

Governance

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Corporate Governance

Strategy (Stance and Approach)

Basic Concept

SEKISUI CHEMICAL Group's basic policy on corporate governance is to pursue sustainable growth and raise corporate value over the medium to long term, and we will hold firmly to this policy under the next Medium-term Management Plan as well. 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/>

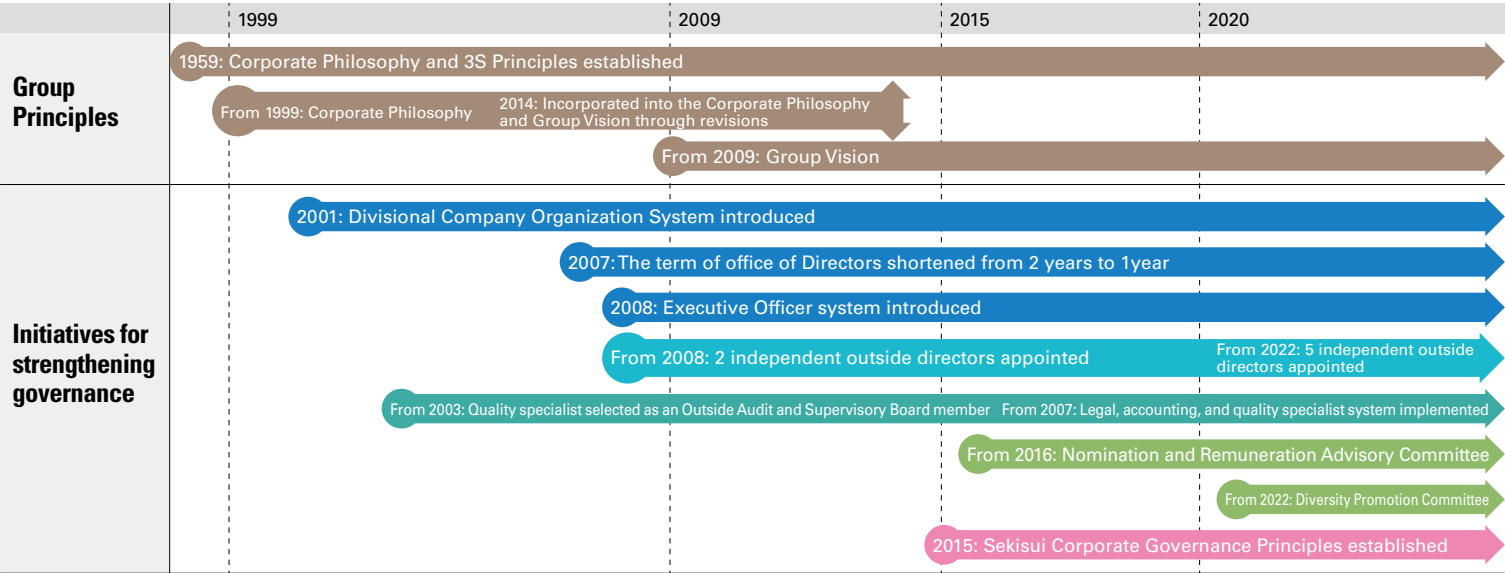
Governance

Organizational Structure

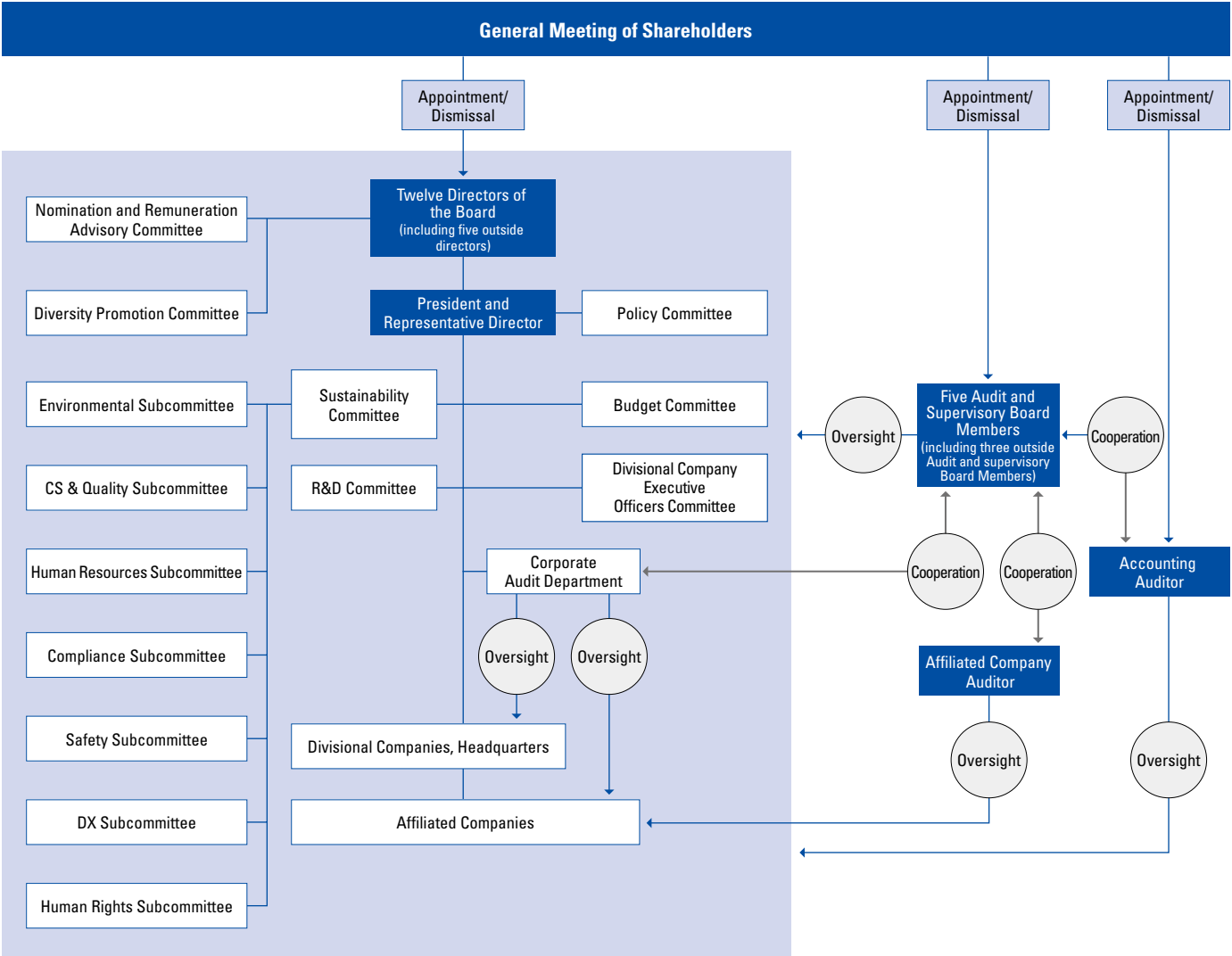
SEKISUI CHEMICAL has chosen a company with an Audit and Supervisory Board as its organizational structure under the Companies Act. Under the Divisional Company Organization System, we have adopted the Executive Officer System in order to separate the supervisory function of directors from the business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



Corporate Governance System Chart * As of April 1, 2026



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.

Attendance of Directors and Audit and Supervisory Board Members

Name	Position in the Company	Years in office (June 2026, as of the conclusion of the General Meeting of Shareholders)	Attendance at Board of Directors meetings (FY2025)	Attendance at Audit and Supervisory Board meetings (FY2025)	Attendance at Nomination and Remuneration Advisory Committee meetings (FY2025)	Attendance at Diversity Promotion Committee meetings (FY2025)
Keita Kato	Director	12 years	100% (17/17)	—	100% (9/9)	100% (3/3)
Ikusuke Shimizu	President and Representative Director CEO	7 years	94% (16/17)	—	100% (1/1)	100% (3/3)
Teiji Koge	Director	21 years	100% (17/17)	—	100% (8/8)	100% (2/2)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	11 years	100% (17/17)	—	—	—
Masahide Yoshida	Director Senior Managing Executive Officer	2 years	100% (17/17)	—	—	—
Akira Asano	Director Managing Executive Officer	1 years	100% (14/14)	—	—	—
Kazuya Murakami	Director Executive Officer	5 years	100% (17/17)	—	—	100% (3/3)
Hiroshi Oeda	Independent Outside Director	8 years	100% (17/17)	—	100% (9/9)	100% (3/3)
Haruko Nozaki	Independent Outside Director	4 years	100% (17/17)	—	100% (9/9)	100% (3/3)
Miharu Koezuka	Independent Outside Director	4 years	100% (17/17)	—	100% (9/9)	100% (3/3)
Machiko Miyai	Independent Outside Director	4 years	100% (17/17)	—	100% (9/9)	100% (3/3)
Yoshihiko Hatanaka	Independent Outside Director	3 years	94% (16/17)	—	100% (9/9)	100% (3/3)
Tomoyasu Izugami	Full-Time Audit and Supervisory Board Member	3 years	100% (17/17)	100% (15/15)	—	—
Michio Sakai	Full-Time Audit and Supervisory Board Member	1 years	100% (14/14)	100% (11/11)	—	—
Yoshikazu Minomo	Independent Outside Audit and Supervisory Board Member	4 years	100% (17/17)	100% (15/15)	—	—
Wakyu Shinmen	Independent Outside Audit and Supervisory Board Member	3 years	100% (17/17)	100% (15/15)	—	—
Kenji Tanaka	Independent Outside Audit and Supervisory Board Member	3 years	100% (17/17)	100% (15/15)	—	—

About the Age-Group Composition of Officers

* As of March 31, 2026

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

● Outside Director

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

Hiroshi Oeda, Outside Director

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

Haruko Nozaki, Outside Director

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

Miharu Koezuka, Outside Director

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

Machiko Miyai, Outside Director

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

Yoshihiko Hatanaka, Outside Director

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

Assessment Relating to the Board's Effectiveness

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

Based on the results of the survey, the Board of Directors has ascertained that there are no obvious issues requiring immediate action and is identifying key management issues that require further deliberations 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 FY2025, the Board of Directors met 17 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 nine 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. 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 provide opportunities for directors, Audit and 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 FY2025, the Housing Company's Development Division hosted a tour centered on new products.

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.

FY2025 Executive Officers Liaison Meeting lecture topics

- (1) Mr. Toru Muranaka, Attorney, Daiichi Legal Professional Corporation
Theme: Preventing Insider Trading and the Responsibilities of Officers and Employees
- (2) Mr. Yoshinori Isozaki, Representative Director of the Board & CEO, Kirin Holdings Company, Limited
Theme: Kirin's CSV Management and the Challenge of Shaping Its Future
- (3) Mr. Tomoyuki Tsutatani, Executive Officer, Resona Asset Management Co., Ltd.
Theme: How an Active Equity Fund Manager Evaluates Companies and Engages with Them
- (4) Mr. Takeshi Matsumoto, Japan Innovation Network
Theme: How to Spark Innovation for the Future

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.

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

<Bonuses>

- Payment is made 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, challenge action rate, 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.

Officer Remuneration in FY2025 (Amount: Millions of yen)

Category	Basic remuneration		Bonus		Share-based compensation		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	13	418	7	312	7	109	13	841
Of which Outside Directors	5	72	—	—	—	—	5	72
Audit and Supervisory Board Members	6	83	—	—	—	—	6	83
Of which outside Audit and Supervisory Board Members	3	36	—	—	—	—	3	36

Note 1:The aforementioned includes one director and one auditor who retired at the conclusion of the 103rd General Meeting of Shareholders held on June 20, 2025.
Note 2:The aforementioned amount does not include the portion of employee salary (including bonuses) amounting to 48 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. Individuals with experience as a plant manager and as head of the Corporate Audit Department have been appointed as in-house Audit and Supervisory Board Members in FY2025. 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.

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 Directors following these discussions.

■ Execution of Duties by Audit and Supervisory Board Members

Audit and Supervisory Board members attended not only the Board of Directors meetings but also other important meetings, carrying out confirmation of the maintenance and operating conditions of the internal control system through operations such as investigation of related departments, including at Group companies, and confirmation of approval documents for major projects. In addition to personally visiting various sites for audits, they also receive reports from the Internal Auditing Department and each headquarters department that has jurisdiction over internal control. The Audit and Supervisory Board met 15 times in FY2025 for the purpose of sharing the information from these reports. Audit and Supervisory Board Members regularly exchanged opinions with accounting auditors, cooperating closely to improve the effectiveness of auditing efforts. Liaison meetings were held with related corporate auditors to improve coordination with auditors and enhance the quality of auditing. In addition, regular meetings were held with the Representative Director, and Audit and Supervisory Board Members also exchanged opinions with Outside Directors.

■ Group Company Business Management

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



Risk Management

Strategy (Stance and Approach)

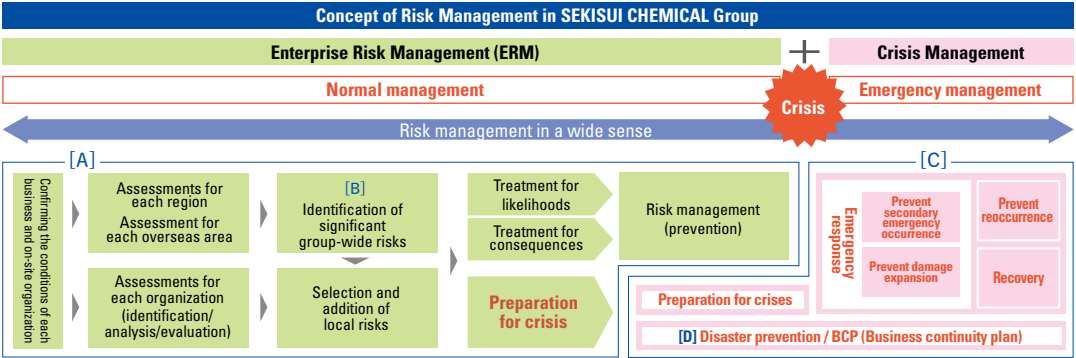
Risk Management Philosophy

In order to realize our Long-term Vision in a rapidly changing business environment, it is essential to take decisive risks and earn the trust, expectations, and peace of mind of stakeholders. SEKISUI CHEMICAL Group believes that risk control and resilience capabilities that enable risk taking are key to this end, 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.

Under the next Medium-term Management Plan, we will connect our analysis of the risks and opportunities that megatrends pose to the Company over the medium to long term to our materiality (key issues), and we will build and operate a system that maintains consistency from strategy formulation through to execution.

We will also continue our Group-wide efforts to reduce Group-wide major risks, working to minimize risk from the two angles of risk management activities (prevention) and crisis management.



P.149 A, B: Risk management system and initiatives

P.150 C, D: See crisis management system and initiatives

Governance

ERM (Enterprise Risk Management) Initiatives

Amid increasing uncertainty and complexity in the business environment surrounding companies, the 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 department at Headquarters identifies and responds to Group-wide major risks that are likely to lead to serious incidents in the five areas of safety, quality, accounting, legal and ethical affairs, and information management, and from FY2024 onward, 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. In FY2025, we launched collaborative efforts to apply the results of audits and risk assessments conducted by specialized departments at Headquarters to risk management as well. 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	Fiscal 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	Fiscal year of establishment	Roles
Sustainability Committee	2007	Deliberate measures based on input from the Group-Wide Risk Review Subcommittee and the Subcommittees for various materialities (safety, human resources, compliance, CS & Quality, environment, human rights, and DX*) will be discussed, reported to the Board of Directors, and reflected in the risk management activities across all organizations for the next fiscal year. (Twice a year)
Group-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)

*On April 1, 2026, the Cyber Security Subcommittee will be integrated into the DX Subcommittee.

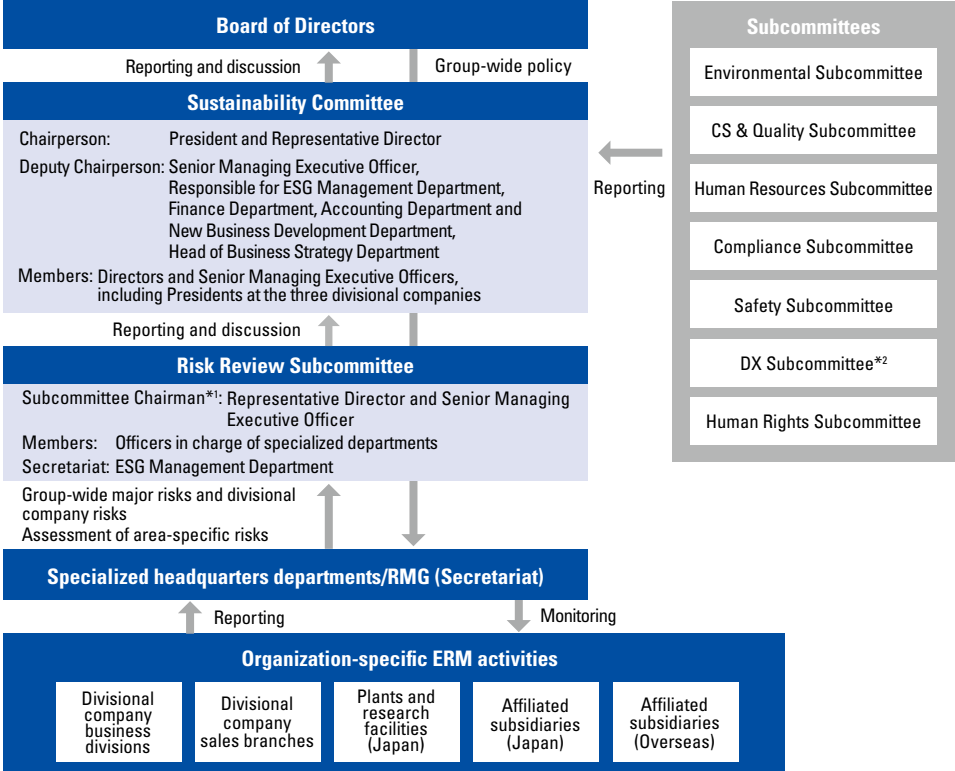
Risk Management Activity Framework

In the past, the 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. Since FY2022, organizations covering 99% of consolidated net sales have taken part in these activities.

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. Centered on major risks, we work with management at the Group-Wide Risk Review Subcommittee and the Sustainability Committee to assess risks and confirm the progress and effectiveness of the measures that should be prioritized. Each year, for the previous year's risk management activity results and the current year's plans, we hold owner interviews for each organization and provide feedback and advice for improvement to risk owners and risk managers.

In the next Medium-term Management Plan, we will work on strengthening our ability to detect risks globally and enhancing our risk reduction capabilities by integrating each business and organization with specialized headquarters departments.

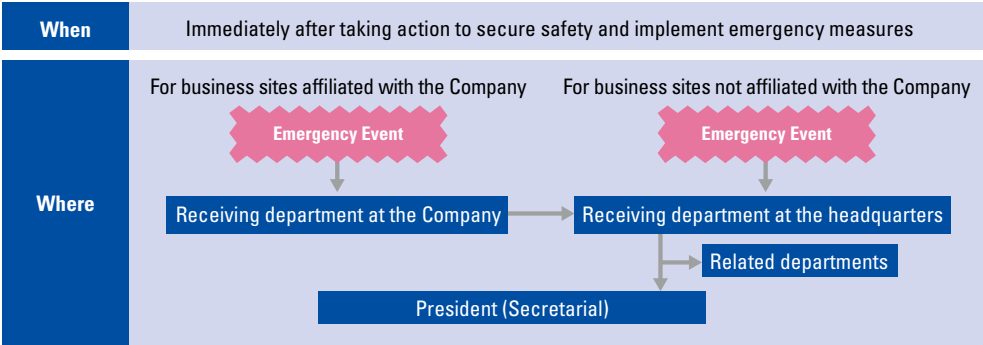
Risk Management System (As of April 1, 2026)



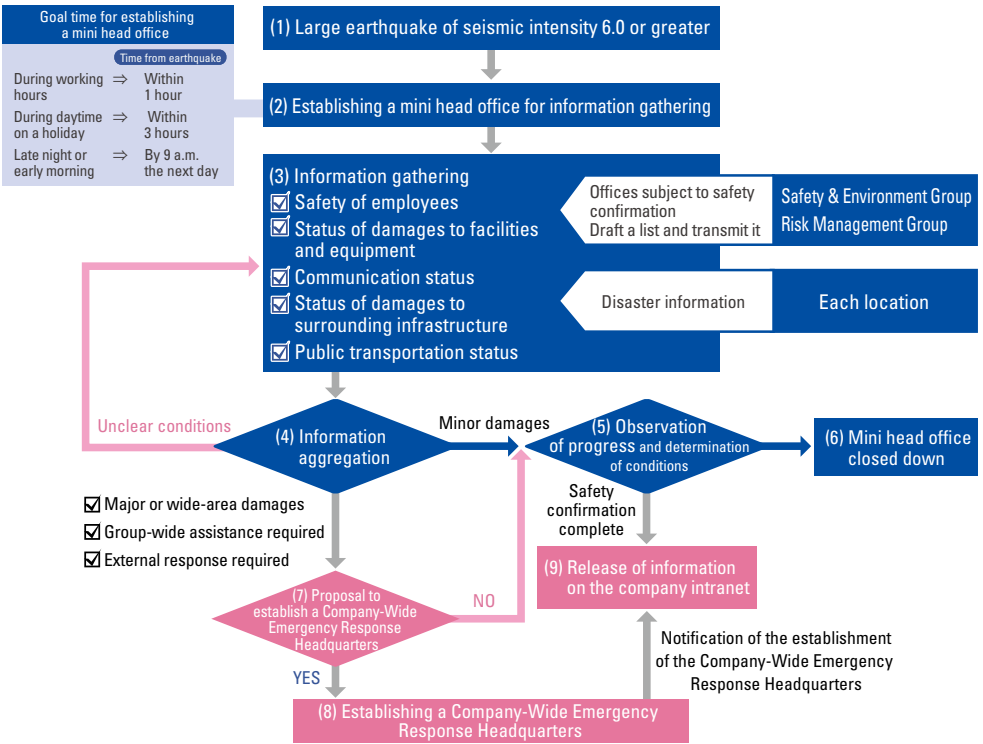
*1 Subcommittee Chairman: Positioning of person in charge of risk management in the Company
*2 On April 1, 2026, the Cyber Security Subcommittee will be integrated into the DX Subcommittee.

Domestic Crisis Management Organizational Structure

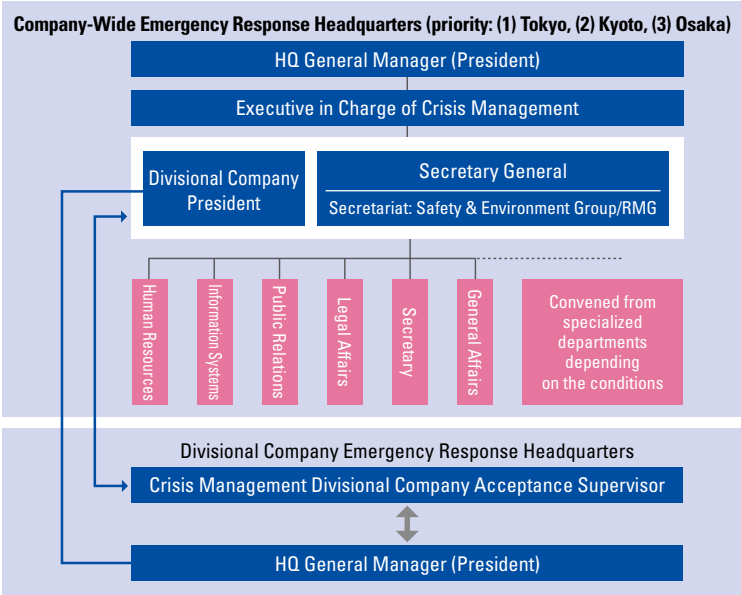
Procedures for Contacting Divisional Companies / Corporate Headquarters from the Frontline Immediately After an Emergency Occurs



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)



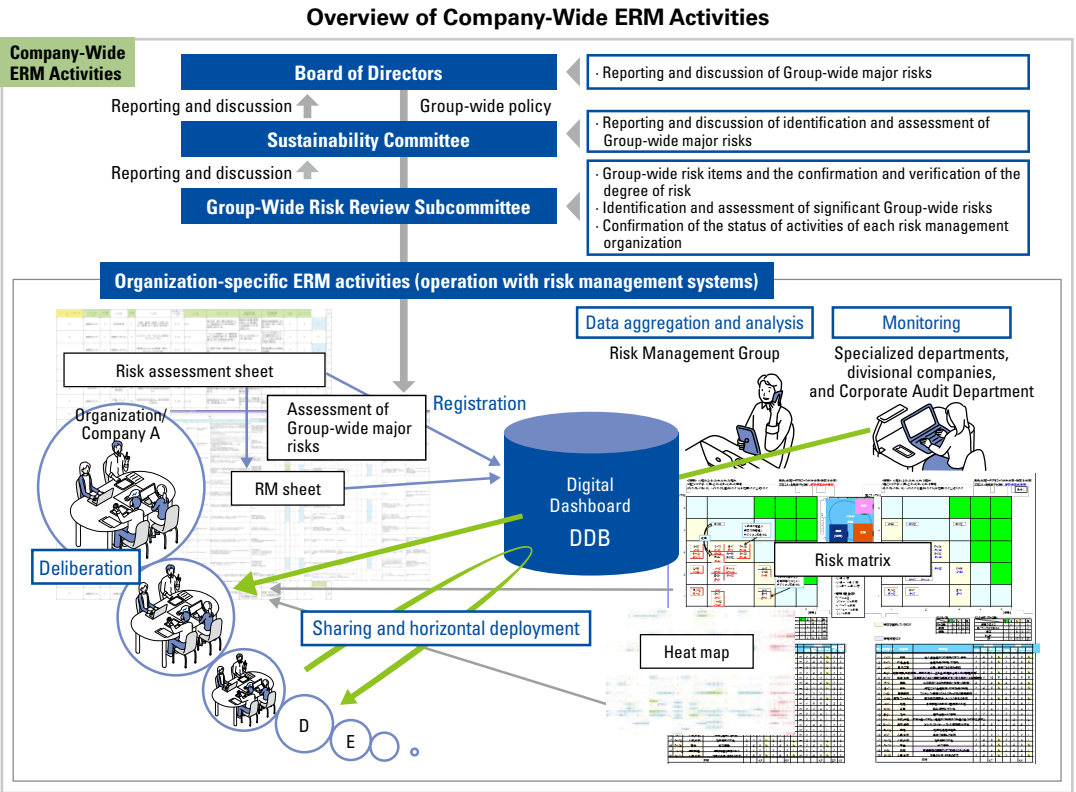
Global Crisis Management Organizational Structure



Risk Management and Crisis Management

Risk Management

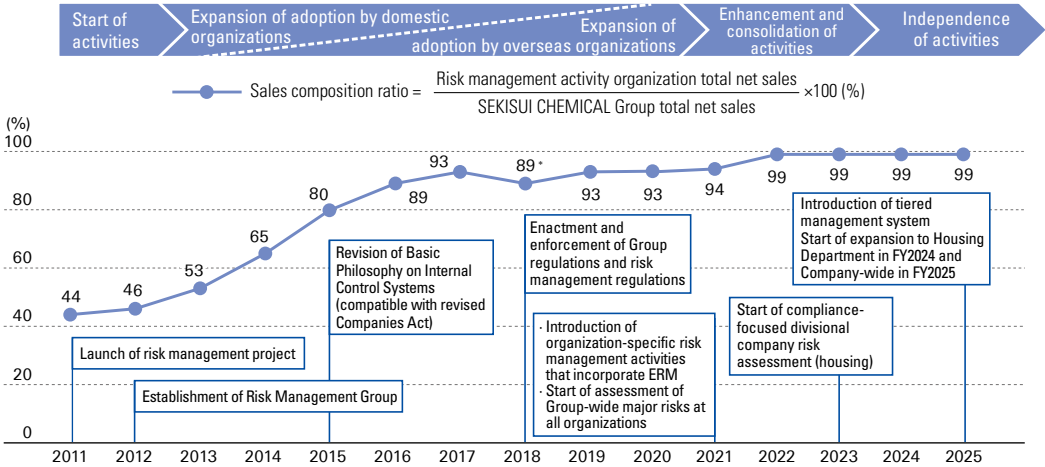
The organizational risk-management activities are registered in our proprietary risk management system, the Digital Dashboard (DDB), to identify and assess risks and visualize the progress of action taken to address the risks. The DDB was implemented in Japan in FY2018, and following the adoption of cybersecurity 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.



Continued implementation of company risk assessments

By integrating the High Performance Plastics Company's own legal compliance risk assessment and shifting to an approach that uses DDB risk data, monitoring through CPA meetings, particularly overseas, is now carried out in a practical way.

Changes in Participation in Risk Management Activities by Consolidated Organizations



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

Risk assessment for Group-wide major risks is mandatory at all organizations covered by risk management activities, and since FY2023, the Housing Company has continued to identify operational risks that are considered important compliance risks and conduct assessment at all organizations under its jurisdiction.

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.

Indicators and Targets

Targets

The Group has worked to minimize the impact of earthquakes, pandemics, and other incidents by formulating a BCP and working toward achieving a 100% operating rate. In FY2022, the Group achieved a 100% BCP operating rate. After entering the current Medium-term Management Plan, from FY2023 through FY2024 we ran the BCM cycle (voluntary training and document revision) to make our BCPs function more practically, working to embed BCM operation and refine our BCPs. In FY2025, we placed a BCM promotion manager at each organization and advanced the autonomous operation of BCM activities. Under the next Medium-term Management Plan, we will strengthen the identification of and response to the issues we should prepare for to ensure business continuity, including across supply chains.

Likewise, for risk management activities in Japan, in FY2025 we built a management mechanism at a higher level on top of the tiered management mechanism introduced to strengthen the autonomous risk management activities of each Group company, thereby strengthening management. Overseas, we advanced the rollout of the risk management system (DDB), completed its introduction at all organizations engaged in these activities, and made monitoring by regional headquarters (RHQs) possible. Under the next Medium-term Management Plan, we will use this mechanism to further strengthen the governance of the organizations under our jurisdiction.

Major Initiatives

Training Systems

As far as risk management activities by organization are concerned, to ensure the competence of risk managers assigned to each organization, training for newly appointed risk managers* has been conducted annually since FY2017. In FY2025, training was provided to 23 managers from new organizations and newly appointed managers, bringing the total number of participants to 304. For crisis management as well, in addition to BCP formulation courses for new organizations, we held training for BCM promotion managers so that each organization can autonomously run BCM activities, which involve training to maintain the effectiveness of BCPs and the review of BCPs (FY2025 scope: 32 organizations, 73 people).

* 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 orientation on risk management activities in new organizations	Members responsible for duties related to risk management activities in new organizations (president, risk managers, various department heads)	The fundamental concepts of risk management (including risk management and crisis management) and methods for promoting risk management (including how to operate the risk management system).
	Training for risk managers	New risk managers	In addition to the above, deepening knowledge and skills in risk management.
Crisis Management	Training for persons in charge of BCM	Persons in charge of BCM promotion in various organizations	Acquisition of knowledge and competencies necessary for BCM.
	BCM training courses	Members in charge of BCM promotion	Courses to enable practical crisis response training using tabletop exercises and maps based on disaster scenarios in each organization.
	Overseas transfer training	Employees who will be posted overseas	General training on risk management (risk management + crisis management). Knowledge and behavioral precautions to avoid cultural taboos and crime in the host country, as well as information about embassies and consulates.
	Overseas business travel training	All employees who will be traveling overseas for business and those who intend to travel to a country or region with a C rank	Content specialized in crisis management, including cultural customs and behavioral precautions of the travel destination, and information about embassies and consulates, provided in an e-learning format.

 Risk Management Activities

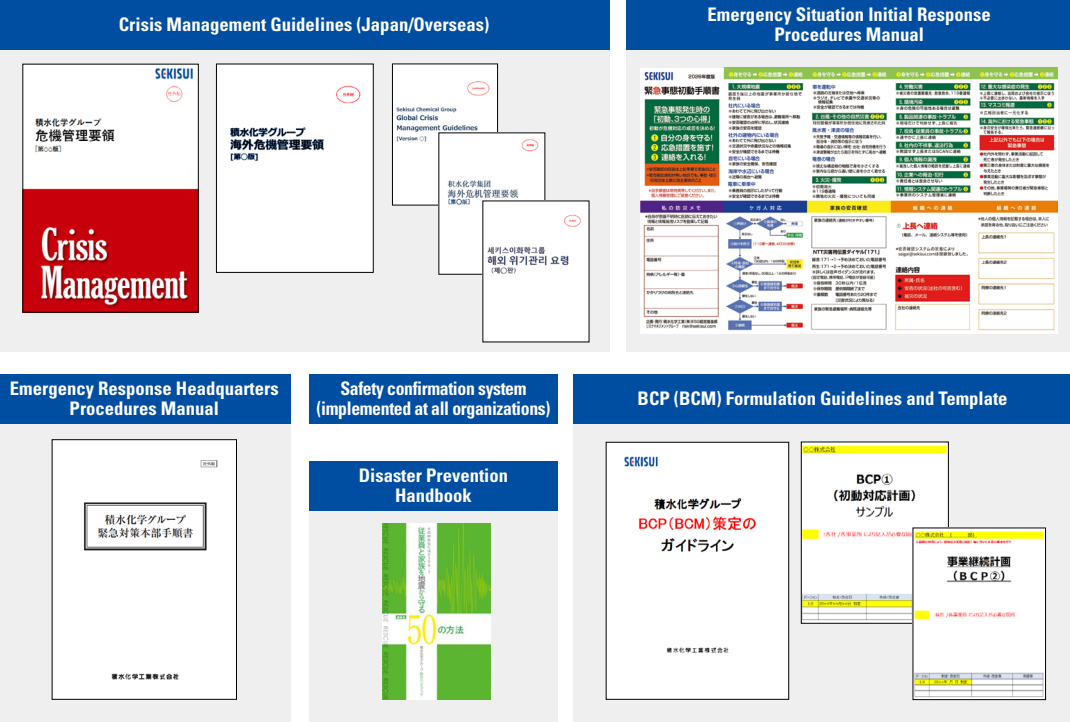
Under the current Medium-term Management Plan, we worked to make the activities of each organization autonomous and to strengthen management by implementing tiered management. Specifically, we built a mechanism in the risk management system (DDB) to deploy the risks prioritized by the head office of each Group company to the branches and other units under its jurisdiction and to manage their progress, thereby strengthening governance. The management tiers run from companies to Group companies to head office to branches, forming a mechanism that achieves oversight through monitoring at each tier. For overseas organizations as well, we are strengthening management by introducing a mechanism for region-by-region monitoring through RHQs. For activities under the current Medium-term Management Plan, Headquarters provides Group-wide major risks to all organizations, the divisional companies provide scenarios for their own important risks (company risks), and assessment is mandatory for the organizations under their jurisdiction. These risk scenarios also reflect the results of each audit and of the Group-wide risk CSA.

 Crisis Management Activities

Based on the experience of the Great East Japan Earthquake, the 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, as a Group-wide initiative in FY2021, all organizations formulated or revised an emergency response plan (ERP) with "protecting human life" as the first priority as BCP (1). 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 FY2025, BCM has been deployed at 126 organizations. To enable each organization to run these activities autonomously, a BCM promotion manager is placed at each organization to drive them forward. 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. In FY2025, we conducted a drill that assumed a Nankai Trough earthquake. In addition to the usual drills, we prepared damage scenarios in advance that included the effects of damage to each divisional company's supply chain and reviewed them within the organizations. We also discussed actions toward resuming business, advance preparations, and cross-company collaboration, and advanced our response to these issues.



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. Building on the simulation of the impact on the Group in a contingency conducted at the Geopolitical Risk Review Meeting in FY2024, we continued this in FY2025 to strengthen our level of response.



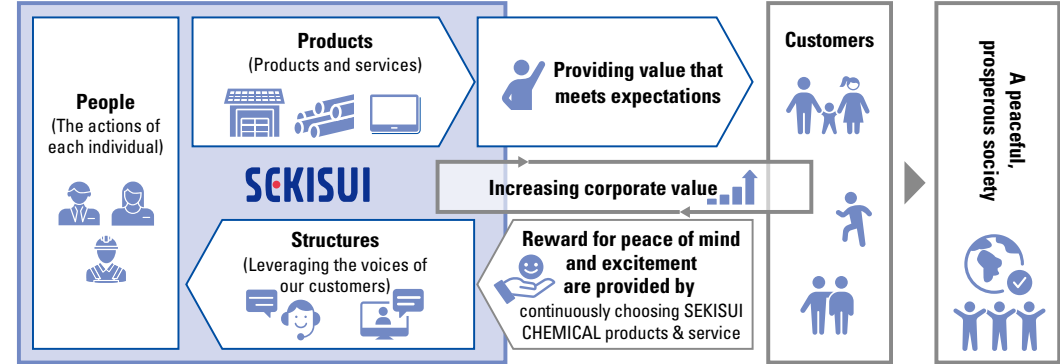
CS & Quality

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. Under the next Medium-term Management Plan, we will pursue two key objectives: minimizing risks to our manufacturing foundation and maximizing the corporate value of our manufacturing foundation. To achieve these objectives, we will work to strengthen data robustness, provide training on risk-reduction activities for new businesses, support business sites in becoming self-reliant in their improvement activities, and embed a new manufacturing education system.

SEKISUI CHEMICAL Group’s CS & Quality Management Circulation Diagram



Current CS & Quality Medium-term Plan

		2023	2024	2025
Strengthening QMS	New Businesses New Products (Development Management)	Gate Review ^{*1} Operation and Management		
		Construction and Operation of a New Business Risk Mitigation Mechanism		
	Existing Businesses Manufacturing Daily Management (Manufacturing Daily Management)	Support for Businesses Requiring Reinforcement	Status of Daily Management Monitoring and Support	
		Promote Efforts to Enhance the Robustness of Inspection Data by Divisional Company Confirm the Status of System Operation		
	Evaluation and Correction	Grasp the Status of Audits	Plan and Prepare for Audit Level Improvement	
		Confirm Corrections to Major Quality Issues		
Strengthening CS	CS Monitoring	Analyze the Status of Surveys Consider Improvement Measures	Consider CS Human Resource Requirements	Survey and Validation at Test Sites
	CS & Quality Information Dissemination	Rebuild Media and Methods	CS & Quality Seminars, Dissemination Through New Media	
Strengthening the Foundation for KAIZEN Activities	Improve Quality	Domestic: Business Site Support, Overseas: Business Site Support		
		Enhance Group KAIZEN Activity Presentations, Promote Group-wide Collaboration Planning		
	Expand Domains	Deploy to Indirect Operations	Improve Coordination with Each Divisional Company	
Strengthening CS & Quality Human Resources (Training / System)		Digitize the Content of Each Training Program		
		Conduct Hands-on Training and Open Seminars		
		Organize Manufacturing Training	Manufacturing Training Reorganize by Job Category and Employee Rank	

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

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. We base these initiatives 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.

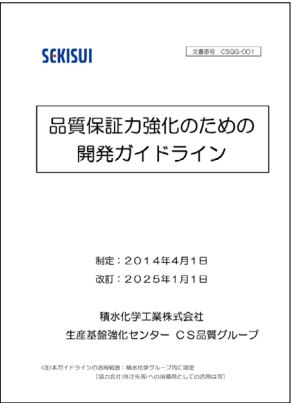
Guidelines for Daily Management Activities

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 FY2025, 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 two 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 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 four sites to enable the use of SEKISUI CHEMICAL’s proprietary assessment tool, the SEKISUI Process Management Chart (SPMC).

● 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

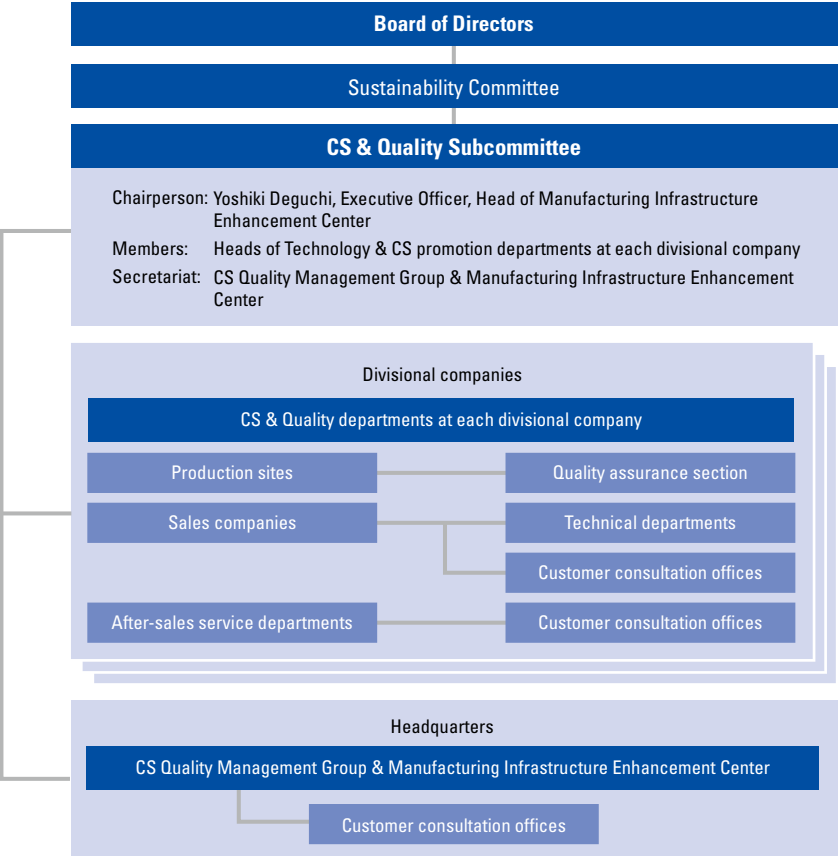
We conduct CS & Quality-related training for new employees. In FY2025, we began using video-based training in particular to improve both efficiency and proficiency. We encourage our employees to think about our concept of “CS & Quality management” and what we can do to satisfy our customers, so that 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 FY2025, the CS & Quality Subcommittee met twice in total, in October and March.

CS & Quality Management Promotion System



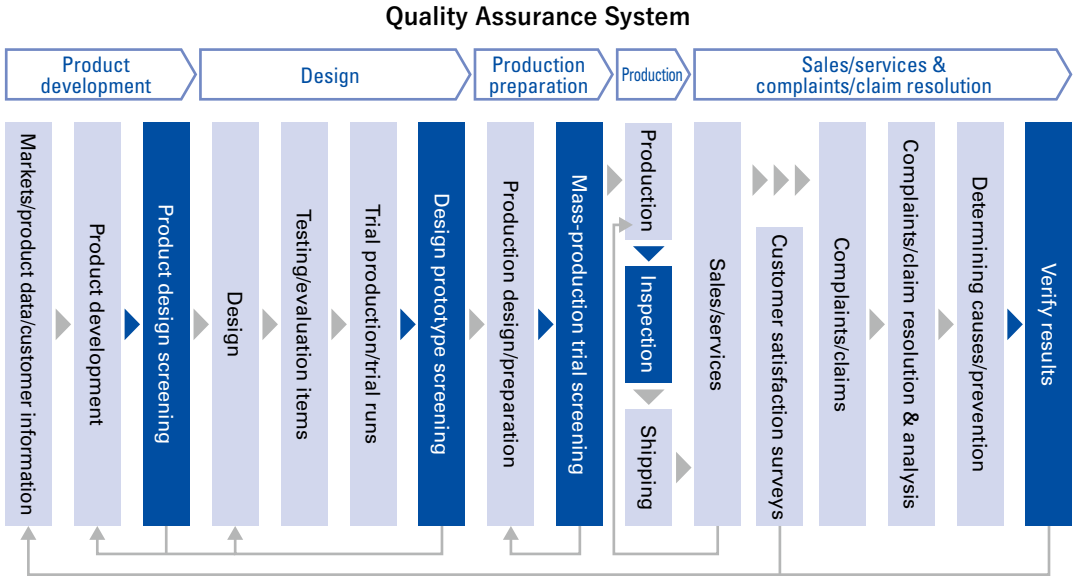
■ Establishment of a Quality Assurance System

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

We have established a quality assurance system for each process and promote daily management with an emphasis on standards. At the same time, we are focusing on manufacturing innovation, recognizing that on-site manufacturing is the key to supporting quality.

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

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



Risk Management

■ Addressing New 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, particularly at Headquarters, 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 design input on industries, 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.

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	FY2025 result
Preventing the occurrence of major quality issues	Implementation of CS & Quality level improvement events	4 times per year	Implementation of 2 CS & Quality seminars, 1 Group KAIZEN Activity "Global Group-wide Competition, and 1 e-learning session on customer harassment countermeasures

* 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 FY2025, we expanded the number of business sites covered and held training for QMS internal auditors as well as SEKISUI Process Management Chart (SPMC) Internal Audit Hands-on Training. In addition, we introduced Internal Audit Level-up Training to enhance auditors' questioning skills, thereby improving the quality of our internal audits. We will continue to promote initiatives to improve our quality management system.



SPMC Internal Audit Hands-on Training

Promoting efforts to enhance the robustness of inspection data

Since FY2020, SEKISUI CHEMICAL Group has continued to create systems as well as mechanisms to thoroughly prevent data falsification and manipulation and to improve data integrity*1. In FY2025, we advanced the development of systems that make data-entry errors and falsification impossible, along with on-site inspections, and confirmed that the systems at eight sites met our standards. We also held 16 training sessions in Japan and overseas on data storage based on the ALCOA principles. 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.

*1 Data integrity: a state in which the data itself ensures completeness, accuracy, and consistency.

● 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 FY2025, there were no cases of violation of various laws and voluntary regulations regarding product safety.

● Product quality disclosure and labeling

In our Group, to ensure compliance with relevant laws and internal regulations regarding the display of product quality and safety information, we establish and verify legal and product information display check items during the development stage and conduct Design Reviews (DR). In FY2025, there were no cases of violation of various laws and voluntary regulations regarding product quality labeling and display.

■ Strengthening CS

● CS human resource requirements

In FY2025, we put the Group's competency requirements for improving customer satisfaction (CS), formulated in FY2024, into practice at test sites to validate them, and we began refining their accuracy. Going forward, we will track them at fixed points over several years and consider how to refine 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 FY2024, a total of 70 such seminars had been held.

In FY2025, seminars were held two times: one in the first half and one in the second half.

<71st Seminar>
What it takes to understand what delights each individual customer

Nestlé Japan Ltd.
Marketing & Communications Division
Consumer Engagement Services Department
Mr. Yasushi Miyazaki, Mr. Takeshi Tashiro, and Ms. Aoi Sadanami
(September 29, 2025)



<72nd Seminar>
The meaning and importance of day-to-day management:
Striving to improve performance

Quality Creation Co., Ltd.
Mr. Takeo Furuya, Representative Director
(November 6, 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. In FY2025, we published two issues of "Shining," and starting with No. 5, we moved it online to make it easier to read on PCs, tablets, and other devices. Going forward, we will use readership data to help improve the content.



Shining No. 4 (April 2025)



Shining No. 5 (December 2025)

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. Since FY2022, we have further deepened collaboration with the divisional companies and held KAIZEN exchange sessions focused on indirect operations. As a result, a forum for exchange has emerged where presenters and participants share and draw on their mutual KAIZEN innovation and wisdom to enhance each other's improvement capabilities together.

Group KAIZEN Activity "Global Group-Wide Competition"

The Group KAIZEN Activity "Global Group-Wide Competition" (Group-wide presentations) is held on a Group-wide basis every January. "Widen the circle of KAIZEN. Raise the quality of KAIZEN. Speed up the pace of KAIZEN." Under this slogan, sites representing their respective areas that won selection competitions not only in Japan but also in Europe, the United States, China, and Asia gather together, share their KAIZEN results across the entire Group, and contribute to strengthening the Group's ability to make improvements. In FY2025, we organized a Q&A session to deepen exchange among the executives and representatives who attended the Global Group-Wide Competition, as well as between the representatives and the participants, and it has been well received. Under the global KAIZEN symbol logo newly created in 2024, we will continue to promote SEKISUI KAIZEN, one of the defining elements of the Group's DNA.



FY2025 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.

Major Training Results

Category	Trainees	Training/education and support content	FY2025 result
Quality	New employees	Basic quality training	Once
	Newly appointed managers	Quality governance training	Once
	Manufacturing employees	Provision of video content on tiered quality knowledge, methods training, and the like	Conducted as appropriate
	Internal auditors	New internal auditor training	Twice
		Audit level-up training	Five times
	Development and design employees	Training to master effective and efficient prevention methods	Once
CS	Planning/staff	Survey design training to strengthen mechanisms for collecting and using customer feedback	Content released

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 and operate an on-demand learning system.

Performance Data

FY2025 results

No major quality issue occurred in the Group in FY2025 (based on individual divisional company standards).

External loss costs*¹ came in at 72% compared with FY2022.

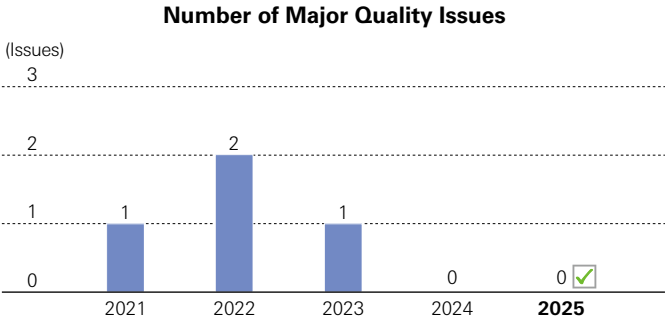
We will continue to strengthen Group-wide quality assurance systems, focus on design/development processes, and promote the use of development preventive methods (such as QFD*² and DRBFM*³) to reduce external loss costs.

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

*2 QFD: Quality Function Deployment

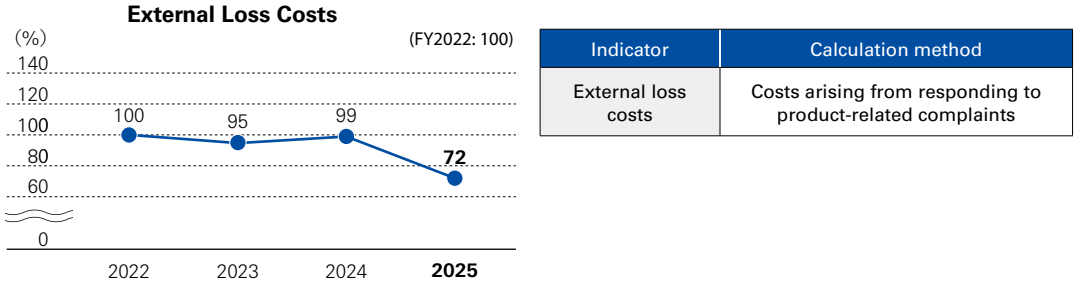
*3 DRBFM: Design Review Based on Failure Mode (a preventive approach in which problems in new designs are discovered and solved by focusing on points of modification and change)

Data concerning major quality issues



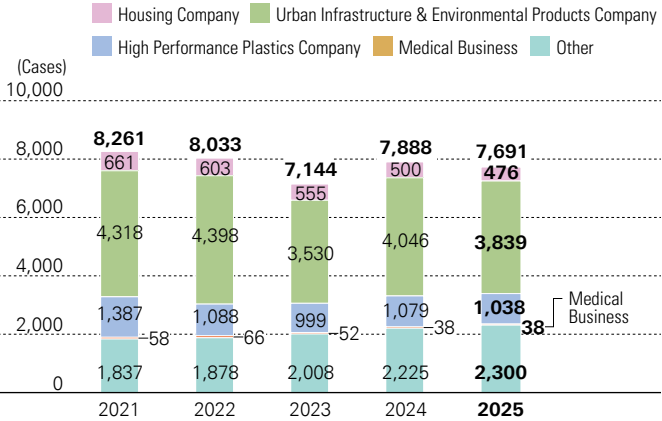
Indicator	Calculation method
Major quality issues	These refer to product and service quality issues determined by Corporate Headquarters or divisional company presidents, based on evaluations and judgments by the quality assurance manager, which could cause significant damage to customers, society, or 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

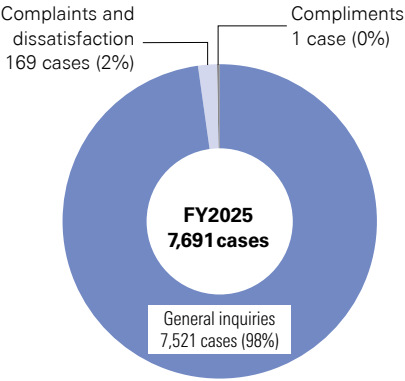


Data on incoming contacts to the Customer Consultation Office (SEKISUI CHEMICAL)

Breakdown of Incoming Contacts (by Divisional Company)



Breakdown of Incoming Contacts (FY2025, by Content)



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.

● Business sites that have received third-party certification for their quality management systems

Of all SEKISUI CHEMICAL Group production sites, 87% are certified to ISO 9001.
When sites certified to ISO 13485, IATF 16949, and AS9100D are also included, the percentage is 99%.

Housing Company	Urban Infrastructure & Environmental Products Company	High Performance Plastics Company		Headquarters
Housing Company (Related business sites)	SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant	SEKISUI CHEMICAL CO., LTD. Musashi Plant	Sekisui Specialty Chemicals America, LLC.	Sekisui LB Tec Co., Ltd.
Technology & CS Division	SEKISUI CHEMICAL CO., LTD. Gunma Plant	SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi Plant	Sekisui Polymatech America, LLC.	SEKISUI CHEMICAL CO., LTD. Life Science
Technology Department	Sekisui Aqua Systems Co., Ltd.	Fine Chemicals Production Department	Sekisui Specialty Chemicals Europe, S.L.	Business Development Department
Construction Innovation Department	Sekisui Home Techno Co., Ltd.	Specialty Chemicals Production Department	Sekisui DLJM Molding Private Limited-Chennai-1	
Safety & Environment Department	Sekisui Chemical Hokkaido Co., Ltd.	SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi Plant	Sekisui DLJM Molding Private Limited-Chennai-2	
CS Promotion & Quality Assurance	NIPPON INSIEK CO., LTD.	S-lec (Interlayer Film) Production Department	Sekisui DLJM Molding Private Limited-Greater Noida	
External Relations & Purchasing Division	Sekisui SoflanWiz Co., Ltd.	SEKISUI CHEMICAL CO., LTD. Taga Plant	Sekisui DLJM Molding Private Limited-Tapukara	
Purchasing Department	Yamanashi Sekisui Co., Ltd.	Sekisui Techno Molding Co., Ltd. Mie Plant	Sekisui DLJM Molding Private Limited-Gujarat	
Sekisui Global Trading Co., Ltd.	Toto Sekisui Co., Ltd. Head Office and Plant	Sekisui Techno Molding Co., Ltd. Aichi Plant	Sekisui Polymatech (Thailand) Co., Ltd.	
Development Division	Chiba Sekisui Industry Co., Ltd.	Sekisui Techno Molding Co., Ltd. Tochigi Plant	PT. Sekisui Polymatech Indonesia	
Housing Development Department	SHIKOKU SEKISUI CO., LTD.	Sekisui Material Solutions Co., Ltd.	Sekisui Polymatech (Shanghai) Co., Ltd.	
Housing Technology Institute	Kyushu Sekisui Industry Co., Ltd.	Sekisui Nano Coat Technology Co., Ltd.	Sekisui Polymatech Europe B.V.	
Planning and Administration Department	TOKUYAMA SEKISUI CO., LTD.	Sekisui Fuller Co., Ltd. Tokyo Head Office	Sekisui Aerospace Corporation Orange City	
Housing Renovation R&D Department	TOKUYAMA SEKISUI CO., LTD. Piping Plant	Sekisui Polymatech Co., Ltd.	Sekisui Aerospace Corporation Renton/Sumner	
Hokkaido Development Office	SEKISUI ESLON B.V.	Sekisui Seikei, Ltd. Head Office	SEKISUI KYDEX, LCC. Bloomsburg	
Hokkaido Sekisui Heim Industry Co., Ltd.	Sekisui Chemical G.m.b.H.	Sekisui S-Lec Mexico S.A. de C.V.	SEKISUI KYDEX, LCC. Holland	
Tohoku Sekisui Heim Industry Co., Ltd.	Sekisui Rib Loc Australia Pty. Ltd.	Sekisui S-Lec B.V. Resin Plant		
Sekisui Heim Industry Co., Ltd.	Sekisui (Wuxi) Plastics Technology Co., Ltd.	Sekisui S-Lec B.V. Film Plant		
Kanto Site	Sekisui Industrial Piping Co., Ltd.	Sekisui S-Lec Thailand Co., Ltd.		
Tokyo Site	Sekisui Specialty Chemicals (Thailand) Co., Ltd.	Sekisui S-LEC (Suzhou) Co., Ltd.		
Chubu Site	S and L Specialty Polymers Co., Ltd.	Sekisui S-Lec America, LLC.		
Kinki Site		Sekisui Alveo AG		
Chushikoku Sekisui Heim Industry Co., Ltd.		Sekisui Alveo BS G.m.b.H.		
Kyushu Sekisui Heim Industry Co., Ltd.		Sekisui Alveo B.V.		
Sekisui Heim Industry Co., Ltd. Head Office		Thai Sekisui Foam Co., Ltd.		
East Japan Administration Department		Sekisui Voltek, LLC.		
Supply Division		Sekisui Pilon Pty. Ltd.		
West Japan Administration Department		Youngbo Chemical Co., Ltd.		
Sekisui Board Co., Ltd.		Sekisui Youngbo Hpp (Wuxi) Co., Ltd.		
Minakuchi Site				
Gunma Site				



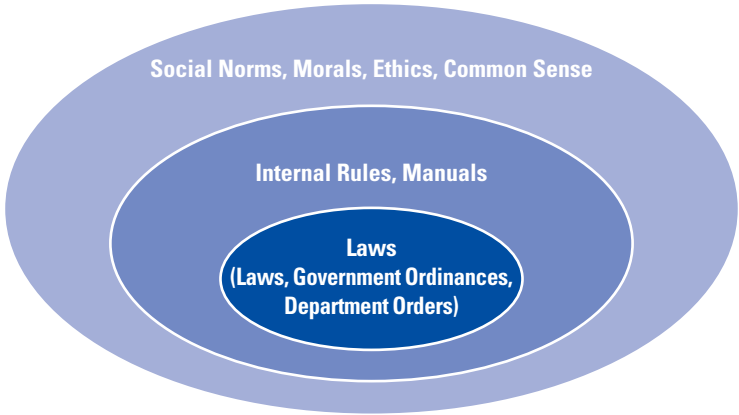
Legal and Ethical Issues

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 next Medium-term Management Plan, which begins in FY2026, we are also working to improve our management ability to sustain business by suppressing the number of serious 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 anti-trust law, bribery-related laws, and security export control and related laws, along with the risk of leaking personal information and confidential information, to be serious compliance risks, and is focusing its efforts on suppressing them. 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

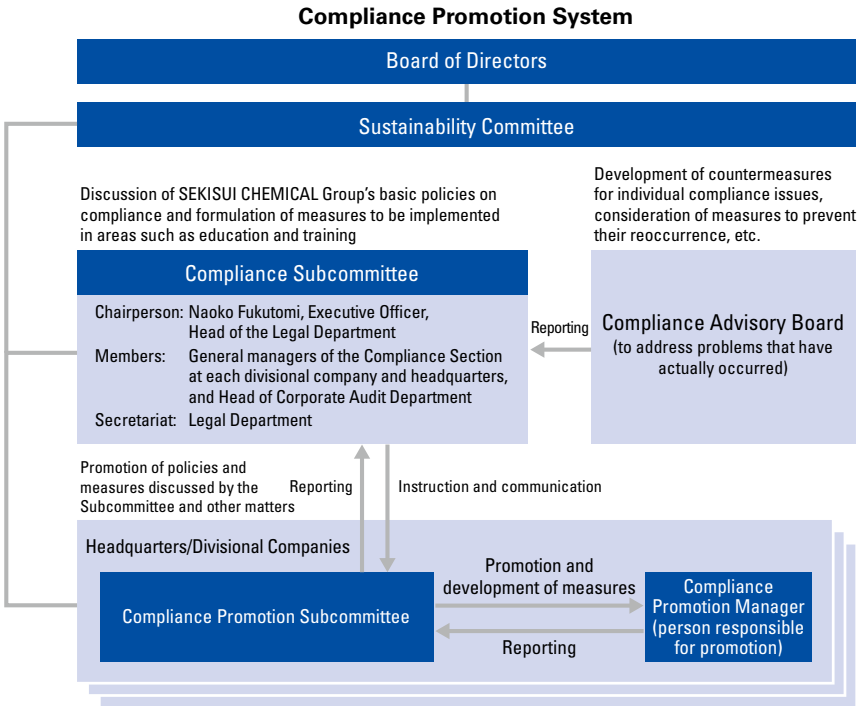
The Group prepared the Compliance Manual in 2003. It consists of conduct guidelines and detailed explanations of compliance items such as anti-corruption, conflicts of interest, compliance with the anti-trust law, accounting, and harassment, and has been used for in-house education. Beginning in 2022, 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 Policy** https://www.sekisuichechemical.com/sustainability_report/basic_policies/#anc-P09

Governance

System

The 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 FY2025, the Compliance Subcommittee met twice, in May and November 2025.



Risk Management

Risk Management System

To implement compliance management, the 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 the anti-trust law and export controls
- Awareness-building and operation of the anti-trust law 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 whistle-blowing 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 FY2023–FY2025 Medium-term Management Plan, the Group worked to strengthen control over its overseas subsidiary 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. Under the next Medium-term Management Plan, which begins in FY2026, in order to continue preventing serious incidents, we will work to strengthen monitoring of how key rules are operated, make compliance activities more efficient and precise, and enhance our response to whistle-blowing reports and international compliance capabilities.

Major implementation measures	Management indicators	Final fiscal year (FY2025) targets of the current Medium-term Management Plan	FY2025 results
Strengthen control over overseas Group companies	Deployment rate of important rules (regarding anti-trust law, anti-bribery, etc.) at overseas Group companies	100%	100% (57/57 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

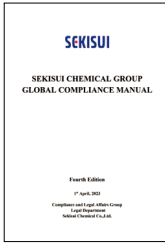
Major Initiatives

Fostering Compliance Awareness

The 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 FY2025, 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 and awareness-raising activities for the SEKISUI Chemical Group Global Hotline, an overseas whistle-blowing system available in multiple languages to our overseas Group employees, and in FY2025 we continued to accept reports from each area as they arose.

Additionally, in Japan, we already accept reports and consultation requests as necessary 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.

Looking forward, the SEKISUI Chemical Group Global Hotline is being rolled out to our global business partners as a whistle-blowing and consultation system available in multiple languages as part of our global operations, and in FY2025 we completed its introduction outside the Americas.

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 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.

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 FY2025, as in FY2024, 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 FY2025.

■ Status Regarding the Prevention of Transactions That Represent a Conflict of Interest

The Group has adopted the policy that when the interests of the company and our individual interests conflict, we will consider the matter from the standpoint of whether it benefits the company and will not cause harm to the company.

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.

■ Promotion of Fair Transactions

In light of the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators (commonly known as the SME Transactions Act, formerly the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors), which came into force in January 2026, the Group has positioned fair transactions as an important compliance issue and is promoting Group-wide efforts. Specifically, we formulated a Fair Transactions Manual that clarifies the intent of the law and the criteria for judgment, and we put in place a structure that lets directors and employees involved in transactions act with a shared understanding. At the same time, we survey actual transaction conditions in the field, which we use to identify and correct risks and prevent recurrence. Furthermore, through continuous education and self-development activities such as e-learning, we deepen understanding of the fairness and transparency of transactions and work to embed sound, sustainable transaction practices.

■ 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 FY2025.

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 FY2025, accounting meetings were held in Japan and overseas in a hybrid format of online and face-to-face meetings. A total of 272 employees, mainly personnel in charge of accounting, participated. Accounting training was conducted online on a specific topic, and a total of 38 employees attended, including video viewers. In addition, a total of 6,746 employees took the e-learning course, which is being conducted for a wider target audience to raise awareness of accounting compliance.

Tax Compliance Initiatives

SEKISUI CHEMICAL Group considers the payment of taxes to be one of the fundamental and important social responsibilities that a company should fulfill. We comply with the tax laws of the countries and regions in which we operate, and pay taxes appropriately. The Group does not use tax havens for tax avoidance purposes. We will pay taxes appropriately in accordance with the economic conditions of the countries and regions in which we operate, contribute to the economies of those countries and regions, and aim for harmony and stable development together. Transactions with tax risks are checked with outside experts as necessary to ensure their proper handling and to reduce tax risks. Furthermore, as a response to transfer pricing risk, transactions are conducted in compliance with national and regional laws and regulations and arm's length prices in accordance with OECD Guidelines. In 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 will continuously monitor changes in the international taxation environment, including the global minimum tax system, and maintain appropriate governance and compliance systems. We respond appropriately and in good faith to investigations by tax authorities, with results reported to the Board of Directors and improvements made as appropriate. Through these initiatives, we strive to maintain good relationships with the tax authorities of various countries.

Amount of Corporate taxes, etc., Paid by Country/Region (FYE March 2025) (Unit: Millions of yen)

	Japan	North America	Europe	China	Asia	Other	Total
Amount of corporate taxes, etc., paid*	33,146	1,267	1,675	1,533	1,658	415	39,693

* 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 FY2025, training was held via video streaming in Japan on the two themes of information management and insider trading regulations, 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 (in FY2025, "Practicing Safe Automobile Driving Management" was newly added). Videos on the above two themes newly streamed in FY2025 are also available on the company intranet.

Initiatives taken during Compliance Reinforcement Month in Japan (FY2025)

1. Thoroughly disseminated the Message from the President on Compliance (October 2025) to all Group employees
2. Conducted various compliance training programs as well as open-type legal seminars (video streaming, two themes)
3. Introduced Compliance Reinforcement Month activities and videos for training sessions in SWITCH Web newsletters, along with the publication of an article regarding the "Harassment Elimination Project"
4. Conducted e-learning in Japan via the intranet (covering insider trading, information management, and sexual harassment)
5. Conducted global e-learning using SuccessFactors (questions on human rights-related topics and topics covered in the Global Compliance Manual)

Overseas initiatives

In FY2025, as in FY2024, we implemented Compliance Reinforcement Month activities in North America, China, APAC, 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 (FY2025)

North America:

- 1. Message from top management
- 2. Explanation of the SEKISUI Chemical Group Global Hotline (SEKISUI Chemical Group Global Hotline poster contest)
- 3. Implemented training (the following measures were implemented at each Group company in North America)
 - Provided SuccessFactors training from regional headquarters (harassment, protection of company information, bribery prevention)
- 4. Conducted a survey to receive feedback on activities during Compliance Reinforcement Month

China:

- 1. Message from top management
- 2. Anti-trust law and commercial bribery survey, display of compliance posters, distribution of Compliance Cards, revision of entertainment and gift rules, distribution of general manager and executive handbooks, measures to prevent information leaks
- 3. Implemented training
 - Training format: in-person
 - Mandatory training (current state and issues of compliance, professional ethics and morals, information management, bribery prevention)
 - Elective training (conflicts of interest, sexual harassment, contract basics)

APAC:

- 1. Message from top management
- 2. Implemented training
 - Training format: in-person, online, or recorded training
 - Theme: SEKISUI Chemical Group Global Hotline

Europe:

- 1. Message from top management
- 2. Implemented training
 - Online training
 - Theme: training for relevant employees on the NIS2 regulations (cybersecurity)
- 3. Deployment of the "Acceptable Use Guideline including AI"

■ Responding to Compliance Violations

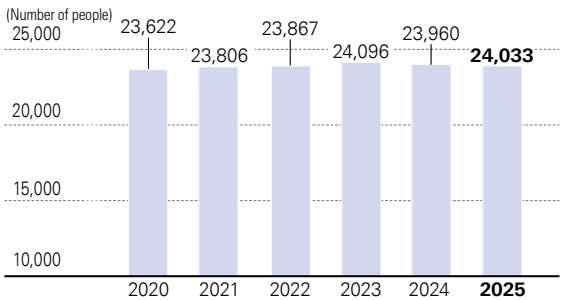
In the event of a violation of compliance, we will conduct a thorough investigation of the employee who committed the violation. After the investigation, the Company will take disciplinary action, including dismissal, demotion, and salary reduction, as well as reduction of personnel evaluation, depending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



*Average values for four sessions conducted in each year. However, the fourth session was underway during FY2025 when this chart was created, so the average values for the first, second, and third sessions are provided for that year.
*With the exception of certain overseas local hires, all employees of the SEKISUI CHEMICAL Group are required to participate in e-learning programs.

List of results related to compliance training

FY2025 List of Results Relating to Compliance Training

Training	Training content	Trainees			Attendance
		SEKISUI CHEMICAL Co., Ltd.	Group companies		
			Japan	Overseas	
Employee rank-based training	New employee training	✓	✓		382
	Compliance training		✓		141
	Training for Secretariat to the Board of Directors	✓	✓		48
	Training for directors of affiliated companies		✓		34
	Export controls training	✓	✓		14
Area-specific training	Compliance training	✓	✓		542
	Harassment prevention training	✓	✓		858
	Labor training	✓			150
	Export controls training	✓	✓		1,305
	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors training	✓	✓		292
	Anti-trust law training	✓	✓		1,543
	Labeling regulations training		✓		8
	Information management training	✓	✓		325
	Contract fundamentals training		✓		16
	New employee training		✓		94
	Training for legal department staff	✓			43
Global training	Overseas transfer training	✓	✓		28
	Compliance training			✓	28
	Information management training			✓	30
Compliance Reinforcement Month	Domestic training	✓	✓		30,465
	North America training			✓	4,213
	China training			✓	553
	Training for APAC region			✓	690
	Training for Europe			✓	51
	Global e-learning	✓	✓	✓	20,490

Number of Whistle-Blowing Cases and Consultations

FY2025 Number of Whistle-Blowing Cases and Consultations

Reports/Consultations	Number of cases
Power harassment	51
Working conditions	60
Sexual harassment	13
Workplace environmental concerns	17
Misuse of expenses	6
Sales method related	5
Misrepresentation of work performance	2
Collusive relationship with business partners	10
Other	34
Total number of reports	198 

Donations to Political Organizations

The 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 based on the Company's decision-making standards. The amounts of donations to these political organizations (SEKISUI CHEMICAL on a consolidated basis) are as shown below.

(Unit: Thousands of yen)

(FY)	Amount
FY2021	10,690
FY2022	12,562
FY2023	9,856
FY2024	7,970
FY2025	8,985



Information Management

Strategy (Stance, Approach, and Awareness of Risk)

Basic Concept

SEKISUI CHEMICAL Group has established systems and an operational structure to ensure the confidentiality, integrity, and availability of information systems in order to avoid serious cybersecurity incidents related to information management that could affect the improvement of the management ability to sustain business. At the same time, we are working to improve the information security 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

Under the current Medium-term Management Plan, we have worked to build and maintain robust, sustainable cyber security capable of responding to rapid IT changes in the business environment. As a result of these activities, there have been no serious cybersecurity incidents, none in Japan for six consecutive years since FY2020 and none overseas for two consecutive years since FY2024. Under the next Medium-term Management Plan, we will strengthen Group-wide global governance and establish preventive cyber security to protect personal information and prevent the leakage of technical information.

SEKISUI CHEMICAL Group Cyber Security Policy

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

WEB SEKISUI CHEMICAL Group Cyber Security Policy
https://www.sekisuichemical.com/sustainability_report/basic_policies/#anc-P06

Governance

Information Management System

The 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.

Within CSIRT, the DX Subcommittee serves as the policy-making body for information security. The subcommittee is chaired by Yoshiki Deguchi, Executive Officer and CISO (Chief Information Security Officer), and discusses Group-wide cybersecurity measures and significant security incidents. The Cyber Security Promotion Subcommittee is responsible for promoting measures based on decisions made by the DX Subcommittee, and has established the Cyber Security Center as a working unit.

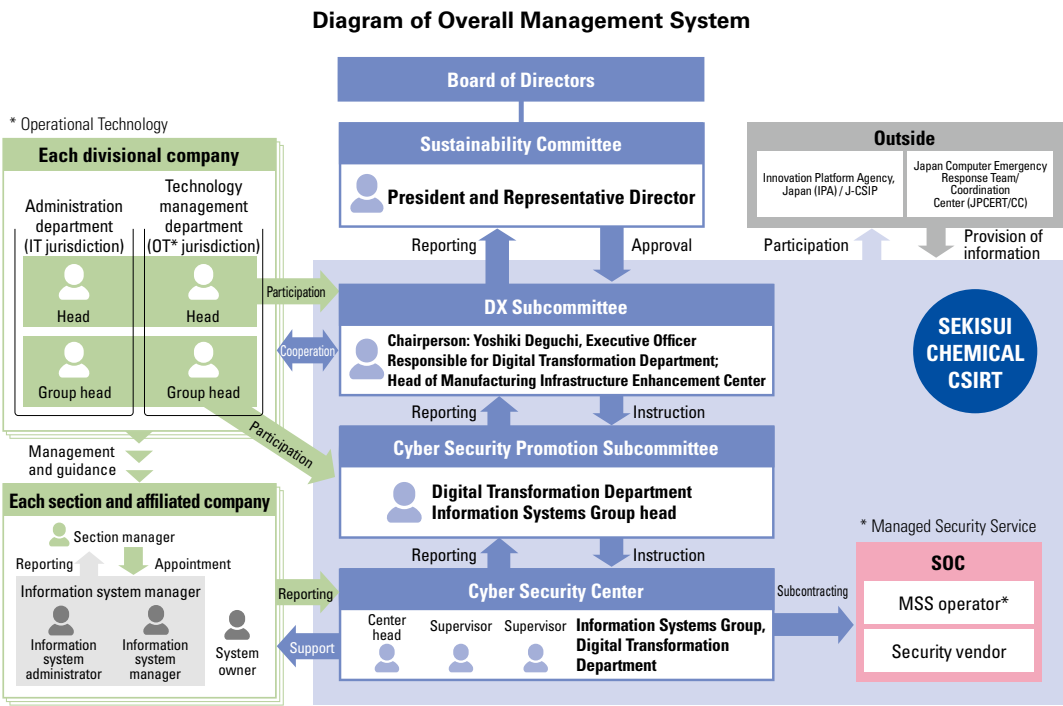
The Cyber Security Center works with SOC*² to monitor networking and device security. Security monitoring is conducted 24 hours a day, 365 days a year to ensure the early detection and recovery of incidents.

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.



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 cybersecurity enhancement plans

Do: Implementation of upgrade planning

- Strengthening overseas cybersecurity 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 DX 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 corporate value due to significant cybersecurity incidents. As a result of these activities, there have been no serious cybersecurity incidents, none in Japan for six consecutive years since FY2020 and none overseas for two consecutive years since 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	FY2025 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	Completion of deployment across all regions

Major Initiatives

Measures Against Information Leaks and Risks

The 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 CyberSecurity 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 regularly holds DX Subcommittee and Cyber Security Promotion Subcommittee meetings. The DX Subcommittee reports on the evaluation of risk countermeasures. The CyberSecurity Promotion Subcommittee also reports on the activities related to risk countermeasures. In addition, every year, training sessions are held for DX Subcommittee members to examine their ability to make management decisions in the event of an information security accident.

Key System-Related Measures

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

Key Personnel Measures

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

Measures Against Natural Disaster Risks

Our core systems are installed in data centers that are earthquake-resistant and seismic-isolated. This makes it possible to continue operations even if social infrastructure is damaged by a natural disaster. In addition, by setting up data centers in multiple locations, we have built a system that will not delay operations even if a particular data center becomes unusable. In addition, we are working to shorten the lead time to complete restoration of operations by fully duplicating (backing up) our critical business systems.

Protecting Personal Information

The Group handles the individual information of its customers in accordance with our Privacy Policy. In addition to complying with laws and regulations related to personal information, we have established voluntary rules and systems based on our internal confidential information management regulations to ensure appropriate protection. In addition, we have established the Guidelines for Web Server Construction and Management to protect the servers that handle personal data management by related companies and departments. At the same time, management privileges, such as access rights, are restricted according to the importance of handling information to ensure thorough management. Furthermore, we are strengthening our governance of the handling of individual (customer) information by raising employee awareness and providing education, mainly during the Compliance Reinforcement Month every year.

Preventing Leakage of Technical Information

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



Innovation

Strategy (Stance and Approach)

Basic Concept

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

Under the next 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 will create a new business foundation, and we will strengthen activities that turn the new themes developed during the current Medium-term Management Plan into results.

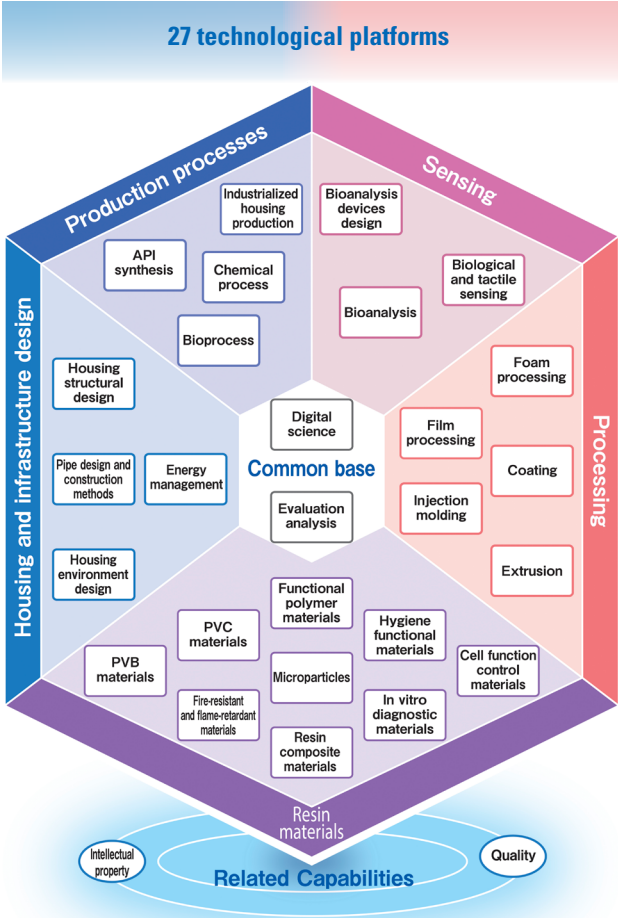
In addition, we launched a Group-wide innovation roundtable initiative to identify business opportunities across business domains and to regularly examine the combination of technologies. Through this, we are working to strengthen the creation of new products across the Group.

With regard to strengthening the core technologies that are the source of our activities, 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

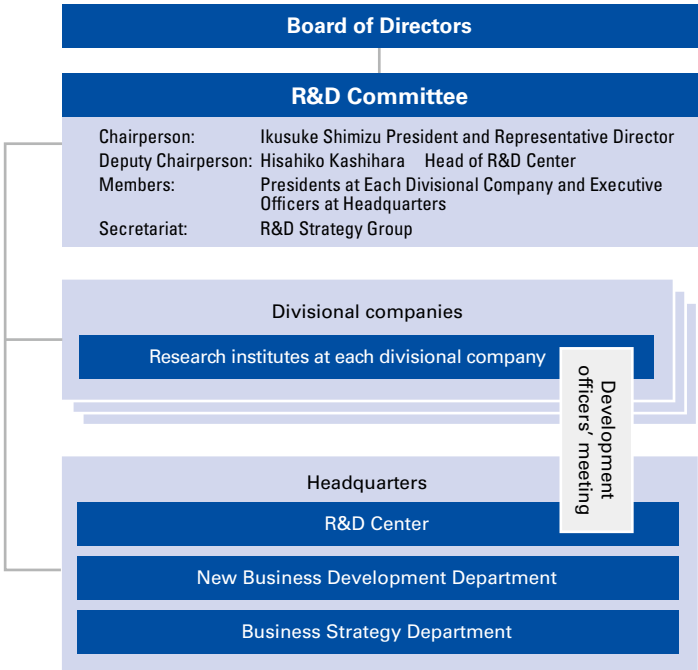
System for Promoting Innovation

The Group defines technologies that are 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 27 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 FY2025, 41 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.



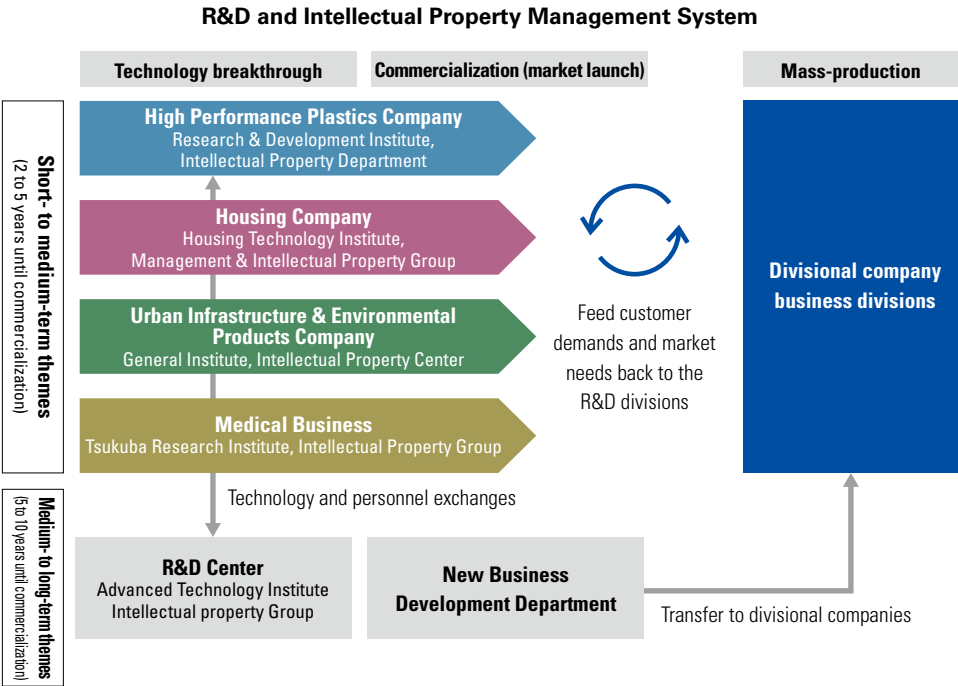
The R&D structure for creating and promoting innovation is divided into two categories according to the timeframe of the project. Research and development projects originating from the acquisition of customer needs will be undertaken at the laboratories of each segment to enable swift activities in accordance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

(As of April 1, 2026)



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

Indicators and Targets

Targets

In the previous Medium-term Management Plan, the 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 FY2025. 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

The 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 and collaboration on divisional company development themes using data-utilization technologies such as materials informatics (MI) in information science, one of the basic technologies integrated into the R&D Center, and are steadily building up a track record. We are also actively promoting the use of advanced technologies such as experiment automation and generative AI, and we are accelerating their use through collaboration with the University of Tokyo, the University of Toronto, and others. As for the fusion of planning, we are advancing activities that lead to the planning of new themes by mutually understanding the technologies we hold through internal technology exchange meetings. 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 for a national development project in collaboration with the University of Tokyo, Kyoto University, 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 Osaka, Kansai. In carbon recycling technology as well, we have entered into a partnership with ArcelorMittal, one of the world’s largest steelmakers, and as a result of a joint evaluation aimed at reducing CO₂

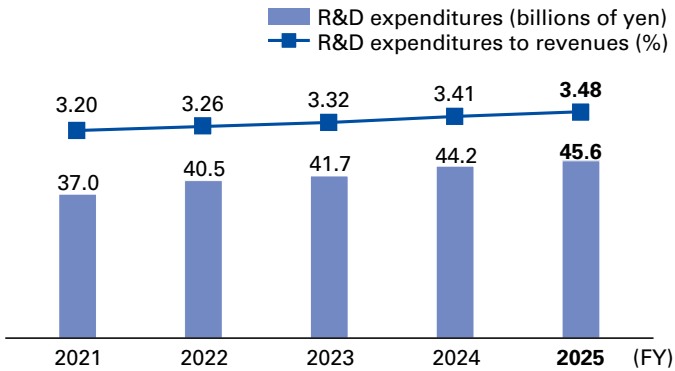
emissions during steelmaking, our technology was highly rated in terms of reaction efficiency and durability, and we are now considering the timing of its introduction while assessing the decarbonization market. Furthermore, in applying our technology to a variety of fields beyond steelmaking processes, including joint studies with COSMO ENERGY HOLDINGS and TOKAI CARBON aimed at converting CO₂ into valuable resources, we are also considering several collaborative projects with partners who recognize the potential of our technology. Regarding fusion with external parties, we are engaging in various collaborative activities based in the MINASE INNOVATION CENTER established in 2020. In FY2025, we held technology exchange meetings with several external companies, with more than 200 participants in total. Through sharing the latest technologies and discussing how to resolve issues, we deepened mutual understanding and cooperative relationships with the participating companies. We plan to continue actively promoting open technology exchange and co-creation activities with external parties. We are also considering quantifying the status of our technology enhancements as indicators and communicating this externally, in an effort to further accelerate fusion with outside parties.

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 the operation of an in-house entrepreneurial system and collaboration with startups, as well as in fostering a culture of innovation. The in-house entrepreneurial system aims to develop entrepreneurial talent and foster a spirit of challenge through the practice of business creation, and themes selected through the system are pursued toward commercialization with support from inside and outside the company. Over the three years from FY2023, when the system began operating, through FY2025, the total number of applications reached 500, and we feel a real sense that the willingness to take on the challenge of commercialization is spreading throughout the Company. Furthermore, by maximizing the capabilities of the MINASE INNOVATION CENTER, we are providing a place that serves as a catalyst for interaction and business co-creation among people from inside and outside the Group.

Performance Data

R&D Expenditures / R&D Expenditures to Revenues





Intellectual Property Management

Strategy (Stance and Approach)

Basic Concept

Intellectual property, the result of our research and development activities, is an important management resource that supports SEKISUI CHEMICAL Group's growth and earnings aimed at maximizing corporate value.

The Group's Intellectual Property Department operates under the Intellectual Property Rules, established with the purpose of encouraging the creation, protection, and utilization of intellectual property and contributing to business growth and increasing corporate value, and with the basic policy of ensuring business competitiveness through the acquisition of strong patents. It places particular importance on an intellectual property strategy that maximizes the prominence of our technology.

Under the next Medium-term Management Plan, which starts in FY2026, we will advance the use of data, AI, and other tools to further strengthen our intellectual property activities.

Governance

System

The 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 the 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 the 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 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.

Indicators and Targets

Targets

Each divisional company within the 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

The 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

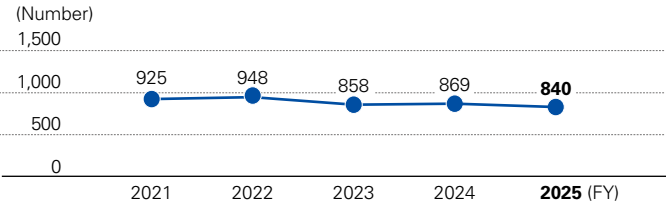
In order to ensure that each developer maintains and manages the Company's own intellectual property and avoids and prevents intellectual property infringement by others, we have prepared several educational programs tailored to the level of each developer, from basic knowledge to strategy building,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

Reasonable Evaluations with Regard to Inventions

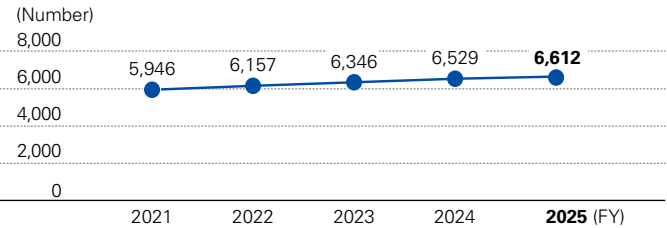
The Group has established the Invention Grand Prize system as part of the evaluation and treatment of researchers and engineers, in addition to providing various incentives for employee inventions. We also reward employees with inventions that make a particularly large contribution to profits by rewarding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

Performance Data

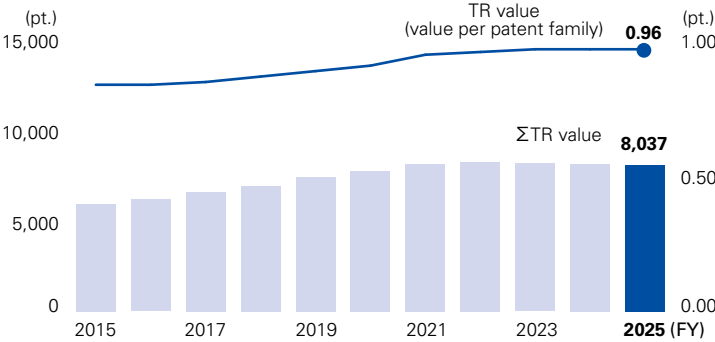
Number of Patent Application Filings



Number of Patents Held



Trend of Patent Asset Value (Technical Value*)



・ Since 2020, patent applications have been more selectively filed, resulting in a temporary decrease in ΣTR, but continuous improvement in patent quality is being pursued.

* Based on the number of citations from LexisNexis's patent analysis tool "PatentSight," the TR (Technology Relevance) index is calculated for the total value (ΣTR value) and average value (TR value) of our entire portfolio, which is referred to as "technical value."

Patent Asset Scope Ranking (FY2024)

Ranking	Company name	Patent asset scope (points)	Number of patent citations
1	Fujifilm	64,597.2	1,386
2	LG ENERGY SOLUTION	21,918.0	750
3	Kao	19,773.8	613
4	DIC	19,661.1	373
5	Resonac	19,394.9	599
6	Mitsubishi Chemical	18,565.7	508
7	SEKISUI CHEMICAL	18,134.8	559
8	Nitto Denko	17,936.9	530
9	Sumitomo Chemical	17,383.1	519
10	ARTIENCE	14,951.0	300

Source: Patent Result Co., Ltd. Chemical Industry: Patent Asset Scope Ranking 2024

Ability to Restrain Other Companies Ranking (FY2024)

Ranking	Company name	Number of cited patents
1	Fujifilm	3,110
2	Mitsubishi Chemical	1,591
3	Kao	1,267
4	Resonac	1,219
5	SEKISUI CHEMICAL	1,007
6	Nitto Denko	887
7	Asahi Kasei	832
8	Sumitomo Chemical	819
9	Shin-Etsu Chemical	677
10	Kaneka	596

Source: Patent Result Co., Ltd. Chemical Industry: Ability to Restrain Other Companies Ranking 2024



Strategy (Stance and Approach)

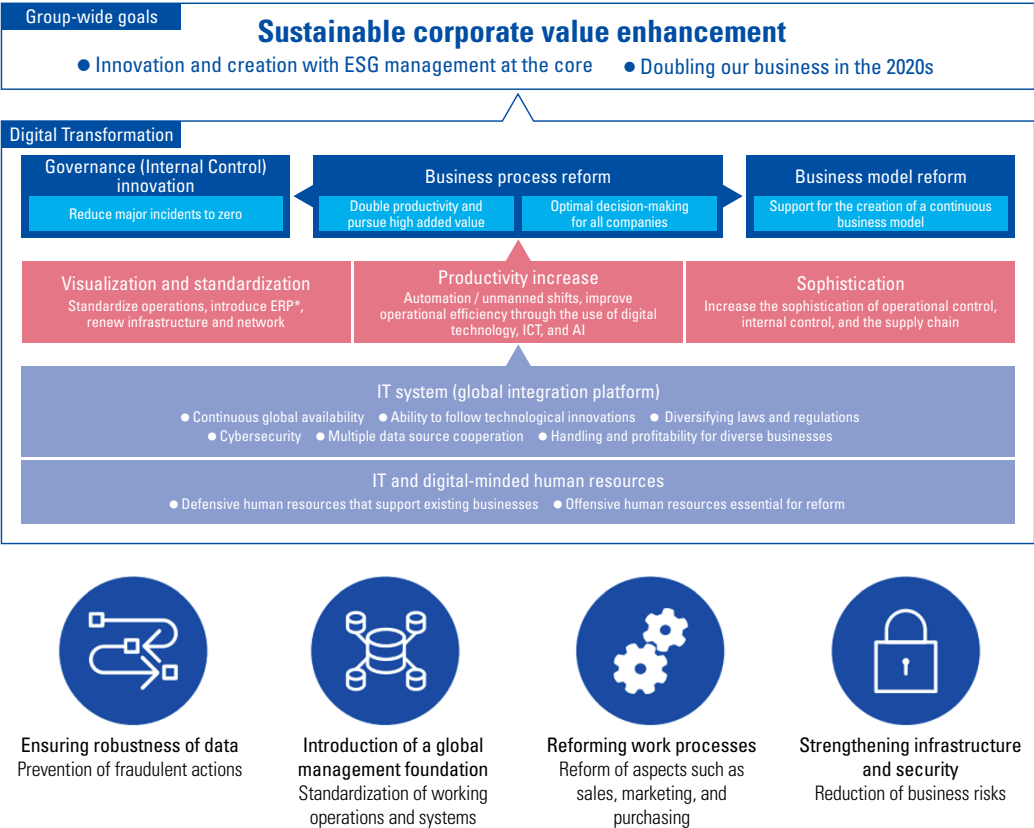
Basic Concept

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 senses 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. Under the next Medium-term Management Plan, we will shift into a growth-acceleration phase in which we actively use the data accumulated through DX to date and digital technologies such as AI to transform our business processes. We will also place particular emphasis on improving governance through the domestic and international rollout of our global management foundation, as well as on strengthening preventive security to protect information assets such as data and IT assets from threats.

Governance

DX Overview

The Group is promoting thorough standardization and data-based productivity improvements as “business process transformation.” For long-term Group-wide global growth, we are promoting digital deployment and the creation of benefits, centered on the global management foundation, procurement, and sales and marketing. Governance is strengthened through the operation of a global management foundation and the use of an indirect purchasing system. At the same time, we are expediting the creation of benefits for the DX projects we have developed to date. In order to support the realization of these goals, we are also establishing a global cybersecurity response system and developing guidelines for the safe and secure use of AI.



Ensuring robustness of data
Prevention of fraudulent actions

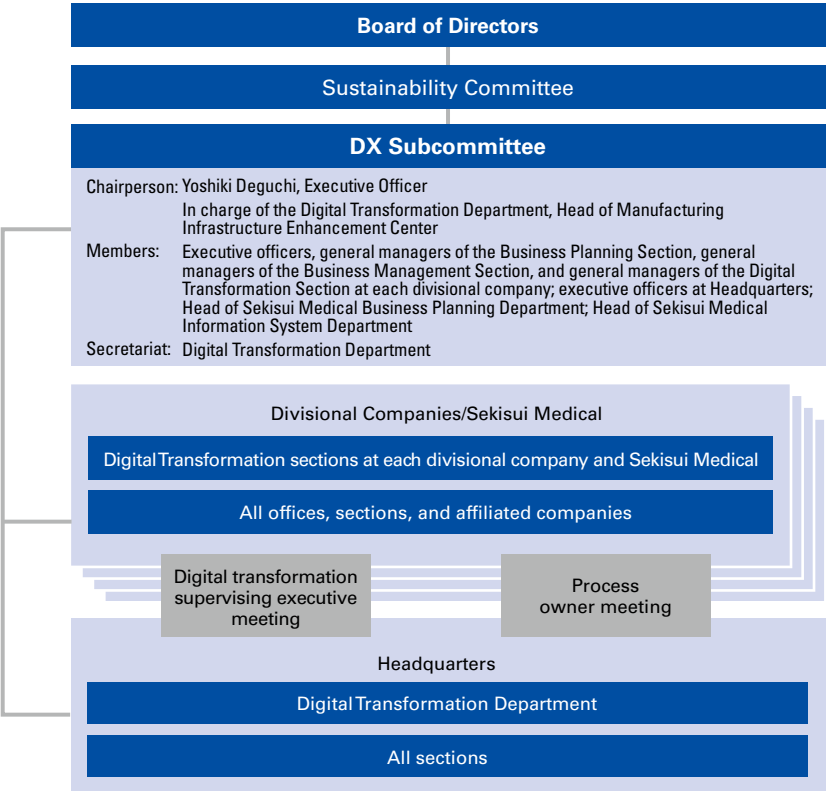
Introduction of a global management foundation
Standardization of working operations and systems

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

Strengthening infrastructure and security
Reduction of business risks

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

DX Promotion System



Risk Management

Risk Recognition and Response System

DX delays or stagnation in the 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 cybersecurity 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	FY2025 results
Global management foundation innovation	Development status and deployment progress toward the construction of global standard operations and system models	Start of renewal and deployment of the global management foundation; realization of the business transformation we are aiming for (introduction locations)	Full domestic operation of the accounting domain, review of the medium- to long-term rollout roadmap based on experience to date, and additional development to ensure overall ERP consistency for global deployment
Reform of global indirect purchasing	Progress status of measures aimed at purchasing indirect materials (deployment/ utilization plan)	Realization of favorable purchasing through centralized purchasing and start of overseas expansion	Through the embedding of the indirect purchasing system, the use of accumulated data, and fair-transaction activities, benefits have taken hold in earnest, and for overseas deployment we have integrated it into the global management foundation framework and begun a current-state survey
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	To improve operational productivity and the top line through data utilization, we are promoting the automation and labor saving of routine work using digital tools such as AI and RPA, as well as the expansion of the sales domain through more advanced digital marketing
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	Conducted literacy training to encourage all employees to take on DX challenges, secured core personnel who lead DX through the DX practical course, a development scheme for personnel who solve business issues, and visualized DX personnel through DX badges
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 communication infrastructure and overseas expansion of standard terminals	Sequential application of integrated authentication to new cloud services, continuous promotion of the domestic rollout of a globally compatible communication platform and standard terminals, and review of the overseas rollout roadmap for standard terminals in consideration of local circumstances in each region

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
- Improvement of productivity of indirect operations through standardization and improvement of operating efficiency
- Improvement of Governance (Internal Control) and minimization of risks by standardizing and visualizing operations globally

In FY2025, full domestic operation of the accounting domain began in April. In addition, we reviewed the medium- to long-term rollout roadmap based on our experience to date and carried out additional development to ensure overall ERP consistency for global deployment. Going forward, we will sequentially advance the convergence and rollout in Japan and overseas.

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 FY2025, we promoted the adoption of the indirect purchasing system and fair-transaction activities. We are also continuing to reduce procurement costs by utilizing accumulated data and to strengthen negotiating power through consolidation, and these effects are now taking hold across the entire Company in earnest.

Sales and Marketing

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

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

In FY2025, we worked to expand the sales domain through more advanced digital marketing

centered on the use of the web, and we promoted the automation and labor saving of routine work using digital tools such as AI and RPA.

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 FY2025, we conducted literacy training for all employees to encourage them to take on the challenge of DX. In addition, alongside the six practical courses to date aimed at resolving business issues, we launched introductory seminars that let participants quickly experience the benefits of tools such as generative AI and BI, and we also visualized the status of personnel development through DX badges. Through these efforts, we will strengthen support so that all employees can take action toward transformation.

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 FY2025, we sequentially applied an Integrated Authentication Infrastructure so that newly introduced cloud services can also be used safely and securely, and we advanced the shift to a communication platform and standard terminals usable globally, centered on Japan. In addition, for the overseas rollout of standard terminals, we reviewed the rollout roadmap in consideration of each country's laws and regulations and local circumstances.

We will continue to promote these efforts to achieve safe and timely information sharing across the Group globally.

 Increasing the Speed of Material Development through Digital Science

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), the Group is promoting a transformation of materials development centered on digital science. Among these, we position materials informatics (MI), which uses data and AI to accelerate research and development, as a foundational technology for strengthening Group-wide competitiveness.

At the Information Science Promotion Center (I3C), the body driving this effort, we integrate diverse information-science technologies such as computational science, image analysis, evaluation and analysis, system design, and experiment automation to enhance materials development end to end, from upstream to downstream.

At present, there are more than 100 development themes that use MI, progressing in parallel across diverse fields that span the materials, device, and data domains, including the formulation design of film products, the development of composite materials for electronic materials, and AI-based antibody design and sensing-algorithm development. Some of these efforts have already reached mass production and market launch, yielding results that go beyond making R&D more efficient and connect directly to the creation of business value, such as strengthening our ability to propose solutions to customers and creating new and improved products. In addition, to roll out the use of MI across the entire Company rather than limiting it to a few specialists, the Group deploys and operates its own MI application, RASIN. By linking this no-code application with personnel development programs, we have created an environment in which developers themselves can use MI and produce results on their own themes. As such success stories spread from site to site, the use of MI expands autonomously throughout the organization, achieving a continuous boost in development speed and creativity.

Going forward, in addition to further accelerating materials development, we will accelerate the application of MI and AI to the innovation areas in our Long-term Vision. Using the power of digital technology, we will expand the scope of value creation and make this the driving force behind the Group's sustainable growth.