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group has promoted CS & Quality activities and set "the number of events to improve the level of CS & Quality\*" as a KPI in order to prevent damage to the Group's corporate value due to serious incidents.

The results of the major implementation measures are as follows.

| Major Implementation Measures                                 | Management Indicators                                   | Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan | FY2023 Results  |
|---|---|---|---|
| Preventing the Occurrence of Serious Quality-related Problems | Implementation of CS & Quality level improvement events | 4 times / year  | Conducted three3 CS & Quality seminars and one Group KAIZEN meeting |

\* Events to increase the level of CS & Quality: Group-wide CS or Quality improvement events organized by the CS & Quality Group.

## ● Major Initiatives

### | Strengthening QMS

#### Strengthening daily management

When SEKISUI CHEMICAL Group transitioned toward ISO9001:2015 certification, we devised an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), to strengthen our response to process approaches. Illustrating the management flow at a glance, the SPMC can be effectively used for daily management checks, corrective action, internal audits, and other activities, including quality education.

In fiscal 2023, as in fiscal 2022, we held training for QMS internal auditors as well as SPMC Internal Audit Hands-on Training. We also worked to increase the competence of employees by expanding and making use of such tools as the "Voice Video of Internal Audit Scenarios" and "Audit Trail," an e-Learning course for enhancing the groundwork of internal audits.

We will continue to promote initiatives to improve the quality of our quality management system.



SPMC Internal Audit Hands-on Training

#### Reinforcing testing data reliability Promoting Efforts to Enhance the Robustness of Inspection

##### Data

Based on the CS & Quality Medium-term Plan launched in fiscal 2020, SEKISUI CHEMICAL Group continues to create and operate systems as well as mechanisms to thoroughly prevent data falsification and manipulation.

In fiscal 2023, steps were taken to confirm the operating status of the system established in fiscal 2022 to prevent data entry errors and manipulation. We also worked to improve the reliability of inspection data and transcripts.

In the future, we will focus on utilizing digitized inspection data to improve the quality of operations.

SEKISUI CHEMICAL Group will continue to strengthen internal quality control and provide quality compliance training to ensure that the Group reinforces its awareness toward compliance. Through these means, we will enhance our quality assurance capabilities and extinguishing any potential for fraud.

## Compliance with laws and voluntary regulations regarding product safety

SEKISUI CHEMICAL Group regards product safety as the most important factor in quality. In order to deliver safe products to customers, we strive to ensure the safety of the products manufactured and sold by each Group company.

Safety reviews are conducted at the design and development stage to ensure product safety. In addition, in the event that a legal or regulatory violation related to product safety is confirmed internally or pointed out externally, information is promptly disclosed to the public and steps taken to quickly investigate the cause and prevent a recurrence. The same applies to violations of product safety standards voluntarily established by Group companies.

In fiscal 2023, there were no cases of violation of various laws and voluntary regulations regarding product safety.

## Product quality disclosure and labeling

SEKISUI CHEMICAL Group ensures that all relevant laws and regulations as well as internal rules are strictly observed with respect to the disclosure of information related to product quality and safety.

At the development stage, we set and check items for compliance with laws and regulations relating to product information disclosure, and implement design reviews (DRs).

In fiscal 2023, there were no violations of information disclosure relating to product quality and safety.

## **| Strengthening CS**

### CS Monitoring

Based on the current Medium-term Management Plan, we launched a CS monitoring program (internal survey) for the purpose of ascertaining and strengthening the ability of Group employees to respond to customers.

In fiscal 2023, when the program was first launched, 7,936 employees responded. In the future, we will reflect the results of each survey in measures to strengthen our ability to respond to customers.

## CS & Quality information dissemination

### CS & Quality Seminar

The CS & Quality seminar is an in-house lecture held by external experts on a wide range of topics, including case studies of customer satisfaction and the development of organizations/human resources that can provide customer satisfaction. We have held these meetings since fiscal 2001 to raise awareness of CS & Quality. As of the end of fiscal 2022, a total of 64 such meetings have been held.

In fiscal 2023, seminars were held three times: once in the first half and twice in the second half.



#### <The 65th>

Why do incidents of data  
falsification continue to occur

TECHNOFA CORP

Chairperson Yoshihito Hirabayashi  
(July 24, 2023)



#### <The 66th>

Customer feedback is a tool utilized to  
visualize customers satisfaction.

—Creating a bridge for CS improvement—

Skymark Airlines Inc. Kentaro Toda,  
General Manager of CS Promotion Office  
Yaryoku Inoue, Assistant General  
Manager  
(December 19, 2023)



#### <The 67th>

From Customer Satisfaction (CS)  
to Customer Delight (CD)-What is  
Service Excellence?

Graduate School of the University  
of Tokyo  
Associate Professor  
Tatsunori Hara of the Graduate  
School of Engineering  
(March 21, 2024)

## Publication of CS & Quality information tools (STAR 55 Bulletin/VOICE/Shining)

Since 2002, the 55th anniversary of our founding, we have undertaken STAR 55 activities, a Group-wide initiatives aimed at promoting CS. Since 2004, we have expanded our efforts to engage in CS quality-based management. As part of these endeavors, we have published the STAR 55 Bulletin, a compilation of positive Group-wide CS & Quality examples since 2006. The 50th issue was published in September 2023.

In addition, in 2015 we launched VOICE, a collection of slightly less than 10,000 customer comments received each year by the Customer Consultation Office and the Group's subsequent response, with the aim of fostering a CS & Quality culture and encouraging employees to look beyond the business for which they are responsible. The most recent 8th issue of VOICE was published in July 2023. In 2019, we launched VOICE+ as an additional Web edition issue, and by March 2024 had published a combined total of 11 VOICE and VOICE+ issues.

In the second half of 2023, we integrated the two tools, STAR 55 Bulletin and VOICE/VOICE+, and launched the new CS & Quality information magazine, Shining. Based on the history of the STAR 55 Bulletin and VOICE/VOICE+, we aim to further enhance the dissemination of CS & Quality information in order to realize Vision 2030. In November 2023, we published the inaugural issue of Shining.

### ● STAR55 Bulletin No.50 (September 2023)



### ● VOICE No.08 (July 2023)



### ● Shining No.01 (November 2023)





## Improving KAIZEN Activity Groundwork

SEKISUI CHEMICAL Group began Group KAIZEN Activities (small-group improvement activities) in 1966 with the aim of improving the on-site manufacturing capabilities that underpin quality. In this manner, the Group is continuing to make improvements after improvements.

### Improving the Quality of KAIZEN Activities

The Group provides improvement theme support not only to sites in Japan but also those overseas. As a result, we were able to bolster groundwork and improve the mindsets of support business sites.

### Expanding the Scope of KAIZEN Activities

We are implementing a plan to expand the scope of Group KAIZEN Activities to include not only manufacturing but also indirect operations. In fiscal 2023, we held KAIZEN exchange sessions focusing on indirect operations. As a result, we were able to achieve a synergistic effect, with participants saying that they would like to adopt this initiative at their own workplaces.

### Group KAIZEN Activity Presentations

Group KAIZEN Activity presentations (Group-wide competition) were held on a Group-wide basis in January 2024. Under the slogan, "Widening the circle of KAIZEN, enhancing the quality of KAIZEN, and accelerating the KAIZEN process", selected presentation sites participated not only from Japan, but also four overseas regions (Europe, the United States, China, and Asia). In fiscal 2023, all presenters gathered together and were able to present their KAIZEN results face-to-face.

In addition, poster sessions were held in conjunction with each presentation.

Successful steps were taken to promote further exchange and mutual improvement by discussing and exchanging information on more in-depth content that could not be conveyed through presentations alone.



FY2023 Group KAIZEN Presentations

## Strengthening CS & Quality Human Resources

SEKISUI CHEMICAL Group conducts a variety of training programs to strengthen its CS & Quality human resources. We conduct the following training to prevent quality issues.

- Development prevention seminars aimed at teaching effective and efficient prevention methods
- DR\*<sup>1</sup> Reviewer Training seminars designed to improve the skills of employees engaged in DR
- QFD\*<sup>2</sup> seminars to impart ways to organize information on new product development
- Guidance and support on GR operations relating to new businesses

In fiscal 2023, we held one development prevention online seminar.

As far as the content of CS is concerned, we conducted training that enables those in charge of each business to acquire and apply methods of designing and analyzing questionnaires in order to strengthen the mechanisms for collecting and utilizing customer feedback.

We are also focusing on digitizing training in an effort to address the shift to teleworking and ensure operational efficiency. As a result, we have put in place and operate a system that allows anyone to learn on demand at any time.

\*1 DR: Design Review

\*2 QFD: Quality Function Deployment

## Performance Data

### FY2023 Results

There was one major quality issue in the Group that occurred in FY2023. (Based on individual divisional company standards)

External loss costs\*<sup>1</sup> came in at 79% compared with FY2020.

We will continue to strengthen Group-wide quality assurance systems. We will also focus on design/development processes. Moreover, we will promote the use of development preventive measures (such as QFD and DRBFM\*<sup>2</sup>)<sup>3</sup> to reduce external loss costs.

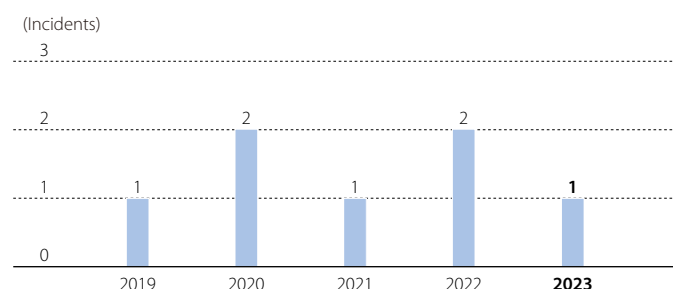
In FY2023, the utilization rate of development prevention methods was 100%.

\*1 External loss costs: Costs for handling claims related to products.

\*2 DRBFM: Design Review Based on Failure Mode ( a preventive approach in which problems in new designs are discovered and solved by focusing on points of modification and change)

### Data Concerning Major Quality Issues

#### Number of Major Quality Issues

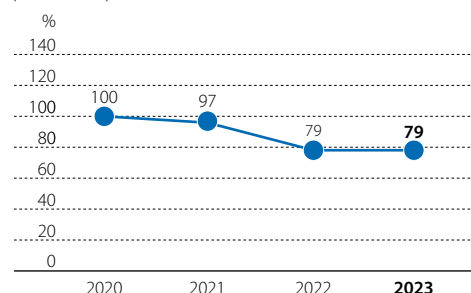


| Indicator            | Calculation Method  |
|----------------------|---|
| Major Quality Issues | <p>These refer to product and service quality issues determined by Corporate Headquarters or divisional company presidents, based on evaluations and judgments by the quality assurance manager, which could cause significant damage to customers, society, or SEKISUI CHEMICAL Group and lead to the loss of society's trust in the Group if not thoroughly resolved on an urgent basis including:</p> <ol style="list-style-type: none"> <li>Major incidents <ol style="list-style-type: none"> <li>Of the accidents that threatened user lives or lead to bodily harm, those in which the harm is serious.</li> <li>Product loss or destruction incidents for which there is a risk of severe or fatal user injuries</li> </ol> </li> <li>Problems which have serious impacts (cause serious loss) to customers, users, or society</li> <li>Compliance (such as complying with related laws and regulations) problems related to product or service quality</li> <li>Product recall problems</li> </ol> |

## Data Concerning External Loss Costs

### External Loss Costs

(FY2020: 100)



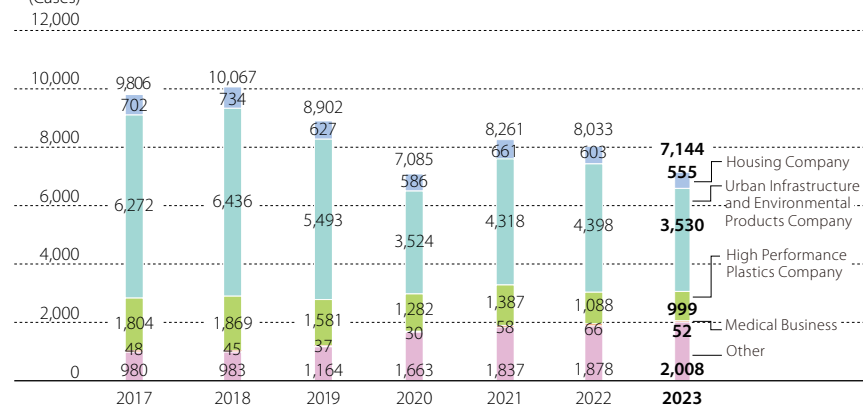
| Indicator              | Calculation Method  |
|------------------------|---|
| External failure costs | Costs arising from responding to product-related complaints |

## Other Data

### Data on incoming calls to the Customer Consultation Office

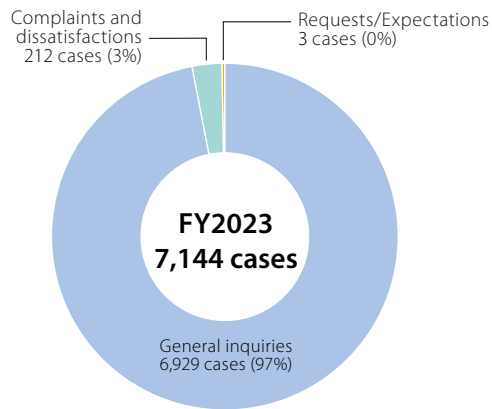
#### Incoming Contacts Received by the Customer Consultation Office in FY2023

(Cases)



| Indicator  | Calculation Method   |
|--|--|
| Incoming Contacts Received by the Customer Consultation Office | Number of inquiries by telephone, e-mail, letters, and other means |

## Breakdown of incoming contacts (SEKISUI CHEMICAL)



| Indicator                      | Calculation Method  |
|--------------------------------|---|
| Breakdown of incoming contacts | <p>Incoming contacts are recorded on Insider Net and categorized as follows:</p> <ul style="list-style-type: none"> <li>• General inquiries: Questions about SEKISUI CHEMICAL Group product specifications, how to use products, construction methods, stores selling the products, and services such as repairs</li> <li>• Complaints and dissatisfaction: Incidents in which customers expressed their dissatisfaction or lodged complaints concerning SEKISUI CHEMICAL Group products or services</li> <li>• Compliments: Calls during which praise was received for satisfaction with SEKISUI CHEMICAL Group's products or services</li> <li>• Requests/Expectations: What customers require of SEKISUI CHEMICAL Group products and services (product improvements and new products, etc.), and inquiries relating to business activities, or comments on what is expected of SEKISUI CHEMICAL Group</li> </ul> <p>Note: Insider Net: A SEKISUI CHEMICAL Group intranet site on which details of incoming contacts to the Customer Consultation Office are released in real-time.</p> |

## Business Sites That Have Received Third-Party Certification for Their Quality Management Systems

The ratio of SEKISUI CHEMICAL Group production sites that have acquired ISO-9001 or other similar certifications is 99%.

### Housing Company (integrated certification)

Housing Company (integrated certification)  
Development Division  
Residential Stock Business Management Division  
Housing Renovation R&D Department Technology & CS Division  
Management Strategy Division Purchasing Department  
Sekisui Global Trading Co., Ltd.  
Administrative Management Division Information Systems Department  
Hokkaido Sekisui Heim Industry Co., Ltd.  
Hoppou Jyubunka Institute Co., Ltd.  
Tohoku Sekisui Heim Industry Co., Ltd.  
Sekisui Heim Industry Co., Ltd.  
Kanto Site  
Tokyo Site  
Chubu Site  
Kinki Site  
Chushikoku Sekisui Heim Industry Co., Ltd.  
Kyushu Sekisui Heim Industry Co., Ltd.  
Sekisui Heim Industry Co., Ltd. Head Office  
Supply Division Technology Department  
Sekisui Board Co., Ltd.

### Corporate Headquarters

SEKISUI CHEMICAL Co., Ltd. New Business Development Department LB Business Group  
Sekisui Medical Co., Ltd. (Headquarters)  
Sekisui Diagnostics, LLC.  
Sekisui Diagnostics, LLC San Diego  
Sekisui Diagnostics, LLC P.E.I. Inc.  
Sekisui Diagnostics (UK) Ltd.  
Veredus Laboratories Pte. Ltd.  
Sekisui Medical Technology (China) Ltd.  
Sekisui Medical Technology (Suzhou) Co., Ltd.

### Urban Infrastructure & Environmental Products Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant  
SEKISUI CHEMICAL Co., Ltd. Gunma Plant  
Shikoku Sekisui Industry Co., Ltd.  
Kyushu Sekisui Industry Co., Ltd.  
Sekisui Aqua Systems Co., Ltd.  
Chiba Sekisui Industry Co., Ltd.  
Sekisui Home Techno Co., Ltd.  
Sekisui Chemical Hokkaido Co., Ltd.  
Toto Sekisui Co., Ltd. Ota Plant  
Yamanashi Sekisui Co., Ltd.  
TOKUYAMA SEKISUI CO., LTD. Pipe Material Factory

Sekisui SoflanWiz Co., Ltd.  
NIPPON INSIEK CO., LTD.  
SEKISUI ESLON B.V.  
Sekisui Chemical G.m.b.H.  
Sekisui Rib Loc Australia Pty. Ltd.  
Sekisui (Wuxi) Plastics Technology Co., Ltd.  
Sekisui Industrial Piping Co., Ltd.  
SEKISUI SPECIALTY CHEMICALS (THAILAND) CO., LTD.  
SAND L SPECIALTY POLYMERS CO., LTD.

### High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi Plant  
SEKISUI CHEMICAL Co., Ltd. Musashi Plant  
SEKISUI CHEMICAL Co., Ltd. Taga Plant  
Sekisui Fuller Company, Ltd. (integrated certification)  
Shiga Plant  
Hamamatsu Plant  
Osaka Office  
Tokyo Office  
Sekisui Techno Molding Co., Ltd. Tochigi Plant  
Sekisui Techno Molding Co., Ltd. Aichi Plant  
Sekisui Techno Molding Co., Ltd. Mie Plant  
Sekisui Material Solutions Co., Ltd.  
Sekisui Nano Coat Technology Co., Ltd.  
Sekisui Chemical Co., Ltd. Tsukuba Site / IM Project  
Sekisui Polymatech Co., Ltd.  
Sekisui Seikei Co., Ltd.  
Sekisui S-Lec Mexico S.A. de C.V.  
Sekisui S-Lec B.V.  
Sekisui S-Lec Thailand Co., Ltd.  
Sekisui S-Lec (Suzhou) Co., Ltd.  
Sekisui S-Lec America, LLC.  
Sekisui Alveo BS  
Sekisui Alveo G.m.b.H.  
Sekisui Alveo S.r.L.  
Sekisui Alveo S.A.  
Sekisui Alveo A.G.

Sekisui Alveo (Benelux) B.V.  
Sekisui Alveo B.V.  
Thai Sekisui Foam Co., Ltd.  
Sekisui Voltek, LLC. Coldwater Plant  
Sekisui Pilon Plastics Pty. Ltd.  
Youngbo Chemical Co., Ltd.  
Sekisui Youngbo HPP (Wuxi) Co., Ltd.  
Sekisui Specialty Chemicals America, LLC.  
Calvert City Plant  
Sekisui Specialty Chemicals America, LLC.  
Pasadena Plant  
Sekisui Specialty Chemicals America, LLC.  
Dallas HQ  
Sekisui Specialty Chemicals Europe, S.L.  
Tarragona Plant  
SEKISUI DLJM MOLDING PVT LTD- CHENNAI-1  
SEKISUI DLJM MOLDING PVT LTD- CHENNAI-2  
SEKISUI DLJM MOLDING PVT. LTD GR. NOIDA  
SEKISUI DLJM MOLDING PVT. LTD TAPUKARA  
SEKISUI DLJM MOLDING PVT LTD GUJARAT  
SEKISUI POLYMATECH (THAILAND) Co., Ltd.  
PT. SEKISUI POLYMATECH INDONESIA  
Sekisui Polymatech (Shanghai) Co., Ltd.  
SEKISUI POLYMATECH EUROPE B.V.  
SEKISUI AEROSPACE CORPORATION  
SEKISUI KYDEX, LLC.

# Intellectual Property Management

## ● Strategy (Stance and Approach)

### ■ Basic Concept

We believe that intellectual property as a result of our research and development activities is an important management resource that supports SEKISUI CHEMICAL Group's growth and earnings as well as efforts to maximize corporate value. For this reason, we strive to secure strategic intellectual property that supports our business and to maintain and manage the intellectual property we have acquired.

Under the Medium-term Management Plan that started in fiscal 2023, we are engaged in activities while referencing the Patent Asset Index™(PAI), which is an indicator of the value of patented property.

## ● Governance

### | System

In response to the divisional company organization system, SEKISUI CHEMICAL Group has established independent intellectual property departments at each of its headquarters and divisional companies so that each divisional company can promptly promote its activities in accordance with its business environment.

The R&D Committee regularly monitors the activities of intellectual property departments and holds discussions with top management.



## ● Risk Management

### ■ Risk Management

Each divisional company of SEKISUI CHEMICAL Group conducts surveys to ensure that it does not infringe on the intellectual property of others, in line with its business environment. The results of these surveys are provided to business divisions and laboratories as needed, and appropriate measures are taken to avoid and prevent risks in an effort to detect and minimize them at an early stage.

## ● Indicators and targets

### ■ Targets

At each divisional company in SEKISUI CHEMICAL Group, the intellectual property departments, business divisions, and R&D divisions work together at all times. Based on the characteristics of each business area, we seek a competitive advantage over our competitors and promote intellectual property activities that lead to the expansion and growth of our own businesses.

At headquarters, we plan and promote a common intellectual property strategy for the entire Company, with the aim of optimizing intellectual property.

## ● Major Initiatives

### ■ Strategic Activities for Securing Intellectual Property

SEKISUI CHEMICAL Group promotes strategic intellectual property activities that make the most of its technology prominence and contribute to its business.

Specifically, we analyze the competitive environment surrounding intellectual property information, markets, and competitive information, expanding to include not only patent information but also a wide range of non-patent information related to business activities, and then implement appropriate strategies and intellectual property portfolio management.

### ■ Employee Education

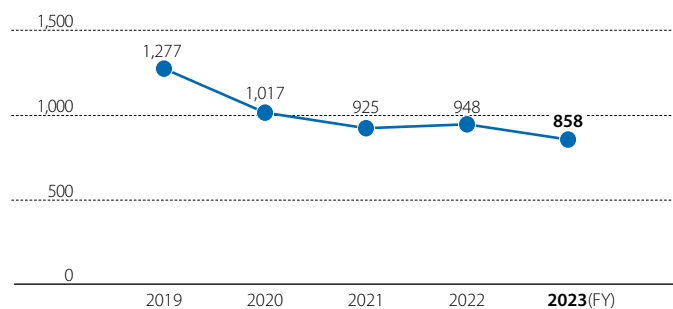
In order to ensure that each developer maintains and manages his or her own intellectual property and avoids and prevents intellectual property infringement by others, we have prepared several educational programs tailored to the level of each developer, from basic knowledge to strategy building, and conduct Group-wide educational activities on intellectual property.

### ■ Reasonable Evaluations with Regard to Inventions

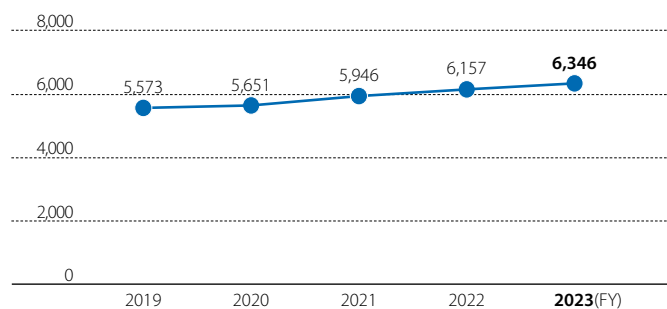
SEKISUI CHEMICAL Group has established the Invention Grand Prize system as part of the evaluation and treatment of researchers and engineers, in addition to providing various incentives for employee inventions. We also reward employees with inventions that make a particularly large contribution to profits by rewarding their achievements.

## Performance Data

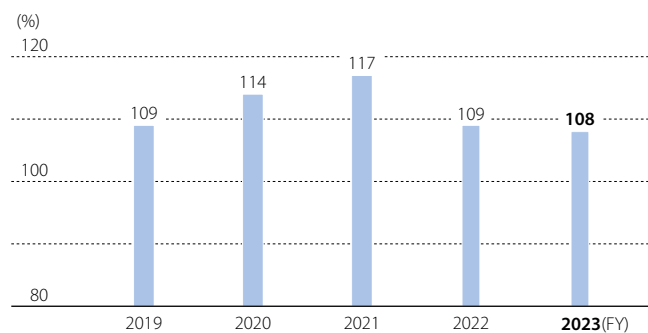
### Number of Patent Application Filings



### Number of Patents Held



### Patent Asset Index™ growth rate



Note 1: Growth rate based on 2018 Patent Asset Index™ data, calculated using LexisNexis' PatentSight® patent analysis tool.

Note 2: The Patent Asset Index™ is a comprehensive evaluation index of patents that multiplies the technical value calculated based on the number of citations and the market value calculated based on the country of application for each patent with valid legal status, and adds them together to show the asset value of the patent.

# Innovation

## ● Strategy (Stance and Approach)

### ■ Basic Concept

SEKISUI CHEMICAL Group has adopted Innovation for the Earth as a vision statement for its Long-term Vision. We also emphasize innovation as an important driver for realizing our vision. With climate change and other extremely difficult and urgent social issues piling up, the importance of innovation to create new solutions to these issues is increasing.

Under the current Medium-term Management Plan, based on our Long-term Vision, "Vision 2030," we have identified enhancement areas in which we aim to further grow existing businesses in each business domain, and innovation areas in which we create a new business foundation, and are working to strengthen innovation in each of these domains.

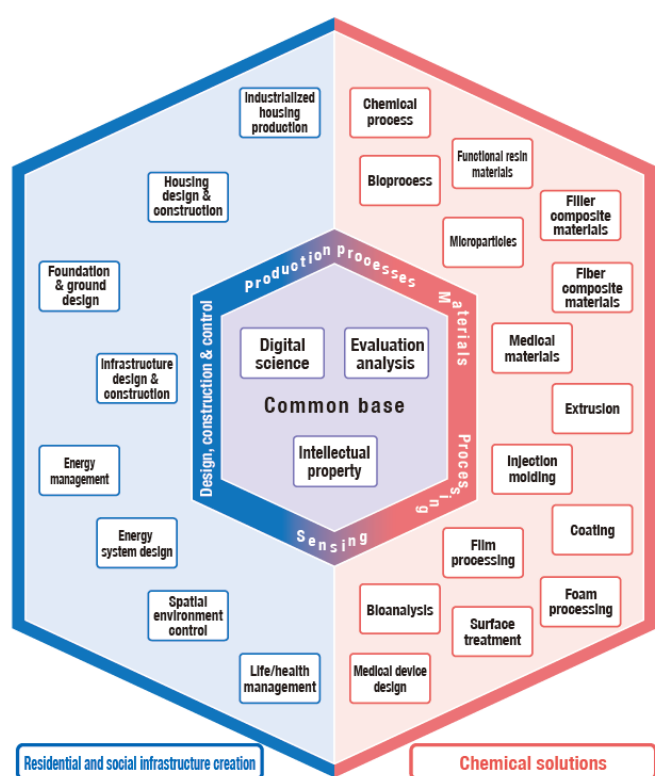
In addition, we launched a Group-wide innovation roundtable initiative to identify business opportunities across business domains and to regularly examine the combination of technologies. Through these efforts, we are working to strengthen our ability to innovate as a comprehensive Group-wide strength.

With regard to strengthening core technologies, which are the source of innovation, we define technology platforms throughout the Group and are proceeding with technology enhancements over the medium to long term. At the same time, we will focus on collaboration and open innovation with outside parties to enhance our ability to resolve social issues by quickly creating new value.

## ● Governance

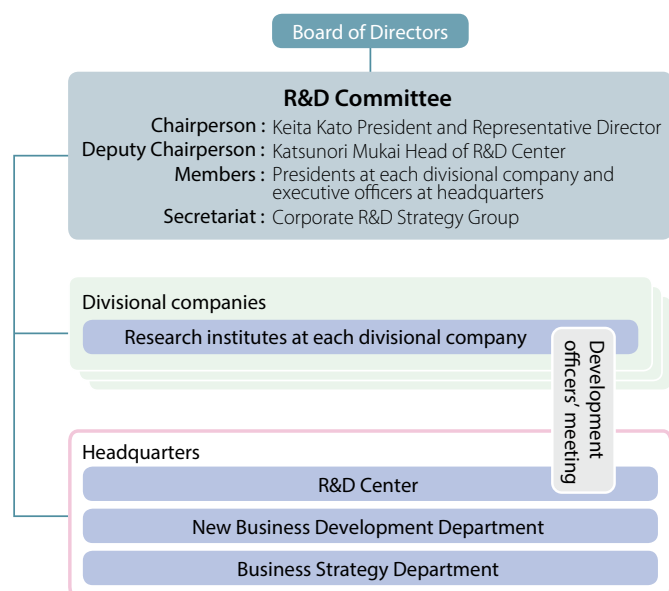
### | System for Promoting Innovation

SEKISUI CHEMICAL Group believes that the source of innovation lies in the core technologies that it possesses. Among these, we define technologies that are particularly competitive and technologies that need to be strengthened as technology platforms (TPFs), and we continue to strengthen our technologies. TPFs are reviewed for each medium-term management plan, and the current Medium-term Management Plan stipulates 26 TPFs. In addition, we have established a system for appointing leaders who will lead the technological enhancement of individual TPFs as Specialty (S) positions. The "S" position is made up of four grades, from S1 to S4. In fiscal 2023, 39 engineers were appointed as "S" positions throughout the Group. S-positions are responsible for driving the continuous technological enhancement of individual TPFs and also for developing the next technical leaders.



The R&D structure for creating and promoting innovation is divided into two categories according to the time axis of the project. Research and development projects originating from the acquisition of customer needs will be undertaken at the laboratories of each segment to enable swift activities in accordance with the respective business environment. Meanwhile, the Corporate Headquarters is in charge of medium-to long-term projects. The R&D Center is responsible for the initial exploration and planning of R&D projects and the establishment of basic technologies. The New Business Development Department is responsible for the promotion of commercialization, and the system is designed to enable the rapid transfer of R&D to divisional companies once the business is launched. Each segment and Corporate Headquarters has an independent intellectual property department. The intellectual property divisions, business divisions, and R & D divisions of each segment work together at all times, and based on the characteristics of their respective business domains, we strive to gain a competitive advantage over our competitors, which in turn leads to the expansion and growth of our Group's business.

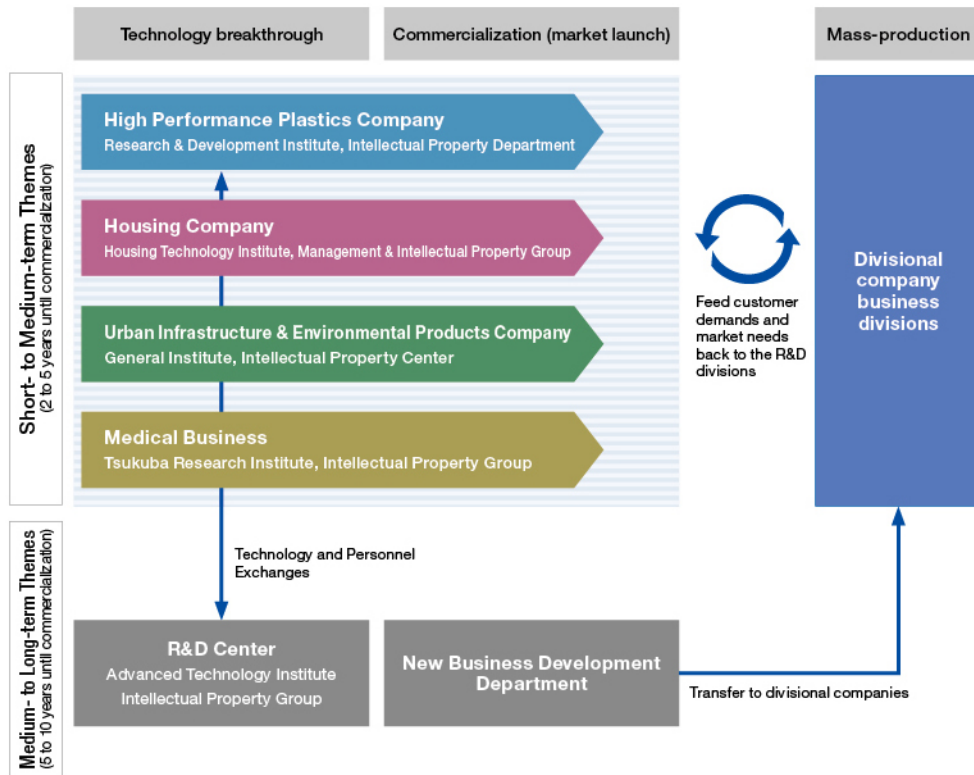
The status of innovation initiatives is monitored regularly by the R&D Committee. Discussions are underway with top management to further strengthen innovation.



#### Roles of the R&D Committee

- Determine Group-wide R&D basic policies regarding next-generation business creation
- Determine Group-wide R&D themes and action plans regarding next-generation business creation

## R&D and intellectual property management system





## ● Risk Management

### Collection and Analysis of Information to Respond Appropriately to Uncertainties

As fusion (innovation) activities are based on medium-to long-term projections, it is important to proceed while appropriately responding to uncertainties that will increase further in the future. It is necessary to actively obtain information from outside the Company, such as social and technological trends in Japan and overseas, and to envision possible future scenarios.

SEKISUI CHEMICAL Group's internal think tank organization, SEKISUI Integrated Research, is conducting surveys on changes in the Group's business environment and business continuity risks by collecting and analyzing a wide range of domestic and overseas information. The knowledge obtained is shared with relevant departments in the Company, and contributes to the study of specific measures.

## ● Indicators and Targets

### ■ Targets

In the previous Medium-term Management Plan, SEKISUI CHEMICAL Group set the number of new products and projects as a KPI and indicator of innovation in the areas of enhancement.

Under the current Medium-term Management Plan, we have established the numbers of external collaborations through open innovation as a KPI for innovation in innovation areas. Thanks to proactive external collaboration activities, the number of collaborations exceeded the target in fiscal 2023. To realize our Long-term Vision we will continue to strengthen innovation in both enhancement and innovation areas.

## ● Major Initiatives

### Internal and External Technology Fusion

SEKISUI CHEMICAL Group believes that collaboration with internal departments and external parties is important for realizing innovation. Based on this concept, we are actively working on technology collaboration inside and outside the Company, which we refer to as "fusion."

Regarding in-house fusion, the Group's R&D Center works with related departments within the Company to promote fusion with each divisional company from the three perspectives of "fusion of core technology," "fusion of planning," and "fusion of development."

As far as fusion of core technology is concerned, we are promoting support for divisional company development themes using materials informatics in information science, one of the basic technologies integrated into the R&D Center, and are steadily building up a track record.

From a perspective on fusion of planning, we were able to create new development themes through collaboration between planning personnel from the planning departments of divisional companies and the R&D Center. As we work toward further fusion of planning, we are endeavoring to revitalize the Company through internal technology exchange events.

Turning to fusion of development, we are promoting integration through a mechanism in which Corporate Headquarters support development themes that cross divisional company boundaries.

We are also actively promoting the fusion of key development themes with external parties. The Group's perovskite solar cell currently under development was selected as a national development project in collaboration with the University of Tokyo and Ritsumeikan University. We are also promoting a joint demonstration with the Tokyo Metropolitan Government, and plan to accelerate development toward practical application.

Moreover, we have entered into a partnership with ArcelorMittal, S.A., one of the world's largest steel companies, to pursue a carbon recycling technology project. In addition to promoting initiatives aimed at reducing CO<sub>2</sub> emissions during steelmaking, we are also engaged in a joint study with COSMO ENERGY HOLDINGS Co., Ltd. to convert CO<sub>2</sub> into valuable materials.

### Mechanisms for Creating New Businesses

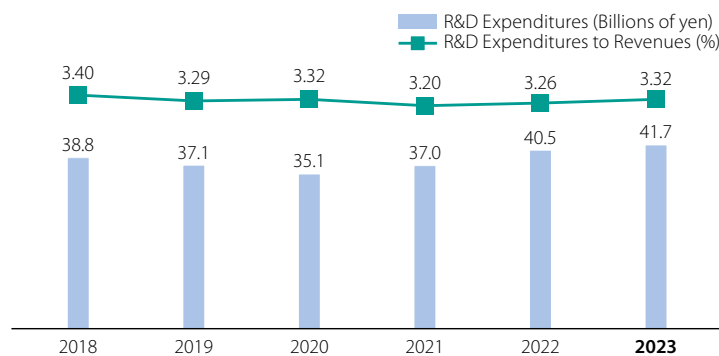
In 2021, SEKISUI CHEMICAL Group established the Innovation Promotion Group in the New Business Development Department with the aim of continuing to bring about innovation that helps resolve social issues as stipulated in the Group's Vision 2030.

The Innovation Promotion Group is engaged in planning and creating new businesses, designing and operating an in-house entrepreneurial system, and fostering a culture of innovation. In fiscal 2023, we launched an in-house entrepreneurial system as a measure to strengthen human resources who can run projects by accompanying experts in planning themes to hone entrepreneurial skills. We received 206 applications from the Group as a whole, exceeding the target of 100 applications. We are pleased to see that there are many employees who want to take on the challenge of taking new businesses through to commercialization.

Furthermore, in cooperation with the MINASE INNOVATION CENTER, we are providing a place where human resources from inside and outside the Group can gain access to a wide range of information and knowledge and interact with each other as an opportunity for innovation.

## Performance Data

### R&D Expenditures / R&D Expenditures to Revenues



# DX

## ● Strategy (Stance and Approach)

### ■ Basic Concept

The mission of Digital Transformation (DX) for SEKISUI CHEMICAL Group is to accelerate and support growth business strategies and structural reforms to realize the Long-term Vision.

Against the backdrop of major changes in the external environment, the Group has four sense of crises: a lack of governance and labor, diversification of management data, and a reduction in profitability due to changes in the market. In light of these factors, we are implementing DX as a means to survive against global competition.

Our Group-wide DX is centered on business process transformation, and we are advancing three reforms: governance innovation and business model transformation from the perspectives of "visualization and standardization\*," productivity improvement, and sophistication. We are also strengthening our foundation, including in IT systems and personnel, to support these transformations.

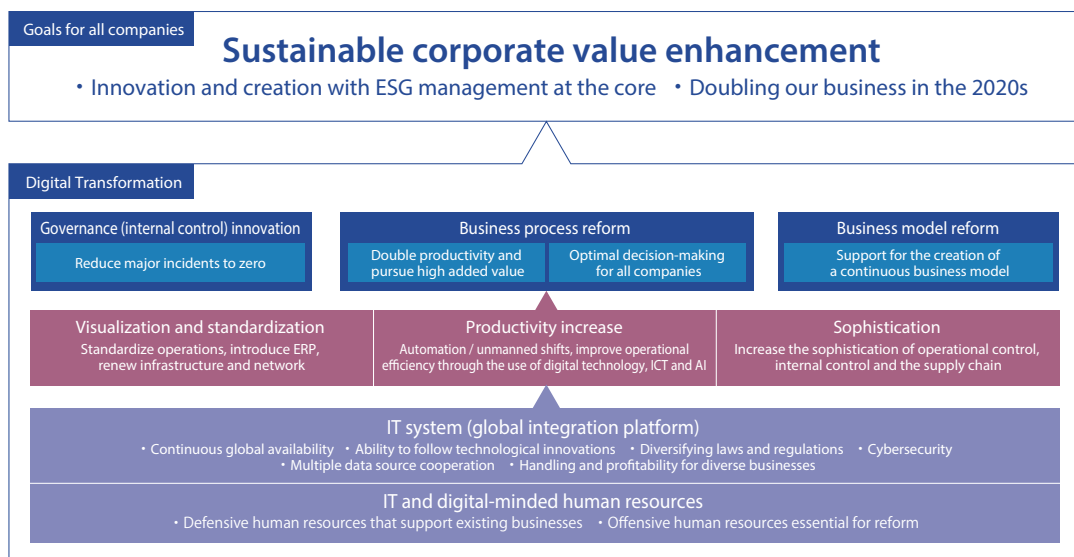
## ● Governance

### DX Overview

SEKISUI CHEMICAL Group is promoting thorough standardization and data-based productivity improvements as "business process transformation."

In order to accelerate growth strategies and structural reforms on a Group-wide and global basis to realize our Long-term Vision, we are shifting to a phase of further digital expansion and the creation of benefits in each of our global management foundation, purchasing, and sales and marketing domains. Governance will be strengthened through the operation of a global management foundation and the deployment of an indirect purchasing system. At the same time, we will fully create the benefits of the DX projects we have developed to date.

In order to support the realization of these goals, we are developing human resources who can make full use of digital tools and data, and establishing a global cyber security response system.



**Ensuring robustness of data**  
Prevention of fraudulent actions



**Introduction of a global management foundation**  
Standardization of working operations and systems



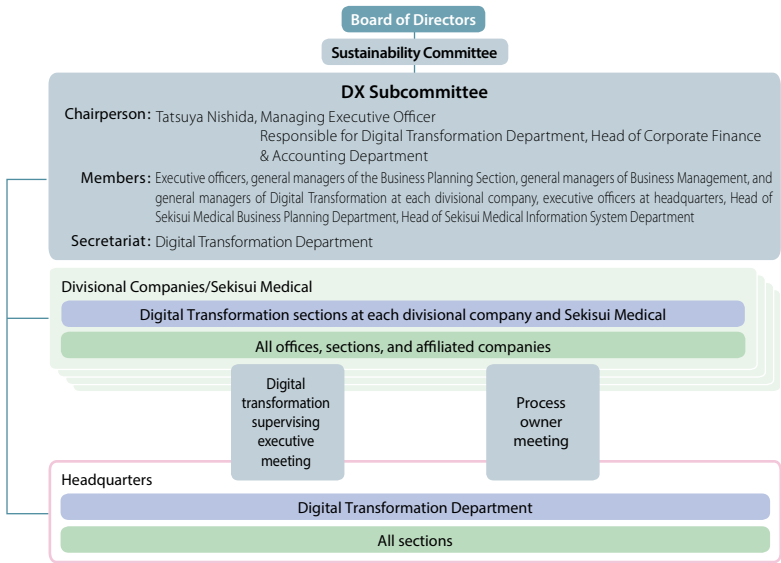
**Reforming work processes**  
Reform of aspects such as sales, marketing, and purchasing



**Strengthening infrastructure and security**  
Reduction of business risks

Note: Visualization and standardization: standardize operations, introduce a global management foundation, renew infrastructure and network

## DX Promotion System



## ● Risk Management

### ■ Risk Recognition and Response System

DX delays or stagnation in SEKISUI CHEMICAL Group could lead to the risk of delays in responding to increasingly sophisticated governance-related and other social demands. There is also a risk that the current reliance on manpower may continue.

With this in mind, the DX Subcommittee, chaired by the executive officer in charge of the Digital Transformation Department, was newly established under the Sustainability Committee. This subcommittee monitors the progress of digital transformation from a management perspective and makes decisions on countermeasures.

In addition, since the use of information systems and data is essential to the promotion of DX, it is important to address risks related to information management. We have established CSIRT as a cyber security response system, and are also conducting employee awareness activities and incident training.



## ● Indicators and Targets

### | Targets

| Major Implementation Measures   | Management Indicators   | Final Fiscal Year (FY2025)<br>Targets of the Current<br>Medium-term Management Plan  | FY2023 Results   |
|---|---|--|--|
| Global management foundation innovation                                 | Development status and deployment progress toward the construction of global standard operations and system models      | Start of renewal and deployment of the global management foundation; realization of the business transformation we are aiming for (introduction locations) | Completion of subject business process development, review of roadmap based on test results, completion of requirement definitions for global expansion, and under design  |
| Reform of global indirect purchasing                                    | Progress status of initiatives aimed at indirect material purchasing (development and utilization plans)                | Realization of favorable purchasing through centralized purchasing and start of overseas expansion   | Completion of the deployment of indirect purchasing systems to major domestic bases and start of effects materializing through increased use   |
| Enhancement and improvement of efficiency of sales and marketing duties | Progress status of initiatives aimed at sales and marketing reforms (coverage rate and workload shift)                  | Top-line improvement through the establishment of data-based sales activities and strengthening of customer management                                     | Establishment of new business processes through the use of sales data and verification of the use of external data   |
| DX human resource development   | 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   | Development of core human resources by offering practical courses to solve business issues digitally   |
| Realization of diverse work styles through digitalization               | Progress and usage status of initiatives for establishing new normal work styles and strengthening global communication | Provision of global communication infrastructure and overseas expansion of standard terminals  | Development of integrated authentication infrastructure for cloud services in use, provision of global communication infrastructure in Japan and prior introduction to certain overseas bases, and formulation of procurement schemes for standard terminals |

## ● Major Initiatives

### | Global Management Foundation

To support SEKISUI CHEMICAL Group's strategy of growing globally, we are working on the renewal of our core system (global ERP\*), which serves as our management foundation. Through this, we aim to achieve the following.

- Visualization and analysis of data required for decision making to maximize global consolidated profit
- Improve productivity of indirect operations through standardization and improvement of operating efficiency
- Improve governance (internal controls) and minimize risks by standardizing and visualizing operations globally

In fiscal 2023, we completed the development of target business processes and reviewed the deployment roadmap based on the results of operational tests. We also proceeded with the definition and design of requirements for global expansion. In the future, we will proceed with preparations for full scale operation and make adjustments for deployment.

\* ERP: Enterprise Resources Planning.

A system for integrating and centrally managing core operations, such as corporate accounting, human resources, production, and sales operations.

### | Purchasing

As part of our global purchasing reforms, we are working to standardize purchasing operations and visualize transaction data using systems.

By visualizing global transactions, fraud can be deterred and detected at an early stage. We will also improve purchasing power and reduce procurement costs by achieving overall optimal purchasing. In addition, we are working to establish systems and infrastructures that can continuously reduce costs by minimizing low-value-added operations through the introduction of systems.

In 2023, we completed the introduction of the indirect purchasing system to our main domestic bases and made efforts to firmly establish its use. We are also reducing procurement costs by utilizing accumulated data and strengthening negotiating power and management/control through consolidation.

### | Sales and marketing

Our Group aims to thoroughly improve efficiency and productivity through the standardization and automation of business operations related to sales and marketing, and to improve the top line through the use of sales data.

Problems arose in operations related to sales and marketing, such as the different systems used by each divisional company, and the large portion of work that was personalized. In response to these problems, we are working to shift to value-based operations so that we can provide better value to our customers by engaging in business processes more effectively.

In fiscal 2023, we are making progress in visualizing the status of customer transactions and expanding our efforts to strengthen our sales processes through data analysis, including the use of external data.

We are also working to further secure sales data, an essential part of our DX initiatives.

## DX human resources

In order to significantly improve the productivity of operations, it is important to standardize, automate, and improve the efficiency of operations through the use of digital technology and data. In order to accelerate DX, we are also promoting the development of so-called DX human resources, who will be able to use digital technology to solve business issues and spread those activities in the field.

In fiscal 2023, we established five practical courses with the goal of solving business issues. Through classroom lectures on digital tools and practical training to solve business issues, DX business core-level personnel who have improved their digital skills and realized the benefits of DX will further promote DX activities in the field.

## Diverse work styles

In order to realize a diverse range of work styles, the Group promotes "remote work," a way of working that utilizes in-house IT systems from locations other than offices (home, outside, etc.). We are also working to strengthen global communication with a view to achieving long-term growth on a global basis.

In fiscal 2023, we began to further develop our Integrated User Certification Infrastructure to ensure the safety and secure use of cloud services, which are rapidly being introduced, and to shift to communication platforms and digital devices that can be used globally. Through this IT infrastructure, we have been able to achieve both work productivity and cyber security in a variety of work styles, including telecommuting. We will continue to realize safety and timely information sharing on a Group-wide and global basis.

## Increasing the speed of material development through digital science

We are promoting the use of Materials Informatics (MI) in order to respond to the environmental changes surrounding the development of new materials (shorter product life cycles, resource constraints, and the need to both diversify material requirements and accelerate R & D activities). One of the features of the Group's MI is the fusion of informatics technologies, such as computational science, image analysis, evaluation analysis, and system design capabilities.

Currently, work is currently being conducted on a number of MI R&D projects. Specifically, we have achieved such results as considering the formulation design of film products at a faster pace than in the chemical industry, and significantly shortening the time required to develop adhesives for electronic material tapes.

In the future, we will accelerate the development of materials as well as the development of innovative fields under our Long-term Vision.

By expanding the scope of value creation using the power of digital technology, we will be the driving force behind the Group's sustainable growth.