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# **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 the Group's five important 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 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 on Each of the Principles of the Corporate Governance Code are available at the following website.

#### WEB Corporate Governance

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

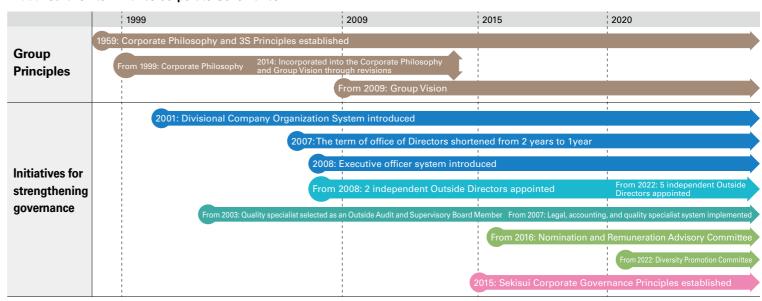
# Governance

#### 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**



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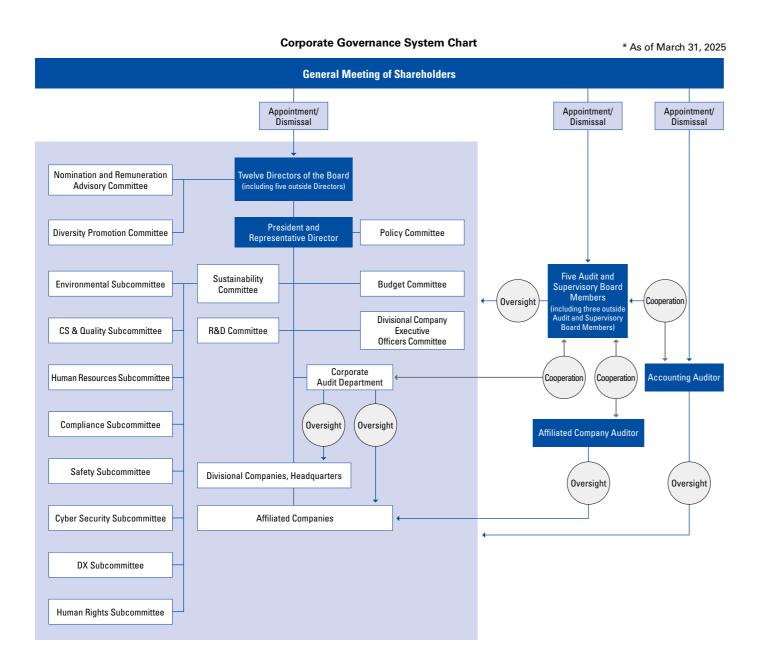
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## Roles and Responsibilities of the Board of Directors

The Board of Directors is positioned as a body responsible for determining basic company-wide policies, making sophisticated management decisions, and overseeing business execution.

The Board of Directors is chaired by the Chairman, who is a non-executive director, and through the appointment of outside directors with sufficient independence, a highly effective supervisory framework for directors is established to ensure transparency and fairness in management.

In principle, directors are requested to attend 100% of Board of Directors meetings.

#### Composition of the Board of Directors

The Company has set the number of directors at a maximum of 15, including the appointment of several outside directors.

The Company's Board of Directors is composed of directors who possess excellent personal character, insight, and high ethical standards, as well as knowledge, experience, and ability.

All Audit and Supervisory Board members, including outside Audit and Supervisory Board members, are required to attend Board of Directors meetings. The appointment of Audit and Supervisory Board members includes at least one member with knowledge and expertise in corporate finance and accounting and at least one member with knowledge and expertise in legal systems.

In order to ensure appropriate decision-making in line with the size and scope of the Company's business, we seek to maintain diversity and an appropriate number of members on the Board of Directors.

Divisional Company Presidents who are business heads as well as corporate executive officers with extensive experience and expertise are appointed as in-house directors, alongside several independent outside directors with wide-ranging knowledge and experience as well as Audit and Supervisory Board members with the relevant expertise, so as to ensure the Board of Directors' appropriateness of diversity and size, and balance of skills to effectively fulfill its roles and responsibilities. In addition, three female directors have been continuously appointed since the Annual General Meeting of Shareholders held in June 2022.

We believe that the above ensures diversity among members on the Company's Board of Directors in terms of both skills and gender. duction Top Messa

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#### Attendance of Directors and Audit and Supervisory Board Members

Name	Position in the Company	Years in office (June 2025, as of the conclusion of the General Meeting of Shareholders)	Attendance at Board of Directors meetings (FY2024)	Attendance at Audit and Supervisory Board meetings (FY2024)	Attendance at Nomination and Remuneration Advisory Committee meetings (FY2024)	Attendance at Diversity Promotion Committee meetings (FY2024)
Teiji Koge	Chairman of the Board	20 years	100% (18/18)	_	100% (6/6)	100% (3/3)
Keita Kato	President and Representative Director CEO	11 years	100% (18/18)	_	100% (6/6)	100% (3/3)
Ikusuke Shimizu	Representative Director Senior Managing Executive Officer	6 years	100% (18/18)	_	_	100% (1/1)
Futoshi Kamiwaki	Director Senior Managing Executive Officer	5 years	100% (18/18)	_	_	100% (2/2)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	10 years	100% (18/18)	_	_	_
Masahide Yoshida	Director Managing Executive Officer	1 year	100% (14/14)	_	_	_
Kazuya Murakami	Director Executive Officers	4 years	100% (18/18)	_	_	100% (3/3)
Hiroshi Oeda	Independent Outside Director	7 years	100% (18/18)	_	100% (6/6)	100% (3/3)
Haruko Nozaki	Independent Outside Director	3 years	100% (18/18)	_	100% (6/6)	100% (3/3)
Miharu Koezuka	Independent Outside Director	3 years	100% (18/18)	_	100% (6/6)	100% (3/3)
Machiko Miyai	Independent Outside Director	3 years	100% (18/18)	_	100% (6/6)	100% (3/3)
Yoshihiko Hatanaka	Independent Outside Director	2 years	94% (17/18)	_	100% (6/6)	67% (2/3)
Hiroyuki Taketomo	Full-time Audit and Supervisory Board Member	4 years	100% (18/18)	100% (17/17)	_	_
Tomoyasu Izugami	Full-time Audit and Supervisory Board Member	2 years	100% (18/18)	100% (17/17)	_	_
Yoshikazu Minomo	Independent Outside Audit and Supervisory Board Member	3 years	100% (18/18)	100% (17/17)	_	_
Wakyu Shinmen	Independent Outside Audit and Supervisory Board Member	2 years	94% (17/18)	100% (17/17)	_	_
Kenji Tanaka	Independent Outside Audit and Supervisory Board Member	2 years	100% (18/18)	100% (17/17)	_	_

#### **About the Age-group Composition of Officers**

\* As of March 31, 2025

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

#### Outside Directors

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.

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#### 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. In particular, in FY2024, we appointed an external consultant for the effectiveness evaluation and conducted interviews in addition to the survey to ensure greater objectivity and transparency in the evaluation.

Based on the results of the survey and interviews, the Board of Directors has ascertained that there are no obvious issues requiring immediate action, and is considering the identification of key management issues that require further deliberations as well as the delegation of authority from the Board of Directors to executive personnel in the interest of making future improvements. We believe from the above that our Board of Directors contributes to enhancing the corporate value of the Group and is functioning properly.

In FY2024, the Board of Directors met 18 times and 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 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 FY2024, we inspected the production sites of each divisional company (Housing Company: Sekisui Heim Industry Co., Ltd.; Urban Infrastructure & Environmental Products Company: Chiba Solution Center and Chiba Sekisui Industry Co., Ltd.; High Performance Plastics Company: Aichi Plant of Sekisui Techno Molding Co., Ltd., and Sekisui Nano Coat Technology Co., Ltd.).

## ☐ 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.

#### ■ FY2024 Executive Officers Liaison Meeting lecture topics

- (1) Mr. Tetsuya Nagasawa, Attorney, OH-EBASHI LPC & PARTNERS Theme: Significance of compliance for proper transactions
- (2) Mr. Ken Kusunoki, Specially Appointed Professor, Hitotsubashi University Business School Theme: Competitive strategies as stories
- (3) Mr. Toshiaki Higashihara, Director, Executive Chairman, and Representative Executive Officer,

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Hitachi, Ltd.

Theme: Future of Japan and corporate management from the perspective of Hitachi's management reforms

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(4) Mr. Kazuya Soejima, CEO, Newton Consulting Ltd.

Theme: Remarkable risk management: The essence of making risk management activities work on their own

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#### 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 officers.

#### 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.

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\* Executive directors are required to purchase shares of the Company through the Executive Stock Ownership Plan for a fixed amount of base remuneration.

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#### <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.
- Determined by applying multiplying factors set for each role and divisional company-specific multiplying factors (60% to 120%) linked to the company's degree of achievement of targets for financial indicators (operating income, ROIC, etc.) and non-financial indicators (GHG emission reduction rate, recycling rate for waste plastic materials, degree of challenging behavior expression, human resource retention rate, incidence of open innovation, etc.) to a base amount linked to the entire Company's operating income
- <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.

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#### Officer Remuneration in FY2024

Omoci momano	moor nemaneration in 1 12024					(,	Amount: Mil	lions of yen)
	Basic rem	Basic remuneration				-based nsation	Total	
Category	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	418	7	340	7	79	13	838
Of which Outside Directors	5	72	_	_	_	_	5	72
Audit and Supervisory Board members	5	80	_	_	_	_	5	80
Of which outside Audit and Supervisory Board members	3	36	_	_	_	_	3	36

Note 1:The aforementioned includes one director who retired at the conclusion of the 102nd General Meeting of Shareholders held on June 20, 2024.

Note 2:The aforementioned amount does not include the portion of employee salary (including bonuses) amounting to 47 million yen paid to directors who concurrently serve as employees.

#### WEB Notice of Convocation of the Annual General Meeting of Shareholders

https://www.sekisuichemical.com/ir/stock/shareholder\_info/

#### Company Stock Ownership Guidelines for Officers

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 "Company 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.

# 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 FY2024.

Three outside Audit and Supervisory Board members have been 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 or full-time Audit and Supervisory Board member in charge reports to the Board of Directors, as necessary, on the status of improvements made to matters pointed out by internal audits.

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# **Major Initiatives**

# **Execution of Duties by Directors**

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 in-house directors charged with the responsibility of carrying out the executive function. Policy decisions were made by the Board of Directions 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 17 times in FY2024 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.

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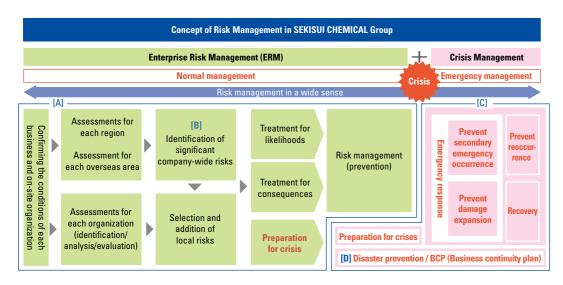
# Risk Management

# 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, and 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 minimization of the impact when it occurs.



P.156 A, B: Risk management system and initiatives

P.157 C, D: See crisis management system and initiatives

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#### **ERM** (Enterprise Risk Management) Initiatives

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 opportunities, and continues to implement the PDCA cycle in accordance with ISO 31000, an international standard for risk management. In addition, each specialized corporate department identifies Group-wide major risks that are likely to lead to serious incidents in the five areas—safety, quality, accounting, legal and ethical affairs, and information management—and in FY2024, expanded the scope to include human rights and the environment. 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. For organizational risk-management activities, 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.

#### Documents related to risk management

Name of Document	Year of Establishment	Disclosure	
Risk Management Guidelines	2015	Guidelines on risk management approach and activities	
Risk Management Regulations	2018	Requirement for consolidated subsidiaries to engage in risk management activities under Group regulations	

#### Group-wide organizations related to risk management

Name of Organization	Year of Establishment	Roles
Sustainability Committee	2007	Deliberate measures based on input from the Company-Wide Risk Review Subcommittee and the Subcommittees for various materialities (safety, human resources, cyber security, compliance, CS & Quality, environment, human rights, and DX), report them to the Board of Directors, and reflect them in the risk management activities across all organizations for the next fiscal year. (Twice a year)
Company-Wide Risk Review Subcommittee	2020	Deliberate on the rectification or modification of Group-wide major risks identified in the previous year in light of changes in the internal and external environment, and whether there have been any changes in their impact or likelihood of occurrence. Submit the results and risk mitigation measures to the Sustainability Committee. (Once a year)

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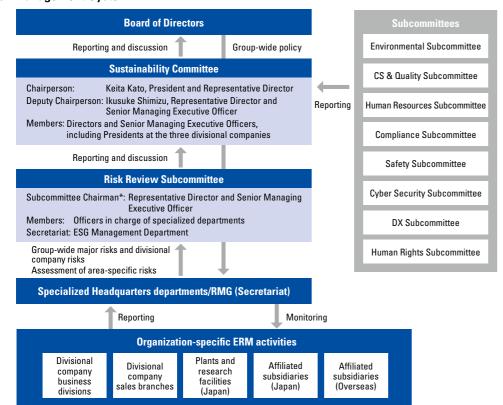
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#### Risk Management Activity Framework

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 have a significant impact on Group-wide management and business continuity (Group-wide major risks) and has built and strengthened a system of top-down approaches that are deployed in Group-wide measures as well as business- and organization-level measures. This system is being implemented in 185 organizations in FY2024. In the next medium-term plan (from FY2026), 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.

#### **Risk Management System**



<sup>\*</sup> Subcommittee Chairman: Positioning of person in charge of risk management in the Company

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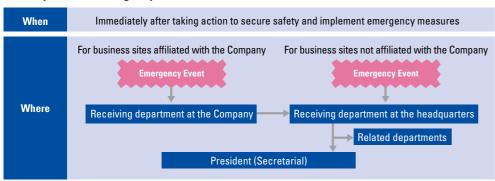
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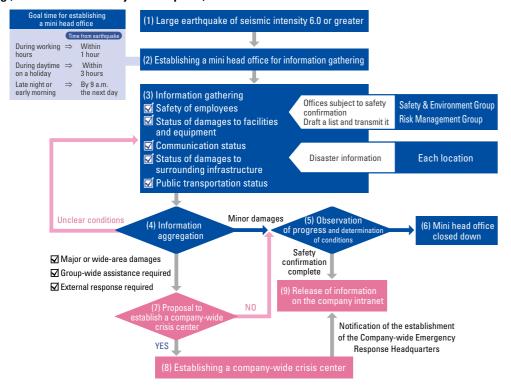
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#### **■** Domestic Crisis Management Organizational Structure

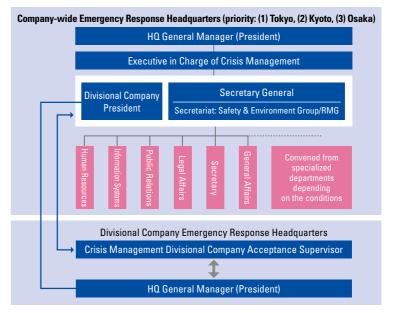
Procedures for contacting divisional companies / Corporate Headquarters from the frontline immediately after an emergency occurs



Initial action of the Company-wide Emergency Response Headquarters (e.g., in the event of a major earthquake)



# Functions of the Company-wide Emergency Response Headquarters (e.g., in the event of a major earthquake)



#### **Question :** Overseas Crisis Management Organizational Structure



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# **Risk Management and Crisis Management**

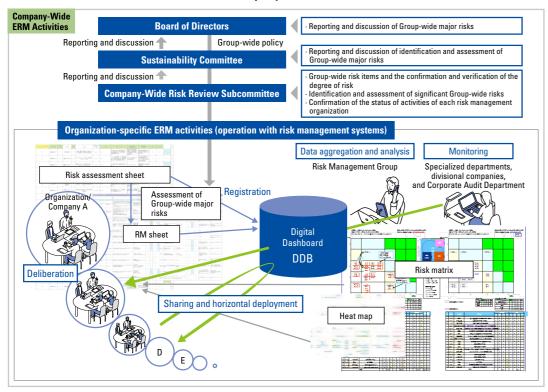
# Risk Management

The organizational risk-management activities are registered in our proprietary risk management system, the Digital Dashboard (DDB), to identify and assess risks and visualize the progress of action taken to address the risks.

The DDB was implemented in Japan in FY2018, and following the adoption of cyber security measures, was rolled out overseas starting in FY2024.

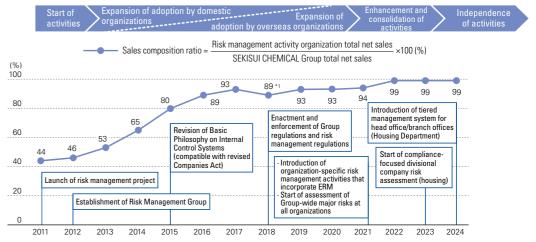
The DDB has an environment that can be accessed by members responsible for activity promotion, such as risk owners who are fully responsible for the organization's risks, risk managers who are responsible for advancing risk management, and consultative members who are in charge of promotional efforts. The database keeps track of the status of responses to each risk and of promotional efforts so as to ensure the efficiency and accountability of risk management activities through cross-referencing among organizations. These activities are monitored and guided by divisional companies and specialized departments.

#### **Overview of Company-Wide ERM Activities**



#### Introduction of risk assessment at divisional companies

Since FY2021, risk assessment in organization-specific activities of risks identified as Group-wide major risks has been mandatory at the SEKISUI CHEMICAL Head offices, and since FY2023, the Housing Company has also begun to identify operational risks that are considered important compliance risks and conduct assessment at all organizations under its jurisdiction in an attempt to mitigate these risks. As a result, monitoring in FY2023 and FY2024 revealed that the number of related emergency contacts (incidents) was reduced by half compared to FY2022.



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

# ■ Crisis Management

In the wake of the outbreak of COVID-19 at the end of FY2019, Corporate Headquarters took the lead in developing and renewing BCPs for all organizations while putting in place a BCM system under the previous Medium-term Management Plan. Under the current Medium-term Management Plan, a person in charge of BCM promotion has been appointed and autonomous training programs and document reviews have been established in each organization, while efforts are being made to constantly improve performance. We also provide meticulous support, including training for newly appointed persons in charge of BCM promotion in each organization.

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# **Indicators and Targets**

# **Targets**

Under the previous Medium-term Management Plan, SEKISUI CHEMICAL Group worked to minimize the impact of earthquakes, pandemics, and other incidents by formulating a BCP and achieving a 100% operating rate. In FY2022, the Group achieved a 100% BCP operating rate. Under the current Medium-term Management Plan, steps were taken in FY2023 to complete the BCM cycle (voluntary training and document revision) and to make the BCP more functional from a practical standpoint. In FY2024, the cycle was completed a second time to brush up the BCP.

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

# **Major Initiatives**

# ■ Training Systems

As far as risk management activities by organization are concerned, SEKISUI CHEMICAL Group has conducted training for newly appointed risk managers\* on an annual basis since FY2017 to ensure the competence of risk managers assigned to each organization. In FY2024, 13 managers from new and other organizations received training, bringing the total number of participants to 281. With regard to crisis management, in addition to BCP formulation courses for new organizations, we also provide training on how to maintain the effectiveness of the BCP and on how to proceed with BCM, which involves reviewing the BCP.

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

#### Training related to risk management

Category	Training name	Trainees	Disclosure
Risk Management	Introductory orienta- tion on risk manage- ment activities in new organizations	Members responsible for duties related to risk man- agement activities in new organizations (president, risk managers, various de- partment heads)	Basic approach to risk management (risk and crisis management) and methods to promote risk management (including how to operate risk management systems)
	Training for risk managers	New risk managers	More advanced risk management knowledge and skills in addition to the above
	Training for persons in charge of BCM	Persons in charge of BCM promotion in various organizations	Acquisition of knowledge and competence required for BCM
	BCM training courses	Members in charge of BCM promotion	Crisis response training using desktop training and disaster scenario maps that would allow each organization to put the training into practice
Crisis Management Overseas transfer training		Employees who will be post- ed overseas	Comprehensive risk management (risk management + crisis management) training Cultural and customary taboos of the destination country, knowledge on how to avoid involvement in crimes and behavioral tips, information on embassies and consulates, etc.
	Overseas business travel training	All employees who will be traveling overseas for business and those who intend to travel to a coun- try or region with a C rank	e-learning content focused on crisis management, including the culture and customs of the destination country, behavioral tips, and information on embassies and consulates

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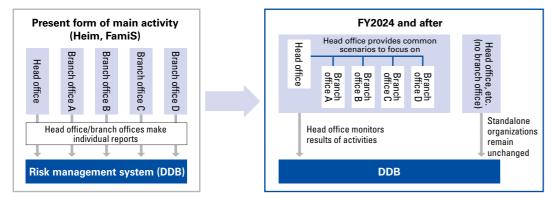
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Risk Management Activities

In order for organizations to establish and implement risk management activities, a tiered management system was established at the Housing Company with a focus on large sales companies with many branch offices. While risk management activities had until then been conducted by head offices and branch offices in parallel, in FY2024, the major risks identified by the head office of each sales and renovation company were forwarded to their respective branch offices and added to their activities, thereby further strengthening governance.

#### **Tiered management (Housing Department)**



#### ■ Crisis Management Activities

Based on the experience of the Great East Japan Earthquake, SEKISUI CHEMICAL Group totally reviewed its crisis management system in FY2011. 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, comprising representatives from the specialized departments of Corporate Headquarters and divisional companies, are convened three times a year. One of these meetings is designated as a training exercise, and all meetings focus on case study reviews and training.

Specifically, we conduct a review of the Emergency Response Headquarters 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 FY2019, we have installed a safety confirmation app on all employees' mobile phones and other devices so that we can quickly confirm the safety of employees in the event of an emergency.

#### ■ 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 Organization 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 emergency response plan (ERP) with "protecting human life" as the first priority as BCP (1) as a Group-wide initiative in FY2021. Major business organizations also positioned as BCP (2) the formulation of a resource-based all-hazard BCP to respond to all crisis events and promoted the BCP. As of the end of 2024, 124 organizations have engaged in BCM activities.

In FY2022, 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. Since FY2023, individual organizations have implemented BCM operations autonomously using a simple training tool. Going forward, each divisional company will be taking the lead in developing a system for collaboration among bases and strengthening regional cooperation. In FY2024, we reviewed the crisis response flow of the Company-wide Emergency Response Headquarters as well as the roles of relevant personnel, and we conducted desktop crisis response training (simulation training) on the subject of the Nankai Trough for crisis response practitioners.

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.

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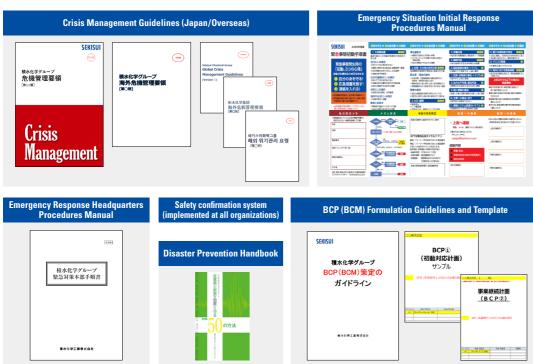
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#### Group-wide crisis management tools

#### All tools and safety confirmation system



### 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 crisis 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 manager responsible for 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 overseas transfer training for employees posted overseas, pre-business travel e-learning for employees traveling for business, and country-specific training focused on public safety to educate employees on basic crisis management issues and specific safety measures. In FY2024, we have attempted to strengthen the level of our response by envisioning the impact of contingencies through a geopolitical risk study group simulation.

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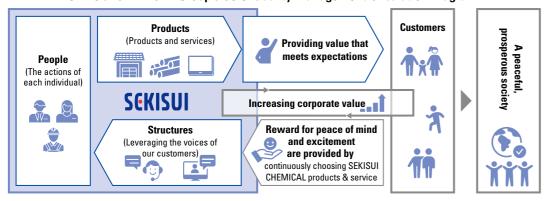
# **CS & Quality**

# 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 basic quality and adhering to quality compliance.

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



#### WEB CS & Quality Management Policy

https://www.sekisuichemical.com/sustainability\_report/basic\_policies/#anc-P03

# ■ Current CS & Quality Medium-term Plan

		2023	2024	2025
	New Businesses New Products  Gate Review*1 Operation and Management			
	(Development Management)	Construction and Opera	ation of a New Business Risk	Mitigation Mechanism
	Existing Businesses Manufacturing Daily	Support for Businesses Requiring Reinforcement	Status of Daily Mana and Su	
Strengthening QMS	Management (Manufacturing Daily Management)		the Robustness of Inspection E m the Status of System Oper	
	Evaluation and Correction	Grasp the Status of Audits	Plan and Prepare for Au	udit Level Improvement
	Corroction	Confirm	Corrections to Major Quality	/ Issues
Strengthening	CS Monitoring	Analyze the Status of Surveys Consider Improvement Measures	Consider CS Human Resource Requirements	urvey and Validation at Test Sites
ĊS	CS & Quality Information Dissemination	Rebuild Media and Methods	CS & Quality Seminars, I New Me	
	landari Overlite	Domestic: Business	s Site Support, Overseas: Bus	siness Site Support
KAIZEN Activities	Improve Quality	Enhance Group KAIZEN Activi	ty Presentations, Promote Group	o-wide Collaboration Planning
Activity Groundwork	Expand Domains	Deploy to Indirect Operations	Improve Coordination with	n Each Divisional Company
		Digitize t	the Content of Each Training F	Program
	CS & Quality Human	Conduct I	Hands-on Training and Open	Seminars
	ng / System)	Organize Manufacto	uring Training R	Manufacturing Training Reorganize by Job Category and Employee Rank

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

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#### Awareness of Risk

#### Prevention of defects, strengthening 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.

#### 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 extends 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.



#### WEB Consumer-Oriented Management

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 FY2024, we worked on the following initiatives based on the "Self-Declaration for Consumer-Oriented Management."

#### 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.

#### Creating value that exceeds customers' expectations

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

#### Upgrading technological capabilities

In the development of new products, we held one development prevention seminar and one DR reviewer training 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 Hands-on Training at three sites to enable the use of SEKISUI CHEMICAL's proprietary assessment tool, the SEKISUI Process Management Chart (SPMC).

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#### Enhancing communication

We published two issues of "Shining," a CS & Quality information magazine that introduces positive examples of CS & Quality across the Group's various businesses, inquiries received by the Customer Consultation Office, and examples of Group KAIZEN Activities at other companies.

#### Providing thorough employee education

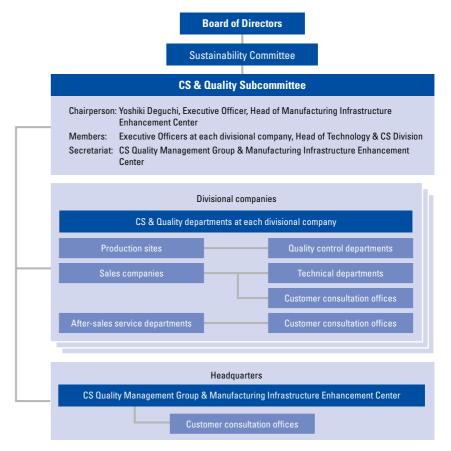
We conduct CS & Quality-related training for new employees every year. We encourage our employees to think about our concept of "CS & Quality management" and what we can do to satisfy our customers, so that they can apply this information in their daily business activities.

# Governance

#### CS & Quality Subcommittee

SEKISUI CHEMICAL Group holds twice-yearly meetings of the Sustainability Committee and the CS & Quality Subcommittee, which is a subordinate committee, with respect to CS & Quality. In FY2024, the CS & Quality Subcommittee met twice in total in October and March.

#### **CS & Quality Management Promotion System**



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#### ■ Establishment of a Quality Assurance System

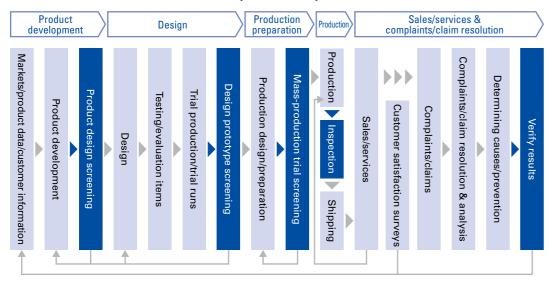
The Group has established a quality assurance system that covers all processes from design and development, production, and sales.

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 a risk that needs to be resolved 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 related to the quality of our products, technologies, and services that will cause serious damage to customers, society, and the Group if they are not urgently and fundamentally resolved.

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# 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	FY2024 Results
Preventing the Occurrence of Major Quality Issues	Implementation of CS & Quality level improvement events	4 times per year	Implementation of 3 CS & Quality seminars and 1 Group KAIZEN Activity "Global Group-wide Competition"

<sup>\*</sup> Events to improve the level of CS & Quality: Group-wide CS or quality improvement events organized by the CS & Quality Management Group.

# **Major Initiatives**

# ■ Strengthening QMS

#### Strengthening daily management

When SEKISUI CHEMICAL Group transitioned toward ISO 9001:2015 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 FY2024, we continued to hold training for QMS internal auditors as well as SPMC Internal Audit Hands-on Training. We also worked to increase the competence of employees by releasing through our intranet and having them make use of training videos on basic QMS content, such as an explanation of the ISO 9001 standard and how to carry out internal audits.

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





SPMC Internal Audit Hands-on Training

Since FY2020, SEKISUI CHEMICAL Group has continued to create and operate systems as well as mechanisms to thoroughly prevent data falsification and manipulation.

In FY2024, steps have continued to be taken to confirm the operating status of the system established in FY2022 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.

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#### 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 are 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 FY2024, there were no cases of violation of various laws and voluntary regulations regarding product safety.

#### Product quality disclosure and labeling

In order for SEKISUI CHEMICAL Group to ensure 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, we set and check items for compliance with laws and regulations relating to product information disclosure at the development stage and implement design reviews (DRs). An internal investigation revealed one case of violation with respect to a corporation for some products manufactured by our wholly owned subsidiary and sold by us, and we have filed a report. We have already completed an investigation into the causes of the incident and adopted the necessary corrective action. The Group takes this incident very seriously and will make Group-wide efforts to prevent its recurrence.

#### ■ Strengthening CS

#### CS human resource requirements

In FY2024, we considered and formulated a set of human resource requirements for improving customer satisfaction (CS) as a Group based on the results of the CS monitoring program (internal survey) implemented in FY2023. Going forward, we plan to operate and validate the formulated human resource requirements at test sites to improve the accuracy of the requirements and reflect them in our policies.

#### 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 seminars since FY2001 to raise awareness of CS & Quality. As of the end of FY2023, a total of 67 such seminars have been held.

In FY2024, seminars were held three times: once in the first half and twice in the second half.



<68th Seminar> Measures against customer harassment: Preventing the creation of victims and perpetrators and taking practical action Senior Managing Director, The Association of Consumer Affairs Professionals (ACAP) Mr. Shigeto Saiki (July 30, 2024)



<69th Seminar> Pitfalls of human error in experience utilization and making assumptions Specially Appointed Professor, Center for Industrial and Governmental Relations. The University of Electro-Communications Mr. Kenji Tanaka (November 19, 2024)



#### <70th Seminar>

Training and framework for autonomous inspiration creators who create inspiration

Executive Officer and General Manager of the Management Quality Division, Super Hotel Co., Ltd. Ms. Eiko Hoshiyama (February 21, 2025)

#### **Publication of CS & Quality information** magazine (Shining)

SEKISUI CHEMICAL Group has published CS & Quality information magazines since FY2006 to promote CS & Quality management. In FY2023, we consolidated these CS & Quality information magazines and launched a new CS & Quality information magazine called "Shining" in their place to accelerate CS & Quality management as we work toward realizing Vision 2030.

Two issues of "Shining" were published in FY2024.



Shining No. 2 (April 2024)



Shining No. 3 (November 2024)

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#### 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 improvement after improvement.

#### Improving the quality of KAIZEN activities

The Group provides support for the promotion of Group KAIZEN Activities 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 FY2024, we held KAIZEN exchange sessions focused on indirect operations that deepened collaboration with divisional companies. As a result, "true exchange" between introducers and participants was born, in which both parties were able to share and draw on their mutual KAIZEN innovation and wisdom to enhance each other's ability to achieve improvements.

#### Group KAIZEN Activity "Global Group-wide Competition"

The Group KAIZEN Activity "Global Group-wide Competition" (Group-wide presentations) was held on a Group-wide basis in January 2025. Under the slogan of "Widening the circle of KAIZEN, enhancing the quality of KAIZEN, and accelerating the KAIZEN process," sites representing their respective areas that won selection competitions in not only Japan but also Europe, the United States, China, and Asia gathered together and were able to present their KAIZEN results face-to-face. For the first time, a "finalist exchange session" was held to discuss and exchange information on each other's KAIZEN wisdom and to push each other to greater heights. Furthermore, a globally recognizable KAIZEN logo was created and disseminated worldwide. We will continue to promote SEKISUI KAIZEN under this slogan and logo.



FY2024 Group KAIZEN Activity "Global Group-wide Competition"



## Strengthening CS & Quality Human Resources

SEKISUI CHEMICAL Group conducts a variety of training programs to strengthen its CS & Quality human resources.

In respect of quality, we conduct the following training to enhance quality management and prevent quality issues.

To enhance quality management, we

- · offer video-based learning on QMS\*1, the basis of quality management, and
- · implement online/in-person practical training for internal auditors.

To prevent quality issues, we

- · Develop prevention seminars aimed at teaching effective and efficient prevention methods
- · offer DR\*2 Reviewer Training seminars designed to improve the skills of employees engaged in DR
- · offer quidance and support on GR operations relating to new businesses, etc.

In FY2024, we held three online training seminars and in-person practical training seminars for internal auditors at three offices.

We also held one online development prevention seminar and one online DR reviewer training seminar.

As far as CS is concerned, we develop and run proprietary video training programs that teach survey design, analysis, and utilization in order to strengthen the mechanisms for collecting and utilizing customer feedback.

In addition, we held one workshop aimed at putting into practice what was learned in the video training.

On top of the previous training, in an effort to address the shift to teleworking and ensure operational efficiency, we are also focusing on digitalizing training, and have developed/operate an on-demand learning system.

- \*1 QMS: Quality Management System
- \*2 DR: Design Review

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#### Performance Data

#### FY2024 results

No major quality issue occurred in the Group in FY2024 (based on individual divisional company standards).

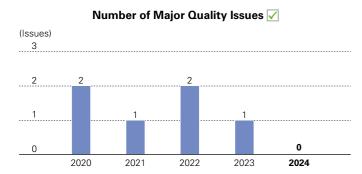
External loss costs\*1 came in at 78% compared with FY2021.

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

In FY2024, the utilization rate of development preventive methods was 100%.

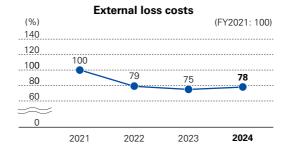
- \*1 External loss costs: Costs for handling claims related to products
- \*2 QFD: Quality Function Deployment
- \*3 DRBFM: Design Review Based on Failure Mode (a preventive approach in which problems in new designs are discovered and solved by focusing on points of modification and change)

#### Data concerning Major Quality Issues



Indicator	Calculation Method
Major Quality Issues	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:  (1) Major incidents  Incidents that caused harm to users' life or body that is serious in nature  Incidents involving product loss or destruction that may cause serious harm to users' life or body  (2) Problems which have serious impacts on (cause serious losses to) customers, users, or society  (3) Compliance (such as with related laws and regulations) problems related to product or service quality  (4) Product recall problems

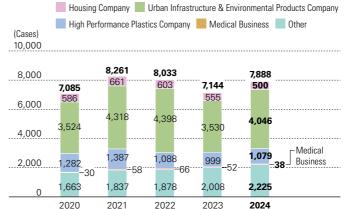
#### Data concerning external loss costs

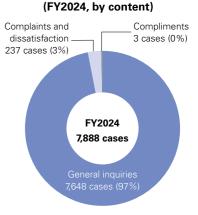


Indicator	Calculation Method
External loss costs	Costs arising from responding to product-related complaints

#### Data on incoming contacts to the Customer Consultation Office (SEKISUI CHEMICAL)

# Breakdown of incoming contacts (by divisional company)





Breakdown of incoming contacts

Indicator	Calculation Method
Breakdown of incoming contacts (by divisional company)	Number of inquiries by telephone, e-mail, letters, and other means
Breakdown of incoming contacts (by content)	Incoming contacts are recorded on Insider Net* and categorized as follows:  General inquiries: Questions about SEKISUI CHEMICAL Group product specifications, how to use products, construction methods, stores selling the products, and services such as repairs  Complaints and dissatisfaction: Incidents in which customers expressed their dissatisfaction or lodged complaints concerning SEKISUI CHEMICAL Group products or services  Compliments: Calls during which praise was received for satisfaction with SEKISUI CHEMICAL Group's products or services  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  * Insider Net: A SEKISUI CHEMICAL Group intranet site on which details of incoming contacts to the Customer Consultation Office are released in real time.

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#### 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 87%. The ratio is 99% if ISO 13485, IATF 16949, and AS9100D are included.

Housing Company (Related business sites) Development Division and Technology & **CS** Division

> **Design & Construction Department** Safety & Environment Department

Manufacturing & Logistics Innovation Department

CS Promotion & Quality Assurance Department

External Relations & Purchasing Division Purchasing Department

Sekisui Global Trading Co., Ltd.

**Development Division** 

**Housing Development Department** 

Housing Technology Institute

Planning and Administration Department

Housing Renovation R&D Department

Hokkaido Development Office

Hokkaido Sekisui Heim Industry 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. Kvushu Sekisui Heim Industry Co., Ltd.

Sekisui Heim Industry Co., Ltd. Head Office

East Japan Administration Department

Supply Division Technology Department

Sekisui Board Co., Ltd.

Minakuchi Site

Gunma Site

SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant SEKISUI CHEMICAL CO., LTD. Gunma Plant

Sekisui Aqua Systems Co., Ltd.

Sekisui Home Techno Co., Ltd.

Sekisui Chemical Hokkaido Co., Ltd.

NIPPON INSIEK CO., LTD.

Sekisui SoflanWiz Co., Ltd.

Yamanashi Sekisui Co., Ltd.

Toto Sekisui Co., Ltd. Ota Plant Chiba Sekisui Industry Co., Ltd.

Shikoku Sekisui Industry Co., Ltd.

Kyushu Sekisui Industry Co., Ltd.

TOKUYAMA SEKISUI CO.,LTD.

TOKUYAMA SEKISUI CO.,LTD. Piping Plant

SEKISUI ESLON B.V.

Sekisui Chemical G.m.b.H.

Sekisui Rib Loc Australia Ptv. Ltd.

Sekisui (Wuxi) Plastics Technology Co., Ltd.

Sekisui Industrial Piping Co., Ltd.

Sekisui Specialty Chemicals (Thailand) Co., Ltd. S and L Specialty Polymers Co., Ltd.

#### High Performance Plastics Company

SEKISUI CHEMICAL CO., LTD. Musashi Plant SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi Plant

Fine Chemicals Production Department

**Specialty Chemicals Production Department** SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi

S-lec (Interlayer Film) Production Department SEKISUI CHEMICAL CO., LTD. Taga Plant

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 Fuller Co., Ltd. Tokyo Head Office

(Related business sites)

Osaka Office Hamamatsu Plant

Shiga Plant

Sekisui Polymatech Co., Ltd.

Sekisui Seikei, Ltd. Head Office

(Related business sites) Chiba Plant

Kanto Plant

Hyogo Plant

Hyogo-Takino Plant

Izumo Plant

Sekisui S-Lec Mexico S.A. de C.V.

Sekisui S-Lec B.V. Resin Plant

Sekisui S-Lec B.V. Film Plant

Sekisui S-Lec Thailand Co., Ltd. Sekisui S-Lec (Suzhou) Co., Ltd.

Sekisui S-Lec America, LLC.

Sekisui Alveo BS G.m.b.H.

Sekisui Alveo B.V.

Sekisui Alveo AG

Thai Sekisui Foam Co., Ltd.

Sekisui Voltek, LLC.

Sekisui Pilon Ptv. Ltd.

Youngbo Chemical Co., Ltd.

Sekisui Youngbo Hpp (Wuxi) Co., Ltd.

Sekisui Specialty Chemicals America, LLC. Sekisui Polymatech America, LLC.

Sekisui Specialty Chemicals Europe S.L.

Sekisui DLJM Molding Private

Limited-Chennai-1

Sekisui DLJM Molding Private

Limited-Chennai-2

Sekisui DLJM Molding Private Limited-Noida

Sekisui DLJM Molding Private

Limited-Tapukara

Sekisui DLJM Molding Private Limited-Gujarat

Sekisui Polymatech (Thailand) Co., Ltd.

PT. Sekisui Polymatech Indonesia

Sekisui Polymatech (Shanghai) Co., Ltd.

Sekisui Polymatech Europe B.V.

SEKISUI AEROSPACE CORPORATION ORANGE

CITY

SEKISUI AEROSPACE CORPORATION Renton/

Sumner

SEKISUI KYDEX, LCC. Bloomsburg SEKISUI KYDEX, LCC. Holland

Sekisui LB Tec Co., Ltd.

#### **Medical Business**

Sekisui Medical Co., Ltd.

Sekisui Diagnostics, LLC. Burlington

Sekisui Diagnostics, LLC. San Diego

Sekisui Diagnostics P.E.I. Inc.

Sekisui Diagnostics (UK) Ltd. Veredus Laboratories Pte. Ltd.

Sekisui Medical Technology (China) Ltd.

Sekisui Medical Technology (Suzhou) Ltd.

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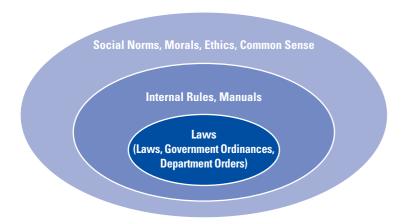
# **Legal and Ethical Issues**

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

#### **■** Basic Concept

#### Compliance Management

In 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.



#### Awareness of Risk

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.

WEB Compliance Policies https://www.sekisuichemical.com/sustainability\_report/basic\_policies/#anc-P09

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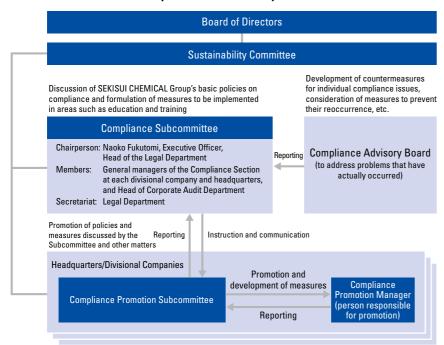
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# System

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 FY2024, the Compliance Subcommittee met twice, in May and November 2024.

#### **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
- · Antitrust Compliance Program
- · Dissemination and operation of bribery prevention program
- · Dissemination and operation of domestic whistle-blowing system "S.C.A.N." and overseas whistle-blowing system "SEKISUI Chemical Group Global Hotline"
- · 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 the major implementation measures are as follows.

Major Implementation Management Indicators		Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan	FY2024 Results	
Strengthen control over overseas Group	Deployment rate of important rules (regarding antitrust laws, anti- bribery, etc.) at overseas Group companies	100%	96.5% (55 out of 57 companies)	
companies	Installation and deployment of overseas whistle-blowing system (number of regions)	Complete dissemination and deployment at all overseas areas (10 regions)	System installation at all overseas areas (10 regions) completed	

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# **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.



The Compliance Manual



The Global Compliance Manual (English)



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 FY2024, 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.

# ■ Dissemination and Operation of Internal Whistle-Blowing System

SEKISUI CHEMICAL Group has established the SEKISUI Compliance Assist Network (S.C.A.N.), a domestic 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. Employees are also required to report and inform us when they become aware of compliance violations.

After receiving a report, we confirm the veracity of the facts based on interviews with the whistleblower and related parties as well as various forms of evidence, and as a whistle-blowing point of contact, we try to resolve 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 FY2024, we completed the worldwide launch of the SEKISUI Chemical Group Global Hotline, an overseas whistle-blowing system available in multiple languages to our overseas Group employees.

In Japan, we already accept reports and consultation requests from directors and employees of business partners who do business with our Group companies on an ongoing basis through a dedicated form on our website.

In the future, we plan to make the SEKISUI Chemical Group Global Hotline available to our global business partners as a whistle-blowing and consultation system available in multiple languages as part of our global operations.

## Status Regarding the Prevention of Bribery and Corruption

SEKISUI CHEMICAL Group is a signatory and endorser of the United Nations 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, loans, and 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 take particular actions 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 take particular actions in connection with their duties, in order to gain an illicit business advantage. The Regulations also define the

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acceptance of bribes as the acceptance of, or the request or promise to receive, money or any other advantage in connection with the recipient's duties for improper purposes.

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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 deemed a bribe, that there are no reasonable grounds to suspect that the 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 FY2024, as in FY2023, 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 FY2024.

# ■ Status Regarding the Prevention of Transactions That Represent a conflict of Interest

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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.

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# 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 FY2024.

#### **■** 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 FY2024, accounting meetings were held in Japan and overseas in a hybrid format of online and face-to-face meetings. A total of 323 employees, mainly personnel in charge of accounting, participated.

Accounting training was conducted online on a specific topic, and a total of 60 employees attended, including video viewers. In addition, a total of 4,957 employees took the e-learning course, which is being conducted for a wider target audience to raise awareness of accounting compliance.

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#### ■ 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

#### Amount of tax paid by country/region (FYE March 2024)

strive to maintain good relationships with tax authorities.

(Unit: Millions of yen)

	Japan	Overseas	Total
Amount of corporate taxes, etc., paid*	20,740	3,575	24,315

Note: The above amounts are based on the "Country-Specific Report" we have submitted to the 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 FY2024, training was held via video streaming in Japan on the three themes of labor management, harassment, and proper transactions, with the aim of making it easier for more employees to participate in the training by offering greater flexibility for them to do so at their convenience. In addition, training videos used in past training have been made available on the company intranet so that the training can be reviewed at any time. Videos on the above three themes newly streamed in FY2024 are also available on the company intranet.

#### ● Initiatives Taken During Compliance Reinforcement Month in Japan (FY2024)

- 1. Thoroughly disseminated the Message from the President on Compliance (October 2024) to all Group employees
- 2. Conducted various compliance training programs as well as open-type legal seminars (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)

#### Overseas Initiatives

In FY2024, as in FY2023, 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 (FY2024)

#### North America:

- 1. Message from top management
- 2. Training on the internal whistle-blowing system
- 3. Implemented training (the following measures were implemented at each Group company in North America)
  - · Provided SuccessFactors training from regional headquarters (harassment, confidentiality, workplace privacy, data-protection)
- 4. Conducted a survey to receive feedback on activities during Compliance Reinforcement Month

#### China:

- 1. Message from top management
- 2. Implemented e-learning
- 3. Held poster contests, distributed compliance cards, held HR and legal meetings, monitored leaks at major Chinese websites
- 4. Implemented training
- · Training format: Face-to-face or Web training
- · Compulsory training (on the sharing of compliance status, information management, and harassment)
- · Optional training (on ethics and morals, conflicts of interest, and contract basics)

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#### Southeast Asia:

- 1. Message from top management
- 2. Implemented training
  - ·Training format: Face-to-face or Web training
- ·Themes: Internal whistle-blowing system, bribery prevention, compliance with antitrust laws, and information management
- 3. Distribution of compliance cards

#### **Europe:**

- 1. Message from top management
- 2. Conducted training and educational activities related to information management and IT security based on the Acceptable Use Guideline

#### Responding to Compliance Violations

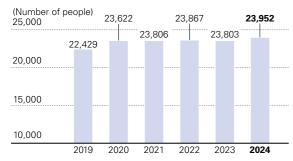
In the event of a violation of compliance, we will conduct a thorough investigation of the employee who committed the violation. After the investigation, the Company will take disciplinary action, including dismissal, demotion, and salary reduction, as well as reduction of personnel evaluation, depending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



Note 1: Average values for four sessions conducted in each year. However, the fourth session was underway during FY2024 when this chart was created, so the average values for the first, second, and third sessions are 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

#### FY2024 List of Results Relating to Compliance Training

		Trainees			
Training	Training content			ompanies	Attendance
		CHEMICAL Co., Ltd.	Japan	Overseas	
	New employee training	✓	✓		469
	Newly appointed deputy (assistant) manager training	<b>√</b>	<b>~</b>		144
Employee rank-	Compliance training	<b>✓</b>	<b>√</b>		5,530
based training	Harassment prevention training	✓	✓		297
	Training for Secretariat to the Board of Directors	<b>√</b>	<b>V</b>		43
	Training for Newly Appointed Officers	<b>✓</b>	<b>√</b>		30
	Compliance training	<b>✓</b>	✓		4,913
	Harassment prevention training	✓	✓		1,320
	Export controls training	✓	✓		925
Area-specific training	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors training	<b>√</b>	<b>√</b>		988
	Anti-monopoly law training	✓	<b>√</b>		335
	Labeling regulations training	✓	<b>√</b>		11
	Information management training	✓			73
	Insider training	✓			100
	Contract fundamentals training	✓			14
01.1.1.	Overseas transfer training	✓	<b>√</b>		22
Global training	Compliance training			✓	55
0 "	Domestic training	✓	✓		45,392
	North America training			✓	3,805
Compliance Reinforcement	China training			<b>√</b>	608
Month	Southeast Asia training			✓	931
	Global e-learning	✓ ·	<b>√</b>	<b>✓</b>	16,960

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# Number of Whistleblowing Cases and Consultations

#### FY2024 Number of Whistleblowing Cases and Consultations <a></a>

Reports/consultations	Number of cases
Power harassment	48
Working conditions	35
Sexual harassment	6
Workplace environmental concerns	14
Misuse of expenses	3
Sales method related	7
Misrepresentation of work performance	1
Collusive relationship with business partners	4
Other	33
Total number of reports	151

## **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 as shown below.

(Unit: thousands of yen)

Fiscal Year	Amount
FY2020	8,705
FY2021	10,690
FY2022	12,562
FY2023	9,856
FY2024	7,970

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# **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 serious 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 Groupwide cyber security measures.

#### WEB SEKISUI CHEMICAL Group Cyber Security Policy

https://www.sekisuichemical.com/sustainability\_report/basic\_policies/#anc-P06

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#### Governance

#### ■ Cyber Management System

SEKISUI CHEMICAL Group has established CSIRT\*1 under the Sustainability Committee, which is chaired by SEKISUI CHEMICAL's President and Representative Director, 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, Managing Executive Officer and 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 Cyber Security subcommittees, and has established the Cyber Security Center as a working unit.

The Cyber Security Center works with SOC\*2 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.

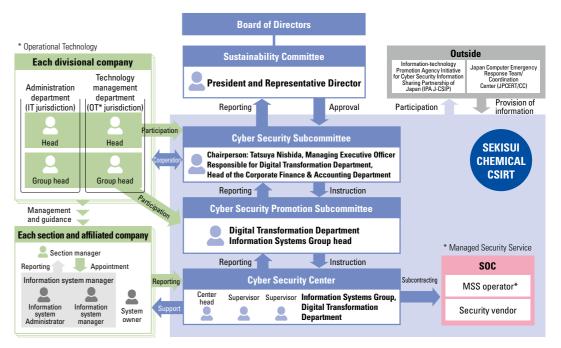
At least one information system manager has been assigned to each site to build a cyber management system that encompasses the entire Group. Even if there is an organizational change or a change in the information system administrator, the list management system allows us to keep track of the presence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

  A general term for 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. A specialized entity devoted to monitoring and analyzing threats to information systems. Its role is to detect threats quickly and support CSIRT response and recovery activities.

#### **Diagram of Overall Management System**



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# **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 have been no serious cybersecurity incidents in Japan for five consecutive years since FY2020, and none overseas in FY2024. The results of the major implementation measures are as follows.

#### **Major Implementation Measures**

Major Implementation Measures Management Indicators		Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan	FY2024 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 Europe completed

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# **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 Subcommittee meetings. The Cyber Security Subcommittee reports on the evaluation of risk countermeasures. The Cyber Security Promotion Subcommittee reports on the activities related to risk countermeasures. In addition, every year, training sessions are held for Cyber Security Subcommittee members to examine their ability to make management decisions in the event of an information

# **■** Key System-related Measures

security accident.

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.

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# **Strategy (Stance and Approach)**

#### **■** Basic Concept

SEKISUI CHEMICAL Group has adopted Innovation for the Earth as a vision statement for its Long-termVision. 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.

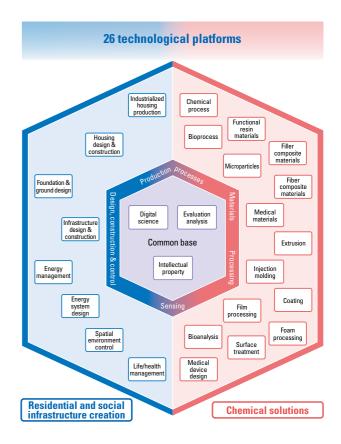
In addition, we launched a Group-wide innovation roundtable initiative to identify business opportunities across business domains and to regularly examine the combination of technologies. Through these efforts, we are working to strengthen our ability to innovate as a comprehensive Group-wide strength.

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. "S" positions are made up of four grades, from S1 to S4. In FY2024, 38 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 future technical leaders.



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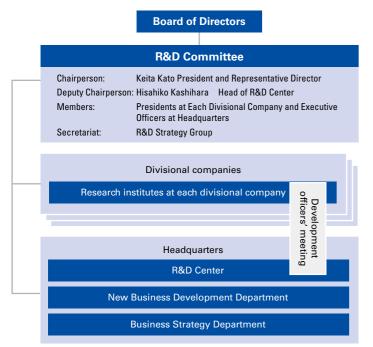
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The R&D structure for creating and promoting innovation is divided into two categories according to the timeframe of the project. Research and development projects originating from the acquisition of customer needs will be undertaken at the laboratories 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.

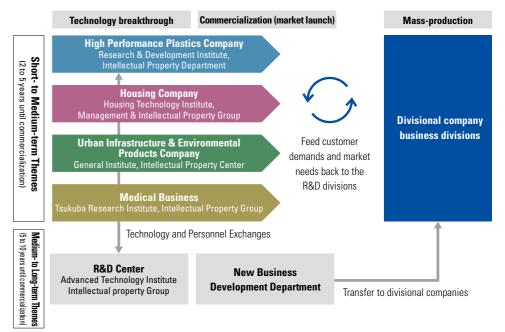
The status of innovation initiatives is monitored regularly by the R&D Committee. Discussions are underway with top management to further strengthen innovation.



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 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.

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# 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 number 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 FY2024. 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, Ritsumeikan University, National Institute of Advanced Industrial Science and Technology (AIST), and other parties. We are accelerating its development toward practical application through the promotion of demonstration experiments in prefectures such as Tokyo, Fukushima, and Fukuoka, as well as installation at venues for Expo 2025 Osaka, Kansai.

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  $CO_2$  emissions during steelmaking, we are also engaged in a joint study with COSMO ENERGY HOLDINGS CO., LTD. to convert  $CO_2$  into valuable materials.

Regarding fusion with external parties, we are engaging in various collaborative activities based in the MINASE INNOVATION CENTER established in 2019. In FY2024, we held a forum on next-generation communication technologies, which was attended by 25 companies from a variety of different industries. The activities were launched after we confirmed interest among participating companies to build a co-creation project to establish win-win relationships. We plan to actively promote greater collaboration with external parties going forward.

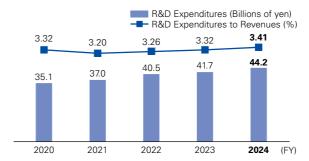
#### ■ Mechanisms for Creating New Businesses

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 through open innovation and other means, designing and operating an in-house entrepreneurial system, and fostering a culture of innovation. In FY2023, we launched an in-house entrepreneurial system with the aim of nurturing human resources working on new businesses and fostering a culture that embraces challenge among employees. The Group received over 100 applications for two consecutive years in FY2023 and FY2024. 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, by maximizing the capabilities of 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



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# **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. Therefore, the Group places great importance on intellectual property strategy in order to maximize the prominence of our technology.

Meanwhile, we have defined the purpose of intellectual property management as "respecting both our own and others' intellectual property, clarifying initiatives, handling, and procedures related to intellectual property, thereby encouraging the creation, protection, and utilization of intellectual property, and contributing to business growth and increasing corporate value." We have established the Intellectual Property Rules with the basic policy of ensuring business competitiveness through the acquisition of strong patents, under which we conduct our activities.

Under the Medium-term Management Plan that started in FY2023, we are engaged in activities while also referring to indicators related to the Patent Asset Index<sup>™</sup> (PAI), which represent the value of patented assets.

# Governance

# ■ System

SEKISUI CHEMICAL Group adopts a Divisional Company Organization System, in which each divisional company works on product development and production technology themes that will lead to near-future revenue, while the headquarters handles themes to be addressed over a medium- to long-term. To enable swift execution of activities aligned with the business environment, we have established independent intellectual property departments within both the headquarters and divisional companies, and we are engaged in strategic intellectual property activities through constant coordination with the business and research and development departments.

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

# **Development and career formation of intellectual property human resources**

In order to ensure business competitiveness through the acquisition of strong patents, in addition to high expertise, the ability to cooperate with development and business departments is required. Accordingly, we are developing intellectual property human resources who possess both business collaboration skills and expertise through initiatives that combine OJT initiatives, such as the brother system for new employees and personnel exchanges between headquarters and divisional companies, and Off-JT initiatives, such as sending employees to external training programs and holding study sessions with external patent attorneys.

In addition, to retain and newly secure such human resources, we have established a specialty job classification to support career development and, starting from FY2024, have launched an internship program to strengthen our hiring capabilities.

# **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 investigation results are shared as needed with business departments and research facilities, and appropriate measures such as avoidance and preventive actions are taken to ensure early detection and minimization of risk.

# **■** Global monitoring and utilization

The SEKISUI CHEMICAL Group currently holds a growing number of intellectual properties on a global level. Therefore, we will continue to monitor the use of these properties in countries around the world and promote the appropriate utilization and exercise of our rights.

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# **Indicators and Targets**

# **Targets**

Each divisional company within the SEKISUI CHEMICAL Group maintains constant communication between its intellectual property department, business departments, and research and development departments. Based on the characteristics of each business area, we conduct intellectual property activities that will give us a competitive advantage over our competitors and lead to the expansion and growth of our business.

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 our research and development initiatives and business operations by utilizing intellectual property, market, and competitor information, and then implement appropriate strategies and intellectual property portfolio management.

# **Employee Education**

In order to ensure that each developer maintains and manages the Company's 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**

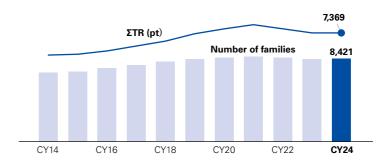
#### **Number of Patent Application Filings**



#### **Number of Patents Held**



#### Trend of patent asset value (technical value: ΣTR score\*)



- Since 2020, patent applications have been more selectively filed, resulting in a temporary decrease in the number of families and ΣTR, but continuous improvement in patent quality is being pursued.
- \* Indicators calculated using PatentSight®, the patent analytics tool provided by LexisNexis. The total value of the TR (Technology Relevance) indicator, which is one of the components of the Patent Asset Index™ and reflects patent asset value based on the number of citations, is defined as the technical value (ΣTR) of our entire portfolio.

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#### Patent Asset Scope Ranking (2023)

Ranking	Company name	Patent asset scope (points)	Number of patents
1	Fujifilm	62,210.0	1,275
2	LG CHEM	20,696.3	539
3	SEKISUI CHEMICAL	20,136.4	495
4	DIC	19,861.6	377
5	Nitto Denko	18,193.6	468
6	Mitsubishi Chemical	17,828.1	573
7	LG ENERGY SOLUTION	17,785.4	571
8	Kao	17,694.7	677
9	Sumitomo Chemical	17,661.4	509
10	Resonac	17,012.4	518

Source: Patent Result Co., Ltd. Chemical Industry: Patent Asset Scope Ranking 2023

#### Ability to Restrain Other Companies Ranking (2023)

Ranking	Company name	Number of patent citations	
1	Fujifilm	3,607	
2	Mitsubishi Chemical	1,803	
3	Kao	1,464	
4	Resonac	1,424	
5	SEKISUI CHEMICAL	1,096	
6	Asahi Kasei	1,072	
7	Nitto Denko	1,058	
8	Sumitomo Chemical	873	
9	Shin-Etsu Chemical	746	
10	DIC	695	

Source: Patent Result Co., Ltd. Chemical Industry: Ability to Restrain Other Companies Ranking 2023

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# **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.

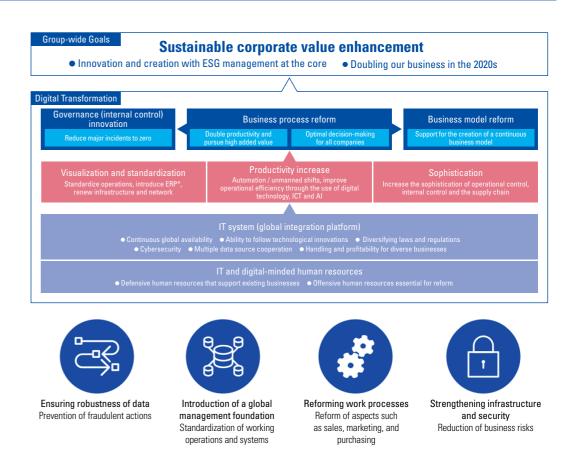
Centering our Group-wide DX on business process transformation, we are advancing three reforms: business process transformation, governance innovation and business model transformation from the perspectives of visualization and standardization, productivity improvement, and sophistication. We are also 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 with a focus on 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 expedite the creation of benefits for 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.



<sup>\*</sup> ERP: Enterprise Resources Planning. A system for integrating and centrally managing core operations such as corporate accounting, human resources, production, and sales operations.

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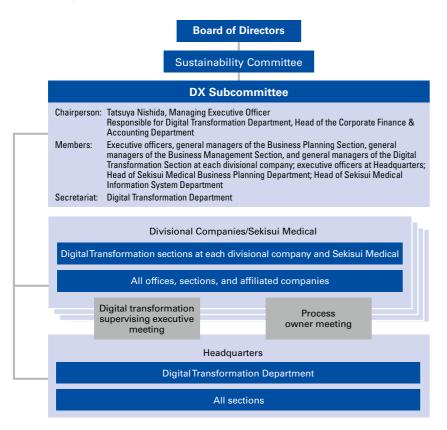
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# **DX Promotion System**



# **Risk Management**

#### Risk Recognition and Response System

DX delays or stagnation in SEKISUI CHEMICAL Group could lead to a risk of delays in responding to increasingly sophisticated governance-related and other social demands. In addition, with Japan's declining birthrate and aging population leading to a shrinking productive workforce, the current operational reliance on manpower may make it impossible to not only achieve business growth but also maintain sustainability.

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 IT 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 conducting employee awareness activities and incident training.

# Indicators and Targets

#### **Targets**

Major Implementation Measures	Management Indicators	Final Fiscal Year (FY2025) Targets of the Current Medium- term Management Plan	FY2024 Results
Global management foundation innovation	Development status and deployment progress toward the construction of global standard operations and system models	Start of renewal and deploy- ment of the global management foundation; realization of the business transformation we are aiming for (introduction locations)	Completed preparations for the domestic launch of target business processes and ERP development for global deployment, and reviewed deployment methods
Reform of global indirect purchasing	Progress status of measures aimed at purchasing indirect materials (deployment/ utilization plan)	Realization of favorable pur- chasing through centralized purchasing and start of overseas expansion	Established indirect purchasing systems in the Company and promoted utilization of accumulated data to allow effects to materialize
Enhancement and improvement of efficiency of sales and marketing duties	Progress status of measures aimed at sales/marketing reform (coverage rate/ man-hour shift)	Improve top line by establishing data-based sales activities and strengthening customer management	Promoted visualization of sales information, development of customer data base, and integration of external information with sales support systems with the aim of improving business productivity and top line through data utilization
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	Further accelerated core human resource development by adding generative Al to DX practical courses and established a scheme to foster human resources who can address business challenges
Realization of diverse work styles through digitalization	Progress and usage status of measures to establish a new normal work style and strengthen global communication	Provision of global communica- tion infrastructure and overseas expansion of standard terminals	Completed deployment of integrated authentication for cloud services in use and expanded work styles in the "new normal" within the Group and globally by promoting deployment of globally compatible communication infrastructure and standard terminals

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# **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 FY2024, we completed modifications and operational testing based on the test results of the target business processes, and we are ready for their domestic launch from April 2025 onward. We also completed the development of ERP for global deployment and reviewed deployment methods based on the knowledge gained from project promotion to date. Going forward, we will establish stable operations as soon as possible after the launch, and will make adjustments to achieve joint deployment in domestic and overseas settings.

# Purchasing

As part of our global purchasing reforms, we are working to standardize purchasing operations and visualize transaction data using IT 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 FY2024, we made efforts to establish and promote the utilization of indirect purchasing systems, especially among affiliated companies. We have also sought to reduce procurement costs by utilizing accumulated data and strengthen negotiating power and management/control through consolidation, and their effects are starting to materialize.

#### 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.

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In FY2024, we promoted the visualization of sales information and the development of customer data base, in addition to carrying out the integration of external information with sales support systems, thereby expanding our efforts to strengthen our sales processes through data analysis. We are also continuing to work on securing 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 such activities on the ground.

In FY2024, we have launched and added a new course that utilizes generative AI to the five existing practical courses aimed at solving business issues. Through classroom lectures on digital tools and practical training on solving business issues, core human resources who have improved their digital skills and experienced the benefits of DX will further promote DX activities on the ground.

# **■** 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 FY2024, we completed the development of our Integrated Authentication Infrastructure to ensure the safe and secure use of cloud services, which are rapidly being introduced, and made progress in the shift to communication platforms and standard terminals that can be used globally. Through these efforts, we have been able to achieve both work productivity and cyber security across a variety of work styles, including telecommuting. We will continue to expand safety and timely information sharing both within the Group and globally.

SEKISUI CHEMICAL Group
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## 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, system design, and experiment automation. 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. Some of these results have already been applied to products on the market. 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.