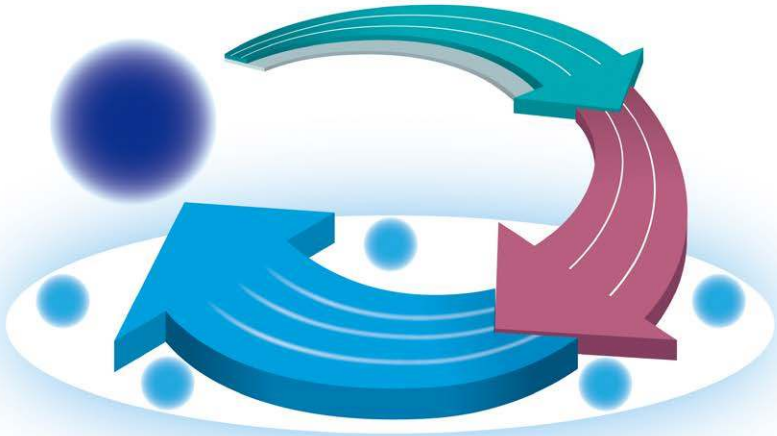
SEKISUI

SUSTAINABILITY REPORT
2024



Innovation for the Earth

In order to realize sustainable society,
we support the basis of LIFE and will continue to create
"peace of mind for the future".

SEKISUI CHEMICAL CO., LTD.

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Editorial Policy

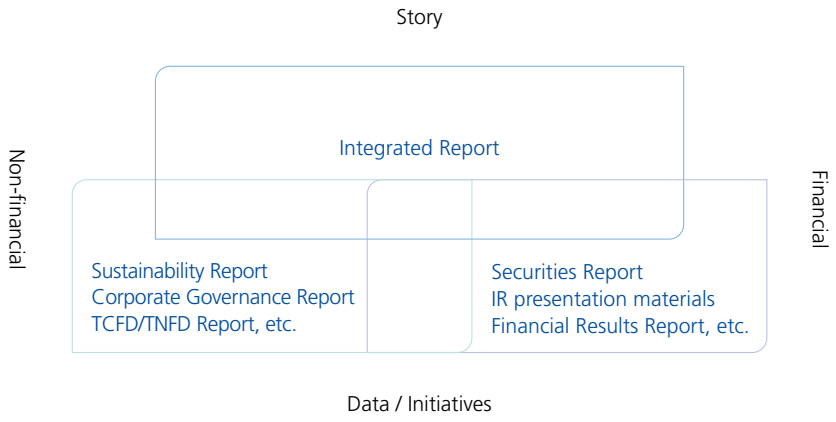
Editorial Policy

- In issuing its Sustainability Report, SEKISUI CHEMICAL Group (the Group) is looking to inform stakeholders of its various related initiatives with the aim of deepening their understanding of the activities in which it engages to realize both a sustainable society and sustainable growth of the Group itself.
- In November 2021, the International Sustainability Standards Board (ISSB), which was established by the International Financial Reporting Standards (IFRS) Foundation, outlined its thoughts on the disclosure of ESG information. Drawing on these thoughts, this report provides details on the Group's approach, systems, and initiatives toward sustainability and the environment (E) as well as social (S) and governance (G) concerns, classified into the following five categories: Strategy (Stance and Approach), Governance, Risk Management, Indicators and Targets, and Major Initiatives.
- The information published in this report has been decided upon in reference to various report-drafting guidelines, based on internal and external surveys and third-party reviews, and in consideration of what is important for both society and the Group.
- Sustainability Report has been edited with an anticipated readership of all stakeholders involved with the Group, particularly institutions that evaluate ESG and long-term investors.
- In order to ensure that information is both comprehensive and easy to read, Sustainability Report 2024, which contains all information relating to the sustainability activities of the Group, has been centrally consolidated and posted to the Company's website. The PDF edition of Sustainability Report 2024 contains information as of March 31, 2024 that has been assured by a third-party organization. The HTML edition will be updated and supplemented as necessary after April 1, 2024.
- The standards used for calculating the major reported performance indicators are compiled together and listed after each set of performance data.
- To ensure reliability the environmental and social information in the Japanese version of the Sustainability Report 2024 PDF Edition been assured by a third-party organization. Information that falls within the scope of independent practitioner's assurance is identified by a check mark.
- Details of and information regarding the previous Medium-term Management Plan in Sustainability Report 2024 refer to Drive 2022, which covers the three-year period from fiscal 2020 to fiscal 2022. Details of and information regarding the current Medium-term Management Plan refer to Drive 2.0, which covers the three-year period from fiscal 2023 to fiscal 2025.

Guidelines Used for Reference, etc.

- GRI Standards
- The Ministry of the Environment's Environmental Reporting Guidelines (2012 and 2018 editions)
- ISO26000 (Guidance On Social Responsibility)
- The Ten Principles of the United Nations Global Compact
- SASB Standards

SEKISUI CHEMICAL Group Information Disclosure System



Details of the Group's ESG management and sustainability activities as well as comprehensive non-financial information are disclosed in the Sustainability Report.

SEKISUI CHEMICAL Group reports on its management strategies aimed at creating corporate value, its financial and non-financial approach as well as related data and initiatives in a comprehensive manner in its Integrated Report.

Moreover, we continuously disclose explanatory materials on our management strategy, including financial results and non-financial data, in our Annual Securities Report and IR financial results presentation materials.

Scope of Sustainability Report 2024

Scope of This Report

Scope of This Report	: The basic function of this Report is to comment on the activities of SEKISUI CHEMICAL Group, focusing chiefly on the business facilities that play key roles in those activities.
Timeframe Encompassed by This Report	: April 2023-March 2024 (Includes some activities that occurred outside this timeframe.)
Date of Issue	: July 2024 (Previous report published July 2023 / Next report scheduled to be published in July 2025)

Scope of Independent Practitioner's Assurance

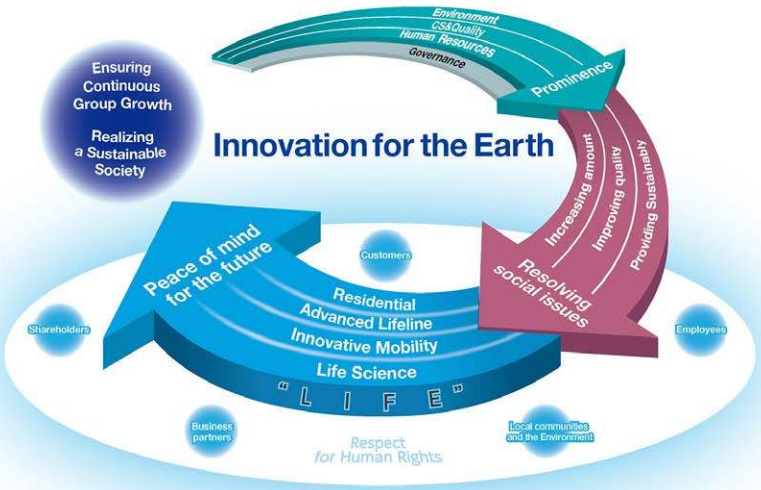
The environmental and social information in the Japanese version of the Sustainability Report 2024 PDF Edition has been assured by a third-party organization. Information that falls within the scope of independent practitioner's assurance is identified by a check mark. Please refer to the Independent Practitioner's Assurance Report on the applicable page for details.

Disclaimer

Readers are requested to note the following: The information in Sustainability Report 2024 includes not only past and present facts concerning SEKISUI CHEMICAL CO., LTD. and SEKISUI CHEMICAL Group, but also future forecasts based on current plans and projections and management plans and management policies as of the time of publication. Changes in various factors could cause the results and outcomes of business activities in the future to differ from these forecasts. Also, since the figures in the tables and graphs contained in this report have been adjusted through rounding and other means, in some cases total figures may not be equal to the sums of their parts. In addition, for some items data for past fiscal years has been revised in line with expansion in the scope of summation, revision of calculation methods, and changes to environmental impact coefficients.

About the cover diagram

SEKISUI CHEMICAL Group is aiming to realize both a sustainable society and the sustainable growth of the Group itself. To this end, we are steadily practicing the three steps of securing prominence, solving social issues, and creating peace of mind for the future together with stakeholders.



Conceptual Diagram of ESG Management

Top Message

July 2024

On behalf of SEKISUI CHEMICAL Group, I would like to take this opportunity to express our condolences to all those who lost their lives as a result of the 2024 Noto Peninsula Earthquake, and extend our heartfelt sympathies to all those who continue to suffer by its aftermath.

Currently, society and markets are facing a significant number of issues and challenges. They range from fundamental, life-threatening issues, such as drastic changes in the natural environment and the frequent outbreak of conflicts, to those linked to soaring energy prices, high raw material costs, and human rights. All of these require swift action from companies that must respond head-on through their businesses and their own technologies.
Nowadays, it is a prerequisite for any company to demonstrate its usefulness to society. It can also be said that companies must exhibit innovation and sustainability. In other words, companies must possess highly competitive technologies and products while continuing to respond flexibly and quickly to any changes.

SEKISUI CHEMICAL Group's business activities encompass a diverse range of fields, including the Residential, Advanced Lifeline, Innovative Mobility, and Life Science domains. Most provide products and services that draw on our unique technologies to address the fundamental needs of people and society in relation to their lives, lifestyles, and lifelines. Unaffected by social trends, the need for these products exists no matter what the circumstances. One could argue that this has led to the steady growth of the Group to date. More specifically, by contributing to the sustainability of society, we have been able to achieve the sustainability of the Group.
So, the question remains whether things can continue as they have been. Although we will firmly maintain that our raison d'être is to contribute to people's lives and lifestyles, we will also face changes in society and markets and implement bold reforms.

In 2020, the Group formulated its Long-term Vision, Vision 2030, and under its Vision Statement declared its commitment to "Innovation for the Earth: In order to realize a sustainable society, we support the basis of LIFE and create peace of mind for the future. Through innovation and the dissemination of its Long-term Vision, the Company has clearly demonstrated its intention to contribute to improving the sustainability of society and its social role. At the same time, we established performance targets for 2030 and expressed our intention to expand the scope of the Group's business.
Under the Medium-term Management Plan Drive 2.0 (FY2023-2025), which is directed toward achieving the Long-term Vision, we will work to accelerate this endeavor through three initiatives: strategic innovation, organic growth, and strengthening sustainability (the ESG management base). While setting a sales target of ¥1.41 trillion for the final year of the Plan, we aim to generate more than ¥1 trillion of that amount by expanding sales of Products to Enhance Sustainability, which serve as the most important management indicator in our Long-term Vision, and represent the extent to which we have achieved the Group's role of contributing to people's lives, lifestyles, and lifelines.
To strengthen our ESG management base, we will implement environmental initiatives that focus on climate change and resource recycling, invest in human capital to create an energized and engaged company, and accelerate efforts in the area of business and human rights, an essential prerequisite of ESG management.

I urge you to review this year's Sustainability Report, in which we outline the direction of and progress made in the Group's efforts toward achieving our Long-term Vision. We ask for the continued support and understanding of all stakeholders.

SEKISUI CHEMICAL Group's Sustainability

Strategy

Basic Concept

By means of its ESG management, SEKISUI CHEMICAL Group is aiming to realize both a sustainable society and the sustainable growth of the Group itself. To this end, we are working together with stakeholders on the three steps: securing prominence, solving social issues, and creating peace of mind for the future. Under the previous Medium-term Management Plan, we focused first on "strengthening our sustainable management capabilities and lowering the cost of capital." Under the current Medium-term Management Plan launched in fiscal 2023, we will develop initiatives that contribute to our growth strategies.

Conceptual Diagram of ESG Management

Three Steps

(1) Securing prominence

Putting in place a corporate structure that is trusted by society through Governance (Internal Control) and driven by the challenge of its prominence in human resources to create products and services that are overwhelmingly different in terms of the environment as well as CS & Quality.

(2) Solving social issues

Based on its prominence, accelerating the solving of social issues by means of three approaches (increasing the quantity of contributions, improving the quality of contributions, and providing both quantity and quality in a sustainable manner).

(3) Creating peace of mind for the future

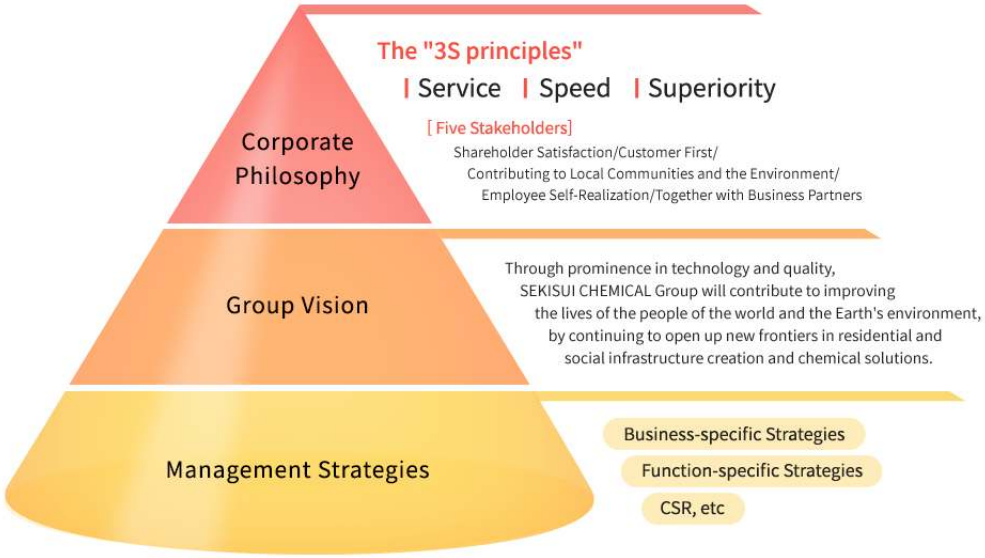
Creating and expanding the value that delivers peace of mind for the future to all generations, including those of the future, through four domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science).

Long-term Vision and ESG Management

Under its Long-term Vision, Vision 2030, which was formulated in 2020 and carries the Group through to 2030, SEKISUI CHEMICAL Group has identified the Vision Statement to support the basis of LIFE and create peace of mind for the future in order to realize a sustainable society. Through "Innovation and Creation Centered on ESG Management," the Company aims to expand its existing businesses and contribute to solving social issues through the creation of new businesses.

SEKISUI CHEMICAL Group's Corporate Philosophy System

SEKISUI CHEMICAL Group's system of management principles comprises the Group's Corporate Philosophy, which outlines the approach and policies that underpin corporate activities; the Group Vision, which expresses the form to which we aspire under our Corporate Philosophy over the medium to long term; and Management Strategies to realize the Group Vision.



Corporate Philosophy-The 3S Principles

Service: At SEKISUI, we serve our stakeholders by creating social, environmental, and economic* value through responsible business practices.

Speed: At SEKISUI, we accelerate innovation by eagerly taking on new challenges, adapting to change, and staying ahead of the times.

Superiority: At SEKISUI, we contribute to society* by helping to resolve social issues with our prominence in technology and quality.

* Five social, environmental, and economic stakeholders: Customers, Shareholders, Employees, Business Partners, Local Communities, and the Global Environment.

Group Vision

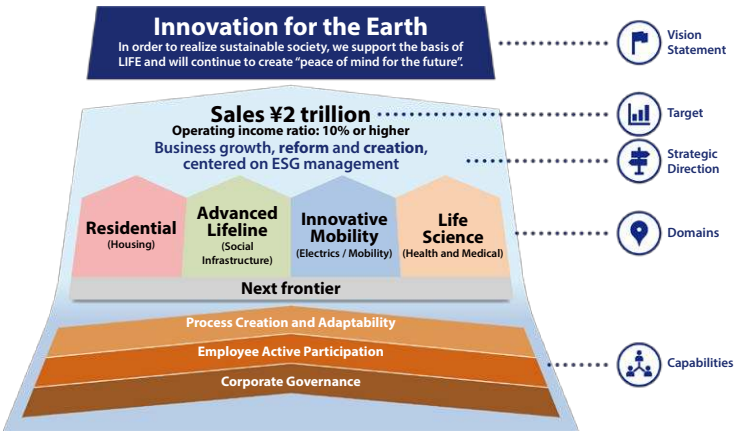
Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment, by continuing to open up new frontiers in residential and social infrastructure creation, and chemical solutions.

See the following website for details of such elements as the Corporate Philosophy and Group Vision within Our Principles.
https://www.sekisuichemical.com/about/outline/vision/principles/

Long-term Vision, Vision 2030

SEKISUI CHEMICAL Group has a vision statement that incorporates a strong determination to innovate. This determination to stimulate innovation is designed to support the basis of LIFE and create peace of mind for the future in order to realize a sustainable society.
With business growth and reform as well as creating new business centered on ESG management at the center of its strategy, SEKISUI CHEMICAL Group aims to contribute more than ever before to resolving social issues by driving innovation through two distinct means: expanding existing businesses* through product and business reform and creating new businesses through the development and acquisition of new business bases. Drawing on this cycle, we envisage doubling our sales volume by 2030 (to sales of ¥2 trillion and an operating income ratio of 10% or higher).

* Four business domains: Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical).

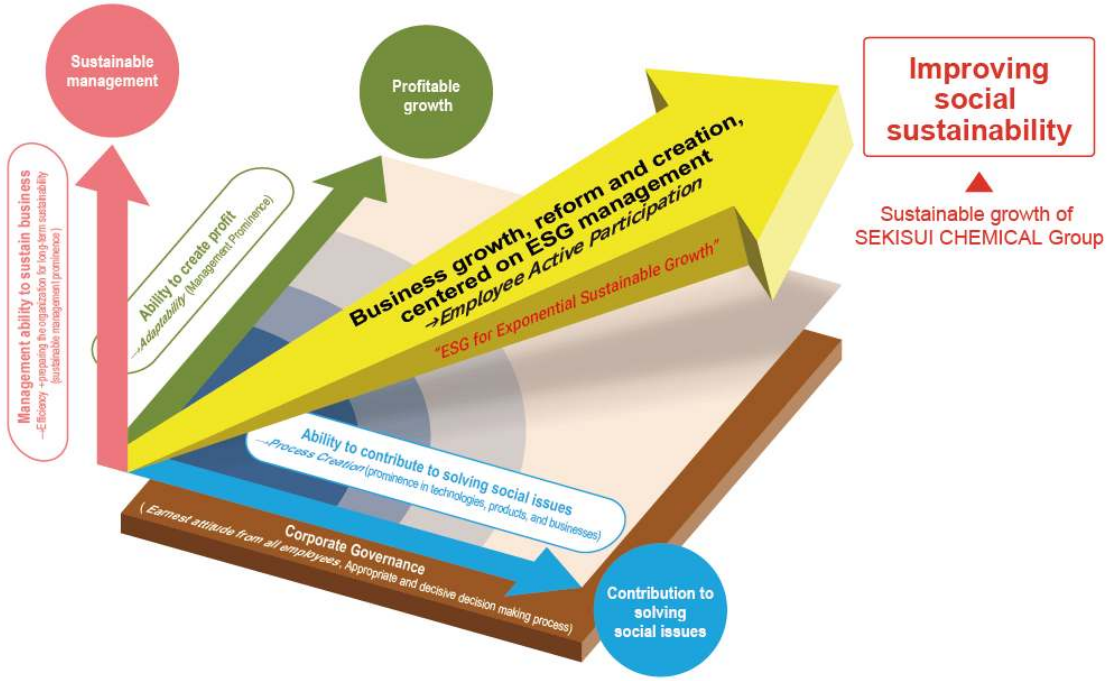


Overview of the Long-term Vision

See the following for materials on the Long-term Vision, Vision 2030.
Long-term Vision and Medium-term Management Plan Presentation (May 22, 2020)
https://www.sekisuichemical.com/about/outline/vision/principles/pdf/20200522kge_2.pdf
(This link to our Medium-term Management Plan presentation covers Drive 2022, our previous Medium-term Management Plan.)

ESG Management

Through business growth and reform and creating new business centered on ESG management, SEKISUI CHEMICAL Group aims to realize both a sustainable society and sustainable growth of the Group itself by strengthening three driving forces: the ability to contribute to resolving social issues; the ability to create profit; and the Group's management ability to sustain business.



The Group's management ability to sustain business

Adopted ROIC as a KPI to strengthen the Group's management ability to sustain business.

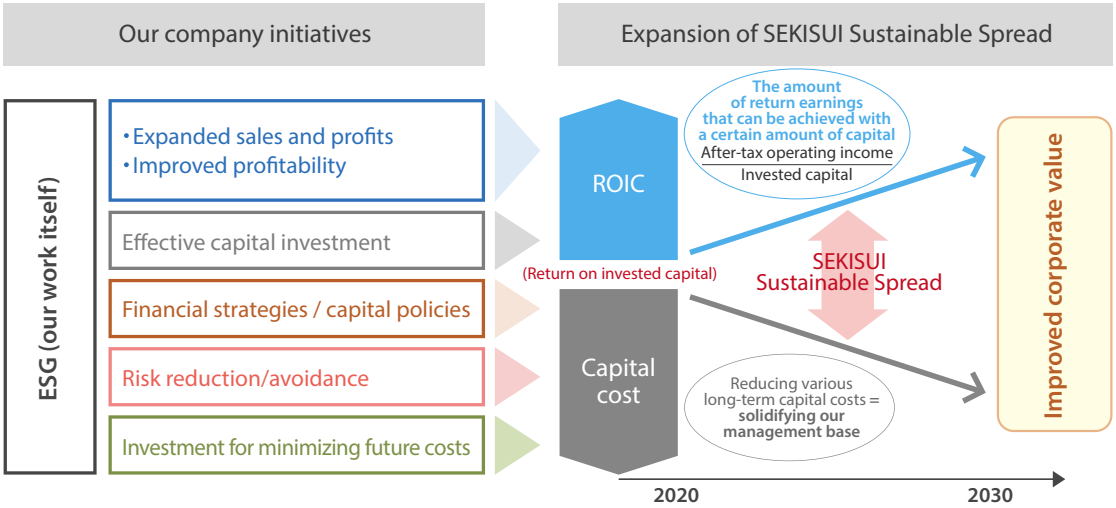
SEKISUI CHEMICAL Group adopted ROIC as an indicator of efficiency and is targeting an improvement over the medium to long term. To this end, we will improve our profit margin by such measures as expanding marginal profit and improving productivity and increase invested capital turnover through various efforts including effective capital investment, optimal plant utilization, and inventory adjustments.

Improve the Group's corporate value by increasing capital efficiency and lowering the cost of capital in a broad sense over the long term.

SEKISUI CHEMICAL Group defines the SEKISUI Sustainable Spread (ROIC spread) as the difference between ROIC and long-term capital cost. By expanding the SEKISUI Sustainable Spread, the Group is increasing its corporate value.

Control the cost of capital in a broad sense and improve the Group's management ability to sustain business by controlling serious incidents and investing in the management base

SEKISUI CHEMICAL Group will increase investments in such areas as governance (internal controls on safety, quality, accounting, legal / ethical matters, and information management), digital transformation (DX), the environment, and human capital to mitigate risks that could lead to serious incidents by establishing an ESG investment limit. We will also work to control medium- to long-term capital costs and improve our management ability to sustain business.



The current Medium-term Management Plan Drive 2.0—The 2nd Phase for 2030

Three initiatives to enhance corporate value form the backbone of SEKISUI CHEMICAL Group's basic strategy under its Medium-term Management Plan Drive 2.0—The 2nd Phase for 2030—, which is positioned as the second stage in efforts to realize the Long-term Vision, Vision 2030. Under the Plan, SEKISUI CHEMICAL Group will engage in strategic creation, work to strengthen existing businesses, and bolster its ESG management base in a bid to achieve sustainable growth, while at the same time upgrading and expanding efforts to create and acquire new businesses.
Targets set for fiscal 2025, the final year of the Plan, include net sales of ¥1,410 billion, operating income of ¥115 billion, and an ROIC of 8.5%. In fiscal 2023, we recorded record-high net sales of ¥1,256.5 billion and operating profit of ¥94.4 billion.

Strategic Creation (Strategic Innovation)

SEKISUI CHEMICAL Group is undertaking detailed preparations to create new business domains. In specific terms, we are working to generate innovation in innovation areas and to promote the commercialization of seven major themes as a part of our Strategic Area Map, which was formulated as a compass for realizing our Long-term Vision.
In the area of perovskite solar cells, we are promoting demonstration projects through the establishment of an organization under the direct control of the president and through external collaboration. In the area of next-generation communications components, we have invested in LATYS Intelligence Inc. with a focus on transparent and flexible radio wave reflection film, and are moving toward commercialization in earnest.

Please see the following for details.
- Perovskite solar cells
  https://www.sekisui.co.jp/news/PSC/ (In Japanese only)
- Next generation communications components
  https://www.sekisuichemical.com/news/2023/1393394_40406.html

Strengthening Existing Businesses (Organic Growth)

SEKISUI CHEMICAL Group is promoting efforts to steadily grow existing business and fine tune its portfolio. In particular, we are focusing on expanding enhancement areas, undertaking the balanced allocation of resources through portfolio management, and expanding growth drivers while promoting unrelenting structural reforms.
In our portfolio, we have set roles we expect of each business and manage KPIs according to these roles from the viewpoints of profitability and capital-efficiency. We are strengthening our monitoring of investments and other factors in order to intensively allocate management resources to businesses that will drive growth and businesses that are expected to grow in the future.

Strengthening the ESG Management Base (Strengthen Sustainability)

SEKISUI CHEMICAL Group is engaging in measures to strengthen ESG management in a bid to achieve sustainable growth while expanding and upgrading efforts to create and acquire new businesses.
Setting an expense budget of ¥55 billion (capital expenditure + expenses) for strengthening ESG measures under the next Medium-term Management Plan, SEKISUI CHEMICAL Group is actively engaging in medium- to long-term measures including activities to mitigate risks that lead to serious incidents, investments in such areas as DX, human capital, and the environment. In particular, we have achieved the target for reducing GHGs in fiscal 2025 ahead of schedule.

See the following for materials on the Medium-term Management Plan Drive 2.0.
- SEKISUI CHEMICAL Group's Medium-term Management Plan Drive 2.0
  https://www.sekisuichemical.com/news/2023/__icsFiles/afieldfile/2023/05/23/230523_en.pdf
- Medium-term Management Plan Presentation (May 23, 2023)
  https://www.sekisuichemical.com/ir/presentations/vision/__icsFiles/afieldfile/2023/06/19/20230523kge.pdf

Identifying Key Issues (Materiality)

To strengthen still further ESG management, which is the key to realizing the Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group has taken a revised look at key issues and is promoting measures centered on Governance (Internal Control), DX, the environment, human capital, and innovation.

Extracting and Identifying Key Issues

Key issues are identified based on the following processes.

Step 1: Extracting Issues

We have comprehensively extracted short-term, medium-term, and long-term issues* from the following perspectives.

* Period: Short-term 1 year, Medium-term 3 years, Long-term over 10 years

(1) SEKISUI CHEMICAL Group

- Corporate Philosophy system (Corporate Philosophy, Group Vision, Long-term Vision)
- Various policies
- Medium- to long-term strategies
- Business model
- Employee awareness surveys
- Discussions at various meetings

(2) Social demands

- Regulations, soft law, and disclosure directives of each country in which the Group operates
- Opinions and expectations of external stakeholders (customer surveys and dialogue, sustainable procurement surveys, dialogue with shareholders and investors, NPOs)
- Opinions from outside experts regarding the global environment, consumers, etc. (advisory boards*)
  * For advisory board members, see pp.29-30
- Evaluation institution and customer survey items and content
- Global guidelines (UN Global Compact, ISO26000, GRI Standards, SDGs, TCFD, IIRC, SASB, OECD's Guidelines for Multinational Enterprises)

(3) Other companies' trends

- Integrated reports, Sustainability reports
- Exchange of opinions at Global Compact subcommittee and other meetings

Step 2: Identifying risks and opportunities

The Group-wide Risk Review Subcommittee identifies potential risks or opportunities based on the three axes of impact, likelihood of occurrence, and ripple effects on the value chain.

Step 3: Identifying Key Issues

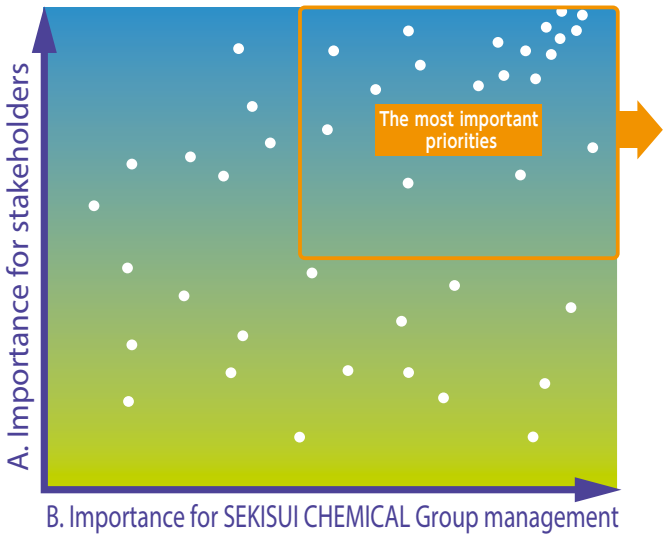
We identify key issues after deliberation by the Sustainability Committee and prioritize in accordance with the two axes: A. Importance to stakeholders*[1] (customers, shareholders, employees, business partners, local communities and the global environment) and B. Importance to SEKISUI CHEMICAL Group*[2].

*1 Taking into consideration the magnitude of the positive and negative impact on the earth and society utilizing the SEKISUI Environment Sustainability Index.
*2 Utilizing the SEKISUI Sustainable Spread based on the assumption of a substantial financial impact in the future.

Step 4: Authorizing Key Issues

Key issues deliberated by the Sustainability Committee are ultimately authorized by the Board of Directors. Regarding important issues, we will consider the necessity for change each year based on changes in the Group's situation, social conditions, etc.

SEKISUI CHEMICAL Group's Key Issues (2023-2025)



<Governance (Internal Control)>
—Reduce operational risks that may damage corporate value on a Group and global basis—
○ Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)
・Risk management
・Reduce supply chain risk
・Implement human rights due diligence

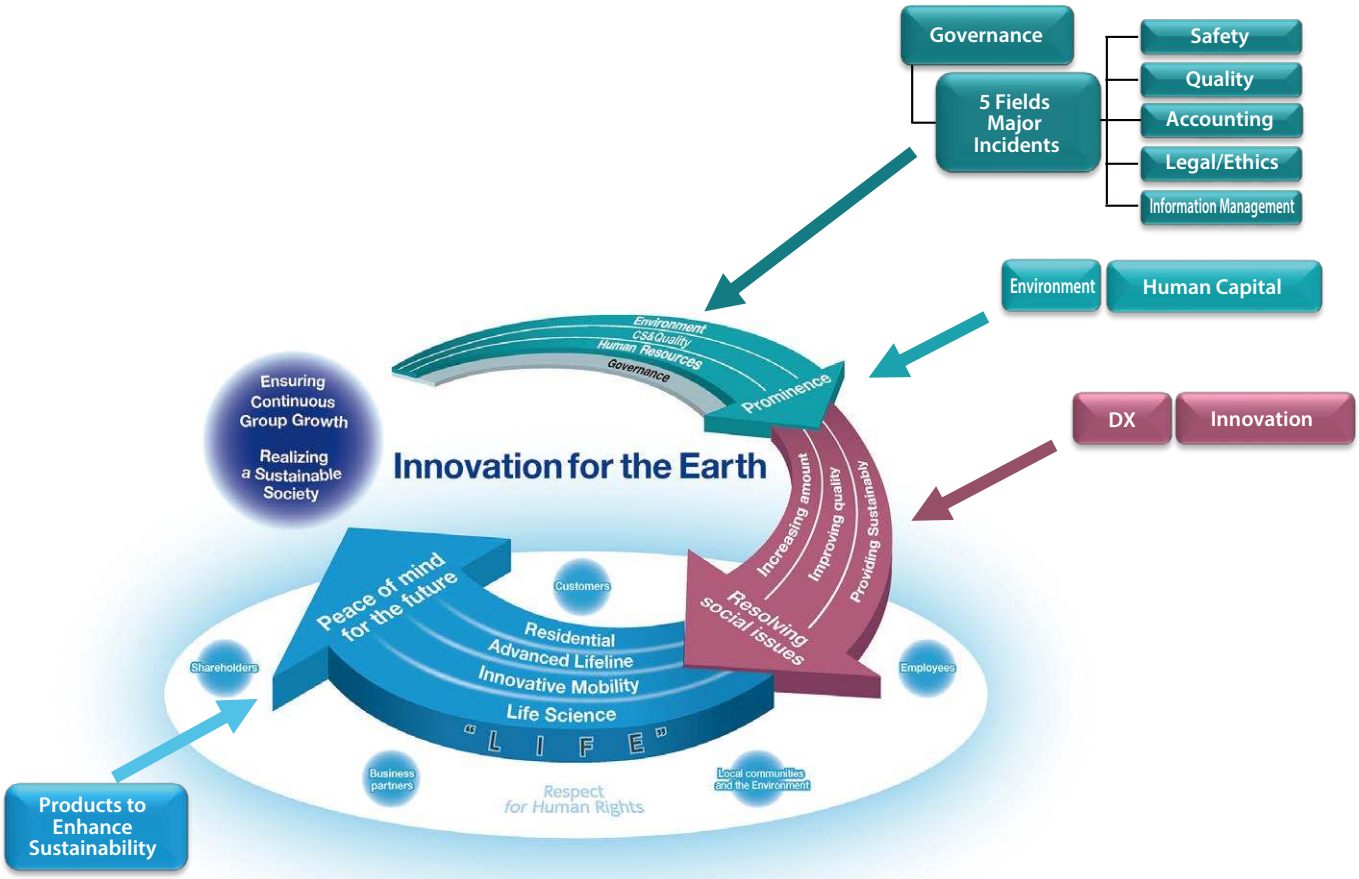
<DX>
—Revise work processes and drastically increase productivity triggered by DX—
○ Visualize and standardize (standardize operations, introduce ERP, renew infrastructure and networks)
○ Increase productivity (automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)
・Sophisticate (increase the sophistication of operational control, introduce ERP, renew infrastructure and networks)

<Environment>
—Reduce GHG emissions and waste through business activities and shift to sustainable management—
○ Adapt to and mitigate climate change
○ Promote a circular economy
・Reduce water-related risks
・Reduce environmental degradation

<Human capital>
—Boldly take on challenges based on thoroughgoing preparations (human capital) in a bid to realize the Group's management strategy—
○ Foster a challenging corporate culture
○ Achieve the right talent in the right position
○ Realize diversity

<Innovation>
—Steadily develop and launch new products and projects in existing areas; maximize speed and impact by breaking away from a new business area process that relies solely on closed innovation—
○ Create and expand the market for Products to Enhance Sustainability
○ Promote open innovation
・Strengthen intellectual property strategies
・Promote activities that contribute to the solving of issues through cooperation with local communities

Positioning of key issues in the ESG management conceptual diagram



Governance

Supervisory Promotion System of ESG Management

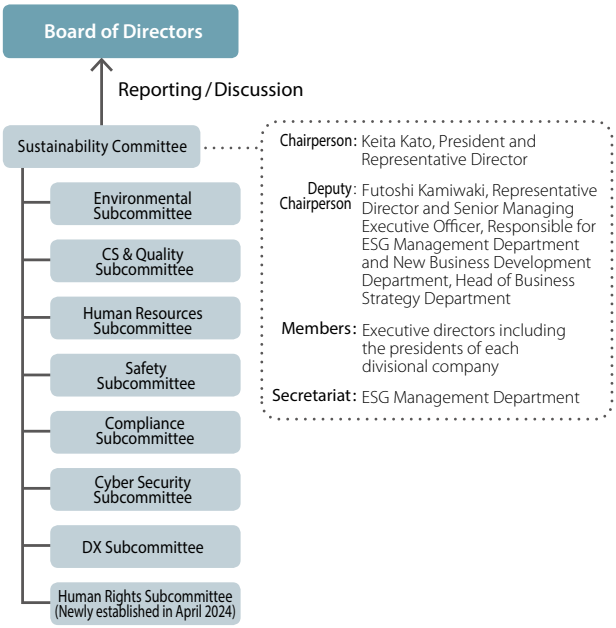
SEKISUI CHEMICAL Group promotes ESG management on an integrated Group-wide basis through an oversight and promotion system made up of the Board of Directors, which fulfills a supervisory function, the Sustainability Committee, which fulfills a business execution function, and eight subordinate subcommittees. Under this system, we monitor activities related to the key issues facing the Group that are carried out by each principal and related department of SEKISUI CHEMICAL Group's Corporate Headquarters and divisional companies.

Board of Directors:
The Board of Directors receives reports on policies, strategies, and Group-wide risks deliberated by the Sustainability Committee twice a year. In addition to making final decisions, the Board oversees the executive function regarding sustainability.

Sustainability Committee:
Chaired by the President, the Sustainability Committee's membership also includes the Senior Managing Executive Officer Responsible for the ESG Management Department serving as deputy chairperson, as well as executive directors including the presidents of the Housing Company, the UIEP Company, and the HPP Company. Meeting two times each year, the Sustainability Committee verifies risks and opportunities that the Group may face in the future, and reviews materiality as appropriate. At the same time, the Committee determines Group-wide policies and KPIs, formulates Group-wide action plans, receives reports from each subcommittee chairperson, and monitors the status of each materiality initiative.

Subcommittees:
SEKISUI CHEMICAL Group has established eight subcommittees related to the Group's materialities covering the environment, CS & Quality, human resources, safety, compliance, cyber security, DX, and Human Rights, which was newly established in April 2024, under the umbrella of the Sustainability Committee.
Meeting two times every year, each of the seven subcommittees, excluding the Human Rights Subcommittee, is chaired by the executive in charge of Corporate Headquarters and includes the executives of each divisional company as well as general managers of divisional companies, Corporate Headquarters, and the Medical Business, which falls under the umbrella of Corporate Headquarters. The Human Rights Subcommittee is chaired by the Executive Officer and Head of the Human Resources Department of Corporate Headquarters, and is comprised of executive officers in charge of each related Corporate Headquarters area.
Each subcommittee drafts specific measures for each divisional company based on details determined by the Sustainability Committee. These measures are incorporated into action plans and the status of progress monitored. The chairperson of each subcommittee participates in meetings of the Sustainability Committee to report on and discuss results.

Sustainability Committee / Subcommittee Structure



Risk Management

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

SEKISUI CHEMICAL Group conducts regular monitoring based on the importance of risks and opportunities.
First, we work to gain a comprehensive understanding of the issues facing society and the Group from the regulations, soft law, and disclosure regulations in each country in which we operate as well as a variety of other means, including stakeholder engagement and dialogue with experts. We then incorporate these issues into a Group-wide risk map after taking such measures as ranking each issue based on the three axes of impact, likelihood of occurrence, and ripple effects on the value chain. With the participation of the chairpersons of each subcommittee, the Group-wide Risk Review Subcommittee, which meets once a year, deliberates on each issue. The Subcommittee identifies and prioritizes short-to long-term issues that may pose risks or opportunities for the sustainability of society as well as the sustainable growth of the Group itself.
The issues identified are then discussed by the Sustainability Committee and approved by the Board of Directors. Issues that are designated as key issues are reflected in the strategies and action plans of the Group and each divisional company. Turning in particular to Group-wide major risks that have a high possibility of leading to serious incidents, SEKISUI CHEMICAL Group has made it mandatory to conduct assessments on risk management activities by organization. In this manner, we are working to prevent the occurrence of serious incidents.

Indicators and Targets

SEKISUI CHEMICAL Group has identified sales of Products to Enhance Sustainability as a KPI to reflect its focus on ESG management (improving social sustainability and achieving the sustainable growth of the Group itself). We have also set the sales target for Products to Enhance Sustainability at over ¥1 trillion in our current Medium-term Management Plan. Moreover, we have set KPIs and targets for each of the key issues of governance (internal control), DX, the environment, human capital, and innovation.

Group-wide indicators for ESG management

Sales of Products to Enhance Sustainability

・Target for the final year of the Medium-term Management Plan (FY2025): Over ¥1 trillion

Key issue KPIs

Targets for the final year of the Medium-term Management Plan (FY2025)

・Governance (internal control)
Number of serious incidents in the 5 fields　Zero

・DX
Net sales per direct/indirect employee FY2030: Indirect productivity 43% increase; direct productivity 30% increase (compared with FY2019)

・Environment
Climate change: Rate of GHG reduction -33% (compared with FY2019)
Resource recycling: Recycling rate for waste plastic materials (Japan) 65% (Overseas: BM+5%)

・Human capital
Degree of challenging behavior expression　60%
Rate of successor candidate preparation　100%
Retention Rate　Maintain or improve compared with the previous year

・Innovation
Incidence of open innovation

For details on KPIs and management indicators for Key ESG Management Issues (Materiality), see pp.21-22.

Key ESG Management Issues (Materiality) and KPIs

Current Medium-term Management Plan (FY2023-2025)

KPIs				Current Medium-term Management Plan Final Fiscal Year (FY2025) Targets	FY2023 Results	Reference Page(s)
Outputs		**Products to Enhance Sustainability**	Net sales of Products to Enhance Sustainability	Over ¥1 trillion	¥950.2 billion ✓	P.36
			Net sales of Products to Enhance Sustainability that are categorized as Premium Framing	— *1	— *1	P.23
Key Issues (Materiality)	Risk mitigation/ avoidance	**Governance (Internal Control)**	**■ Number of serious incidents in the 5 fields**	**0**	**— *1**	P.20
			Safety: Incidences of injuries attributable to machines and equipment	0	8 ✓	P.199
			Quality: Events to increase the level of CS & Quality	4	4	P.314
			Accounting: Rate of sales coverage of new ERP introduction companies	37% (excluding housing (number of companies: 7 in Japan))*2	0%	P.343
			Accounting: Percentage of new ERP introduction companies that automatically prepare consolidated financial accounting formats	100% (new ERP introduction companies)	0%	P.343
			Legal/ethics: Deployment rate of important rules at overseas Group companies	100%	94.7% (54 out of 57 companies)	P.291
			Legal/ethics: Number of regions where internal whistleblower systems have been established at overseas Group companies	All overseas regions (10 regions)	10 regions	P.291
			Information management: Recovery time following detection	Within 3 business days	3 business days	P.303
			Information management: Deployment of Overseas CSIRT*3	Completion of deloyment in all regions	Completed expansion to North America	P.303
	Investment for minimizing future costs (Improving sustainability KPI)	**DX**	**■ Net sales per direct/indirect employee**	**FY2030: Indirect productivity 43% increase, Direct productivity 30% increase (compared with FY2019)**	**— *1**	P.343
			Status of development and deployment progress of global standard operations and system models	Start of renewal and deployment of global management foundation; realization of the business transformation we are aiming for (introduction locations)	Completed development of target business processes, reviewed roadmap based on test results, completed definition of requirements and design in progress for global expansion	P.343
			Progress status of measures aimed at purchasing indirect materials (deployment/ utilization plan)	Achieving advantageous purchasing through centralized purchasing and starting overseas expansion	Completed deployment of the indirect purchasing system to major domestic sites, began realizing the effects as use takes root	P.343
			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	New business processes take root through the use of sales data, verification of external data use	P.343
			Status of progress of initiatives to secure human resources that employ digital tools and data to generate benefits	Continuously securing human resources to promote DX	Developing core human resources by offering practical courses to solve business problems digitally	P.343
			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	Deploying an integrated authentication platform for cloud services used, providing a global communication platform domestically and introducing it to some overseas locations in advance while formulating a procurement scheme for standard terminals	P.343
		Environment	**■ Climate Change: Rate of GHG reduction(compared with FY2019)**	**-33% (compared with FY2019)**	**-32.8%** ✓	P.20
			Climate Change: Renewable energy ratio of purchased electricity	70%	49.5%	P.74
			■ Resource recycling: Recycling rate for waste plastic materials (Japan)	**Japan：65% （Overseas：BM+5%）**	**60.7%** ✓	P.20
			Resource recycling: Reduction rate of amount of waste generated per unit of production	-3% (compared with FY2022)	+0.3%	P.102
			Water-related risks: Reduction rate of water intake volume at production sites which use large quantities of water	-10% (compared with FY2016)	-8.5%	P.119

KPIs				Current Medium-term Management Plan Final Fiscal Year (FY2025) Targets	FY2023 Results	Reference Page(s)
Key Issues (Materiality)	Investment for minimizing future costs (Improving sustainability KPI)	**Human Capital*8**	**■ Degree of challenging behavior expression**	**60% *4**	**48%** ✓	P.20
			■ Rate of successor candidate preparation*5	**100%**	**92.4%** ✓	P.20
			■ Retention rate	**Maintain or improve compared with the previous year**	**97.5%** ✓	P.20
			Hours of training*6	10 hours	6.2hours	P.166
			Ratio of female to total hires	35%	31.4%	P.176
			Ratio of female managers	5%	4.9%	P.174
			Gender wage disparity*7	Maintain or improve compared with the previous year	71.7%	P.178
			Ratio of male employees taking childcare leave	75%	69.8%	P.181
		Innovation	**■ Incidence of open innovation**	**— *1**	**— *1**	P.20

*1 Undisclosed.
*2 Targets revised due to the postponement of Enterprise Resources Planning (ERP) implementation.
*3 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.
*4 Target after redefining indicator.
*5 Number of successor candidates to the most senior business leader post ÷ Number of the same post
*6 Hours of training per employee in the fiscal year
*7 No institutional wage disparity; differentials based on the composition of labor (age and qualifications) rate
*8 Indicators other than the degree of challenging behavior expression and the successor candidate readiness rate are disclosed as SEKISUI CHEMICAL non-consolidated targets.

Products to Enhance Sustainability

System

Basic Concept

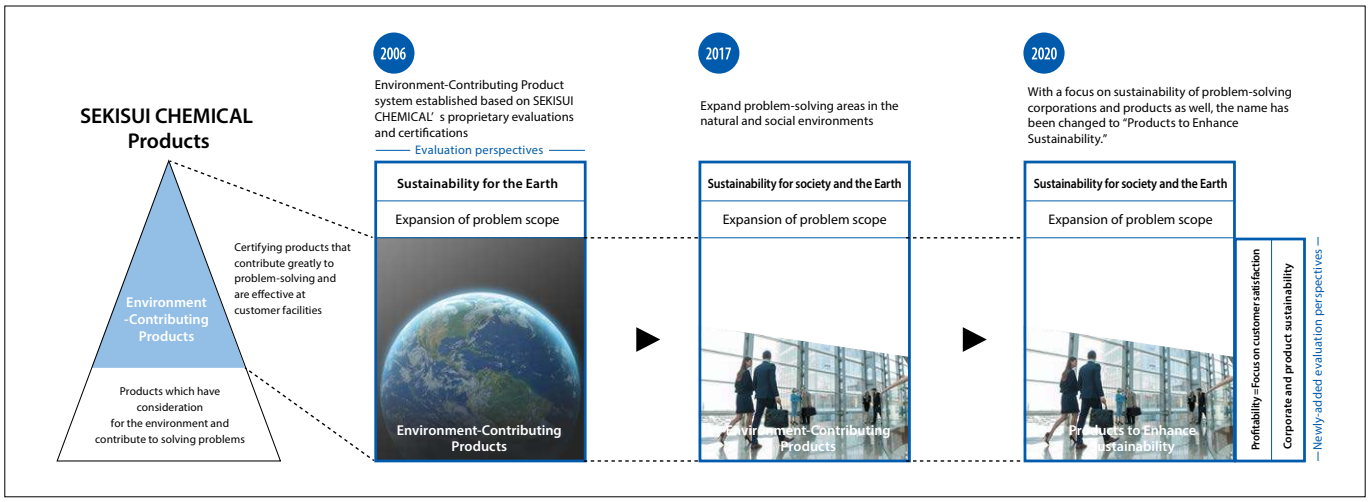
SEKISUI CHEMICAL Group has positioned Products to Enhance Sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself.
Through the development and expansion of Products to Enhance Sustainability, we aim to help solve social issues, beginning with efforts to achieve the SDGs, while growing as a company.
Under the current Medium-term Management Plan, we have identified a policy that demonstrates the feasibility of realizing our Long-term Vision through sustainable growth as well as the upgrade and expansion of efforts to create and acquire new businesses. Under this policy, we will utilize the Products to Enhance Sustainability system to transform our product portfolio. Within Products to Enhance Sustainability, in particular, we have established Premium Framing as a framework for products that have a high degree of contribution to solving social issues and a high level of profit-generating ability. Moving forward, we will strengthen measures to strategically expand Premium Framing. In addition, we will continue to strengthen and integrate technology platforms, which are the source for developing Products to Enhance Sustainability, and to foster human resources. Furthermore, we have formulated the Strategic Area Map to serve as a compass for realizing our Long-term Vision. We will work to develop Products to Enhance Sustainability and to expand markets, which we will then allocate to the expansion of established enhancement areas as well as efforts to enter innovation areas. Under the current Medium-term Management Plan, we have set a target for fiscal 2025 of over ¥1 trillion in net sales for Products to Enhance Sustainability. We will aggressively invest management resources in key businesses and products in enhancement areas, which we will focus on by extending from existing businesses, and in innovation areas, which create new innovations through fusion and other means. In this manner, we will expand our contributions to solving social issues through our business activities and further accelerate the creation of new products that will drive future growth.

Evolving the Product Evaluation System Based on Internal Strategies

Since fiscal 2006, we have continued to operate a product evaluation system to quickly resolve natural environment and social issues. Products that contribute significantly to solving such issues are certified and registered as Environment-Contributing Products based on criteria determined through discussions among internal committee members.
Since fiscal 2010, we have received opinions and advice from outside advisors on standards and concepts as well as the validity of results to ensure high standards and transparency.

- **FY2006: Launched the Environment-Contributing Products system.**
  In order to promote the development and expansion of products that contribute to the resolution of natural environment issues, we have launched a product system that certifies and registers products that contribute to the resolution of issues based on internal standards.
- **FY2017: Expanded the scope of products to include products that contribute to the resolution of social- environment issues in addition to the natural environment.**
  Also promoted the development and increased use of products that further solve problems. Reaffirmed that the goals are the same as those of the SDGs.
- **FY2020: Worked to evolve as Products to Enhance Sustainability.**
  Introduced Premium Framing and sustainability assessments. Sustainability assessments were completed in fiscal 2022.
- **FY2023: Introduced negative checks for environmental issues.**
  At the time of registration, confirm whether multiple environmental issues have had a negative impact, or what measures are being considered to prevent a negative impact.

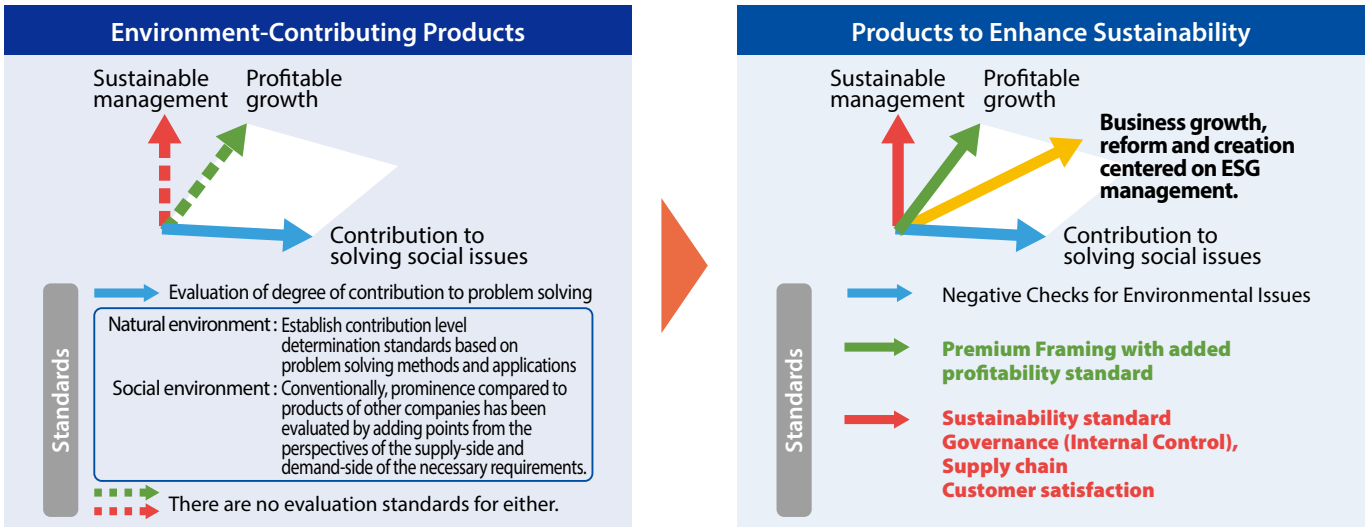
Evolution of the Product System at SEKISUI CHEMICAL Group



SEKISUI CHEMICAL Group is working to improve its ability to contribute to the resolution of social issues in order to accelerate (Drive) efforts aimed at achieving a sustainable society as well as sustainable growth as a company as outlined under Vision 2030. In specific terms, we have been implementing the following initiatives since fiscal 2020.

- **Establish Premium Framing**
  To improve profitability, we will match our business portfolio to expand business through products that contribute significantly to solving social issues, and establish Premium Framing in a way that strategically expands contributing products.
- **Conduct sustainability assessments**
  We will conduct sustainability assessments to confirm and evaluate items necessary to improve the sustainability of products and businesses with related departments in a bid to improve sustainable management capabilities.

We are committed to expanding Premium Framing as a medium-term target.
Our goal is to accelerate our contribution to solving social issues by formulating strategies that balance the resolution of social issues with profitability.
In addition, in order to continue producing products that contribute to the resolution of social issues and to further expand their contribution, it is essential for the Group and its products to remain sustainable. To this end, we added a new perspective to the existing certification process to evaluate the sustainability of companies and products from fiscal 2020.
Assessing various initiatives across the supply chain, including profitability, process evaluation, and governance (internal control), steps were taken to confirm the sustainability of and potential risks to the Group and its products. In addition, we introduced negative checks for environmental issues from fiscal 2023, and are confirming whether or not products impose a negative impact on various environmental issues as well as what measures are being considered to prevent any negative impact at the time of registration as Products to Enhance Sustainability.



Collection and Provision of Product Information

SEKISUI CHEMICAL Group is working to appropriately ascertain product information on raw material procurement, safety in use, and disposal methods. The information collected is also provided to society and customers.

Information Gathering on Raw Material Procurement

The Group undertakes the following measures to collect information on the procurement of raw materials.

(1) Quality and safety of raw materials

We sign contracts with raw material suppliers with respect to purchasing specifications, and obtain the quality control items and evaluation results to ensure compliance with specifications.

(2) Sustainability of raw materials

As far as human rights, the environment, and social considerations related to the manufacture of raw materials are concerned, we confirm that there are no problems through surveys of raw material suppliers.

We conduct due diligence on raw material suppliers that are deemed to be particularly high risk. Based on the results, we propose measures and work together to make improvements.

Product Impact Assessment

We evaluate the impact of our products on the environment and society from the following perspectives.

(1) Negative impact

We promote a design review (DR) system through to the start of sales to check the environmental and social impacts of each product throughout its life cycle from the planning and development to the product design stage. Since environmental and social impacts are positioned as important factors that need to be confirmed, we use a product environmental impact assessment sheet to quickly recognize negative impacts and consider reduction measures before commercializing products.

(2) Positive Impact

As described in (1) above, we assess the positive environmental and social impacts of our products prior to the launch of sales through the use of product environmental impact assessments within the DR system.
In particular, the positive impact of our products is refined before commercialization so that it exceeds the standards of the Products to Enhance Sustainability System.

After a product goes on sale, we evaluate whether the environmental and social impact of each product meets the standards for Products to Enhance Sustainability. After clearing these standards, an application is lodged to register the product.
In addition, we employ the LIME2 method for more than 60% of registered Products to Enhance Sustainability. We conduct LCA assessments to quantitatively evaluate environmental and social impacts.

Utilizing DR, we conduct product environmental impact assessments to confirm the environmental and social impacts of all products sold throughout their life cycles.
The results of impact assessments for each product are not disclosed. Certain information is however provided by determining the ratio of negative impact to positive impact for all products on a Group-wide basis and reflecting that information in the calculation of SEKISUI Environment Sustainability Index.

Providing Information on safety in the use of products

To ensure the safe use of our products, we prepare a safety data sheet (SDS) and present it to our customers at the time of product sale.

Reducing the Environmental and Social Impacts of Product Disposal

In order to reduce the environmental and social impacts of our products at the time of disposal, we have formulated a resource recycling policy.
Based on this policy, we are promoting the recycling of waste to achieve our long-term goal of a circular economy.
As far as the disposal of waste is concerned, we exchange manifests with waste contractors. In addition, we take steps to confirm the final disposal method and recycled items, and consider the potential of converting to higher quality recycling.

Promotion System and Management

Promotion System

Products to Enhance Sustainability are products that make a significant contribution to the resolution of environmental and social issues. SEKISUI CHEMICAL Group's internal committee members evaluate the degree of contribution based on certain internal standards and authorize registration based on the results.
Under Vision 2030, we position the outcomes produced through materiality that has an important impact on management and society as Products to Enhance Sustainability. We also aim to resolve social issues and grow our business by developing Products to Enhance Sustainability and expanding the market.
The Group has set the development of Products to Enhance Sustainability and market expansion* as a KPI target, and is working toward its achievement.

* A milestone back-cast target from SEKISUI Environment Sustainability Vision 2050, the long-term environmental vision that sets goals for solving natural and social environmental issues that need to be addressed from a long-term perspective. As such, this milestone is defined as a management target in the Group's Environmental Medium-term Plan, SEKISUI Environment Sustainability Plan: Accelerate II (2020-2022) and in the current Environmental Medium-term Plan: EXTEND (2023-2025).
  Under the environmental management promotion system (see P.51. Environmental Management Promotion System for details), progress is continuously managed.

Discussion with External Advisors

SEKISUI CHEMICAL Group has held meetings of the External Advisory Board since fiscal 2010. The External Advisory Board is a meeting of internal and external members organized by the supervising director of the organization in charge of sustainability. These meetings are an opportunity to receive opinions and advice from outside experts on the standards, registration, and future perspectives of Products to Enhance Sustainability.
In-house executives are members of the certification screening committee* for Products to Enhance Sustainability. Specifically, these include the executive officers who oversee organizations in charge of the technical aspects of each divisional company, and the organization heads who are in charge of management planning operations with a grasp for business conditions as a whole.
We have also invited five experts from outside the Company with various backgrounds in industry, government, and academia, who are engaged in environmental and other sustainability-related work to join the External Advisory Board.
In fiscal 2023, the External Advisory Board held two meetings in October and one in February. At these meetings, we received opinions and advice on the significance of the contribution of newly registered products to the natural and socials environment, how to convey that significance, and future expectations.

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Juichi Shibusawa	President of the specified non-profit corporation Network for Coexistence with Nature	・Experience in business as a Doctor of Agriculture ・As president of an NPO, implements activities for forest, community, and human resource development with environmental NPOs in Japan and other countries	The giving of opinions/advice on business related to the solving of social issues based on the spirit of three-way benefits (the buyer, seller, and society as a whole) The giving of opinions from a nature-positive perspective
Takehisa Kabeya	Sustainable Management Promotion Organization (SuMPO), Senior Managing Director	・Experience as a government official at Japan's Ministry of Economy, Trade and Industry ・Promotes social change activities through environmental values, such as LCAs and support for regional revitalization	The giving of opinions from a life cycle perspective, the giving of opinions/advice based on regulations regarding environmental value and global trends
Minako Oishi	Nippon Association of Consumer Specialists (public corporation), Representative Director, Nippon Association of Consumer Specialist	・Knowledge and experience concerning consumers and their demands ・Promotes activities that connect consumers, businesses, and government	From the standpoint of using products, the giving of opinions/advice based on requests, expectations, and matters of concern
Shoichi Saito	Nikkei Business Publications, Inc., Executive Director, ESG Management Forum	・Media experience ・Ascertains and disseminates global trends in all areas of sustainability	From a comprehensive perspective, the giving of opinions on future trends with regard to risks and opportunities in ESG management

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Mari Yoshitaka	Virtue Design Representative Director Fellow (Sustainability), Mitsubishi UFJ Research and Consulting Co.,Ltd.,	・Experience with regard to ESG investment in financial institutions ・Leading figure in SDGs, green business, and climate change finance	Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/green business

Note: Internal certification screening committee
Chaired by the supervisor of the ESG Management Department, this committee is comprised of supervisors in charge of technology and business at Corporate Headquarters and divisional companies. Meetings are held regularly twice a year. The number of meetings depends on the number of applications.

Negative Checks for Environmental Issues Outside Registration Criteria

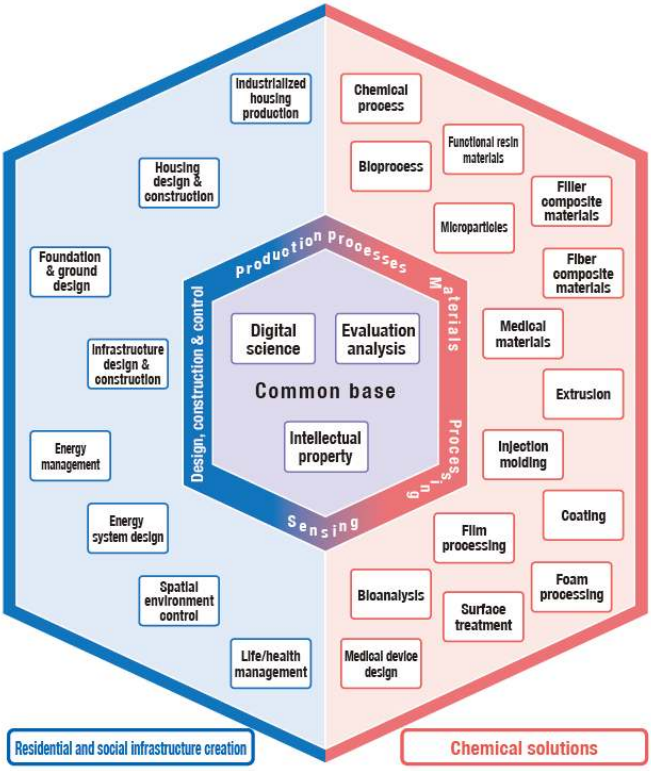
We are strengthening and reviewing the operation and criteria of the Products to Enhance Sustainability System to ensure that the product portfolio continues to evolve in line with business strategies that take into account the demands of social and business conditions.
Since fiscal 2023, we conducted negative checks on all environmental issues when registering products.
This is in response to social demands such as the EU Taxonomy and COP15. The goal is to avoid any negative impact on environmental issues, and to secure a positive impact, or in other words, improve the quality of solutions to environmental issues. Moreover, we aim to promote an awareness of issues among business stakeholders through negative checks.

Visualization of the Degree of Contribution to Resolving Social Issues

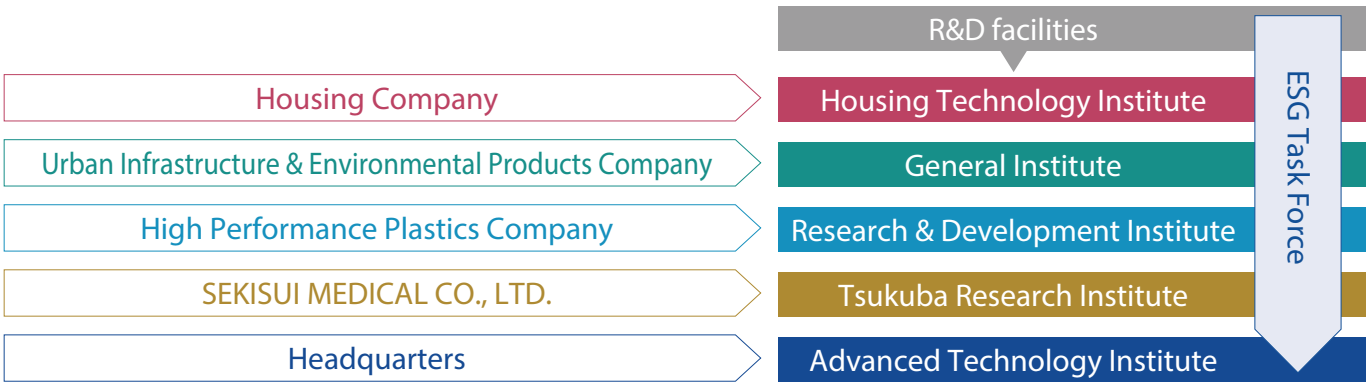
To clarify the amount of return to natural capital up to fiscal 2019, SEKISUI CHEMICAL Group worked to visualize the degree to which each Environment-Contributing Product contributed to the resolution of social issues. We calculated and quantified into a single indicator (damage costs) the various contribution vectors in the life cycle of Environment-Contributing Products. We multiplied the market impact, based on sales, by the environment contribution of each product to arrive at a quantifiable contribution by product, which was then reflected in the SEKISUI Environment Sustainability Index.
In calculating the impact on the environment for each Environment-Contributing Product until fiscal 2016, we broadly classified environmental issues into three areas that should be resolved in our aim to help realize an earth with maintained biodiversity. However, since broadening the scope of Environment-Contributing Products from fiscal 2017, we have since taken steps to integrate contributions across four areas adding the area of human health/social assets.
We began conducting environmental impact assessments based on the contribution to solving issues in the natural and social environments of Products to Enhance Sustainability throughout their respective life cycles from fiscal 2020. These contributions to natural and social capital are reflected in the SEKISUI Environment Sustainability Index. In particular, we started to explore the possibility of evaluating the social value of our products based on impact-weighted accounting.
Since fiscal 2023, we have been using the updated IDEA LCA database to calculate the SEKISUI Environment Sustainability Index.
The MiLCAver3.1 LCA calculation systems incorporates IDEA database ver. 3.1 and reflects further findings on the impact on biodiversity. By utilizing this system and setting new benchmarks, we aim to accurately grasp the impact on biodiversity. By doing so, we will promote activities that reduce negative impact and increase positive impact.

Revitalizing Liaison Meetings and Workshops for Each Environmental Issue

SEKISUI CHEMICAL Group maintains 26 technological platforms. We are encouraging forums to fuse these platforms, with the belief that fusion will help accelerate the resolution of social issues, including environmental issues. Currently, we are holding workshops on startups, new technologies, and prior cases for each issue, with an eye on the technologies, development, and market transformation required to achieve such long-term goals as carbon neutrality and a circular economy. In addition, we are providing forums for discussing matters that require cross-organizational initiatives, centered on development and strategic management organizations. We have also established task forces to promote activities on promising topics.
Furthermore, we have launched an in-house entrepreneur development program to help acquire the skills necessary to commercialize the Products to Enhance Sustainability that have been developed.



R&D Promotion System



Utilizing ESG Investment

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group initiated steps to undertake a second set of measures to support the expansion of Products to Enhance Sustainability within its established limit for ESG Investment. These measures are designed to encourage the development of Products to Enhance Sustainability and to spur planning and proposals intended to expand their markets. Climate change, resource recycling, water-related risks, and biodiversity are four environmental issues that the Group would like to strengthen under its current Medium-term Management Plan. In order to strengthen identification endeavors, we reviewed the operational requirements of the second set of support measures related to each of the aforementioned and themes that correspond to innovation areas that we hope to enter in a bid to realize our vision. Furthermore, in a bid to accelerate innovation, we have included requirements for internal fusion and open innovation with external parties.
Under the mechanism for the second set of support measures, the leader planning the theme submits an application and a screening committee decides whether or not to invest. This committee also evaluates the importance attached to solving social issues and the contribution to enhancing sustainable corporate value. Moreover, deliberations are made on how internal fusion or open innovation with external parties has helped accelerate a theme, and how we can expand our corporate value as a result of this fusion.

Environment-Contributing Products PR

SEKISUI CHEMICAL Group supports the basis of LIFE and the resolution of social issues by delivering value to society including peace of mind for the future through its products and businesses. In fiscal 2023, we introduced examples of innovation that will become next-generation products at the following venues.

[Promote efforts to mitigate climate change through products]
Introduction and exhibition of film-type perovskite solar cells at the COP28 Japan Pavilion Ministry of Economy, Trade and Industry event "Taking action together with ASEAN"

Press release:
https://www.sekisuichemical.com/news/2023/1396739_40406.html

Promoting Products Environmental Value

Taking into consideration the needs of society and customers, we strive to stay one step ahead of the curve by promoting the value of low-carbon, decarbonized products that help mitigate climate change.
To convey the value of low-carbon, decarbonated products to customers, we calculate the carbon footprint of products by means of the Carbon Life Cycle Assessment (C-LCA).
Calculations are made based on the boundary set according to the purpose and product. At this stage, raw materials are calculated using a publicly available database (IDEA) that applies a coefficient for mean GHG emissions. We believe that efforts by raw material manufacturers and cooperation with supply chains will enable us to utilize the low-carbon value of each company's efforts.
The volume of raw materials used and the energy consumed during production are calculated using actual measurement data at production plants.
The importance of low-carbon value as an indicator and LCA assessments is expected to increase in the future. In order to understand and better appreciate the significance of calculation methods, we actively participate in such forums as the LCA Utilization Promotion Forum, the LCA Forum, and the Institute of Life Cycle Assessment to brush up our knowledge on how to handle each method and solution. In addition, we encourage our employees to participate in external training courses, and also conduct LCA training within the Company.

The following illustrates the activities taken by the Group and the industry to encourage transformation intended to achieve a decarbonized society.

1. Sales activities that use Carbon Footprint of Products (CFP) to promote the low-carbon value of products

The UIEP Company, which handles a large number of plastic infrastructure products, prepares materials that explain calculated value to customers, with a focus on plastic pipes, and also conducts training for sales personnel. The Company has trained more than 500 employees who have continuously engaged in sales activities that promote the value of low-carbon products since fiscal 2021.

2. Activities to increase the reliability of product CFP calculations

As part of our efforts to increase the reliability of our product CFP, we are actively working to acquire CFP certification and establish Product Category Rules (PCRs). At present, such products as ESLON Heat-resistant Plastic AD joint HG and interlayer film for automotive laminated glazing (manufactured at a plant in Europe) are registered as Approved CFP products.

3. Activities promoting greater recognition of LCA and low-carbon value within the industry

As a member of the executive committee of the 2024 International Conference on EcoBalance organized by the Institute of Life Cycle Assessment, Japan", we are working to create plans for the establishment of global LCA calculation rules and the sharing of case studies.

4. Participation in a study group investigating environmental evaluation calculation methods for resource recycling

We participated in an LCA Japan Forum-sponsored study group (chaired by Associate Professor Jun Nakatani of The University of Tokyo). The group held a study session on global calculation rules for resource recycling as a basis for activities to visualize the value of resource recycling.

5. Participation in the UTOKYO LCA Center for Future Strategy

We have participated in the "UTOKYO LCA Center for Future Strategy led by Professor Ichiro Daigo of The University of Tokyo. As part of the is effort, we embarked on considerations into a preemptive LCA that will lay the groundwork for the future.

A preemptive LCA is a means of quantitatively evaluating the environmental, economic, and social benefits of advanced scientific and technological products at the developmental stage, and presenting their social implementation. Presenting evidence-based social implementation strategies also contributes to achievement of the SDGs.

We recognize that the rise in low-carbon value varies from industry to industry. By taking the lead in business fields where the rise in value is gradual, we can differentiate ourselves and turn risks into opportunities. We will continue to work with the supply chain to meet the requirements for low-carbon and decarbonized products. To this end, we will promote the selection of raw materials, the reform of production processes, the conversion of energy used, and the study of ways to contribute to resource recycling. By doing so, we aim to expand the range of low-carbon and decarbonized products.

Indicators and Targets

Medium- to Long-term Targets: Sales of Products to Enhance Sustainability

Net sales

Current Medium-term Management Plan targets (FY2023-2025)
Over ¥1 trillion

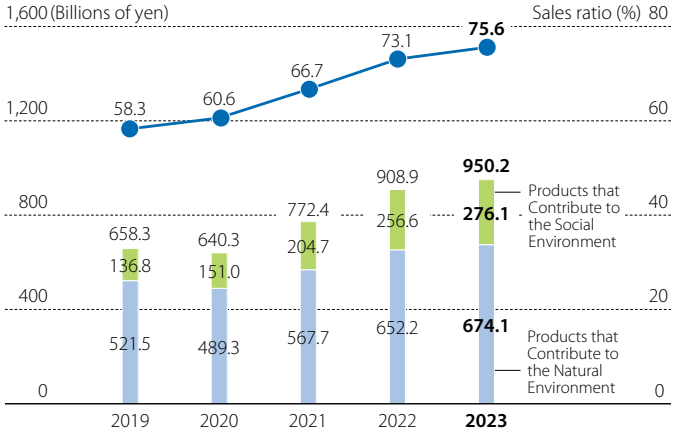
FY2030 target
Expand sales of problem-solving products and services

FY2050 target
Drive sustainable corporate growth through products and services that improve environmental and social sustainability

Performance Data

Note 1: From FY2020, the product system has evolved and renamed Products to Enhance Sustainability.
Note 2: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, net sales for FY2022 of both companies are collated as if the change in control had been initiated from the beginning of FY2022.

Net Sales / Proportion of Products to Enhance Sustainability



Trends in Net Sales of Products to Enhance Sustainability

(Unit: Billions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Housing Company	374.0	352.9	393.8	448.6	434.3
Urban Infrastructure & Environmental Products Company	101.5	93.2	101.3	152.1	162.8
High Performance Plastics Company	110.0	121.9	186.9	218.5	260.2
Medical, Other*	72.7	72.2	90.4	89.6	92.9
Company-wide total	658.3	640.3	772.4	908.9	950.2

* Manufacture, sale, and servicing of film-type lithium-ion batteries and other products outside of our four main businesses (Housing Company, UIEP Company, HPP Company and Medical Business)

Index	Calculation Method
Net Sales of Products to Enhance Sustainability	・Net sales of Products to Enhance Sustainability = Consolidated SEKISUI CHEMICAL Group sales of products internally certified as Products to Enhance Sustainability ・All businesses of the Group in and outside Japan are subject to assessment
Proportion of Products to Enhance Sustainability to net sales	・Proportion of Products to Enhance Sustainability to net sales = Net sales of Products to Enhance Sustainability / Consolidated sales ・All businesses of the Group in and outside Japan are subject to assessment

Number of Products to Enhance Sustainability Newly Registered

FY2019	FY2020	FY2021	FY2022	FY2023	Number of registrations as of the end of March 2024
5	12	28	18	11	206

Environment

Strategy (Stance, Approach, Risks and Opportunities)

Basic Concept

The planet's air, water, land, and other elements interact with each other to form a healthy foundation for the survival of living things and a rich biodiversity. Moreover, humankind and economic activities develop sustainably through the use of the Earth's valuable natural capital and the social capital generated in the course of wide-ranging activities. SEKISUI CHEMICAL Group is working to help create this kind of planet and society and has positioned the environment as a materiality (key focus area) of its ESG management.
We have also identified long-term targets and initiatives in our Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. Recognizing climate change, resource recycling, and water-related risks as important issues, we are promoting efforts to reduce GHG emissions and promote the recycling of resources. Not to mention the need to prevent further deterioration of natural capital, including steps to reduce the impact on ecosystems, we are endeavoring to provide returns to natural and social capital through such measures as the expansion of Products to Enhance Sustainability sales and are engaging in business activities on a daily basis with the aim of realizing an earth with maintained biodiversity.
SEKISUI CHEMICAL Group recognizes climate change as its most important challenge. Here, we reanalyzed the risks and opportunities related to this issue. In response to efforts aimed at accelerating targets as a result of initiatives taken to date, we also revised our strategy based on the roadmap laid to maintain the increase in temperature to less than 1.5°C in fiscal 2022, the final year of our previous Medium-term Management Plan. In addition, we acknowledge the critical need to reduce greenhouse gas emissions not only in our corporate activities, but also across the supply chain as a whole in order to contribute to the realization of a truly decarbonized society. With this in mind, we have adopted a strategy that prioritizes resource recycling and are strengthening efforts in collaboration with the supply chain.
Under the Medium-term Management Plan starting from fiscal 2023, we will focus on certain key points. These points include the following:

- Accelerate the shift to renewable energy for purchased power and reduce fuel-derived GHG emissions in a bid to address the risks associated with climate change
- As far as resource recycling is concerned, focus on the resource conversion of raw material resins and increasing the material recycling rate for waste plastics
- From a water-related risk perspective, place particular emphasis on reducing water intake volume and COD emission volumes while minimizing the impact of our business

Furthermore, we will renew our understanding toward the interrelated nature of such environmental issues as climate change, resource recycling, water-related risks, and biodiversity, and bolster efforts to consider solutions that do not involve trade-offs throughout the product lifecycle as we carry out these endeavors.

Note: Natural capital: A term that refers to physical resources from nature, such as soil, air, water, minerals, flora and fauna, as well as biological capital, human capital, and social capital.
Social capital: A term that refers to the social infrastructure and facilities that form the basis of production activities and living environments, such as roadwork, housing, ports, airports, railroads, water supply and sewerage systems, public parks, educational facilities, social welfare facilities, electricity, gas, and hospitals.

Please refer to Environmental Management Policy on P.349.

Risks and Opportunities

SEKISUI CHEMICAL Group assesses the impact of the environment on companies as well as the scale of impact that companies have on the environment, determines the importance of risks, and sets priorities to be addressed.
As far as the risks and opportunities associated with environmental issues are concerned, we assess the scale of economic impact on companies with respect to transition and physical risks.
Transition risks are those that arise when policies and regulations that support the resolution of environmental issues are strengthened, resulting from delays in response to policy and technological changes. On the other hand, if we take the lead in tackling environmental issues, we will quickly respond to the needs of society, which will become increasingly demanding in the future. This in turn will lead to opportunities to acquire additional markets through cost reductions and technological changes.
Physical risks are those that arise from physical changes in the external environment when environmental issues, especially climate change, are not successfully resolved. Meanwhile, reducing this risk will increase corporate sustainability, while at the same time developing products and services that mitigate this risk will lead to opportunities.
Specific risks and opportunities are extracted using the scenario-based analysis method recommended in the TCFD Guide. This scenario analysis was conducted using two axes.
One axis was based on a social scenario centered on climate change with temperatures of not less than 4°C or not more than 1.5°C. We have determined that climate change issues are correlated with other environmental issues and have the greatest impact on social scenarios. Here, we use this common axis as an axis when setting up scenarios based on overall environmental issues.
The other axis was based on the decentralization of social systems in rural areas or concentration in large cities. In the Group's four business domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science), we conducted statistical processing based on a survey of internal and external experts for events that fluctuate widely in their feasibility. Then, we extracted what kind of events could be considered in the four social scenarios of the four quadrants based on two axes. With a focus on climate change, we predicted how the impacts of resource recycling, water-related risks, and biodiversity will change the future.

These analyses are reviewed once a year in light of social trends related to environmental issues, the policies of each country, and status of the Group. As a result of the above analyses, the following risks and opportunities are considered.

- **Increase in energy procurement costs due to carbon tax hikes and a decrease in sales through adjustments to product pricing**
  We recognize this as a policy-related transition risk that has a significant impact on the Group as a whole. On the other hand, we recognize the prospect of capturing business opportunities by taking measures at an early stage compared with other companies and other company products. One such opportunity is the stabilization of energy costs through the conversion to renewable energy.

- **Conversion of low-carbon materials and processes to meet the growing market demand for a shift to low-carbon products**
  We see this as a technology-related transition risk that has a significant impact on the Group as a whole.
  On the other hand, we recognize the potential for business expansion, including growth opportunities for Products to Enhance Sustainability that contribute to low carbonization and business growth by prioritizing the procurement of resource recycling friendly designed products.

- **Increase in damage caused by typhoons, torrential rains, droughts, etc., and decrease in sales**
  We recognize this as an acute physical risk that has a significant impact on the Group as a whole resulting in an increase in damage caused by such incidents as plant shutdowns as well as a decrease in sales, etc. Meanwhile, we see opportunities in the growing need to strengthen infrastructure, the prospect of an increase in sales of Products to Enhance Sustainability in high water risk areas, and an upswing in the need for disaster-preparedness facilities.

- **Opportunity loss due to changes in consumption behavior, preferences, etc.**
  As a market transition risk, we recognize the possibility for opportunity loss due to a decline in the number of new vehicle sales and a lack of access to resource recycling and decarbonization incentives. As such, changes in consumer behavior and preferences may significantly impact the Group as a whole. In contrast, we recognize the opportunity to gain incentives through resource recycling and the visualization of decarbonized value as well as an increase in profitability from the shift to higher-performance products.

Approach to Environmental Issues and Our Long-term Vision Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050

SEKISUI CHEMICAL Group contributes to solving a variety of natural and social environment issues through its corporate activities, products, and business in order to realize an earth with maintained biodiversity. We recognize that we are conducting our corporate activities using the earth's natural capital as well as meaningful social capital from society. We are therefore committed to accelerating efforts aimed at returning such capital back to the environment and society while collaborating with stakeholders.
Our goal is to create an earth with maintained biodiversity. This earth cannot be realized without a society in which various issues related to the natural and social environments have been resolved. I believe that this is the same as our stance toward achieving the SDGs in 2030.
The following three activities are important for the Group to contribute to the resolution of issues.

1. Expand and create markets for Products to Enhance Sustainability*[1]
2. Reduce environmental impact
3. Conserve the natural and social environments*[2]

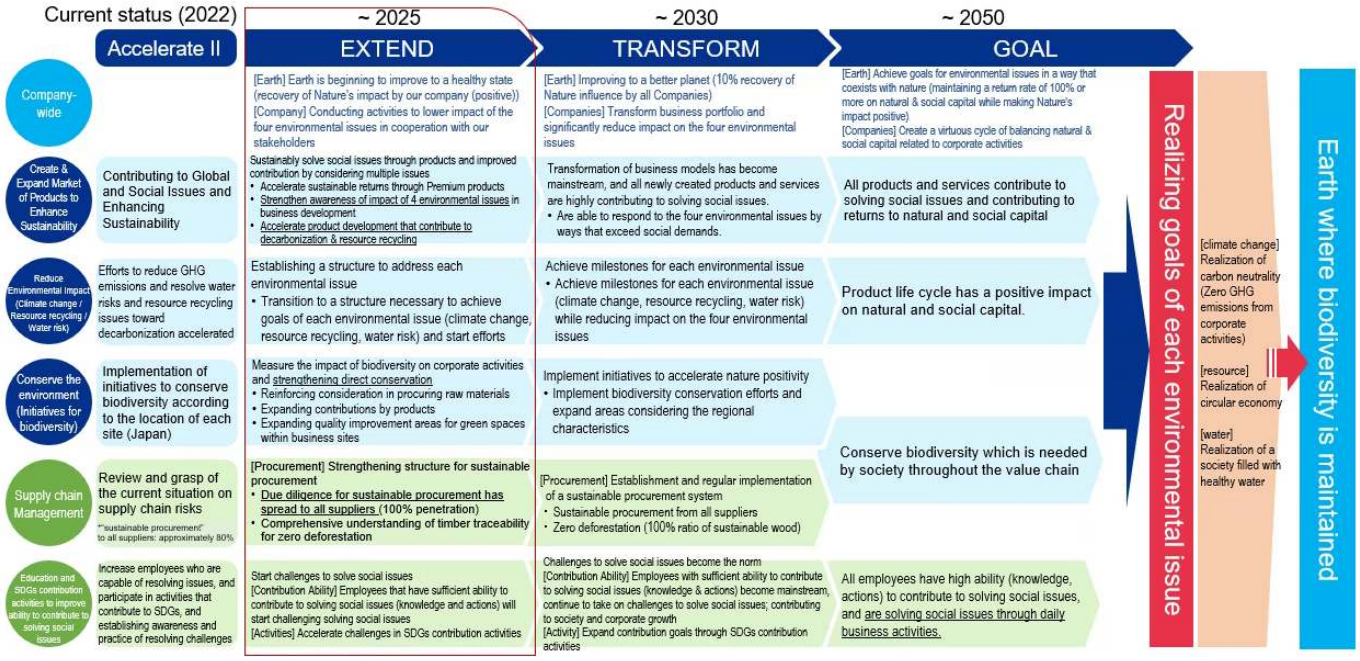
*1 For details, please refer to Products to Enhance Sustainability on P.23.
*2 For details, please refer to Social and SDGs Contribution Activities on P.240.

*Stakeholders: "Customers" "Shareholders" "Employees" "Business partners" "Local Communities and the Environment"

In order to revitalize our activities and accelerate efforts to resolve issues, the Group believes that it is necessary for each employee to be aware of different environmental issues and not only to become a group with a strong ability to contribute to solving issues, but also to promote activities in partnership with all stakeholders.
Backcasting from our vision for 2050, we set milestones on a medium-term basis, and established an environmental roadmap.
In fiscal 2023, we promoted initiatives based on this environmental roadmap.

- What kind of situation will we achieve over the medium term by tackling environmental issues?
- Key actions to be taken and medium-term milestones

Environmental Roadmap



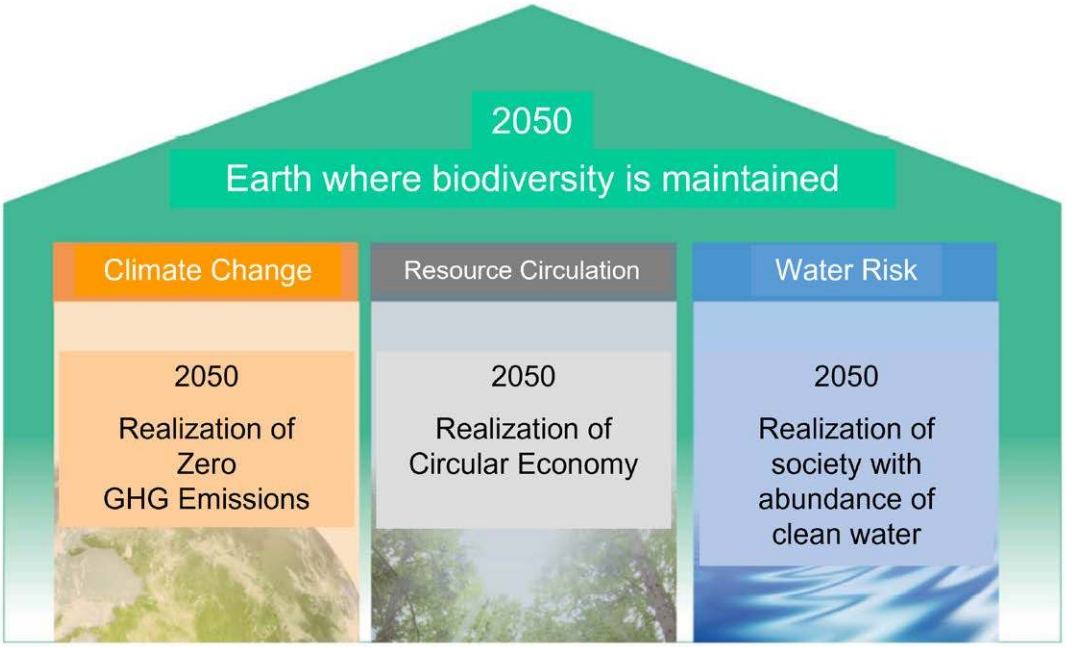
Long-term Goals for Each Environmental Issue

In order to realize an earth with maintained biodiversity targeted under our Long-term Environmental Management Vision, we have identified the following environmental issues that are particularly important, and the goals we aim to achieve by 2050.

[Environmental issues]

- Climate change: Achieve zero greenhouse gas emissions that arise from business activities (achieve carbon neutrality)
- Resource recycling: Achieve a circular economy
- Water-related risk: Realize societies with abundant access to clean water
  By achieving all of these environmental issue-related long-term goals, we aim to achieve
- Biodiversity: An earth with maintained biodiversity (realize nature positivity).

Long-term Goals for Each Environmental Issue

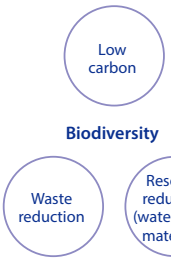


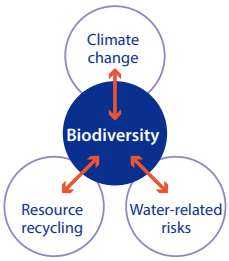
For each environmental issue, we have drawn up a roadmap backcasted from our goals in 2050, and have set medium-term milestones. Environmental issues are interrelated, and choosing and promoting solutions that do not involve trade-offs will lead to the simultaneous realization of long-term goals. For this reason, we will focus on improving the quality of solutions to environmental issues under our current Medium-term Management Plan.

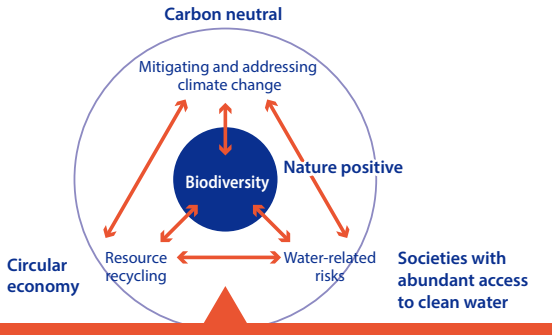
Correlation between Environmental Issues

Trends in Environmental Issue Initiatives Enhancement Points

Points of enhancement	Reduction of environmental impact	Response to individual environmental issues	Improving the quality of solving environmental issues: Solving with awareness of the correlation between environmental problems
Term	Until recently	Previous Medium-term Management Plan	Current Environmental Medium-term Plan
Concept	Measures taken by Medium-term Management Plan to achieve milestones back casted from the long term (environmental vision)	Work to decouple environmental impact and corporate growth looking ahead to the long term (environmental vision)	Recognize interrelationships between environmental issues from a long-term perspective (environmental vision), solve environmental issues with solutions that consider all issues, and direct the impact on natural capital (biodiversity) in a positive direction







Convert risks to opportunities with GX
(Accelerate innovation, create new businesses, enhance corporate values)

Environmental Medium-term Plan, SEKISUI Environment Sustainability Plan: EXTEND (2023-2025)

SEKISUI CHEMICAL Group is promoting SEKISUI Environment Sustainability Plan: EXTEND, its environmental medium-term plan that covers the three years from fiscal 2023. As previously mentioned, using backcasting to achieve the goals we have set for 2050 in our Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050, we are aiming for milestones established for the Medium-term Plan and implementing initiatives for each important working item.

The key environmental issues that the Group must address are climate change, water-related risk, and resource recycling. With regard to biodiversity, which is directly or indirectly related to these issues, we recognize the importance of understanding the issues and working to progress of biodiversity conservation.
In order to accelerate the resolution of issues aimed at achieving our long-term goals, we have set creating and expanding the market for Products to Enhance Sustainability, reducing environmental impact, and environmental conservation" as items on which to focus.
We have also established the following items as specific measures to be taken.
・Supply chain management
・Improve employees' ability to contribute to solving social issues

Under the current Mid-term Management Plan, we are promoting initiatives to achieve the following targets.

Important measures and targets

- **Improving the rate of return of natural and social capital**
  Monitoring progress with the integrated index, SEKISUI Environment Sustainability Index: Maintaining a rate of return to natural capital of 100% or more

- **Improving global and social sustainability through our products**
  Sales of Products to Enhance Sustainability: In excess of ¥1 trillion

- **Tackling climate change issues**
  [Decarbonization]
  Renewable energy as a percentage of purchased power: 70%
  Reductions in greenhouse gas emissions: 33% or more (compared with FY2019)

- **Efforts to address resource depletion issues**
  [Promote resource recycling]
  Recycling rate for waste plastics: 65% (Japan)

- **Initiatives to address water-related risk issues**
  [Preservation of water resources]
  Water intake volume at production sites that use large amounts of water: 10% (medium-term three-year period) (compared with FY2016)
  Total volume of COD discharged into rivers by production sites where discharge is substantial: 10% (medium-term three-year period) (compared with FY2016)
  [Minimizing water risk]
  Implement initiatives to minimize impacts at business sites with a significant business impact due to water risk

- **Improving the ability of employees to contribute to solving issues**
  Promote education and training
  Promote activities that contribute to SDGs

Summary of Crucial Action Items in the Current Environmental Medium-term Plan

Products to Enhance Sustainability

The Environment-Contributing Products program, which preceded Products to Enhance Sustainability, was launched in 2006. Since then, we have registered products that make a significant contribution to solving environmental issues based on internal standards. We have made a commitment to society to increase the ratio of Group-wide products registered, and have promoted the creation of products that solve social issues while working to expand the market. From the beginning of the program's operation, the Group has aimed to accelerate the resolution of environmental issues through products and realize a balance between ecology and economy.

In fiscal 2017, we expanded the scope of Environment-Contributing Products to include not only the natural environment, but also the social environment, including human and social capital. Our goal is to improve people's lives and the global environment. We believe that it is essential to resolve the issues set out in the SDGs adopted by the United Nations in 2015. This includes promoting well-being and health and securing resilient infrastructures to improve people's lives as well as mitigating and responding to climate change to improve the global environment. We are focusing our efforts on solving these issues.

In fiscal 2020, the name of the product program was changed to Products to Enhance Sustainability. This measure was designed to improve the Group's sustainable management capabilities and profit-generating capacity to sustainably solve social issues, including the environment, and to grow as a Group by solving social issues. At the same time, the following two systems have been launched.

- Sustainability Assessment: To improve the sustainability of companies and products, we confirmed and assessed social responsibilities and risks, including governance (internal control), customer satisfaction, and environmental considerations in the development process, across the supply chain. We identify areas that need improvement and reinforcement, and use this information to implement each item.
  In particular, environmental issues include reducing greenhouse gas emissions from raw material suppliers, procuring from sustainable forests, and confirming that consideration is given to environmental issues from raw materials to disposal.
- Premium Framework: We have set this as a strategic framework for products that contribute to solving social issues, including environmental issues, and that strategically grow products that are driving profits.

Climate Change Issues

With regard to the issue of climate change, we have set a long-term target of zero greenhouse gas emissions by 2050. In order to achieve this goal, we have drawn up a path to achieve the 2°C target. We were able to achieve the milestones set in the roadmap for greenhouse gas reduction halfway into the previous Medium-term Management Plan (fiscal 2021). As a result, we revised our roadmap to achieve a target of 1.5°C with the aim of accelerating our efforts.
We have not changed our milestone of converting all purchased power (Scope 2) to renewable energy by 2030. However, we will also focus on reducing greenhouse gas emissions with a view to switching to alternative fuels, and aim for a 50% reduction compared with fiscal 2019.

Under the current Medium-term Management Plan, we will actively promote the reduction of fuel-derived greenhouse gases, in addition to the conversion of electricity used at production plants to renewable energy. We have identified the period from fiscal 2023 as the time for production process innovation. Our goal is to convert 70% of purchased power to renewable energy, and are continuing to implement measures to support this conversion. For fuel-derived sources under Scope 1, we are continually promoting energy conservation activities at our production sites, including more efficient operations and energy conversion to electricity by replacing aging facilities.

Products manufactured under these initiatives are low-carbon products that emit low levels of GHGs throughout the product life cycle. We are working diligently to create and expand markets for Products to Enhance Sustainability with a low carbon footprint (CFP) for use in products that allow customers to engage in low carbon manufacturing and ultimately to a decarbonized society. In order to reduce GHG emissions throughout the product lifecycle, it is vital to reduce GHG emissions (Scope3) in the supply chain.
In upstream corporate activities, we are calling on the cooperation of suppliers and strengthening efforts to convert to non-fossil-based and recycled raw materials in a bid to reduce raw material-derived GHG emissions. In downstream corporate activities, we are endeavoring to increase the sales ratio of net-zero energy houses (ZEH) and are promoting increased awareness toward the recovery and disposal methods of used products at the product and business model design stages in order to reduce GHG emissions at the time of products use.
As far as disposal methods at the product disposal stage are concerned, we are engaging in a variety of activities. This includes coordinating with waste contractors and the industry as well as refining proprietary technologies. One such technology to emerge from these efforts is the Group's Biorefinery (BR) technology that produces ethanol from waste using microorganisms.
Taking the aforementioned into consideration, the Group recognizes that resource recycling contributes significantly to the reduction of Scope 3 emissions, and is promoting initiatives accordingly.

Water-related Risk Issues

In fiscal 2020, we set realizing societies with abundant access to clean water as our goal for 2050. We set milestones for priority items by backcasting and formulated a roadmap for water-related risk reduction. Based on the aforementioned, we will continue to reduce the volume of water consumed throughout the Group and promote recycling, while also working to improve the quality of water discharged into rivers based on COD indicators. In addition, we work to ascertain water-related risks specific to each region and formulate and implement risk reduction measures tailored to the region for sites with high risks.
As far as efforts to mitigate water intake risks are concerned, we recognize that one measures is to incorporate water intake risks in the formulation of BCPs at each production and business site. This is also an effective measure in efforts to adapt to climate change.
In addition to such environmental management measures as the prevention of pollution during both regular and non-regular periods, efforts to improve the quality of wastewater are also one measure to reduce water discharge risk. We recognize that these endeavors will help reduce the negative impact on biodiversity.
Through these measures, we will strive to improve the water environment in basins centered on production sites and reduce water-related risks in the supply chain, thereby reducing water-related risks for companies and society.
Looking in particular at the supply chain, we will share and recognize risks through dialogue with suppliers (Environmental Due Diligence) while working together to consider and implement measures to improve risks in an effort to reduce the water-related risks associated with the raw materials procured.

Resource Recycling Issues

With regard to resource recycling, we will strive to reduce the total amount of waste, even as the scope of our operations doubles toward 2030. At the same time, we will focus on recycling and promote initiatives to realize a recycling-oriented society and a circular economy by 2050. Recognizing that efforts to recycle resources in the supply chain are indispensable to realizing a decarbonized society, we formulated a resource recycling policy, strategy, and a resource recycling roadmap to achieve a circular economy in 2050 in fiscal 2020.

With innovation centered on the creation of Products to Enhance Sustainability for resource recycling, we have initiated steps to strengthen our efforts to convert existing products into raw materials and to recycle valuable materials from waste discharged in the production process.
From a waste recycling perspective, we are considering and promoting in-house measures so that we can select high-quality material recycling methods. Among a host of endeavors, we are evaluating the degree to which we contribute to other environmental issues, including the reduction of GHG emissions, conservation of biodiversity, and recycling.
As a technology to accelerate resource recycling not only in-house, but also in society, we established and demonstrated a Biorefinery (BR) technology to produce ethanol from waste using microorganisms. Moving forward, we will continue to work toward social implementation.
We believe that solutions to environmental issues will accelerate as the entire supply chain works together. We will develop and implement measures that emphasize supply chain management that spans the lifecycle of our products.
In order to realize a recycling-based society, it is necessary for society to recognize the value of recycled raw materials, biomass, and their use in products, and to acknowledge activities that were previously treated as external diseconomies as economic costs.
In order to raise social awareness, the Group is vigorously participating in and driving activities through various rule-making and other initiatives, including the certification of recycled products and recycling processes.

Biodiversity Issues

SEKISUI CHEMICAL Group's Long-term Environmental Management Vision is to realize an earth with maintained biodiversity where the ecosystem hierarchy is kept healthy and in a nature-positive state. We believe that this goal will be achieved when all environmental issues are resolved.
The Group recognizes the dependence and impact its corporate activities have on natural capital, and strives to maintain returns that exceed the natural capital used. Going forward, we will reduce the dependence and impact on natural capital from the perspective of five impact drivers (climate change, resource consumption, water and land use, pollution, and invasive species) that affect natural capital through corporate activities. Specifically, we will implement the following seven measures.

<Providing returns to natural capital through corporate activities>
1. Review manufacturing processes
2. Review nature-positive product design
3. Increase contribution through Products to Enhance Sustainability

<Supporting returns to natural capital by society>
4. Strengthen initiatives for raw material procurement
5. Support social change

<Accelerating returns to natural capital in corporate activities and society>
6. Human resource development
7. Coordinate with stakeholders

Furthermore, with regard to biodiversity issues, we recognize the importance of ensuring that the impact imposed by corporate activities is positive based on the concept of no net loss. At the same time, it is equally important to understand the impact of each area, and to not only reduce any negative impact, but to promote a positive result. As with other environmental issues, we will also consider activities that include initiatives that encompass the supply chain.

Governance

Environmental Management System

SEKISUI CHEMICAL Group has established an environmental management system at each of its production sites and research facilities in its bid to promote environmental activities. This system is based on ISO 14001.
Steady achievement of medium-term and annual milestones under the leadership of top management is important for resolving environmental issues aimed at achieving long-term goals. We strive to reduce the impact of all environmental issues by constantly monitoring legal compliance and the impact on the environment. In addition, in order to minimize the impact on the environment as much as possible in the event of disasters, accidents, and other irregularities, we regularly conduct education and training based on an examination of preventive measures and post-event responses.
Recognizing the need to take action based on a view of the entire supply chain, we have reviewed the Group's Sustainable Procurement Guidelines and systems to strengthen supply chain management. We will accelerate efforts aimed at resolving environmental issues by approaching and collaborating with suppliers.

Environmental Management Promotion System

Since fiscal 2020, we have managed and promoted the environmental aspects of the Group under the Sustainability Committee. This Committee discusses policies and strategies for improving the sustainability of society and the Group.

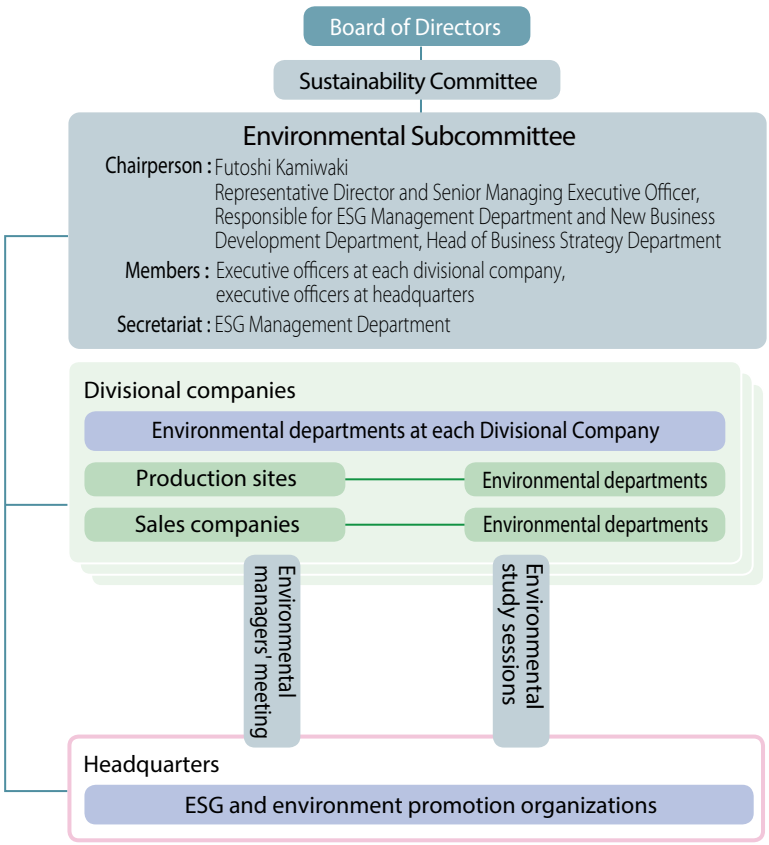
As a subordinate structure under the Sustainability Committee, we established subcommittees for each issue defined under materiality by the Group. As a part of this initiative, we established the Environmental Subcommittee to address environmental issues.

Key sustainability-related initiatives, policies, and other matters encompassing a host of issues, including the environment, that are discussed by the Sustainability Committee are reported to and approved by the Board of Directors and accordingly reflected in management.

Specific environmental action plans are formulated and implemented through meetings of environmental managers for each issue between divisional companies and Corporate Headquarters.

In fiscal 2023, the Environmental Subcommittee met twice, in November and March. In addition to confirming progress of the Environmental Medium-term Plan, the subcommittee also discussed plans for the next fiscal year, initiatives, and promotion measures for each issue, including the reduction of greenhouse gas emissions, response to water-related risks, and reduction of waste generation. Projects requiring rapid attention are also discussed and reported to the Board of Directors at monthly management meetings, chaired by person in charge of the ESG Management Department and head of the Business Strategy Department.

Environmental Management Promotion System



Expansion of EMS Overseas

Our overseas bases are expanding and implementing the environmental management system (EMS) developed in Japan. In this manner, we have established a system for acquiring environmental impact data and are working to reduce environmental impact based on this data.
As of the end of March 2024, 51domestic sites and 35 overseas sites had acquired ISO 14001 or other certification. These certified sites account for 90% of the total number of Group production sites and research institutes. ✅
We are also working to obtain ISO 14001 certification at all of our production sites.

Business Sites That Have Received Third-party Certification for Their Environment Management Systems ✅

Housing Company

SEKISUI CHEMICAL Co., Ltd. Tsukuba R&D Site*
Hokkaido Sekisui Heim Industry Co., Ltd.
Tohoku Sekisui Heim Industry Co., Ltd.
Sekisui Heim Industry Co., Ltd. Kanto Site
Sekisui Heim Industry Co., Ltd. Tokyo Site
Sekisui Heim Industry Co., Ltd. Chubu Site
Sekisui Heim Industry Co., Ltd. Kinki Site
Chushikoku Sekisui Heim Industry Co., Ltd.
Kyushu Sekisui Heim Industry Co., Ltd.
Sekisui Board Co., Ltd. Minakuchi Site
Sekisui Board Co., Ltd. Gunma Site

Urban Infrastructure & Environmental Products Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant
SEKISUI CHEMICAL Co., Ltd. Gunma Plant
SEKISUI CHEMICAL Co., Ltd. Kyoto R & D Laboratories
Chiba Sekisui Industry Co., Ltd.
Sekisui Chemical Hokkaido Co., Ltd.
Toto Sekisui Co., Ltd. Ota Plant
Nishinihon Sekisui Industry Co., Ltd. Okayama Plant
Shikoku Sekisui Industry Co., Ltd.
Kyushu Sekisui Industry Co., Ltd.
Nara Sekisui Co., Ltd.
Higashinihon Sekisui Industry Co., Ltd. Watari Site
Yamanashi Sekisui Co., Ltd.
Sekisui SoflanWiz Co., Ltd.
[Sekisui SoflanWiz Co., Ltd. Iwaki Plant, Atsugi Plant, Akashi Plant and R&D Division]
Sekisui Home Techno Co., Ltd.
Sekisui Specialty Chemicals (Thailand) Co., Ltd.
S and L Specialty Polymers Co., Ltd.
Sekisui Eslon B.V.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui Industrial Piping Co., Ltd
Sekisui (Wuxi) Plastics Technology Co., Ltd.
Sekisui (Shanghai) Environmental Technology Co., Ltd.
Tokuyama Sekisui Industry Co., Ltd.
Tokuyama Sekisui Industry Co., Ltd. Piping Plant

High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Musashi Plant
SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi Plant
[Sekisui Fuller Company, Ltd. Shiga Plant]
SEKISUI CHEMICAL Co., Ltd. Taga Plant
SEKISUI CHEMICAL Co., Ltd. Minase Site
Sekisui Techno Molding Co., Ltd. Tochigi Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Sekisui Techno Molding Co., Ltd. Aichi Plant
Sekisui Fuller Co., Ltd. Hamamatsu Plant
Sekisui Nano Coat Technology Co., Ltd.
Sekisui Polymatech Co., Ltd.
Sekisui Seikei, Ltd. Chiba Plant
Sekisui Seikei, Ltd. Kanto Plant
Sekisui Seikei, Ltd. Hyogo Plant
Sekisui Seikei, Ltd. Hyogo-Takino Plant
Sekisui Seikei, Ltd. Izumo Plant
Sekisui S-Lec B.V. Film Plant
Sekisui S-Lec B.V. Resin Plant
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec Thailand Co., Ltd.
Sekisui S-LEC (Suzhou) Co., Ltd.
Sekisui-Alveo B.V.
Sekisui Alveo BS G.m.b.H.
Sekisui Votek, LLC. Coldwater Plant
Thai Sekisui Foam Co., Ltd.
Sekisui Pilon Pty. Ltd.
Youngbo Chemical Co., Ltd.
Youngbo HPP (Langfang) Co., Ltd.
Sekisui Specialty Chemicals America, LLC. Pasadena Plant
Sekisui Specialty Chemicals America, LLC. Calvert City Plant
Sekisui Speciality Chemicals Europe, S.L.
Sekisui Polymatech Europe B.V.
Sekisui Polymatech (Thailand) Co., Ltd.
Sekisui Polymatech (Shanghai) Co., Ltd.
Sekisui DLJM Molding Private Ltd. Great Noida Plant,Tapukara Plant,Chennai Plant, Chennai2 Plant, Gujarat Plant
Sekisui KYDEX, LLC. Bloomsburg Plant
Sekisui KYDEX, LLC. Holland Plant

Headquarters

SEKISUI CHEMICAL Co., Ltd. R&D Center*
Sekisui LB Tec Co., Ltd. Chubu Plant

Medical Business

Sekisui Medical Co., Ltd. Iwate Plant
Sekisui Medical Co., Ltd. Tsukuba Plant
Sekisui Medical Co., Ltd. Tsukuba Plant and Ami Site
Sekisui Medical Co., Ltd. Tokuyama Plant
Sekisui Diagnostics (UK) Ltd.
Sekisui Diagnostics, LLC, San Diego
Sekisui Diagnostics P.E.I. Inc.
Sekisui Medical Technology (China) Ltd.
Sekisui Medical Technology (Suzhou) Ltd.
Veredus Laboratories Pte. Ltd.

Note: Some sites without brackets may include related sections that have received EMS certification.
[ ]: Organizations in brackets are included in the scope of certification.
* The SEKISUI CHEMICAL Co., Ltd. Tsukuba R&D Site and the Development Center share a single certification.

Indicator	Calculation Method
Number of EMS-certified business sites	Number of business sites that have received external EMS certification External EMS certification: ISO 14001
The proportion of all production sites and research facilities within SEKISUI CHEMICAL Group that have received external EMS certification	The proportion of all EMS-certified business sites within SEKISUI CHEMICAL Group = The number of all production sites and research facilities that have received external EMS certification / The number of all production sites and research facilities within SEKISUI CHEMICAL Group

Environmental Audits

SEKISUI CHEMICAL Group conducts environmental audits with the aim of complying with laws and regulations and preventing accidents. The audits are conducted in advance by checking laws and regulations, hazard maps, etc., with an emphasis placed on continuous legal compliance, the reduction of environmental risks, and accident prevention in accordance with the business activities of each business site.
We conduct voluntary audits at all of our business sites and request reports on the results. We also conduct environmental audits at our production sites and research institutes every three years. In fiscal 2023, these initiatives were conducted at 15 domestic and 14 overseas sites.
There were no breaches involving significant fines or penalties.

Risk Management

As far as risk management is concerned, we have established an ERM* system that in addition to identifying Group-wide major risks, shares and manages these risks within the Group. Risks related to environmental issues are also assessed in an integrated manner, together with other risks that are expected to have a significant impact on management.

Risks that effect the Group as a whole and each organization, including such environmental issues as climate change, resource recycling, water resources, and biodiversity, are shared and deliberated at Board of Directors, Sustainability Committee, in-house management, and subcommittee meetings.

The Board of Directors shares the view that risks related to environmental issues are important external environmental risks. Consideration is also given to medium-to long-term strategies when formulating management plans as well as transition plans that contribute to the solution of environmental issues. Against this backdrop, we formulate the Environmental Medium-term Plan.

* Enterprise Risk Management: Refers to Group-wide mechanisms and processes for Group-wide and integrated risk management and risk management activities.
(For details see Risk Management System on P.278.)

Risks related to environmental issues are reported to the Sustainability Committee after information is gathered and evaluated by the Environmental Subcommittee and deliberated along with Group-wide policies, major measures, and target achievement levels.

The issues discussed by the committee are identified as major risks by the Board of Directors with countermeasure policies and major measures finalized. The identified major risks, Group-wide policies, and major measures are reported to each subcommittee, including the Environmental Subcommittee, and incorporated into action plans as Group-wide and divisional company-specific measures.

In addition, by reflecting the results in organizational risk management activities conducted by 170 organizations, including domestic and overseas affiliates, we are promoting an ERM system that combines Group-wide risk management activities with organizational risk management activities.

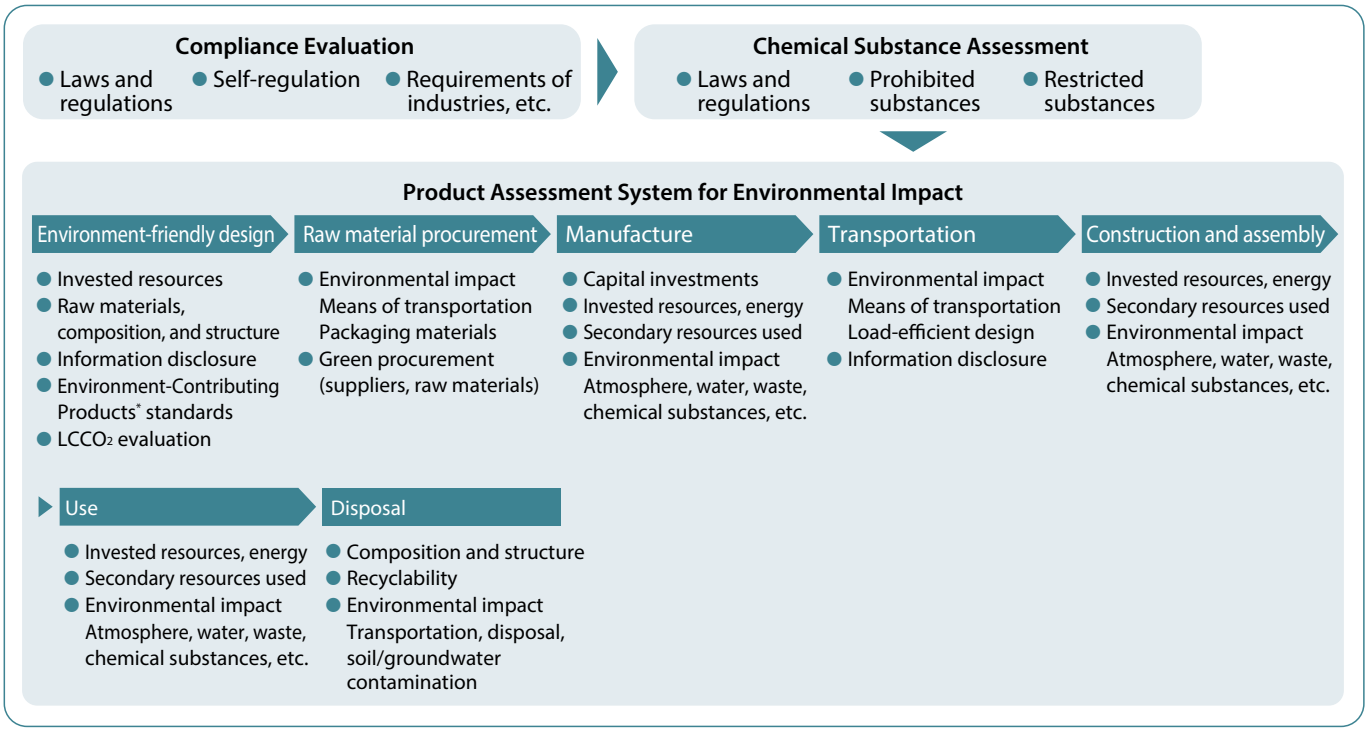
Environmental Impact Assessment

SEKISUI CHEMICAL Group undertakes design reviews at the time of product process development and modification and conducts environmental impact assessments at all stages of a product's lifecycle.

Assessment of the environmental impact of products

Scope: All stages of the product lifecycle

Targets: Products and processes



* Environment-Contributing Products have evolved into Products to Enhance Sustainability from fiscal 2020.
For details, see Products to Enhance Sustainability on P.23.

Indicators and Targets

Targets

The long-term goal of SEKISUI CHEMICAL Group's environmental activities is to realize an earth with maintained biodiversity as stated in its Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050. To this end, we believe it is important to simultaneously achieve the such long-term goals for environmental issues as climate change, resource recycling, and water risks.
In the current Environmental Medium-term Plan, SEKISUI Environment Sustainability Plan: EXTEND (2023-2025), we focus on improving the quality of solutions to avoid imposing any negative impact on each of the aforementioned environmental issues.
Progress on each environmental issue is managed by setting milestones that are backcast from long-term goals and are based on individual management targets. The SEKISUI Environment Sustainability Index, an integrated indicator, is used to monitor the progress of environmental issues as a whole.

Environmental Medium- to Long-term Plan and FY2023 Results

Environmental Medium- to Long-term Plan and FY2023 Results (Environmental Medium-term Plan SEKISUI Environment Sustainability Plan: EXTEND (2023 to 2025)

✓: FY2023 target achieved ×: FY2023 target not achieved

Initiatives		Goals	Level Setting Guidelines	Indicators	Base year	FY2023 Targets and Results		Self-evaluation	Reference Page(s)	FY2024 Targets	FY2025 Targets	FY2030 Targets	FY2050 Targets	Targets					
						FY2023 Targets	FY2023 Results							Domestic (Japan) Sites	Research Facilities	Domestic (Japan) Offices	Overseas Production Sites	Overseas Offices	Other
Progress management through the Integrated Index		Achieve an earth with maintained biodiversity through corporate activities	Environmental returns that exceed environmental impact	SEKISUI Environmental Sustainability Index Rate of return to natural and social capital	—	Maintain 100% or more	106% ✓	✓	P.61	Maintain at 100% or more	Maintain at 100% or more	Maintain at 100% or more	Maintain at 100% or more	✓	✓	✓	✓	✓	✓
Products to Enhance Sustainability	TOTAL	Achieve a balance between economic and social value	Doubling of the Group's business by 2030	Net Sales of Products to Enhance Sustainability	—	960 billion yen	950.2 billion yen ✓	×	P.36	—	Over 1 trillion yen	—	—						
	By major environmental issue	Contribute to the promotion of resource recycling (particularly carbon)	Realization of a recycling-based society	Increase in sales of products that contribute to resource recycling	2020 55.3 billion yen	1.6 times (88.5 billion yen)	99 billion yen	✓	P.96	1.65 times (91.2 billion yen)	1.7 times (94 billion yen)	Double or more (110.6 billion yen)	All products						
				Net Sales of products derived from non-fossil fuel sources and use of recycled materials	2019 3 billion yen	38.0 billion yen	34.7 billion yen	×	P.96	39 billion yen	40.0 billion yen	100 billion yen	—						
Reduce environmental impact	GHG	Promote decarbonization zero GHG emissions	The Paris Agreement 1.5 °C target Realization of a decarbonized society	GHG emission reduction rate	FY2019	-26%	-32.8% ✓	✓	P.74	-30%	-33%	-50%	-100%	✓	✓	✓	✓	✓	
				Renewable energy ratio of purchased electricity	—	50%	49.5% ✓	×	P.74	60%	70%	100%	Total power consumption including co-generation 100%	✓	✓	✓	✓	✓	
				Fuel-source GHG emission reduction rate (including GHGs not arising from energy consumption)	FY2019	-10%	-15.9% ✓	✓	P.76	-10%	-12%	-11%	-100%	✓	✓	✓	✓	✓	
	Reduce energy usage volume	Improve the efficiency of energy use in production and reduce energy costs	Cost reductions above cost increases from purchasing renewable energy	Reduction rate of energy consumption per unit of production	FY2022	-1%	+3.5% ✓	×	P.74	-2%	-3%	—	—	✓			✓		
	Resource recycling	Promote resource recycling (particularly carbon)	Realization of a resource-recycling society	Reduction rate of the amount of waste generated per unit of production	FY2022	-1%	+0.3% ✓	×	P.102	-2%	-3%	—	Achieve a circular economy	✓			✓		
			Issue of marine plastics	Recycling rate for waste plastic materials	—	Japan: 61% (Overseas: Base acquisition)	Japan: 60.7% ✓	×	P.102	Japan: 63% (Overseas: Base +3%)	Japan: 65% (Overseas: Base +5%)	100%	100%	✓	✓		✓		
			Reduction of resource use in offices	Reduction rate of copier paper use per unit of people	FY2022	-1%	-6.6% ✓	✓	P.102	-2%	-3%	—	Achieve a circular economy			✓		✓	
			Reduction of waste generation at new construction sites	Reduction rate of the amount of waste generated per building at new housing construction sites	FY2022	-4%	-5.2% ✓	✓	P.102	-8%	-12%	—	Achieve a circular economy						✓
	Water-related risk	Minimize business impact due to water-related risks	Enabling of sustainable operations	Implementation of initiatives to minimize the business impact of water-related risks specific to five sites in Japan and Overseas	—	Efforts to minimize business impact at individual business sites with large business impact	Initiatives decided at all 5 locations ✓	—	P.118	Efforts to minimize business impact at individual business sites with large business impactEfforts to minimize business impact at individual business sites with large business impact		Minimum to the environment where water-related risks exist	Minimizing water risk in all areas	✓			✓		
		Contribute to solving watershed-specific water issues	Contributions to returns to natural capital																
		Maintain water resources	No increase in water stress in watersheds	Reduction rate of water intake volume at production sites which use large quantities of water	FY2016	-10% over a 3-year period	-8.5% ✓	—	P.119	-10% over a 3-year period		—	—	✓					
			No increase in the impact on watersheds	Reduction rate of total COD volume of river discharge water at production sites with high COD emission volumes	FY2016	-10% over a 3-year period	-2.7% ✓	—	P.119	-10% over a 3-year period		—	—	✓					
	Ecosystem	Ecosystem impact:	Biodiversity conservation	JBIB Land Use Score Card® evaluation points	FY2022	+3 points over a 3-year period	+1.5 points ✓	—	P.136	+3 points over a 3-year period		Promote ecosystem friendliness at all business sites	Promote ecosystem friendliness at all business sites	✓	✓				
		Minimize risks of ecosystem degradation																	

FY2023 Results Against Environment-related KPIs

・Climate change
Rate of GHG reduction-32.8% (compared with FY2019)

・Resource recycling
Material recycling rate for waste plastics (Japan) 60.7%

Other Priority Item FY2023 Results

Expand and create markets for Products to Enhance Sustainability

In FY2023, 11 products and services were newly registered.
Specifically, the following is a list of products that contribute to the resolution of resource recycling and climate change issues (certain examples).

・PVC sashes: A product that contributes to the reduction of energy consumption in cold climates due to its thermal insulation and high airtight performance. PVC sashes are recovered after product use and applied as a raw material for other products.

・Standard film Recycling system of interlayer film for laminated glass: Inserted between the laminated glass of vehicle front windshields, this product improves safety by preventing shattering in the event of an accident. Established a mechanism to collect film scraps from BtoB customers for use as raw materials.

In response to the upswing in low-carbon and decarbonization demand, sales of products that contribute to the resolution of climate change issues have expanded, which in turn is contributing to higher overall sales of Products to Enhance Sustainability.

Quantification of the Contribution Effect on Solving Issues through Products

In fiscal 2023, we identified environmental values from products equivalent to 50% of Products to Enhance Sustainability sales.
As far as returns to social capital and value are concerned, we are undertaking economic value conversion using the impact-weighted accounting method.
We visualize the environmental and social value of our products and businesses (the degree to which they contribute to solving problems) and disclose this information to raise society's awareness. Moving forward, we will also strengthen activities that can be fed back to our business.

Environmental Conservation

SDG Contribution Activities*

As far as such social contribution activities as environmental conservation and nurturing of the next generation are concerned, which are mainly conducted by business sites and employees, we recommend that employees change their stance and become more aware of the SDGs while continuing existing activities.

By considering which social issues to focus on and why we are working to solve social issues based on the SDGs, we can clarify the significance of our existing activities and undertake a review our activities with the expectation of further improving their effectiveness.

* For details, please refer to Social and SDGs Contribution Activities on P.240.

Integrated index SEKISUI Environment Sustainability Index.

The SEKISUI Environment Sustainability Index measures the impact of the Group's corporate activities on the environment (use of natural and social capital) and the degree of contribution to the environment (returns to natural and social capital) as a single index.

We are gradually expanding the scope of coverage to encompass not only the impact on and return of natural capital, but also on and of social capital.

The SEKISUI Environment Sustainability Index integrates the effects of the major items for implementation in the Environmental Medium-term Plan: reducing various impacts on the environment, expanding products and services that contribute to the natural and social environments, and environmental conservation. We established a method for undertaking preliminary calculations in fiscal 2013 and have employed this method since fiscal 2014. Since fiscal 2017, we have applied this index to monitor the progress of the Group's overall environmental management.

In our Environmental Medium-term Plan, which began in fiscal 2020, we have declared our intention to use the SEKISUI Environment Sustainability Index to evaluate not only the natural environment, but also the impact and contribution to the social environment, and to contribute to the return to natural and social capital.

In 2050, even as we expand our business scope, we will promote ESG management while maintaining a return of 100% or more on natural and social capital.

Calculation Results

SEKISUI Environment Sustainability Index calculations based on FY2023 results are as follows. Setting the use of natural and social capital (the impact on the natural and social environments) at 100, the return to natural and social capital (contributions to the natural and social environments) was 106%, confirming that the return to natural and social capital was maintained above 100%.
Trends in the rate of return are analyzed as follows.

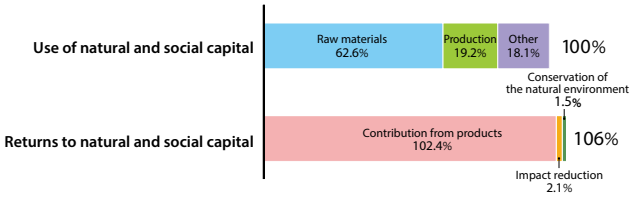
1. Use (impact) of natural and social capital
   A reduction in the impact on natural and social capital is considered to have been made through progress in the shift to renewable energy for purchased power.
2. Returns to natural and social capital (contributions)
   Returns (contributions) from Products to Enhance Sustainability are steadily increasing.

Looking ahead, we will grow as a company and expand our business scope, while maintaining a rate of return to natural and social capital of more than 100%.
In 2050, we aim to realize the sustainable use of the earth's natural capital and the social capital generated by human society.

In this index, SEKISUI CHEMICAL Group believes that solving issues through products helps to improve the sustainability of the earth and society. We also recognize that improving returns to natural and social capital leads to an improvement in the sustainability of SEKISUI CHEMICAL Group and its products.

Results of FY2023 Calculation

SEKISUI Environment Sustainability Index(FY2023)



Calculation Method

(1) Quantitatively calculate the amount of environmental impact and the benefits of environmental activities for each category

Environmental impact and environmental activities (I)
- Raw material usage
- Water intake volume
- Environmental contribution of each product
- GHG emissions
- Emissions of chemical substances
- Employee participation rate in activities to conserve the natural environment
- Volume of waste generated
- Area of land used

(2) Calculate the impact (-factor) and contribution (+ factor) for each category using a database of experts who have accumulated coefficients for calculating the impact on the environment.

Raw data by category Ai × Coefficient ki = Environmental impact (Ti)

(3) Add up the amount of impact and contribution for each category (= integration)

Σ (Raw data for each category) Ai × Coefficient ki = Σ (Environmental impact Ti)

Note: Units are the amount of damage calculated (= amount necessary to restore the environment to the original conditions [living organisms, plants, and global warming] if our activities damaged the environment)

After compiling the raw data in (1), above, the damage calculation-based impact assessment method LIME2, developed for use in Japan by Professor Norihiro Itsubo of WASEDA University, was employed for the calculations in stages (2) and (3).

The LCA database IDEA ver2.3 has been upgraded to ver3.1 in the calculation system MiLCA, which uses LIME2 to calculate the rate of return. We have been using the upgraded MiLCA ver3.1 since fiscal 2023. (MiLCA ver2.3 was used until fiscal 2022).

In MiLCA 3.1, the ascertained data shows that the environmental impact per unit amount is larger, especially in terms of the impact of chemical substances on ecosystems. Under the current Medium-term Management Plan we will place even more importance on the impact on biodiversity, and promote activities aimed at shifting from negative to positive aspects. We have determined that our approach is consistent with the direction MiLCA 3.1 upgrades We will reconfirm the status of current conditions by utilizing the updated calculation system and continue to confirm the progress of activities aimed at addressing environmental issues based on the rate of return from fiscal 2023.

Note: The impact of the change in MiLCA calculation system approach (upgrade) on the rates of return as verified based on fiscal 2022 data is as follows.
Rate of return on natural and social capital of 127.3% (using MiLCA ver. 2.3) in fiscal 2022.
Rate of return on natural and social capital of 100.1% (using MiLCA ver. 3.1) in fiscal 2022.

Indicator	Calculation Method
SEKISUI Environment Sustainability Index	SEKISUI Environment Sustainability Index = Group-wide amount of natural and social capital returned / Group-wide amount of natural and social capital used Calculating the amount of natural and social capital used and the amount of natural and social capital returned Employing LIME 2 (a damage calculation-based impact assessment method developed for use in Japan by Professor Norihiro Itsubo of WASEDA University) and covering all the four criteria for conservation defined by LIME 2, the impacts on each of human health (including the effects of global warming), societal assets (including the effects of global warming), the effects on plants (reducing interference on growth), and the effects on life (restricting the extinction of living species) were evaluated and then made into a single indicator. The amount of return to natural and social capital is calculated assuming that the risk of damage to natural capital has been reduced by various environmental contribution efforts of the entire Group compared to the case without such efforts. ・Items included in the amount of natural and social capital used Direct use: Use of land, greenhouse gases, amounts of emissions into the air of PRTR substances and air pollutants, the COD discharged into bodies of water Indirect use: Purchased raw materials*[1], energy use, water intake volume, amount of waste material emitted, amount of GHGs emitted indirectly in supply chains (Scope 3) ・Items included in returns to natural and social capital Amount of contributions to reducing use of natural capital through Products to Enhance Sustainability, the amount of contribution from environmental conservation activities, environment-related donations, mega-solar (solar farms that produce over 1,000 kilowatts (1 megawatt) of energy each year) power generation output *1 The Group is reflecting the actual GHG emissions of its raw material suppliers with regard to four principal resins (PP, PE, PVC and PVA).

Indicator	Calculation Method
SEKISUI Environmental Sustainability Index	Scope of Calculation / Listing by category of calculation: Estimated calculations were conducted using the following assumed conditions: ・Raw materials: Purchased raw materials covered; estimates incorporated into calculations Concerning housing, the calculation includes the constituent raw materials for one structure multiplied by the number of structures manufactured ・Manufacturing / Emissions of harmful chemical substances: 〈Japan〉 emissions of 1 t per year or more of substances covered under PRTR are included in the calculation. 〈Overseas〉 Not included ・Manufacturing / Land maintenance: Domestic plants and research facilities were incorporated into the calculation using the area of the premises, generally considered in terms of the land used for buildings*2. The areas of the premises of overseas plants were estimated. The effects of land use are included in the calculation based on the 30-year period after the purchase of the land *2 Concerning land use, starting with FY2017, improvements to land quality in the JBIB Land Use Score Card® system promoted in Japan were deemed as reductions of the impact of land use, weighted accordingly, and included in the calculation. ・Others: Capital goods in supply chains, other fuel- and energy-related activities, transport and shipping, waste, business trips, commuting by employees, leased assets (downstream), processing/use/disposal of sold products Business trips and commuting by employees: Covers consolidated numbers of employees and includes some estimation Use of sold products: Covers housing sold during the fiscal year, and included in the calculation with assumed energy use for 60 years into the future. We are also calculating the effect of reduction in energy used in residences built to net zero energy house (ZEH) specifications. Processing of sold products: Energy use by customers while processing our products anticipated to consume large amounts of energy was estimated and included in the calculation Disposal of sold products: Major raw materials for each fiscal year were covered and included in the calculation based on the assumption that they would be made into products and disposed of during that fiscal year

Indicator	Calculation Method
SEKISUI Environmental Sustainability Index	・Product contributions: (1) The differences in contribution to the environment between the relevant products and previous technologies were evaluated qualitatively for each criterion, based on the contribution to the natural and social environments for each life-cycle (the five stages of procurement of raw materials, manufacturing, distribution, use/maintenance, disposal/recycling) in terms of CO_2 reductions and energy savings, reductions in waste materials, resource savings, water-savings and the water cycle, preventing pollution, direct preservation of biodiversity, QOL improvements, and other factors. For factors for which a significant difference was estimated, data per product unit was investigated. (2) Based on the results*[3] of these investigations, a coefficient for calculating the impact on the environment for each series of data was multiplied by the data, yielding a calculation of the degree of contribution to the environment of each product unit. (3) The sales amount for products in each fiscal year were multiplied by the results found in (2) to calculate the degree of contribution to the environment for each product, and the results were included in the calculation. Trial calculation was performed on the effects of products equivalent to around 51% of Products to Enhance Sustainability. *3 Based on individual standards of the divisional companies ・Direct contribution / Contribution from activities reducing environmental impacts: The effects on the environment relating to production for each fiscal year were compared to [the effects on the environment relating to manufacturing in FY2016 × (revenue in that fiscal year / revenue in FY2016)], and the difference was included in the calculation. There was a proportional relationship between revenue and the effects on the environment relating to manufacturing, based on the idea that the difference was the result of efforts undertaken in the Group's activities. ・Direct contribution / Conservation of the natural environment: The Group keeps track of the number of participants and the amount of time spent on each activity. In the case of planting cedar trees, a fixed coefficient of CO_2 (1.1 t-CO_2 / person-hour) was multiplied by the number of people and the amount of time spent and incorporated into the calculation. Regarding activities in cooperation with local communities which were promoted in Japan, because improving the sustainability of activities through local cooperation and making them conduct the activities on their own (autonomous) were made targets from FY2017, the Group's ability to work toward this target was weighted against the growth axis and included in the calculation ・Direct contributions / donations: The amount willing to pay for conservation was deemed equal to the amount of money calculated for damage caused and included in the calculation. ・Direct contribution / Mega-solar: Amount of electricity generated included in the calculation as generated energy converted to a CO_2 basis

Scope of Tabulation for Environmental Performance Data

Note: As far as the scope of environmental performance data aggregation is concerned, SEKISUI CHEMICAL's main business sites (including all production sites) on a consolidated basis are subject to environmental reporting.

Japan

Housing Company

R&D institute — **One business site**

SEKISUI CHEMICAL Co., Ltd. Tsukuba R&D Site

Production plants — **10 business sites**

Hokkaido Sekisui Heim Industry Co., Ltd. / Tohoku Sekisui Heim Industry Co., Ltd. / Sekisui Heim Industry Co., Ltd. / Chushikoku Sekisui Heim Industry Co., Ltd. / Kyusyu Sekisui Heim Industry Co., Ltd./ Sekisui Board Co., Ltd., etc.

Sales and construction companies — **758 business sites**

Sekisui Heim sales companies
Construction and service companies, etc.

Urban Infrastructure & Environmental Products Company

R&D institutes — **Two business sites**

SEKISUI CHEMICAL Co., Ltd. Kyoto Research & Development Laboratories
Sekisui SoflanWiz Co., Ltd. R&D Division

Production plants — **17 business sites**

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant and Gunma Plant / Higashinihon Sekisui Industry Co., Ltd. / Nishinihon Sekisui Industry Co., Ltd. / Chiba Sekisui Industry Co., Ltd. / Sekisui Chemical Hokkaido Co., Ltd. / Toto Sekisui Co., Ltd. / Shikoku Sekisui Industry Co., Ltd. / Nara Sekisui Co., Ltd. / Yamanashi Sekisui Co., Ltd. / Tokuyama Sekisui Industry Co., Ltd. / Sekisui SoflanWiz Co., Ltd., etc.

Sales — **116 business sites**

SEKISUI CHEMICAL Co., Ltd. Tohoku Sales Headquarters, Higashinihon Sales Headquarters, Chubu Sales Headquarters, Nishinihon Sales Headquarters, Kyushu Sales Headquarters, etc.

Medical Business

R&D institutes — **One business site**

Sekisui Medical Co., Ltd. Drug Development Solutions Center

Production plants — **Four business sites**

Sekisui Medical Co., Ltd. Iwate Plant, Tsukuba Plant, Ami Site, and Tokuyama Plant

Sales — **Nine business sites**

SEKISUI CHEMICAL Co., Ltd. Higashinihon sales office, etc.

High Performance Plastics Company

R&D institutes — **One business site**

SEKISUI CHEMICAL Co., Ltd. Minase Site

Production plants — **15 business sites**

SEKISUI CHEMICAL Co., Ltd. Musashi Plant, Shiga-Minakuchi Plant and Taga Plant / Sekisui Techno Molding Co., Ltd. / Sekisui Nano Coat Technology Co., Ltd. / Sekisui Fuller Company, Ltd. / Sekisui Polymatech Co., Ltd. / Sekisui Seikei, Ltd., etc.

Sales — **19 business sites**

Sekisui Material Solutions Co., Ltd., etc.

Headquarters

R&D institutes — **One business site**

SEKISUI CHEMICAL Co., Ltd. Advanced Technology R&D Center

Production plants — **Two business sites**

Sekisui LB Tec Co., Ltd. Chubu Plant, Research Laboratory of Plastics Technology Co., Ltd.

Sales, etc. — **19 business sites**

SEKISUI CHEMICAL Co., Ltd. Osaka Headquarters and Tokyo Headquarters, etc.

Overseas

Housing Company

Production plants

Sekisui-SCG Industry Co., Ltd.

One business site in total

Sales and construction companies

SCG-Sekisui Sales Co., Ltd.
Sekisui (Dalian) Housing Technology Co., Ltd.
PF-Sekisui JV Co., Ltd.

Three business sites in total

Urban Infrastructure & Environmental Products Company

Production plants

Sekisui Eslon B.V.
Sekisui Industrial Piping Co., Ltd.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.
Sekisui Specialty Chemicals (Thailand) Co., Ltd.
S and L Specialty Polymers Co., Ltd.

Six business sites in total

Sales

Sekisui SPR Americas, LLC., etc.

11 business sites in total

Medical Business

Production plants

Sekisui Diagnostics, LLC. San Diego
Sekisui Diagnostics (UK) Ltd.
Sekisui Diagnostics P.E.I. Inc.
Sekisui Medical Technology (China) Ltd.
Sekisui Medical Technology (Suzhou) Ltd.
Veredus Laboratories Pty. Ltd.

Six business sites in total

Sales

Sekisui Diagnostics, LLC., etc.

29 business sites in total

High Performance Plastics Company

Production plants

Sekisui S-Lec America, LLC.
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec B.V. Film Plant
Sekisui S-Lec B.V. Resin Plant
Sekisui S-Lec (Thailand) Co., Ltd.
Thai Sekisui Foam
Sekisui S-LEC (Suzhou) Co., Ltd.
Sekisui Specialty Chemicals America, LLC. Pasadena Plant
Sekisui Specialty Chemicals America, LLC. Calvert City Plant
Sekisui Specialty Chemicals Europe S.L.
Sekisui Voltek, LLC, Lawrence Plant
Sekisui-Alveo B.V.
Sekisui Alveo BS G.m.b.H.
Sekisui Pilon Pty. Ltd.
Youngbo Chemical Co., Ltd.
Sekisui Youngbo HPP (Wuxi) Co., Ltd.
Sekisui DLJM Molding Private Ltd. Greater Noida Plant
Sekisui DLJM Molding Private Ltd. Tapukara Plant
Sekisui DLJM Molding Private Ltd. Chennai Plant
Sekisui DLJM Molding Private Ltd. Chennai Factory 2
Sekisui DLJM Molding Private Ltd. Gujrat
Sekisui Polymatech (Thailand) Co., Ltd.
PT. Polymatech Indonesia
Sekisui Polymatech (Shanghai) Co., Ltd.
SEKISUI AEROSPACE CORPORATION, Renton
SEKISUI AEROSPACE CORPORATION, Sumner
SEKISUI AEROSPACE CORPORATION, ORANGE CITY
Sekisui KYDEX, LLC. Bloomsburg-North Campus
Sekisui KYDEX, LLC. Bloomsburg-South Campus
Sekisui KYDEX, LLC. Holland Plant

30 business sites in total

Sales

Sekisui Products, LLC., etc.

41 business sites in total

Headquarters

Sales

Sekisui Europe B.V., etc.

Seven business sites in total

Environmental Accounting

We are working to reduce the environmental impact of our business activities while identifying the effects of costs incurred and investments undertaken.

SEKISUI CHEMICAL Group Refers to Public Guidelines and Adds Its Own

SEKISUI CHEMICAL Group employs environmental accounting to promote efficient environmental initiatives as a part of its ESG management endeavors and to fulfill its corporate reporting responsibility. In adopting environmental accounting, our goals are to reduce the Group's environmental impact and to identify the costs incurred and investments undertaken to contribute to the environment. In the management strategy perspective, we position environment-related investments and expenses as capital costs. Environmental accounting helps to highlight the fact that managing capital costs and improving productivity will improve ROIC.

Performance Data

Summation period	April 1, 2023 to March 31, 2024
Scope of summation	Production sites, research facilities, housing sales company sites, and Corporate Headquarters departments in Japan.
Calculation Method	Based on the Ministry of the Environment's Environmental Accounting Guidelines 2005 Edition
Approach toward summation	・Depreciation and amortization are excluded from environmental conservation costs because they overlap with investment costs. ・Investment amounts are based on budget approvals during the summation period. ・Expenditures and investments that contain other than environmental conservation activities are distributed pro-rata in 10% increments. ・Disclosure categories have been revised, environmental conservation costs are subcategorized, and the economic effects of environmental conservation measures are limited to effects on an actual basis, excluding deemed effects from FY2020. ・The environmental conservation effects of physical quantity are shown in environmental performance data disclosed in each chapter.

Environmental Conservation Costs

(Millions of yen)

Items			FY2020		FY2021		FY2022		FY2023	
Category	Description of main activities		Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	(1) Pollution prevention costs	a. Air	369	62	319	98	355	16	312	17
		b. Water	130	77	85	68	110	198	93	197
		c. Soil	0	7	0	4	0	7	0	2
		d. Noise	12	1	1	0	2	0	2	0
		e. Vibration	0	0	0	0	0	0	0	0
		f. Odor	255	0	242	4	235	0	163	5
		g. Ground	106	3	105	0	102	0	76	2
		h. Others	304	8	307	29	315	5	211	5
		Subtotal	1,176	157	1,058	202	1,118	226	856	227
	(2) Countermeasures against global warming	a. Global warming (including energy saving)	686	588	114	833	132	510	171	690
		b. Ozone layer	100	18	6	33	6	4	4	39
		c. Others	0	4	0	55	0	14	1	0
		Subtotal	786	611	120	921	138	528	176	729
	(3) Resource recycling costs	a. Effective utilization of resources	63	17	6	31	10	12	6	46
		b. Water conservation, utilization of rainwater, etc.	4	4	7	28	8	6	8	105
		c. Waste volume lightening, reduction, recycling, etc.	176	93	177	76	180	362	140	141
		d. Waste processing, disposal, etc.	6,293	4	6,477	106	4,878	1	4,775	2
		e. Others	18	1	1	6	19	14	1	45
		Subtotal	6,553	119	6,668	246	5,095	394	4,930	339
2) Upstream/downstream costs	Cost increases due to recycling of products such as those manufactured and sold, greener purchasing, etc.		113	0	109	28	161	0	145	0
3) Administrative costs	Environmental education, EMS certification, running costs for green action organization, information disclosure, etc.		2,385	12	2,206	1	1,624	2	1,929	2
4) Research & development costs	Research and development on environmental conservation		3,740	313	15,009	813	16,128	760	6,528	8
5) Social activities costs	Social contributions, etc.		112	98	78	0	128	0	201	0
6) Environmental damage costs	Nature restoration, etc.		30	2	57	5	63	8	44	0
Total			14,896	1,311	25,306	2,216	24,455	1,918	14,809	1,306

Substantive Economic Effects of Environmental Conservation Measures

(Millions of yen)

Description of effects		FY2020	FY2021	FY2022	FY2023	Remarks
Revenue	(1) Profit on sales of valuable waste resources	176	139	116	126	Profit on sales of valuable waste resources from promotion of waste segregation and recycling
	(2) Revenues from sale of electricity	402	334	348	337	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Cost savings through energy-saving activities	1,311	256	420	803	Including savings through utilization of co-generation
	(4) Cost savings through waste-reduction activities, etc.	502	463	522	284	Reductions through optimization, reuse, and zero emissions activities
Total		2,392	1,191	1,407	1,550	

Material Balance

Performance Data ☑

SEKISUI CHEMICAL Group releases information on the resources and energy used in its business activities (input) and on the substances that have an environmental impact generated by those activities (output).

Material balance (Japan and overseas total)
FY2023 Results

Main Raw Materials (Total amount used)
- Metals* ····· 110 thousand tons
- Timber, wooden building materials* ····· 42 thousand tons
- Cement for exterior walls* ····· 74 thousand tons
- Concrete for foundations* ····· 367 thousand tons
- PVC ····· 140 thousand tons
- Polyethylene ····· 63 thousand tons
- Polypropylene ····· 22 thousand tons
- Kraft paper ····· 34 thousand tons
- PRTR-designated substances* ····· 107 thousand tons
- Other resins/chemicals ····· 400 thousand tons
- Other inorganic/composite materials ····· 24 thousand tons

Energy ····· **9,661TJ**
- Purchased electricity ····· 665,291MWh
- Heavy oil A ····· 1,504kL
- City gas ····· 64,760 thousand m³

Industrial water ····· **20,847 thousand tons**

INPUT → **SEKISUI CHEMICAL Group** → OUTPUT

Into the Atmosphere
- CO_2 from energy consumption ····· 543 thousand tons-CO_2
- NOx* ····· 87 tons
- SOx* ····· 2 tons
- Soot and Dust* ····· 15 tons
- PRTR-designated substances* ····· 158 tons

Into Water
- Water discharged ····· 18,571 thousand tons
- COD* ····· 71 tons
- PRTR-designated substances* ····· 0.2 tons

Waste
- Total generated waste ····· 65 thousand tons

Production** ····· 1,197 thousand tons

*Only business sites in Japan listed in the environmental performance data aggregation range are included in calculation.
**Not covered by third-party assurance.

Setting Self-management Targets

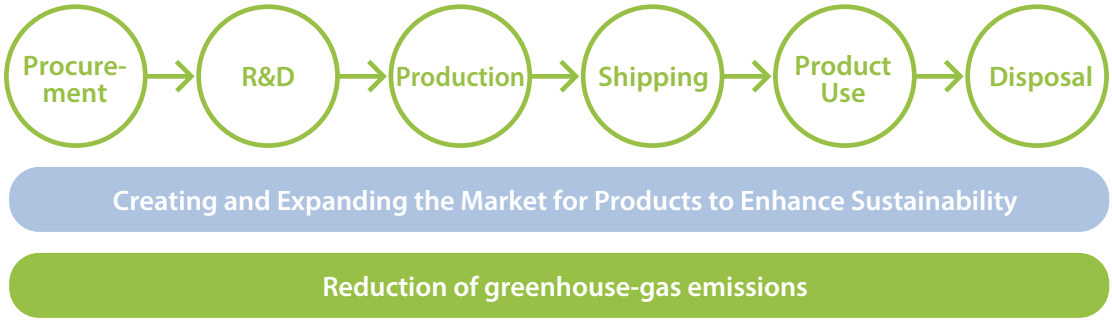
SEKISUI CHEMICAL Group has set its own environmental management targets. This includes reducing emissions into the atmosphere and water, which are stricter than legal regulations. Each business site closely follows these internal targets. We aim to prevent environmental accidents before they occur by conducting internal environmental audits to uncover latent environmental risks.
In addition, we are developing comprehensive activities by sharing information on new legal and regulatory trends as well as incidents at other companies within the Group.
In fiscal 2023, there were no major violations of environmental laws and regulations related to such issues as the treatment of waste, water discharge, air emissions, and soil pollution. There were also no reports on incidences of administrative guidance.

Climate Change

Strategy (Stance, Approach, Risks and Opportunities)

Reducing Emissions throughout the Supply Chain

In line with the targets agreed at the 21st Conference of the United Nations Framework Convention on Climate Change (COP21), SEKISUI CHEMICAL Group has formulated a medium-term greenhouse gas (GHG) emission reduction plan.
In order to achieve the ambitious targets of the Paris Agreement, which are based on Science Based Targets (SBTs), we identify and disclose the risks and opportunities that climate-change have on business continuity based on scientific evidence. This is reflected in business planning and targets for reducing GHG emissions. We are working to reduce GHG emissions at every stage, from the procurement of raw materials through development to manufacturing, transportation, and use. We ascertain and disclose details of GHG emissions not only at our own business sites, but also throughout the entire supply chain, including suppliers of raw materials and the use of products sold.



Note: Please refer to Policy Toward Mitigating and Addressing Climate Change on P.350.

Risks and Opportunities Posed by Climate Change to Our Businesses

SEKISUI CHEMICAL Group assesses the impact that climate change issues have on companies as well as the scale of impact that companies have on climate change, determines the importance of risks, and sets priorities to be addressed.
As far as the risks and opportunities associated with climate change issues are concerned, we assess the scale of economic impact on companies with respect to transition and physical risks. For risks and opportunities related to specific climate change issues, the scale, scope of impact, and other items are identified through scenario analyses based on the TCFD Guide.
We examine measures to mitigate the risks uncovered and consider the creation of new businesses by developing products and services for identified opportunities. Important risks along with possible countermeasures and strategies are reported to the Board of Directors through the Sustainability Committee. Important strategies are determined by the Board of Directors.We examine measures to mitigate the risks uncovered and consider the creation of new businesses by developing products and services for identified opportunities. Important risks along with possible countermeasures and strategies are reported to the Board of Directors through the Sustainability Committee. Important strategies are determined by the Board of Directors.
We believe that this kind of management will allow us to sustain our business into the future and remain a company that society demands to survive.
When considering the risks and opportunities of climate change associated with our business, we assess the impact of climate change mitigation and adaptation on transition and physical risks.
Examples include the following:

1. Housing Business
   For example, the mandate for low-carbon products is one of the policy regulation risks that constitute a transition risk. By taking the lead in promoting such low-carbon products as ZEH housing, we are differentiating ourselves from the market, However, if the entire market works to address the low-carbon environment attributable to mandatory standards at an accelerated pace, we may not be able to differentiate our products over the long term. The risk then arises that our market share will decline. Notwithstanding the aforementioned, we believe that even if our market share declines, the market itself will expand, leading to opportunities for sales growth. Similarly, in the Housing Business, and from an acute physical risk perspective, the need for products that address infrastructure resilience and water risks will increase. Therefore, we believe that opportunities will emerge as demands on the resilient Town and Community Development Business increase.

2. Example in the Plastic Molding and Processing Business
   In the Innovative Mobility, Advanced Lifeline, and other Plastic Molding and Processing Business fields, we believe that transition risks of a market nature will have a significant impact. Changes in consumption behavior may induce opportunity losses due to the inability to recycle resources and use decarbonized incentives. On the other hand, we believe that visualizing resource recycling and decarbonization value will provide us with the opportunity to acquire incentives and expand sales.

Addressing Climate Change

SEKISUI CHEMICAL Group believes that it is important to earnestly confront all climate change risks and make every effort to keep the temperature rise to less than 1.5˚C.
Based on SEKISUI Environment Sustainability Vision 2050 formulated in 2019, we will contribute to the resolution of environmental issues by reducing the environmental impact of our business activities.
Our goal is to eliminate GHG emissions from our own business activities by 2050. In addition to promoting the installation of solar power generation facilities for on-site consumption, we are increasing the Group's renewable energy utilization ratio for the electricity purchased from outside sources. In this regard, we are targeting the goal of 100% by 2030.
With an explicit roadmap in place, SEKISUI CHEMICAL Group had continued to promote GHG emission reduction activities with the goal of limiting the increase in global mean temperatures to no more than 2˚C by 2030 until fiscal 2021. (We became the first chemical company in the world to obtain SBT certification in 2018). Having achieved reductions that exceeded our initial milestone, we set the new targets of 1.5˚C from fiscal 2022 and a reduction of 50% in 2030 compared with 2019. In order to achieve these targets, we revised our GHG emissions roadmap for which we again obtained SBT certification. As a part of efforts to steadily reduce GHG emissions and achieve the 1.5˚C target, we will take steps to consider and pursue fuel conversion and manufacturing innovation that will help secure reductions in GHGs from extremely difficult fuel sources (Scope 1) while further promoting the conversion of electric power to renewable energy.

Risk Management

As far as risk management is concerned, we have established an ERM system that in addition to identifying Group-wide major risks, shares and manages these risks within the Group. Among environmental issues, risks related to climate change issues are also assessed in an integrated manner, together with other risks that are expected to have a significant impact on management. Risks that effect the Group as a whole and each organization, including such environmental issues as climate change, resource recycling, water resources, and biodiversity, are shared and deliberated at Board of Directors, Sustainability Committee, in-house management, and subcommittee meetings.

Governance

Promotion System for Climate Change Issues

As far as external environmental issues that may pose certain management risks in connection with, for example, efforts to mitigate and address climate change are concerned, steps are taken to ascertain the magnitude of each risk and to consider as well as implement appropriate countermeasures under the supervision of the Board of Directors. In similar fashion to other environmental issues, our supervisory and executive systems for reducing the Group's impact on climate change issues and expanding its contribution to the resolution of issues are based on our Environmental Management Promotion System. (For details see P.51). The Board of Directors has made the following final decisions on climate change issues.

- Policies and strategies to mitigate the impact of environmental issues, including climate change, and to expand contributions to solving them.
- The organization's plan to achieve a sustainable society, including the transition to a low-carbon economy (transition plan).
- Assessment of the impact of environmental issues, including climate change on management, and policies for addressing those issues.

Turning to major matters discussed and determined by the Board of Directors, the Sustainability Committee deliberates on policies and strategies in advance, based on conditions surrounding the Group as a whole regarding such environmental issues as climate change that have been discussed and summarized by the Environmental Subcommittee. In addition, based on the policies, strategies, and transition plans finalized by the Board of Directors, the Environmental Subcommittee discusses specific measures and goal setting while managing progress.

Indicators and Targets

Targets

GHG

Aim: Decarbonization/zero GHG emissions

Indicator 1. GHG emission reduction rate

Current Medium-term Management Plan Target (final year: FY2025) -33% (compared with FY2019)

FY2023 Results -32.8% (compared with FY2019)
2030 Target -50% (compared with FY2019)
2050 Target -100%

Indicator 2. Renewable energy ratio of purchased electricity (including solar power generation for in-house use)

Current Medium-term Management Plan Target (final year: FY2025) 70%

FY2023 Results 49.5%
2030 Target 100%
2050 Target 100% Total power consumption including co-generation

Reduce energy usage volume

Aim: Improve energy efficiency and reduce energy expenses during production

Indicator: Reduction rate of energy consumption per unit of production

Current Medium-term Management Plan Target (final year: FY2025) -3% (compared with FY2022)

FY2023 Results +3.5% (compared with FY2022)
2030 Target —
2050 Target —

Major Initiatives

Addressing the Rising Costs Associated with Climate Change Strategies

SEKISUI CHEMICAL Group is working to significantly improve energy efficiency in its production processes in order to reduce the Group's environmental impact. By transforming and improving production processes and continuously upgrading equipment, we are taking steps to visualize energy use and to reduce consumption.
Since fiscal 2020, we have been promoting the conversion of purchased power to renewable energy on a global basis. We are working to reduce electricity costs from a long-term perspective by introducing solar power generation facilities at our production sites through capital investment and consuming the power generated in-house.
Since fiscal 2023, we have also worked to innovate our production processes and consider ways to reduce fuel-derived greenhouse gases.

Product Development and Strategies Aimed at Solving Environmental Issues and Meeting the Changing Needs of the Market

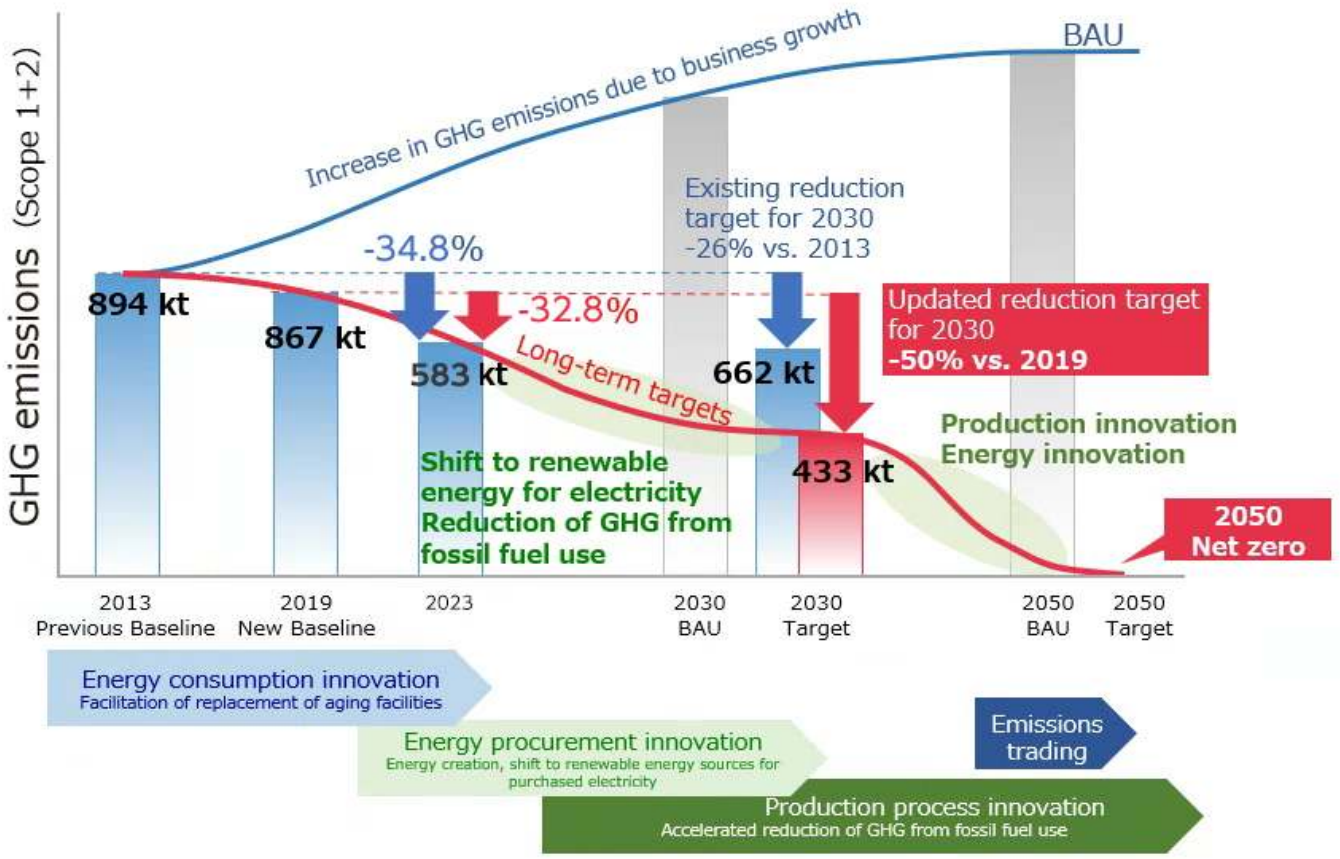
SEKISUI CHEMICAL Group develops products that contribute to the resolution of issues related to the natural and social environments, and continues to disclose and disseminate details of specific results. Through these efforts, we are managing risks that arise from changes in market needs against the backdrop of such global issues as climate change. At the same time, we believe that this will be enable us to seize opportunities attributable to increased demand.
In particular, by quantifying as much as possible the size (degree of contribution) of each product's contribution to the resolution of issues, we believe that we can magnify the impact we create, which in turn will lead to opportunities to create markets that help solve global issues and further heighten the awareness of consumers.
In fiscal 2020, we established the MINASE INNOVATION CENTER (MIC) as an organization to promote open innovation with stakeholders. The goals here are to strengthen partnerships with stakeholders and to engage in activities to increase our contribution to solving issues through co-innovation (fusion) while accelerating solutions through early dissemination.
Through MIC, we are actively engaging in technology exchanges with startup companies that possess low-carbon technologies as well as materials and other technologies that contribute to resource conversion, and are initiating steps to accelerate the resolution of social issues.

Addressing the Deterioration in Operating and Working Conditions

If climate change worsens and the minimum and maximum temperatures become increasingly severe, people engaged in manufacturing and construction may not be able to work. SEKISUI CHEMICAL Group believes that it is also possible to minimize the impact of climate change by proposing construction and engineering plans that take into consideration the seasonality of each region.
Each divisional company and Group subsidiary has formulated a BCP tailored to its own circumstances as a means of mitigating the risk of a loss in operations and employment opportunities caused by natural disasters or other events.

Certification under the SBT* Initiative

SEKISUI CHEMICAL Group was the first company in the chemical sector to acquire SBT certification in 2018. The Group set a target of reducing GHG emissions by 26% by 2030 compared with the levels recorded in fiscal 2013. In order to achieve this goal, we have promoted energy consumption innovation, including the replacement of aging facilities, and such energy procurement innovation initiatives as the conversion of purchased electricity to renewable energy and the installation of solar power generation facilities for on-site consumption.
As a result, the ratio of renewable energy ratio to the Group's total purchased electricity reached 49.5% in fiscal 2023. The rate of GHG emission reduction was 32.8% compared with fiscal 2019.
As climate change countermeasures become an even more urgent social issue, we have decided to increase our 2030 GHG emission reduction rate target by pursuing the technically difficult task of reducing fuel-derived GHG emissions ahead of schedule. This includes the use of electric power at facilities that consume fuel, switching to low-carbon fuels, and innovating production processes.
With the aforementioned in mind, we updated our SBT certification to the 1.5˚C target in March 2023.



	Previous Targets	Updated Targets	Means of Achieving Updated Targets
Scope1+2	Base year: 2013 Target year: 2030 Reduction rate: 26% (2.0°C target)	Base year: 2019 Target year: 2030 (unchanged) Reduction rate: 50% (1.5°C target)	Adopt renewable energy for conventional purchased electricity, and also pursue in advance the shift to low-carbon fuels, electrification, and production innovation to reduce fuel-derived GHGs
Scope3	Base year: 2016 Target year: 2030 Reduction rate: 27%	Base year: 2019 Target year: 2030 (unchanged) Reduction rate: 30%	Add resource recycling measures (conversion to non-fossil raw materials, increased use of recycled materials, and recycling of waste) to promote reductions in categories 1, 5, and 12

<Progress in FY2023>

Scope 1+2: Reduced greenhouse gas emissions by 32.8% compared with FY2019
Scope 3: Reduced greenhouse gas emissions by 8.8% compared with FY2019

In the future, we will continue to recognize our responsibility as a driving force within the industry and strive to lead and implore society as a whole to deal with climate change.

* SBT: Science Based Targets. The adoption of the Paris Agreement led to the proposal of such joint initiatives as the United Nations Global Compact. SBT initiatives certify that the GHG reduction targets set by companies are science based targets (SBT) that contribute to long-term measures aimed at combating climate change.

Promoting the Shift to Renewable Energy for Electric Power

We recognize that climate change is not only a major social issue, but also a major risk factor for the Group. In August 2020, we joined RE100, an international initiative which aims to procure the energy consumed in business activities entirely from renewable energy sources, in order to accelerate efforts that contribute to solving this issue throughout society. In the future, we will promote activities in cooperation with member companies and organizations.
We will promote thoroughgoing energy conservation measures and the shift to renewable energy in a bid to achieve zero GHG emissions from our business activities by 2050 as well as the GHG emissions target certified by the SBT Initiative by 2030.
Moreover, we will shift to renewable energy for all of the electric power we purchase from outside sources by 2030, and ensure that all electric power is derived from renewable energy sources, including co-generation systems, by 2050.

Environmental Management Across the Supply Chain

When we begin or continue to undertake business with our suppliers, we ask them to establish environmental management systems that comply with ISO 14001 and t to reduce their environmental impact. In particular, with regard to the issue of climate change, we are taking steps to ascertain the progress made in setting and tackling reduction targets.
Furthermore, we monitor the volume of raw materials used by the Group as well as the impact on the environment.
With regard to wood, which is considered to have a significant impact on biodiversity issues, we have formulated procurement guidelines* specific to wood in an effort to procure all of our needs from sustainable forests. Looking ahead, we will identify risks and conduct due diligence to reduce risks through supplier surveys.

* For details, please refer to the Timber Procurement Policy on P.364

Addressing Climate Change Challenges

Compatibility with Scope 3*

The volume of GHG emissions that falls under the Scope 3 category is substantial at the raw material procurement and product use stages. Based on this, we are stepping up efforts to reach out to raw material suppliers. We recognize that the reason for the large volume of emissions at the raw material procurement stage is the nature of our business as a chemical manufacturer.
In order to reduce GHG emissions when procuring raw materials, we reviewed our selection criteria for new materials. From a raw material perspective, we are requesting the presentation of GHG emissions data during raw material manufacture from more than 10 manufacturing companies, while promoting efforts to reduce greenhouse gases under Scope 3 in the future for the four major resins that are purchased in large volumes and have high levels of GHG emissions In this manner, we are working to reduce Scope 3 GHG emissions in the future.
While the Group obtains only a portion of the total data from suppliers, by using this data we are able to grasp the volume of GHG emissions over the entire lifecycle.
Drawing on the IDEA database, we are studying measures to reduce GHG emissions and promoting reduction activities across the supply chain.
In addition, we have confirmed with suppliers the possibility of providing lower-carbon biomass-derived raw materials and recycled materials, and have begun to consider alternatives.
In specific terms, we will switch to non-fossil sources for resin materials, which account for 50% of purchased products and services (Category 1), and expand the use of recycled materials. This will help reduce GHG emissions from the disposal of products sold (Category 12).
Moreover, we will promote the recycling of waste plastics and work to reduce the amount of waste (Category 5) generated by our operations.
Meanwhile, GHG emissions at the product-use stage are largely attributable to the substantial volumes of greenhouse gases emitted as a result of the energy consumed by the houses we sell.
Regarding the use of products sold (Category 11), higher sales of ZEH homes with Sekisui Heim's energy-saving performance and large-capacity photovoltaic/large-capacity storage batteries have contributed significantly to reducing GHG emissions. We will continue to expand sales of ZEH homes, which will lead to further reductions.

* Scope 3: Other indirect emissions for the portion other than direct emissions at the Company (Scope 1) and indirect emissions to the Company (Scope 2).

Promoting the Use of Renewable Energy

SEKISUI CHEMICAL Group has been promoting the use of renewable energy by installing solar power generation systems at its production sites in Japan and overseas.
Since fiscal 2020, we have also actively promoted the switch to renewable energy sources for electricity purchased. As of the end of March, 2023, 41 business sites in Japan and overseas have switched to renewable energy sources for all of their electricity purchased. Electricity consumption derived from renewable energy sources in fiscal 2023 was 355GWh, which is equivalent to 49.5% of all electricity purchased (including solar power generation for in-house use) and 44.2% of total electricity consumption, including electricity generated in-house by co-generation systems.

In fiscal 2023, the following 5 business sites newly installed solar power generation systems for in-house use, bringing the total number of business sites to 20.
・SEKISUI POLYMATECH (THAILAND)
・Sekisui Heim Industry Co., Ltd. Tokyo Site
・SEKISUI YOUNGBO HPP (WUXI) CO., LTD.
・Sekisui LB Tec Co., Ltd.
・Sekisui Soflan Wiz CO., LTD. Astugi Plant

Solar Power Generation Facilities Producing Electricity for On-site Use			
Japan	Tohoku Sekisui Heim Industry Co., Ltd.	USA	SEKISUI S-LEC AMERICA, LLC.
	Chushikoku Sekisui Heim Industry Co., Ltd.	Netherlands	SEKISUI S-LEC B.V. Film Plant
	Kyushu Sekisui Heim Industry Co., Ltd.	Thailand	SEKISUI S-LEC (THAILAND) CO., LTD.
	Sekisui Heim Industry Co., Ltd. Kanto Site		SEKISUI-SCG INDUSTRY CO., LTD.
	Yamanashi Sekisui Co., Ltd.	China	Sekisui Medical Technology (China) Ltd.
	SEKISUI SEIKEI, LTD. Kanto Plant		Sekisui (Wuxi) Plastics Technology Co., Ltd.
	Sekisui Medical Co., Ltd. Tsukuba Plant		
	SEKISUI CHEMICAL Co., Ltd. Taga Plant		
	SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant		

Facilities for which 100% of electricity is derived from renewable energy sources			
Japan	SEKISUI CHEMICAL Co., Ltd. Gunma Plant	Netherlands	SEKISUI S-LEC B.V. Film Plant
	SEKISUI CHEMICAL Co., Ltd. Taga Plant		SEKISUI S-LEC B.V. Resin Plant
	SEKISUI CHEMICAL Co., Ltd. Research and Development Institute		SEKISUI ALVEO B.V.
			SEKISUI POLYMATECH EUROPE B.V.
	SEKISUI CHEMICAL Co., Ltd. Tsukuba Site		SEKISUI ESLON B.V.
	SEKISUI CHEMICAL Co., Ltd. Tokyo Headquarters	Germany	SEKISUI ALVEO BS GmbH
	SEKISUI CHEMICAL Co., Ltd. Osaka Headquarters	Spain	SEKISUI SPECIALTY CHEMICALS EUROPE S.L.
	Hokkaido Sekisui Heim Industry Co., Ltd.	UK	SEKISUI DIAGNOSTICS (UK) LIMITED
	Tohoku Sekisui Heim Industry Co., Ltd.	USA	SEKISUI S-LEC AMERICA, LLC.
	Sekisui Heim Industry Co., Ltd. Kanto Site	China	SEKISUI S-LEC (SUZHOU) CO., LTD.
	Sekisui Heim Industry Co., Ltd. Tokyo Site		SEKISUI (WUXI) PLASTICS TECHNOLOGY CO., LTD.
	Sekisui Heim Industry Co., Ltd. Chubu Site		
	Sekisui Heim Industry Co., Ltd. Kinki Site		SEKISUI YOUNGBO HPP (WUXI) CO., LTD.
	Chushikoku Sekisui Heim Industry Co., Ltd.		SEKISUI POLYMATECH CO., LTD. Shanghai Plant
	Kyushu Sekisui Heim Industry Co., Ltd.		
	Sekisui Board Co., Ltd. Minakuchi Plant	Thailand	SEKISUI S-LEC (THAILAND) CO., LTD.
	Sekisui Board Co., Ltd. Gunma Plant		SEKISUI POLYMATECH (THAILAND) CO., LTD.
	Yamanashi Sekisui Co., Ltd.		
	Sekisui Medical Co., Ltd. Tsukuba Plant		SEKISUI SPECIALTY CHEMICALS (THAILAND) CO., LTD.
	Sekisui Medical Co., Ltd. Ami Site		
	Sekisui Medical Co., Ltd. Drug Development Solutions Center		THAI SEKISUI FOAM CO., LTD.
			S AND L SPECIALTY POLYMERS CO., LTD.
	Sekisui Soflan Wiz CO., LTD. Iwaki Plant	Singapore	VEREDUS LABORATORIES PTE. LTD.
	Chiba Sekisui Industry Co., Ltd.		

Environmental Activities at Offices in line with the Group's Environmental Management System (EMS)

SEKISUI CHEMICAL Group is promoting environmental activities in its offices that are in line with the Group's Environmental Management System (EMS). We are implementing a variety of environmental activities at our offices nationwide, including such energy-saving activities as turning off lights during lunch breaks and reducing paper consumption.

Head Office Building Renewal and New Energy Creation Products

SEKISUI CHEMICAL Group has continued to work with Kanden Realty & Development Co., Ltd. to renovate its Osaka Head Office (Dojima Kanden Building), which is 50 years old, since 2023. This building was the first office building over 30 years' old to receive the highest S-rank "CASBEE Smart Wellness Office Certification".*

* The "CASBEE Smart Wellness Office Certification" System is a system that evaluates the health, comfort, and intellectual productivity of building users as well as the performance of buildings in terms of their energy-saving environment, safety, and security from multiple perspectives.

In renovating the building, steps were taken to utilize Low-E double glazing, which improves indoor comfort while reducing air conditioning power consumption, thanks to its high thermal insulation and solar radiation shielding properties. We recognize that the renewal and continued use of aging buildings is not a conventional scrap and build approach, but a concept of building use that is critical to a resource-recycling society. Improving the durability of buildings and using them for a long time can save resources and reduce waste, reduce the amount of energy needed to manufacture building materials, and in turn, reduce GHG emissions throughout the lifecycle of buildings. In addition, more than 20 of the Group's products that contribute to the safety, durability, and environmental performance of buildings and infrastructure were used in the renewal. In October 2023, film-type perovskite solar cells, which are currently under development, were installed on the exterior walls of the building. This is the first such case of exterior wall installation in Japan.

Conceptual diagram of the Group's Osaka headquarters after completion of renewal work.

Contributing to Carbon Reduction and Decarbonization through Our Businesses

SEKISUI CHEMICAL Group will accelerate efforts to help realize a decarbonized society in 2050 through its business activities. To this end, we are promoting the creation of Products to Enhance Sustainability and the expansion of related markets through an internal system.
As far as the need to address climate change is concerned, we are focusing on products not only from a mitigation, but also an adaptation perspective in a bid to expand markets.
Specific examples are listed as follows.

[Examples of Products That Contribute to Climate Change Mitigation]

<Housing> Products and services that use renewable electricity and support energy-efficient lifestyles
Example) ZEH housing (net-zero energy house)

<Innovative Mobility> Lightweight and highly functional products that reduce energy consumption during transportation and shipping
Example) Interlayer films for automotive laminated glass (S-LEC®) that boasts thermal and acoustic insulation functions
Sheet materials used in airplanes, trains, etc. (SEKISUI KYDEX product)

<Electronics> Materials essential for energy-efficient products, products that contribute to improving the durability and performance of related components, which are becoming increasingly important with the development of 5G connectivity, etc.
Example) Heat release materials that help mitigate issues caused by overheating circuit boards (Sekisui Polymatech Co., Ltd. product)
Materials used in energy-efficient equipment (Micropearl). functional tape

<Infrastructure> Products that reduce GHG emissions throughout their life cycles by swapping out conventional raw materials, production, and molding methods that extend their useful lives, etc.
Example) Plastic piping in factories through which chemicals and other materials flow. Compared to mainstream metal piping, plastic piping reduces GHG emissions over its life cycle.

[Examples of Products That Contribute to Climate Change Adaptation]

<Building and Civil Engineering> Products that contribute to the management of disasters that are increasing and becoming more severe due to the progress of climate change
Example) Products that enable temporary storage of rainwater in the event of torrential rain

[Initiatives in Collaboration with Other Companies] Carbon recycling technology project in partnership with ArcelorMittal S.A.
In order to reduce our reliance on fossil fuels and contribute to decarbonization during steelmaking, SEKISUI CHEMICAL and ArcelorMittal entered into a partnership on projects to recover and reuse CO_2 emitted during the steelmaking process. Through this project, we will work to develop technologies for separating, recovering, and reusing CO_2 from the gases emitted during the steelmaking process in the steel industry. Key to this work is SEKISUI CHEMICAL's innovative technology that converts CO_2 into carbon monoxide at higher yield.

[Progress against Commitments] Increasing the market penetration rate of ZEH housing
We are committed to increasing the percentage of homes sold that use ZEH in order to reduce the use of fossil-based energy by our customers in the Sekisui Heim homes. In fiscal 2023, the ratio of new detached net-zero energy houses (ZEH) (actual results calculated based on ZEH builder's reporting methods) was 96%, of which 89% was for ZEH, which has the highest rate of energy savings among the three categories defined in the national ZEH.
The cumulative number of houses equipped with storage batteries (energy self-sufficient houses), which we are proposing along with houses with ZEH specifications, is also increasing, and the storage cell installation rate for new detached homes has grown to 87%*.

* Based on Company data, the percentage of storage batteries (including VtoH) used on a contract basis from April 2023 to March 2024. Figures are rounded to the nearest whole number.

Activities in Related Initiatives

Toward Climate Change Mitigation

SEKISUI CHEMICAL Group is collaborating with other companies and organizations in an effort to achieve its long-term goals and ultimately to contribute to the resolution of climate change issues. Through collaboration, we hope to expand our contribution and achieve milestones ahead of schedule.
The Group aims to achieve the goals set out in the Paris Agreement, namely the 1.5˚C target, and to ensure carbon neutrality. We participate in and register with various initiatives, forums, and other organizations after confirming that their founding intentions, direction of initiatives, goals, etc. are consistent with the will and direction of the Group. To continue this participation, we check each year to see if there are any discrepancies in the direction we are taking, and to then make the necessary decisions. If we determine that the direction differs, we will take steps to withdraw.

The Japan Climate Change Initiative (JCI)

Significance/Objectives…… Joining the front line from Japan in the global push toward decarbonization in order to mitigate climate change.

Activities…… In order to drive social change and steer toward decarbonization, steps are being taken under the JCI to promote the dissemination of information and exchange of views from companies, local governments, and NGO that are actively engaged in climate-change measures, and to advance the declaration of goals and activities aimed at achieving objectives.

Our role …… We share the latest information on our efforts and use that information to consider measures.

RE100

Significance/Objectives…… Aim for companies to obtain 100% of the electricity used by their own operations from renewable energy sources.

Activities…… Motivated companies that have made the declaration work together to promote communication and activities that have an impact on society.

Our role …… By declaring our commitment to shift to renewable energy, we are contributing to the widespread use of renewable energy in society.

JAPAN CLIMATE LEADERS' PARTNERSHIP (JCLP)

Significance/Objectives…… Aim to realize a rapid transition to a decarbonized society and achieve the 1.5°C target to avert a climate crisis.

Activities…… Leading Japan in five pillars to achieve policy changes
Pursuing policy engagement, promoting decarbonization within companies, providing solutions to decarbonize society, communicating with society, and cooperating with global networks

Our role …… Decarbonize the Company and society by making a decarbonization declaration, transitioning to a decarbonized business model, and pursuing corporate collaboration to promote internal decarbonization mainly within supply chains.

GX League

Significance/Objectives…… Aim to accelerate corporate collaboration in an effort to address the challenges associated with the transition to carbon neutrality in Japan.

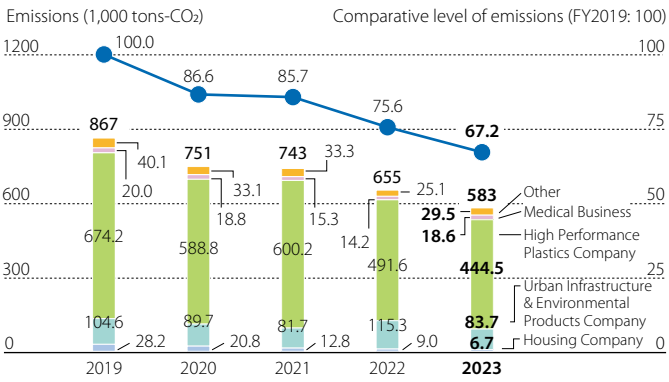
Activities…… Participating companies that have endorsed the objectives of the GX League are working together and are preparing to promote initiatives to solve various issues.

Our role …… We will consider participating in and promoting initiatives to resolve various issues in the future.

Performance Data

Note: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data of both companies for FY2022 is collated as if the change in control had been initiated from the beginning of FY2022.

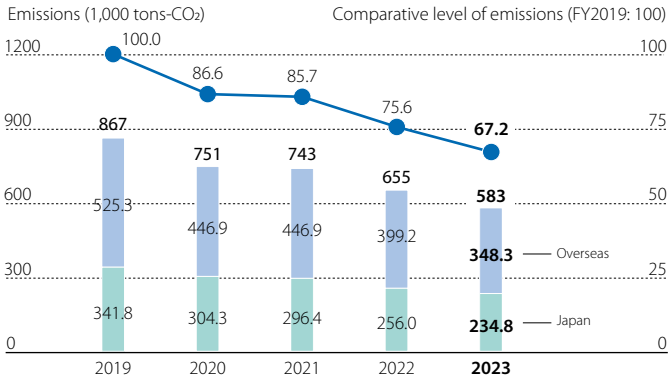
Scope1+2 (By Divisional Company)



Note 1: Some past figures have been revised due to improvements in precision.

Note 2: Data after deducting 64 thousand tons of CO_2 equivalent to non-fossil certificates.

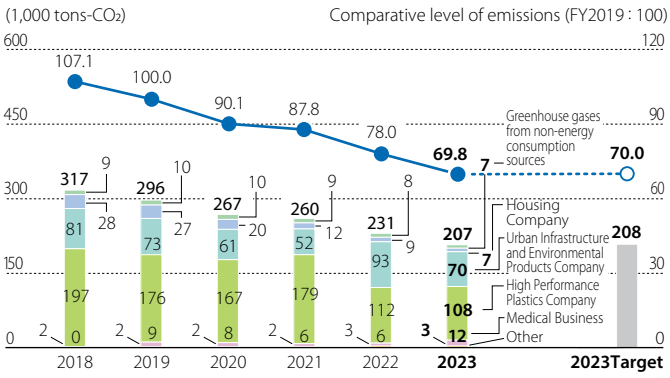
Scope1+2 (By Japan and overseas)



Note 1: Some past figures have been revised due to improvements in precision.

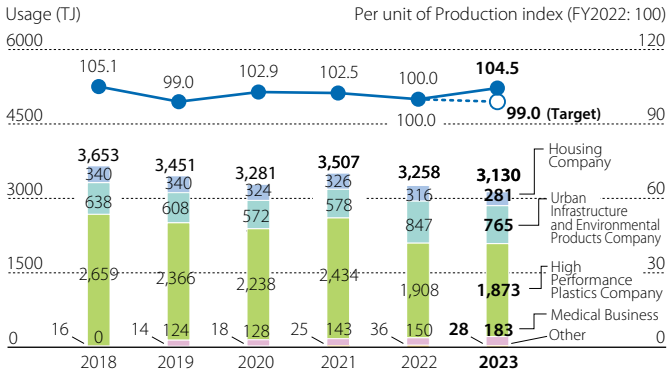
Note 2: Data after deducting 64 thousand tons of CO_2 equivalent to non-fossil certificates.

Greenhouse Gas (GHG) Emissions during Manufacturing / Japan



Note: Some past figures have been revised due to improvements in precision.

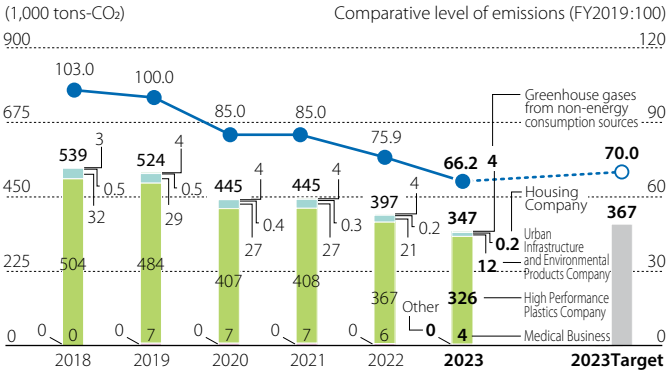
Energy Use and per Unit of Production* (Index) during Manufacturing / Japan



* Energy consumption per unit of production weight

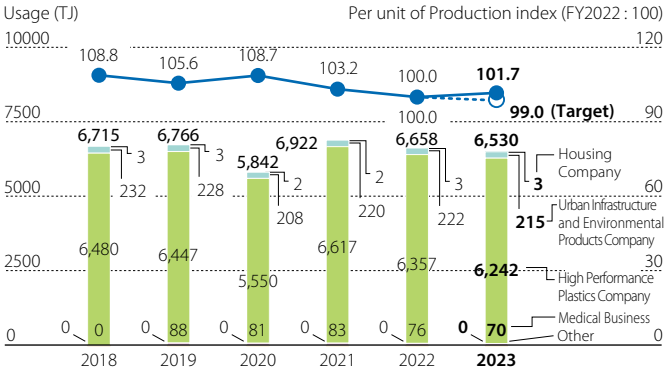
Note: Some past figures have been revised due to improvements in precision.

Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas



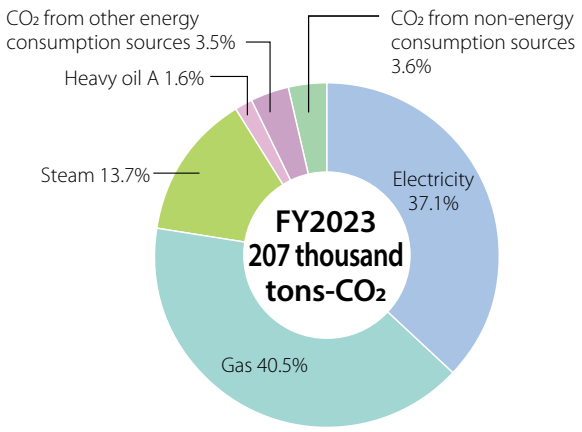
Note: Data after deducting the equivalent non-fossil certificate of 64 thousand tons of CO_2.

Energy Use and per Unit of Production* (Index) during Manufacturing / Overseas

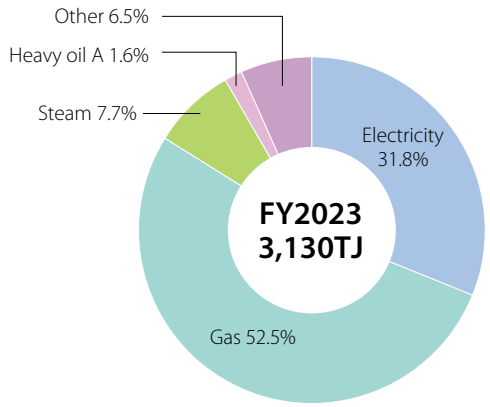


* Energy consumption per unit of production weight

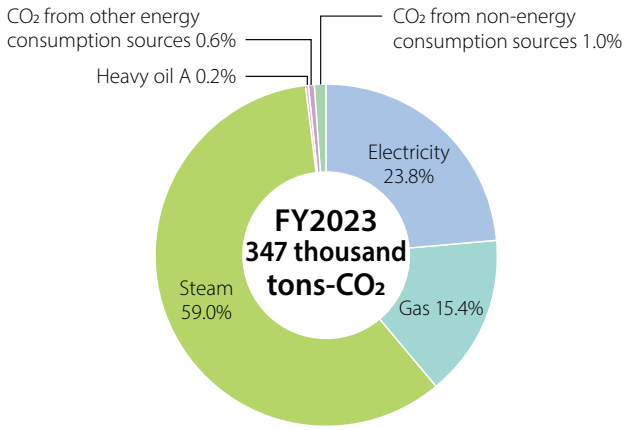
Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Japan



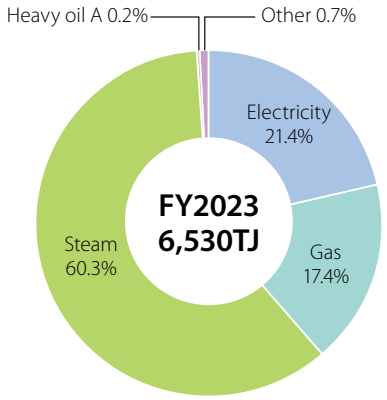
Breakdown of Energy Use during Manufacturing / Japan



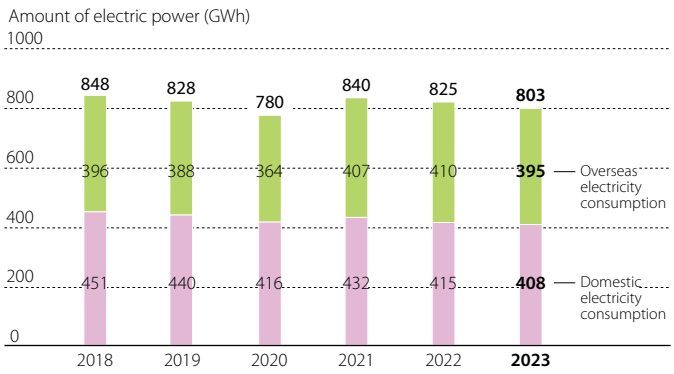
Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas



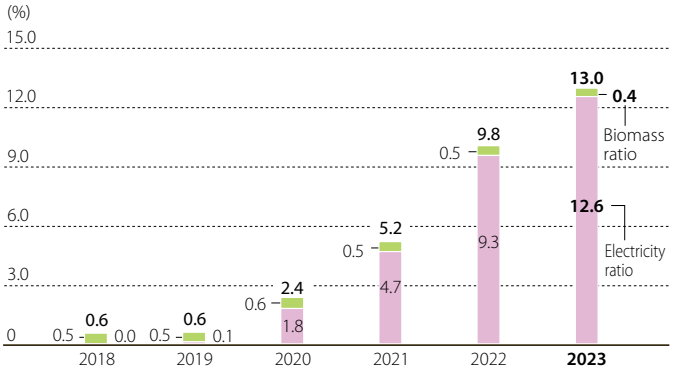
Breakdown of Energy Use during Manufacturing / Overseas



Electricity Consumption in Japan and Overseas

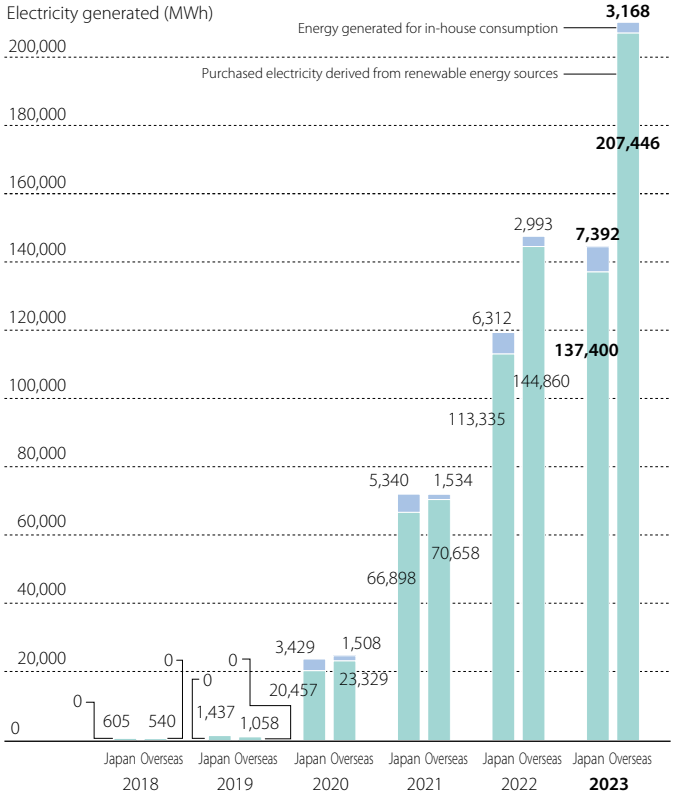


Ratio of Renewable Energy to Total Energy Consumption / Electricity, Biomass Boilers

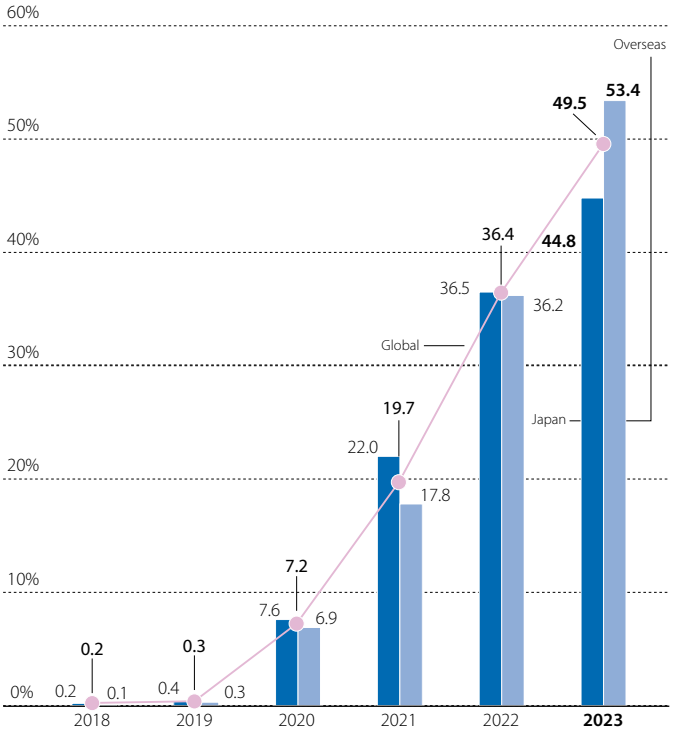


Note: Some past figures have been revised due to improvements in precision.

Energy generated for in-house consumption, amount of purchased electricity derived from renewable energy sources / Japan and overseas
Note: excluding co-generation



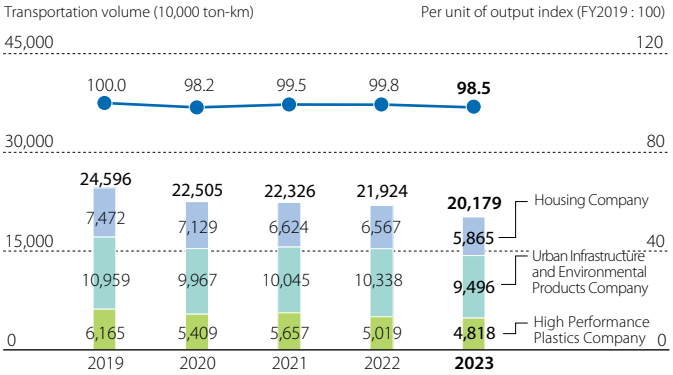
Ratio of electricity derived from renewable energy sources / Japan and overseas
Note: excluding co-generation



Note: Some past figures have been revised due to improvements in precision.

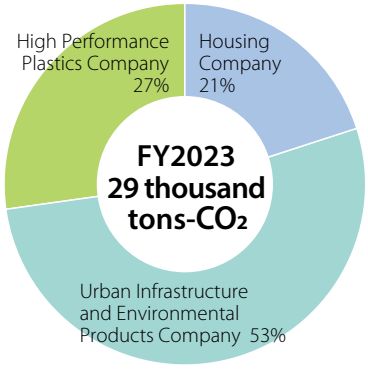
Indicator	Calculation Method
Greenhouse Gas Emissions	GHG emissions = ∑[fuel use, purchased electricity, purchased steam × CO_2 emissions coefficient] + greenhouse gas emissions from non-energy consumption sources Greenhouse gas emissions from non-energy consumption sources = CO_2 emissions not arising from energy consumption* + ∑[emissions of non-CO_2 greenhouse gases × global warming potential] *Includes CO_2 emissions from burning of non-fuel gases based on the Act on Promotion of Global Warming Countermeasures, both inside Japan and overseas [CO_2 Emissions Coefficient] Purchased Electricity: In Japan, the coefficient provided in notices pursuant to the Act on Promotion of Global Warming Countermeasures is applied to the latest data at the start of each fiscal year. In case the purchased electricity for which the emission factors are set for each menu, the adjusted emission coefficient applies. For overseas data, the latest coefficient data obtained from local power suppliers as of the beginning of each fiscal year is applied. If not available, based on IEA Emission factors 2022, EPA eGRID 2021. City Gas / Natural Gas and Purchased Steam: Coefficients obtained from suppliers are applied to the latest data at the start of each fiscal year. If a coefficient cannot be obtained in this manner, it is based on the Act on Promotion of Global Warming Countermeasures. Fuel Other than the Above: Based on the Act on Promotion of Global Warming Countermeasures. Global warming potential: Emissions coefficients determined based on greenhouse gas emission calculations, reports, and official disclosures. Fuels that corresponds to energy sources is calculated based on the Act on Promotion of Global Warming Countermeasures both in Japan and overseas.
Energy Use	Energy use = ∑[amount of fuel used, amount of electricity purchased, amount of solar power generation for in-house use, and amount of steam purchased x unit calorific value] [Unit Calorific Value] Purchased Electricity: 3.60 MJ/kWh (Amount of solar power generation for in-house use and amount of purchased electric power from renewable energy sources are included in the energy use) Fuel, Purchased Steam: Based on the Act on Rationalization of Energy Use and Shift to Non-fossil Energy

Transportation Volumes and Energy per Unit of Transportation (Index)* / Japan



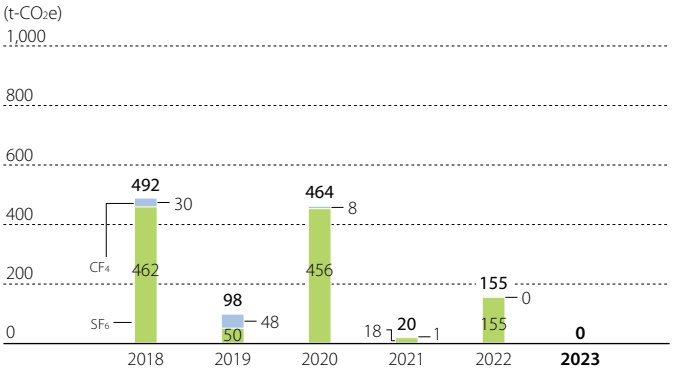
* Energy consumption per unit of transportation volume

CO_2 Emissions during the Transportation Stage / Japan



Indicator	Calculation Method
CO_2 Emissions during the Transportation Stage	The calculation is made by combining the fuel consumption method (transport of housing units, etc.) and the improved ton-kilometer method (other than transport of housing units, etc.) CO_2 emissions = ∑[fuel use × CO_2 emissions coefficient] + ∑[amount transported (metric tons) × distance transported (km) × fuel use per unit of transportation × CO_2 emissions coefficient] Fuel use per unit of transportation is the value used in the reporting system for specified freight carriers under the Act on the Rational Use of Energy Major domestic distribution (shipment of products) is covered

Emissions of Non-CO_2 Greenhouse Gases (Global Production, Laboratories)

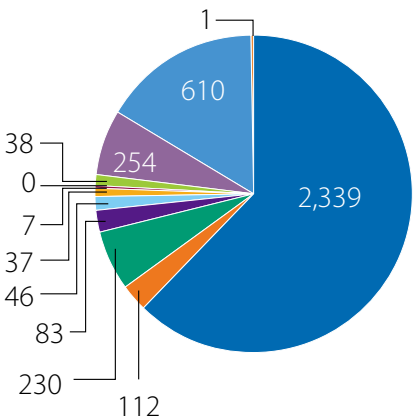


Note: Zero emissions due to improvements in working method with respect to the recovery of SF_6 from FY2023.

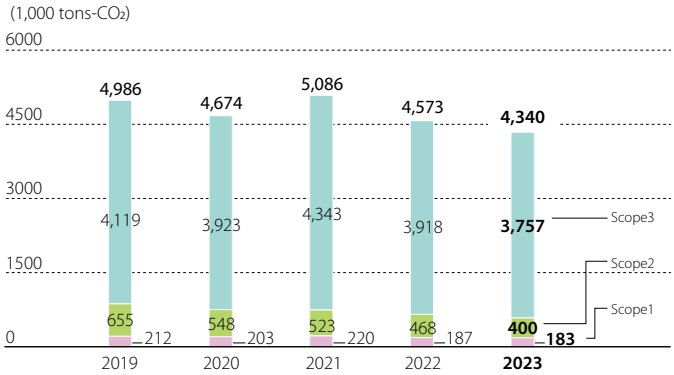
Greenhouse Gas Emissions throughout Our Supply Chain (Scope 3)

(1,000 tons-CO_2)

Category		FY2019	FY2020	FY2021	FY2022	FY2023
Upstream	Purchased goods and services	2,352	2,282	2,445	2,205	2,339
	Capital goods	96	80	74	113	112
	Fuel-and energy related activities not included in Scope 1 and Scope 2	127	198	226	220	230
	Transportation and Distribution (Upstream) (Transportation of major raw materials)	95	86	93	77	83
	Waste generated in operations	44	37	41	44	46
	Business travel	24	7	6	23	37
	Employee commuting	6	5	4	9	7
Downstream	Transportation and Distribution (Downstream) (Transportation of products)	0	0	0	0	0
	Processing of sold products	45	39	41	41	38
	Use of sold products	772	708	810	625	254
	End-of-life treatment of sold products	558	481	601	559	610
	Leased assets (downstream)	2	1	1	2	1
Total(upstream / downstream)		4,119	3,923	4,343	3,918	3,757



Greenhouse Gas Emissions throughout Our Supply Chain as a Whole (Classified by Scope)



Note: Some past figures have been revised due to improvements in precision.

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Our Supply Chain	Purchased Goods and Services	CO_2 emissions = ∑[(amount of major raw materials used (excluding substances subject to regulation by the PRTR Law) as listed in Material Balance section of this report + estimated values for other raw materials) × emission coefficient (Inventory Database for Environmental Analysis (IDEA) Ver.3.1 (the world's largest GHG emissions database developed by the National Institute of Advanced Industrial Science and Technology (IDEA v.3.1))] Calculated using MiLCA v.3.1 software from LCA Expert Center Co., Ltd. that incorporates IDEA v.3.1. The Group has reflected the actual GHG emissions of its raw material suppliers with regard to four principal resins (PP, PE, PVC and PVA) from FY2018.
	Capital Goods	CO_2 emissions = ∑[(amount of spending on capital expenditures authorized for the given fiscal year for buildings, structures, mechanical equipment, and transport vehicles) × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.4) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))]
	Fuel- and Energy-related Activities not Included in Scope 1 and Scope 2	CO_2 emissions = ∑[(fuel use, amount of purchased electricity, and amount of purchased steam) × emissions coefficient] The emissions coefficients used are as follows. For fuel IDEA v.3.3 For purchased electricity and steam, per unit emission database for calculating greenhouse gas emissions by organizations, etc., arising from supply chains (Ver. 3.4) (Ministry of the Environment and Ministry of the Economy, Trade and Industry). Applicable to production sites, laboratories, and offices both inside Japan and overseas.
	Transportation and Distribution (Upstream) (Transportation of major raw materials)	CO_2 emissions = ∑[amount of major raw materials used (excluding substances subject to regulation by the PRTR Law) as listed in the Material Balance section of this report × transport distance × emission coefficient (IDEA v.3.3)] (Calculated assuming that the transport distance was uniformly 200 km)
	Transportation and Distribution (Downstream) (Transportation of products)	The calculation is made by combining the fuel consumption method (transport of housing units, etc.) and the improved ton-kilometer method (other than transport of housing unit, etc.) CO_2 emissions = ∑[fuel use × CO_2 emissions coefficient] + ∑[amount transported (metric tons) × distance transported (km) × fuel use per unit of output × CO_2 emissions coefficient (value used in the reporting system for specified freight carriers under the Act on the Rational Use of Energy)] (Estimates used for overseas) Covers shipments of products by Group companies in Japan and overseas.

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Our Supply Chain	Waste Generated in Operations	CO_2 emissions = ∑[amount of waste materials generated (by type) × emission coefficient (IDEA v.3.3)] Scope: Major production sites and research facilities in Japan and overseas.
	Business Travel	CO_2 emissions = ∑[transportation costs by method of transport × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.4) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))] (Includes estimates of transportation costs for Group companies) Group companies in Japan and overseas all covered.
	Employee Commuting	CO_2 emissions = ∑[amount spent on commuting allowance × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.4) (Ministry of the Environment and Ministry of the Economy, Trade and Industry)] (Calculated based on the assumption that all commuting is done by passenger train) (Group company commuting costs include estimates) Group companies in Japan and overseas all covered.
	Processing of Sold Products	CO_2 emissions = ∑[production volume of relevant products × emission coefficient at the time of processing the relevant products (IDEA v.3.3)] Covers products for the automotive industry by Group companies in Japan and overseas.
	Use of Sold Products	CO_2 emissions = ∑[number of structures sold as housing during the relevant fiscal year × amount of electricity purchased from power companies throughout a year × 60 years × electricity-based emissions coefficient], including the effect of the solar power generation system. The amount of electricity purchased from power companies throughout a year is based on the Electricity Income and Expenditure Home Survey of Houses with Built-In Solar Power Generation Systems (2023). The electricity-based emissions coefficient employed is the emissions coefficient from the FY2023 report produced by the Act on Promotion of Global Warming Countermeasures reporting system (alternate value), equal to 0.441 metric tons-CO_2 /MWh. The calculation is performed under the assumption that housing will be used for 60 years. Housing sold within Japan for the fiscal year relevant to the calculation is covered. Up to and including FY2017, the Group calculated the amount of greenhouse gas reduction achieved through solar power generation as the amount of reduced environmental impact. From FY2018, however, we are also calculating the effect of reduction in energy used in residences built to zero energy house (ZEH) specifications.

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Our Supply Chain	End-of-life Treatment of Sold Products	CO_2 emissions = ∑[amount of major raw materials used in the products sold during the relevant fiscal year × emission coefficient (IDEA v.3.3)] The calculation assumes that products sold during a given fiscal year are disposed of during the same fiscal year.
	Leased Assets (Downstream)	Calculated for construction work carried out using machinery leased by SEKISUI CHEMICAL. CO_2 emissions = ∑[relevant installation units × fuel usage per unit × CO_2 emissions coefficient (emissions coefficient determined based on a system of greenhouse gas emission calculations, reports, and official disclosures)]

Realizing Resource Recycling

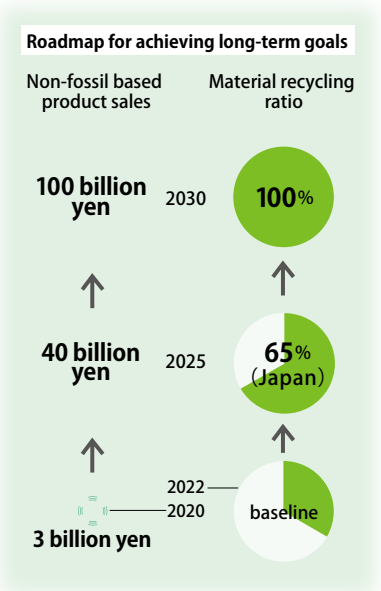
Strategy (Stance, Approach, Risks and Opportunities)

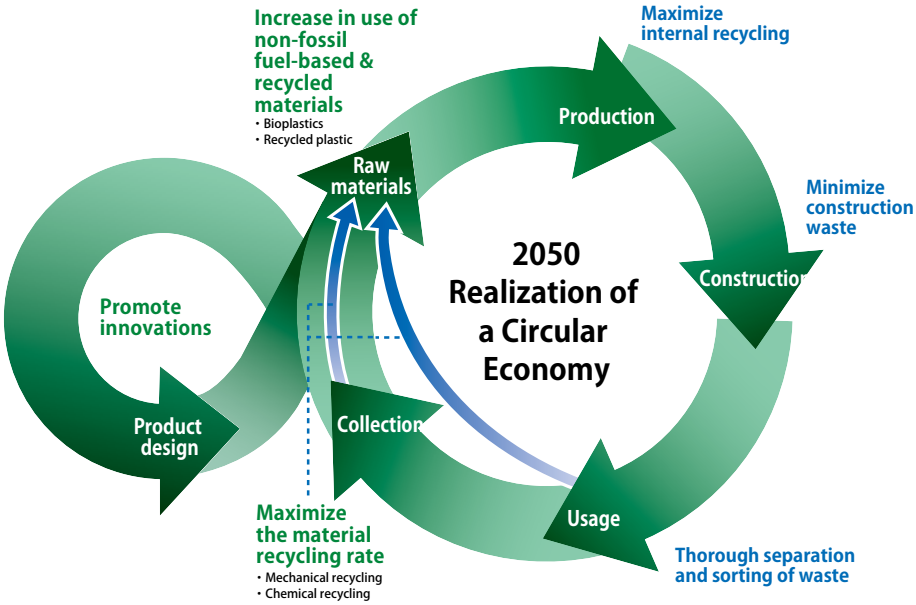
Basic Concept

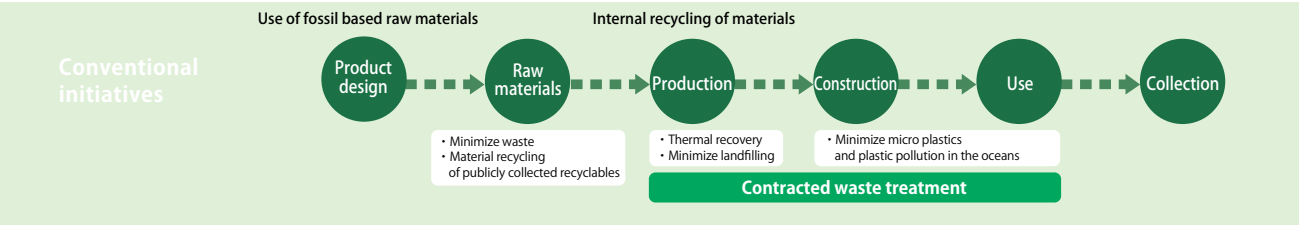
Establishment of the Resource Recycling Policy

SEKISUI CHEMICAL Group aims to help create a sustainable society through the realization of a circular economy by 2050. To achieve this long-term goal, we formulated a resource recycling policy and strategy in fiscal 2020.
In partnership with the supply chain, we are working to minimize the use of virgin raw materials derived from fossil fuels. At the same time, we are promoting resource recycling and aim to realize a circular economy through our businesses. To this end, we will strengthen our efforts based on the following three points, which comprise our Group Policy.

Please refer to Resource Recycling Policy on P.351.







Promoting Efforts Based on the Resource Recycling Policy

Under Vision 2030, SEKISUI CHEMICAL Group is strategically expanding its four business domains. By doubling our sales volume through solutions to social issues, we aim to realize a sustainable society and achieve corporate growth. We consider plastics to be an important raw material in these business domains. In order to reduce the amount of waste generated in the production process, we have continued our efforts to reduce the amount of waste per unit of production every year. In specific terms, we carry out internal recycling by returning wood scraps and other materials generated to raw materials for reuse. In addition, when disposing of materials as waste, we have promoted reuse as recycled materials that contain energy.

Under the Resource Recycling Policy, released in fiscal 2021, we will expand the use of non-fossil-derived and recycled raw materials, such as biomass plastics, for plastic raw materials used. At the same time. we will continue to promote internal recycling in our production processes. We are endeavoring to minimize the amount of waste generated at construction sites. In addition, at the use and recovery stages, we will work on product design and supply chain initiatives to ensure thorough sorting and separation of waste materials. Through these means, we will make every effort to maximize the reuse of materials through mechanical and chemical recycling.

Based on results achieved ahead of schedule through initiatives up to fiscal 2022, the Group reviewed and re-established milestones for fiscal 2023 and 2025. Since fiscal 2023, we have accelerated our efforts to achieve the revised milestones.

We believe that innovation at the product design stage is important for driving the promotion of resource recycling throughout the product life cycle. By rethinking the design of new products and revising the processes for existing products, we are promoting initiatives for innovation that accelerates resource recycling.

Road Map for Long-term Goal Achievement

		2020-2022	By 2025	By 2030
Business strategy	Net sales of Products to Enhance Sustainability that contribute to resource circulation (Base year: 2020)	1.1 times	1.7 times	2 times or more
Raw material resource conversion	Net sales of products not derived from fossil fuels and using recycled materials	3 billion yen	40 billion yen	100 billion yen
Recycling waste products	Rates for recycling waste plastic into new materials	Analyze current conditions and set baselines	Japan 65%	100%

Plan to Accelerate the Recycling of Waste Plastics into Materials

Under the current Medium-term Management Plan, we have set the material recycling rate (MR rate) for waste plastics as one of the Group's environmental KPIs. The Group is applying this KPI under the following Plan while taking into consideration such factors as the high level of technological hurdles and timing of realization.

Plan for Recycling Waste Plastic into New Materials

Phase	Initiatives Implemented	2023	2024	2025	2028	2030
【Phase1】 Use of existing technologies	•Review of recycler suitability			Continued expansion of content		
	•Thorough separation of blended materials					
	•Improved (1) storage and (2) transportation efficiency due to compression/grinding					
【Phase2】 Introduction of new material recycling technologies	Development of new material recycling technologies 1. Identification and application of technologies according to difficult-to-recycle material targets 2. Establishment of operating methods			Establishment of material recycling methods for composite materials and other difficult-to-recycle materials		
【Phase3】 Completion utilizing chemical recycling technologies	Use of Biorefinery(BR) and other chemical recycling technologies Acceleration through collaboration with other companies				Enable recycling up to miscellaneous and other waste	

●:Increase in the material recycling rate to start taking effect (expected)

Risks and Opportunities Posed by Resource Recycling on Our Businesses

Opportunity losses caused by changes in consumer behavior and preferences

We analyze and assess the risks and opportunities of resource recycling on the Group's business in the same four scenarios as the climate change scenario analysis conducted based on the TCFD Guide.
We are considering measures to mitigate the identified risks. With regard to opportunities, we are also considering the creation of new businesses through the development of products and services. When looking at the risks and opportunities of resource recycling on the Group's business, we take into consideration resource conversion, resource recycling, and the transition and physical risks posed by innovation to accelerate them. In particular, and from a resource recycling perspective, an analysis was conducted with a focus on the importance of services that connect the supply chain and the products that utilize those services in order to turn risks into opportunities.
The following are certain examples.

1. The Plastic Molding and Processing Business
   In the Innovative Mobility, Advanced Lifeline, and other Plastic Molding and Processing Business fields, we recognize the risk of technological transition, which not only involves short-term costs, but also medium- to long-term investments in equipment installation and technological research when promoting the recycling of waste generated in the manufacturing process and resources in products after use. On the other hand, if we build products based on the assumption that resources will be recycled through upfront investment or a recycling system for products, we believe that this will be a point of differentiation from other companies' products and will lead to opportunities to expand our business.
2. Town and Community Development Business
   In the Town and Community Development Business, there is the transition risk of losing market opportunities should we fail to respond to growing customer demand for products made from recycled and non-fossil-derived materials as a result of a certain level of environmental consideration given to raw materials and materials used, as in the case of LEED certification pioneered in the U.S. On the other hand, we believe that by taking the lead when considering urban development projects that take into consideration the conversion of raw materials, the potential exists to provide communities with high real estate value, which in turn could result in opportunities to expand our business.

Addressing Plastic Waste Issues

In recent years, plastic waste, represented by marine plastic waste, has become a major environmental issue. The Group does not manufacture or sell primary microplastics where use presupposes dissolution. However, we recognize that plastic products and plastic materials contained in products that are used or disposed after use may deteriorate in the natural environment and become microscopic if not properly treated.

Employee training

The Group promotes employee training as well as environmental and social contribution activities as a part of efforts to develop human resources with considerable ability in resolving social issues. Human resources with this ability can correctly recognize such problems as plastic waste in both the products they produce and the processes they manufacture, and are able to take appropriate remedial action.

Contributing to social change

We recognize that the proper use and disposal of plastics requires the construction of a social system as well as a shift in employee awareness based on education and training. The Group is therefore engaged in various collaborations with industry, government, and academia.

For example, we are participating in the Clean Ocean Materials Alliance (CLOMA), a collaborative initiative between companies organized by Japan's Ministry of Economy, Trade and Industry. For a fundamental solution, we are working on the common issues necessary for the social implementation of resource recycling schemes with the aim of realizing a circular economy.

Creating and expanding the use of products, technologies, and services that contribute to the realization of a recycling-based society and a circular economy

SEKISUI CHEMICAL Group has developed a technology to convert combustible waste into gas and then convert that gas to ethanol, a raw material for plastics, by means of a microbial catalyst. A one-tenth commercial scale (processing capacity of approximately 20 tons/day) demonstration plant has been constructed in Kuji City, Iwate Prefecture, and is currently in operation.

Promoting recycling into materials

SEKISUI CHEMICAL Group has exchanged manifests with waste disposal companies to ensure the proper disposal of waste generated by its own production activities.

In fiscal 2020 we formulated a resource recycling policy and strategy, and are promoting material recycling. Given there are various methods of material recycling, we will strive to improve the material recycling rate while paying attention to the quality of recycling and GHG emissions.

Governance

Promotion System for Resource Recycling Issues

As far as resource recycling issues are concerned, including resource conversion, the recycling of waste, and external environmental issues that may constitute management risks, steps are taken to ascertain the magnitude of each risk to consider appropriate countermeasures, and to carry out the necessary decision-making process under the supervision of the Board of Directors.

In similar fashion to other environmental issues, our supervisory and executive systems for reducing the Group's impact resource recycling issues and expanding its contribution to the resolution of issues are based on its Environmental Management Promotion System. (For details see P.51)

The Board of Directors has made the following final decisions on resource recycling issues.

・Policies and strategies to mitigate the impact of resource recycling and other environmental issues and to expand contributions to solving these issues.

・The organization's plan to achieve a sustainable society, including the transition to a circular economy (transition plan).

・Assessment of the impact of environmental issues, including resource recycling on management and policies for addressing those issues.

Turning to major matters discussed and determined by the Board of Directors, the Sustainability Committee deliberates on policies and strategies in advance, based on conditions surrounding the Group as a whole regarding such environmental issues as resource recycling that have been discusses and summarized by the Environmental Subcommittee. In addition, based on the policies, strategies, and transition plans finalized by the Board of Directors, the Environmental Subcommittee discusses specific measures and goal setting while managing progress.

Risk Management

Risk Management

As far as risk management is concerned, we have established an ERM system that in addition to identifying Group-wide major risks, shares and manages these risks within the Group. Risks related to such environmental issues as resource recycling are also assessed in an integrated manner, together with other risks that are expected to have a significant impact on management. Risks that effect the Group as a whole and each organization, including resource recycling are shared and deliberated at Board of Directors, Sustainability Committee, Management meetings, and subcommittee meetings.

Indicators and Targets

Resource Recycling Targets

Aim: Promote resource recycling

Indicator 1: Reduction rate of the amount of waste generated per unit of production

Current Medium-term Management Plan Target (final year: FY2025) Per unit of production -3% (compared with FY2022)
FY2023 Results +0.3% (compared with FY2022)
2030 Target —
2050 Target Achieve a circular economy

Indicator 2: Recycling rate for waste plastic materials

Current Medium-term Management Plan Target (final year: FY2025) Japan: 65% Overseas: Base +5%
FY2023 Results 60.7% (Japan)
2030 Target 100%

Indicator 3: Reduction rate of copier paper use per unit of people

Current Medium-term Management Plan Target (final year: FY2025)) -3% (compared with FY2022)
FY2023 Results -6.6% (compared with FY2022)
2030 Target —
2050 Target Achieve a circular economy

Indicator 4. Reduction rate of the amount of waste generated per building at new housing construction sites

Current Medium-term Management Plan Target (final year: FY2025) -12% (compared with FY2022)
FY2023 Results -5.2% (compared with FY2022)
2030 Target —
2050 Target Achieve a circular economy

Major Initiatives

Waste Plastic Initiatives

Promotion Material Recycling

SEKISUI CHEMICAL Group defines mechanical and chemical recycling as material recycling, and is working to maximize material recycling using existing technologies. In addition to promoting the recycling of these materials as in-house raw materials, we are also advancing the selection of treatment methods with an emphasis on material recycling.
As far as waste that is difficult to manage using material recycling is concerned, we are also working to establish new treatment methods.

Use of Quality Evaluations to Improve the Material Recycling Rate

In order to mitigate and resolve risks not only with regard to resource recycling issues, but also other environmental issues, and to ensure international competitiveness through the sustainable development of products and businesses, it is vital that the Group promotes the use of plastic as a material, while also identifying the accelerated use of recycling methods. Working also to identify material recycling technologies that should be prioritized and to promote higher quality recycling, we have clarified our stance toward recycling and are determining the initiatives to be taken based on the following three assessment criteria.

[Stance Toward Recycling]
- Minimum resource consumption
- Minimal GHG emissions during the process of reuse
- Expansion of waste recycling through innovation

[Evaluation Scale]
① Recycling properties
② Amount of CO_2 emission reduction through the use of waste plastics
③ Degree of contribution to the environment (handling of difficult-to-recycle materials, etc.)

① In terms of recyclability, there are various methods of material recycling (e.g., horizontal recycling of plastics, cascade recycling, use as other functional materials, etc.). Accordingly, the Group evaluates the recycling properties that it aims for.
② In terms of reducing CO_2 emissions, we evaluate the positive impact of material recycling on climatic change, and ensure there is no negative impact.
③ In terms of the degree of contribution to the environment, we evaluate the social significance and degree of environmental contribution of processing difficult-to-recycle materials*.

* Difficult-to-recycle materials: Materials that are currently difficult to dispose of and can only be thermally recycled or landfilled

Accelerating Efforts through Internal Measures

SEKISUI CHEMICAL Group has initiated the following measures and mechanisms to realize its plan to turn waste plastic into materials.

1. Use of resource recycling support measures
   In order to promote the recycling of waste plastics into materials using high-quality recycling methods, we have considered and are implementing resource recycling support measures that provide financial support for initiatives and equipment according to the amount of resources recycled into materials from fiscal 2024.
2. Establishment of an environment in which to consider and conduct research on plastic resource recycling
   Urban Infrastructure & Environmental Products Company , which engages in business using highly durable plastic products such as infrastructure, has established a resource recycling working group to consider the issue of turning waste plastic into materials. The goal is to accelerate the resource recycling of waste plastic at business sites and research institutes, and to promote the development and evaluation of new recycling technologies for difficult-to-recycle materials. Once a quarter, we hold a plastic resources recycling review meeting to share progress on initiatives and to horizontally deploy good practices.

Promoting the Reduction of Packaging Materials

SEKISUI CHEMICAL Group has long engaged in efforts to reduce the volume of packaging materials, employ reusable boxes*, and eliminate packaging.
We have been actively working to reduce packaging since the early 2000s, and have achieved certain results. We will continue to undertake these activities and strive to reduce packaging material waste.
* Boxes that can be used multiple times to ship materials, parts, and products between locations.

Promoting Construction Material Recycling

The entire housing industry is engaged in the efficient use and recycling of construction materials. As a member of this industry, SEKISUI CHEMICAL Group is reducing the amount of construction waste produced when building houses and promoting recycling.

Converting External Wall Panel Scrap into Raw Material for Products

At the Gunma and Mizukuchi business sites of Sekisui Board Co., Ltd., which manufacture exterior wall panels for Sekisui Heim, scraps are generated during the production process. In addition to reducing the amount of scraps produced as much as possible, these sites are also promoting in-house material recycling.
In addition to reducing the amount of scraps produced as much as possible, these sites are also promoting in-house material recycling.
Specifically, wood chips and cement are used as recycled raw materials by crushing and sorting the scraps generated in the process of making exterior wall panel products.

Contributing to Resource Recycling through Business

Without realizing a circular economy in 2050, there can be no decarbonized society. Based on its resource recycling strategy and roadmap, SEKISUI CHEMICAL Group is looking to convert plastic raw materials to non-fossil fuel-derived or recyclable raw materials, and is reviewing product designs that contribute to the recycling of existing products. We will promote the creation and market expansion of Products to Enhance Sustainability in an effort to accelerate contributions through our businesses.

[Examples of Products That Contribute to Resource Recycling]

<Housing> Remodeling menus to extend the life of products and services when reusing homes
Example) Be-Heim, a service that allows a customer to pass on a home to another customers and continue to live in it with peace of mind.

<Building and Civil Engineering> Products that use recycled plastic as a raw material
Example) Products that enable temporary storage of rainwater in the event of a torrential downpour (rainwater storage material Cross-Wave)
Infrastructure with resource recycling properties (foamed three-layer pipes)

<Innovative Mobility> Buy-back system that collects customer scraps for reuse as raw materials (SEKISUI KYDEX product)

[Initiatives Undertaken in Collaboration with Other Companies]

Initiatives for the social implementation of Biorefinery (BR) technologies

We believe that in order to recycle resources, it is essential to collaborate with companies and organizations that are responsible for each process of the product's life cycle.

Through a joint development project with U.S.-based venture company Lanzatec, NZ, Inc., we have established a technology to convert combustible waste into ethanol using a microbial catalyst.

In order to validate the viability and commercial application of this chemical recycling technology, which is essential to resource recycling, SEKISUI CHEMICAL, INCJ, Ltd., and SEKISUI BIO REFINERY CO., Ltd. are operating a demonstration plant approximately 1/10th the size of a commercial plant in Kuji City, Iwate Prefecture. Plans are in place for the ethanol produced at the plant to be recycled as a raw material for plastics in collaboration with SUMITOMO CHEMICAL CO., LTD.

Initiative Collaboration

As far as the issue of resource recycling is concerned, we are collaborating with various entities, including other companies and organizations, to achieve our long-term goals, thereby expanding our contributions toward the resolution of issues and raising the potential to achieve milestones ahead of schedule. Based on the aforementioned, the Group participates in and registers with various initiatives and organizations, including forums. When participating or registering, we confirm that founding principles, the direction of initiatives, and goals are consistent with the Group.
Our continued participation is determined on an annual basis to ensure that there are no discrepancies in the direction in which we are heading. In the event that the direction differs, steps will be taken to withdraw from the initiative, forum, or other organization.

[Initiatives, Forums, etc. in which the Group Participates or has Registered]

Clean Ocean Materials Alliance (CLOMA)

Organizer ..... Japan's Ministry of Economy, Trade and Industry, Ministry of the Environment, Ministry of Agriculture, Forestry and Fisheries

Significance/Objectives..... To solve the issue of marine plastic waste, which is a global environmental issue

Activities ..... Aiming for the more sustainable use of plastic products, and the development, introduction and popularization of innovative substitutes that will lead to a reduction of plastic waste.

Our role ..... The Company chairs Working Group 3 (WG3), one of five key action working groups that promote activities aimed at plastic recycling through corporate collaboration. WG3 focuses on the development and social implementation of chemical recycling technologies as well as efforts to identify and clear issues in connection with the promotion of related companies.
In fiscal 2023, we formulated and published a position paper on chemical recycling technology. In the future, we plan to use this position paper to drive dialogue with various government agencies, municipalities, brand owners, consumers, and other stakeholders in order to resolve various issues.

Japan Partnership for Circular Economy (J4CE)

Organizer ..... Japan's Ministry of the Environment, Ministry of Economy, Trade and Industry, and Japan Business Federation.

Significance/Objectives..... To further foster understanding and promote efforts by a wide range of responsible parties, including domestic companies, as the trend toward a circular economy accelerates on a worldwide basis.

Activities ..... Introduction of case studies through case study brochures, dissemination of information for the general public, and support for inter-company collaboration.

Our role ..... To accelerate the creation and social implementation of new recycling businesses by disseminating case studies and providing feedback on internal technologies and measures based on an understanding of the latest information.

Japan Circular Economy Partnership (J-CEP)

Significance/Objectives..... To create a society where things, information, and feelings revolve around each other by considering everything as a resource and designing relationships.

Activities ..... Engaging in (1) the optimal recycling of resources in Japan and (2) the creation of businesses that contribute to the realization of a sustainable society.

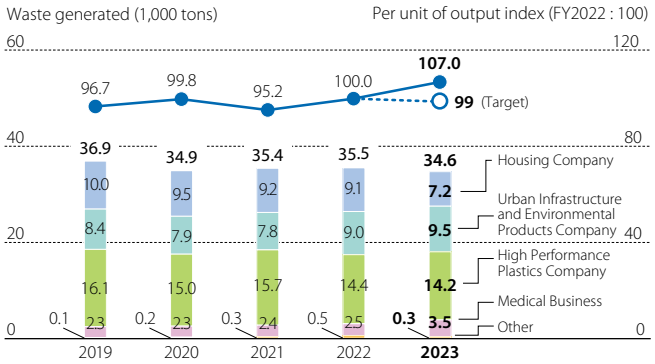
Our role ..... As a member of a consortium of companies, we contribute to the realization of a circular economy by disseminating case studies and providing technical cooperation.

Performance Data

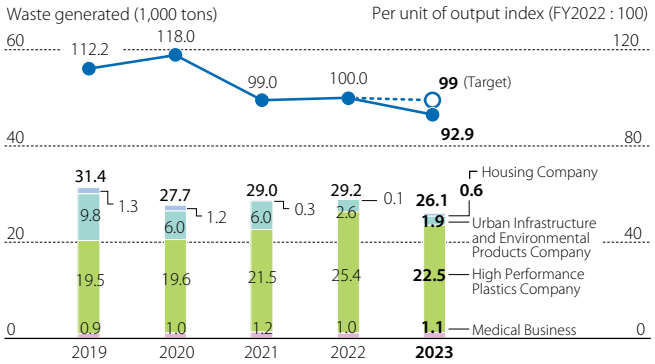
Waste Generated by Production Sites

Note 1: Some past figures have been revised due to improvements in precision.
Note 2: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, net sales for FY2022 of both companies are collated as if the change in control had been initiated from the beginning of FY2022.

Waste Generated by Production Sites, per Unit of Production (Index) / Japan



Waste Generated by Production Sites, per Unit of Production (Index) / Overseas



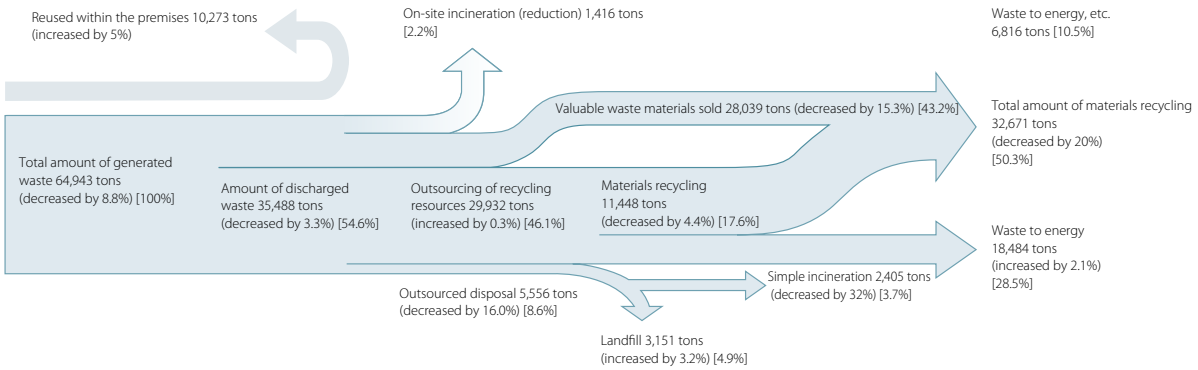
Note: Amount of waste generated: Only focusing on waste responsible by the production site is considered. Prototypes and inventory disposal due to the responsibility of the Divisional Companies are not included.

Production Site Waste Generation and Disposal / Japan and Overseas

(tons)

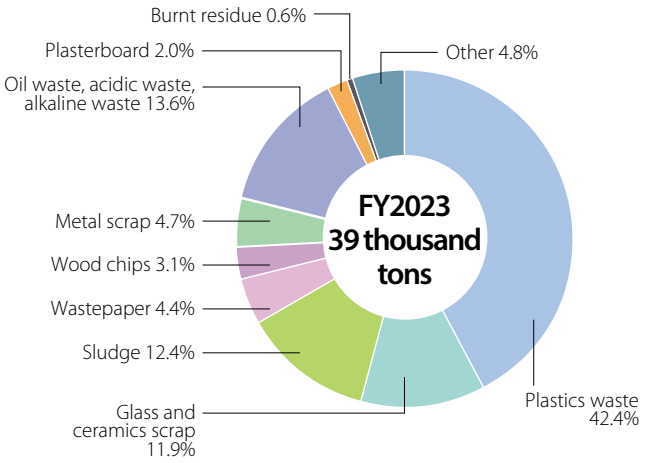
	Total Waste	Recycled Waste	Unrecycled Waste
FY2018	76,249	65,525	10,724
FY2019	70,947	61,928	9,020
FY2020	67,555	58,435	9,120
FY2021	68,939	63,243	5,696
FY2022	71,179	63,139	8,040
FY2023	64,943	57,971	6,972

FY2023 Annual Production Site Waste Generation and Disposal / Japan and Overseas

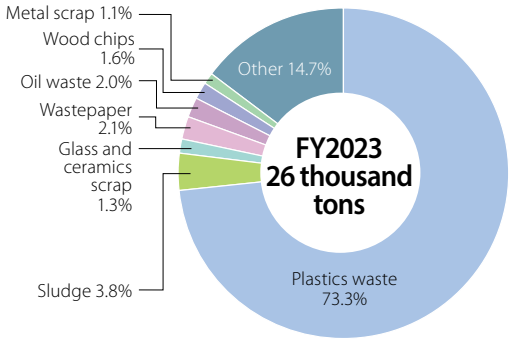


Note: Change over previous year is in ( ) and proportion of total waste generation is in [ ].

Breakdown of Waste Generated at Production Sites / Japan

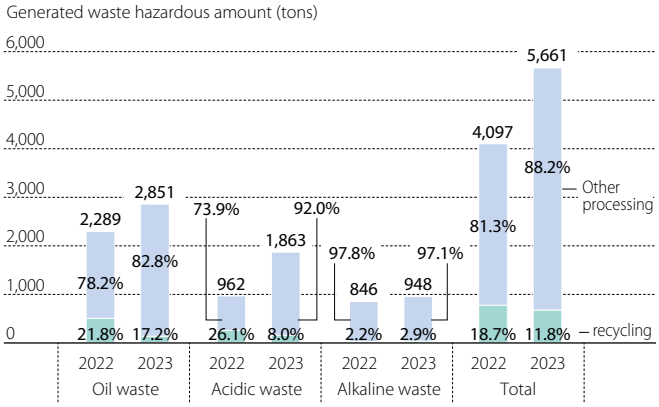


Breakdown of Waste Generated at Production Sites / Overseas



Index	Calculation Method
Generated Waste Amount	Amount of waste generated = Amount of waste collection outsourced + Amount recycled (incinerated waste to energy + recycled back to materials + recyclable waste sold) + Amount incinerated in-house; the items below are excluded: Waste generated by demolition of customers' old houses, remains of construction work at our sites, disposal of machinery, office equipment, etc., medical waste from medical treatment in in-house clinics

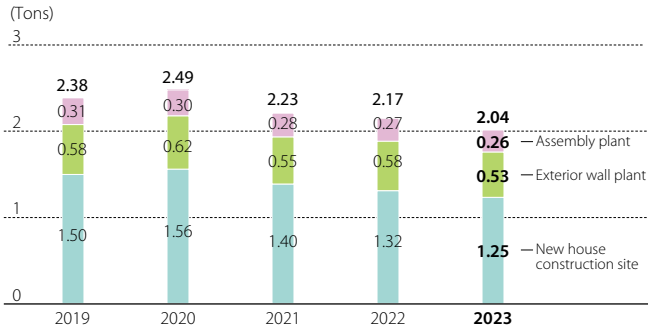
Amount of Hazardous Waste Generated / Recycling rate (Japan and Overseas) FY2023



Index	Calculation Method
Amount of Hazardous Waste Generated and Recycling Rate	Recycling rate = Amount of recycled waste / Amount of hazardous waste generated Hazardous substance: Oil waste, acidic waste, alkaline waste Recycling: Material recycling

Waste Generated on Construction Sites of New Housing

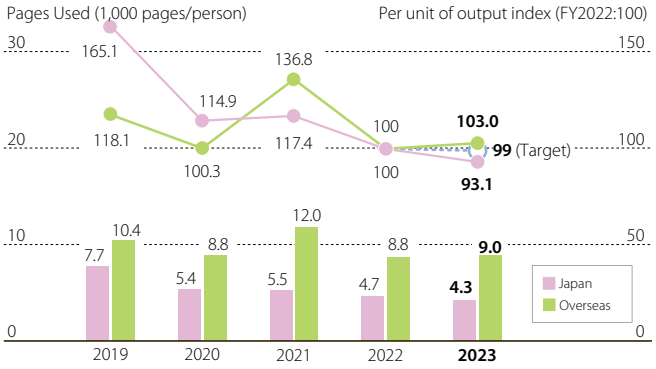
Amount of Waste Generated on Construction Sites of New Housing (per Building) / Japan



Index	Calculation Method
Amount of waste generated per building at construction sites	Amount of waste generated per building at new housing construction sites = Total amount of waste generated at new housing construction sites / Number of new houses sold Note: Reference: Amount of waste generated during new housing construction = Amount of waste generated during construction of outer walls (at factories) + Amount of waste generated during assembly (at factories) + Amount of waste generated at new housing construction sites Amount of waste generated per building during new housing construction = Total amount of waste generated during new housing construction / Number of new houses sold Scope: Housing business in Japan

Waste Generated in Offices

Amount of Copy Paper Used at Offices per Person (Index)



Note: Some past figures have been revised due to improvements in precision.

Indicator	Calculation Method
Amount of Copy Paper Used at Offices per Unit of Output	Amount of Copy Paper Used at Offices per Unit of Output = Amount of Copy Paper Used at Offices / Office Personnel

Disclosure of the Recycling Status of Waste Plastics in accordance with the Act on Promotion of Resource Circulation for Plastics.
(Status of FY2023 Emissions and Recycling (Japan))

	Disclosure according to the Act on Promotion of Resource Circulation for Plastics								Recycling as the Management Indicator for SEKISUI CHEMICAL Group (including waste sold as raw materials)							
	Waste emissions (ton)		Rate of recycling (%)		Rate of thermal recycling(%)		Rate of recycling (%)		Waste emissions (ton)		Rate of recycling (%)		Rate of thermal recycling(%)		Rate of recycling (%)	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
SEKISUI CHEMICAL CO., LTD.	4,487	4,417	9.5	8.1	83.4	85.0	92.9	93.1	**9,995**	**9,946**	**58.4**	**59.2**	**37.5**	**37.7**	**95.8**	**96.9**
Hokkaido Sekisui Heim Industry Co., Ltd.	48	31	0.0	0.0	100.0	100.0	100.0	100.0	**48**	**31**	**0.0**	**0.0**	**100.0**	**100.0**	**100.0**	**100.0**
Tohoku Sekisui Heim Industry Co., Ltd.	21	17	0.0	0.0	100.0	100.0	100.0	100.0	**28**	**31**	**24.4**	**45.1**	**75.6**	**54.9**	**100.0**	**100.0**
Sekisui Heim Industry Co., Ltd.	358	316	2.5	1.8	97.5	97.3	100.0	99.2	**486**	**430**	**17.0**	**16.2**	**83.0**	**83.2**	**100.0**	**99.4**
Chushikoku Sekisui Heim Industry Co., Ltd.	80	54	0.0	0.0	100.0	100.0	100.0	100.0	**84**	**57**	**5.4**	**5.1**	**94.6**	**94.9**	**100.0**	**100.0**
Kyushu Sekisui Heim Industry Co., Ltd.	75	43	0.0	0.0	100.0	100.0	100.0	100.0	**75**	**50**	**0.0**	**13.9**	**100.0**	**86.1**	**100.0**	**100.0**
Sekisui Board Co., Ltd.	67	96	0.0	24.2	100.0	75.8	100.0	100.0	**67**	**96**	**0.0**	**24.2**	**100.0**	**75.8**	**100.0**	**100.0**
Higashinihon Sekisui Industry Co., Ltd.	2	1	0.0	0.0	100.0	0.0	100.0	0.0	**10**	**9**	**84.5**	**94.1**	**15.5**	**0.0**	**100.0**	**94.1**
Nishinihon Sekisui Industry Co., Ltd.	153	181	0.0	0.4	100.0	99.6	100.0	100.0	**157**	**181**	**2.2**	**0.4**	**97.8**	**99.6**	**100.0**	**100.0**
Sekisui Chemical Hokkaido Co., Ltd.	277	285	68.1	74.5	31.9	25.5	100.0	100.0	**370**	**309**	**76.0**	**76.5**	**24.0**	**23.5**	**100.0**	**100.0**
Chiba Sekisui Industry Co., Ltd.	128	98	16.7	37.7	68.9	15.9	85.6	53.6	**166**	**153**	**36.0**	**60.1**	**52.9**	**10.2**	**88.9**	**70.2**
Toto Sekisui Co., Ltd.	284	311	0.0	0.0	100.0	92.0	100.0	92.0	**758**	**806**	**62.5**	**61.5**	**37.5**	**35.4**	**100.0**	**96.9**
Yamanashi Sekisui Co., Ltd.	115	158	78.7	86.5	21.3	13.5	100.0	100.0	**389**	**464**	**93.7**	**95.4**	**6.3**	**4.6**	**100.0**	**100.0**
Nara Sekisui Co., Ltd.	247	192	1.0	18.6	6.8	35.8	7.8	54.4	**266**	**220**	**8.0**	**28.8**	**6.3**	**31.3**	**14.3**	**60.1**
Shikoku Sekisui Co., Ltd.	300	14	0.0	0.0	95.0	100.0	95.0	100.0	**685**	**307**	**56.3**	**95.3**	**41.6**	**4.7**	**97.8**	**100.0**
Kyushu Sekisui Industry Co., Ltd.	96	107	65.0	70.1	35.0	29.9	100.0	100.0	**840**	**507**	**96.0**	**93.7**	**4.0**	**6.3**	**100.0**	**100.0**
Sekisui Techno Molding Co., Ltd.	73	71	3.0	42.5	53.3	56.1	56.3	98.6	**469**	**598**	**78.8**	**87.5**	**14.5**	**12.4**	**93.2**	**99.8**
Sekisui Fuller Company, Ltd.	94	90	0.0	0.0	100.0	84.9	100.0	84.9	**136**	**145**	**30.8**	**38.1**	**69.2**	**52.6**	**100.0**	**90.7**
SEKISUI MEDICAL CO., LTD.	66	74	0.0	0.6	98.6	99.2	98.6	99.8	**66**	**75**	**0.0**	**2.1**	**98.6**	**97.7**	**98.6**	**99.8**
Sekisui Nano Coat Technology Co., Ltd.	79	88	0.0	0.0	96.2	100.0	96.2	100.0	**79**	**88**	**0.0**	**0.0**	**96.2**	**100.0**	**96.2**	**100.0**
Tokuyama Sekisui Industry Co., Ltd.	252	120	0.0	0.0	55.6	89.6	55.6	89.6	**427**	**464**	**41.0**	**74.1**	**32.8**	**23.2**	**73.8**	**97.3**
Sekisui Polymatech Co., Ltd.	230	229	0.0	0.0	0.0	98.7	0.0	98.7	**230**	**229**	**0.0**	**0.0**	**0.0**	**98.7**	**0.0**	**98.7**
Sekisui SoflanWiz Co., Ltd.	70	50	0.0	0.0	54.5	11.4	54.5	11.4	**70**	**50**	**0.0**	**0.0**	**54.5**	**11.4**	**54.5**	**11.4**
Sekisui Seikei, Ltd.	188	152	15.3	11.7	84.7	80.9	100.0	92.6	**1,201**	**986**	**86.7**	**86.4**	**13.3**	**12.4**	**100.0**	**98.9**
Sekisui LB Tec Co., Ltd.	100	58	8.9	13.1	0.0	0.0	8.9	13.1	**100**	**58**	**8.9**	**13.1**	**0.0**	**0.0**	**8.9**	**13.1**
Research Laboratory of Plastics Technology Co., Ltd.	7	6	0.0	0.0	0.0	0.0	0.0	0.0	**7**	**6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Group Total	7,897	7,259	10.7	13.0	75.6	78.7	86.3	91.6	**17,208**	**16,297**	**57.9**	**60.7**	**35.2**	**35.6**	**93.1**	**96.3**

Rate of recycling: Material recycling and Chemical recycling
Rate of recycling (broad): Material recycling, chemical recycling, and thermal recycling
Note: Some past figures have been revised due to improvements in precision

Reducing Water-related Risks

Strategy (Stance, Approach, Risks and Opportunities)

Basic Concept

Minimizing Water-related Risks and Solving Water-related Issues

SEKISUI CHEMICAL Group has identified realizing society with abundant access to clean water as one of its goals to realize an earth with maintained biodiversity, a major target of its SEKISUI Environment Sustainability Vision 2050. The Group has outlined the following two-tier vision in its efforts to realize this goal.

<Vision>

1. Minimize water-related risks at SEKISUI CHEMICAL Group
   We will minimize the water-related risks to which the Group is exposed in order to maintain sustainable operations. At the same time, we will minimize the water-related risks that the Group poses in order to preserve biodiversity.
2. Contributing to the resolution of local water-related issues
   We will contribute to the resolution of local water-related issues through Products to Enhance Sustainability and collaboration with watershed stakeholders, aiming not only to minimize water-related risks, but also to provide positive returns to natural capital.

Please refer to Water Resources Policy on P.352

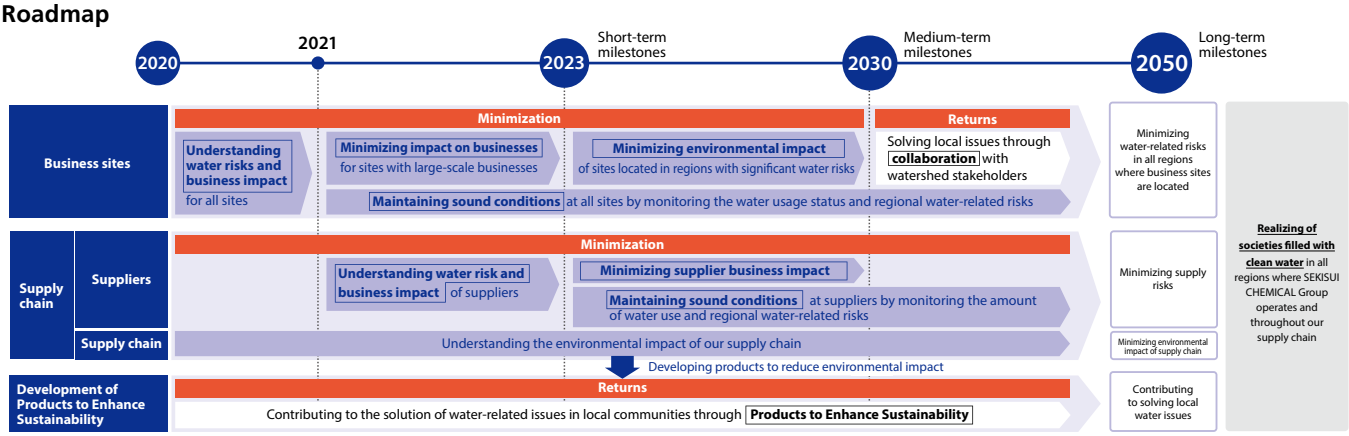
Roadmap to Realize Societies with Abundant Access to Clean Water

SEKISUI CHEMICAL Group has set specific measures and milestones by backcasting from the goal of realizing societies with abundant access to clean water, and is moving forward with initiatives.

- We will evaluate local water-related risks and their impact on business, and select business sites and suppliers that have a significant business impact, as well as sites with significant local water-related risks.
- For business sites with a significant impact on business, we will initiate steps to minimize this impact by 2023 in line with the risks at individual sites.
- For suppliers with a significant impact on business, we will minimize risks by 2030 by reviewing suppliers and through other means.
- For business sites with significant local water-related risks, we will minimize their environmental impact by 2030.
- We will put in place monitoring guidelines and oversee all sites to assess whether there is an increase in business impact or environmental impact.

In addition, we will continue to promote the development of Products to Enhance Sustainability to accelerate returns to natural capital, including the conservation of water resources. This in turn will help solve local water-related issues and minimize the environmental impact across the supply chain.
Moreover, we will work to help solve local water-related issues by building a collaborative system with watershed stakeholders from 2030 to 2050 as an initiative undertaken at business sites around the world.

Roadmap



As far as the Group's water-related risks are concerned, we have drawn up four social scenarios that are based on two presupposed axes. One axis focuses on the decentralization of social systems in rural areas against concentration in large cities. The other axis focuses on mitigation as opposed to the acceleration of climate change, with temperatures of not more than 1.5˚C and not less than 4˚Cs. We have examined the impact of water-related risks aspects on each social scenario and analyzed the risks and opportunities that arise under these impacts.

Risks and Opportunities Posed by Water Resource Issues to Our Businesses

SEKISUI CHEMICAL Group assesses the impact that water resource issues have on companies as well as the scale of impact that companies have on water resources, determines the importance of risks, and sets priorities to be addresses. For risks and opportunities related to specific water resource issues, the scale, scope of impact, and other items are identified through scenario analyses based on the TCFD Guide.

The following are certain examples.

1. Suppliers
   We are aware of the high operational risks of our suppliers' plants and our own plants that are engaged in manufacturing activities in areas where water-related disasters are more frequent or severe due to climate change. We believe that the opportunity exists to expand the need for products that can reduce such operational risks, including those that can temporarily store and gradually release rainwater to reduce the probability of rivers bursting their banks or the flooding of and damage to houses above floor level.

2. The Plastic Molding and Processing Business
   As far as businesses related to plastic molding and processing are concerned, depending on the conditions of river basins surrounding plants where production takes place, the possibility exists of an increase in the risk of water intake, which may result in an inability to secure an adequate water supply or an increased risk of wastewater discharge due to stricter laws and regulations. We believe that these risks can be mitigates by recognizing our dependence and impact on water resources in our operating areas, and by continuing to improve water recycling and the quality of wastewater beyond legal requirements. Moreover, we believe that opportunities exist to provide water purification equipment as well as water purification-related technologies and products that make this possible.

Governance

Promotion System for Water-related Risk Issues

As far as water-related risks that may pose a risk to management are concerned, steps are taken to ascertain the magnitude of each risk and to consider as well as implement appropriate countermeasures under the supervision of the Board of Directors. In similar fashion to other environmental issues, our supervisory and executive systems for reducing the Group's impact on water resources and water-related risks and expanding its contribution to the resolution of issues are based on the Environmental Management Promotion System. (For details see P.51).

The Board of Directors has made the following final decisions on water-related risk issues.

- Policies and strategies to mitigate dependence and impact on water resources and to increase contributions to resolving challenges.
- The organization's plan to realize societies with abundant access to clean water (transition plan).
- Assessment of the impact of water-related risks on management, and policies for addressing those issues.

Turning to major matters discussed and determined by the Board of Directors, the Sustainability Committee deliberates on policies and strategies in advance, based on conditions surrounding the Group as a whole regarding water-related risks that have been discussed and summarized by the Environmental Subcommittee. In addition, based on the policies, strategies, and transition plans finalized by the Board of Directors, the Environmental Subcommittee discusses specific measures and goal setting while managing progress.

Risk Management

As far as risk management is concerned, we have established an ERM system that in addition to identifying Group-wide major risks, shares and manages these risks within the Group. Water-related risks are also assessed in an integrated manner, together with other risks that are expected to have a significant impact on management. Risks that affect the Group as a whole and each organization, including Water -related risks, are shared and deliberated by at Board of Directors, Sustainability Committee, Management meetings, and subcommittee meetings.

Assessment of the Impact on Businesses from Water-related Risks

In fiscal 2020, the first year of the roadmap for 2050, we conducted assessments on the likely impact on business from water-related risks at all SEKISUI CHEMICAL Group production sites and research institutes.
Seven years have passed since the Group first conducted a water-related risk survey in 2013. Over this period, certain business sites have been newly established and others closed. Accordingly, steps were taken to again conduct a survey.
The purpose of the survey conducted in fiscal 2020 was to identify water-related issues in the areas in which each business site is located (assessment of external factors) as well as business sites that are heavily affected by water-related risks and those that have a major impact on the environment.
In identifying local water-related issues, we utilized assessment results drawn from Aqueduct Water Risk Atlas 3.0, a tool for assessing water-related risks in each region of the world, created by the World Resources Institute (WRI), an International Environmental NGO, as well as data on water use obtained through surveys of individual business sites. Based on this information, we undertook quantitative assessments of the business impact of water-related risks as well as the environmental impact of our business activities.
In undertaking assessments, we followed the standards recommended in the Guidelines for Setting Water Targets for Companies* issued by the CEO Water Mandate.
In fiscal 2023, we identified initiatives to minimize the impact on business in accordance with the specified water-related risks, set specific quantitative targets, and implemented initiatives at the five domestic and overseas sites that were evaluated as having a major impact on business.

* Setting Site Water Targets Informed By Catchment Context: A Guide For Companies

Indicators and Targets

Water-related Risk Targets

Aim: Preservation of water resources

Indicator 1. Reduction rate of water intake volume at production sites which use large quantities of water

Current Medium-term Management Plan Target (2023-2025) -10% (compared with FY2016)
FY2023 Results -8.5% (compared with FY2016)
2030 Target —
2050 Target —

Indicator 2. Reduction rate of total COD volume of river discharge water at production sites with high COD emission volumes

Medium-term Management Plan Target (2023-2025) -10% (compared with FY2016)
FY2023 Results -2.7% (compared with FY2016)
2030 Target —
2050 Target —

Major Initiatives

Impact of Water-Related Risks on the Supply Chain

The following two broad categories of suppliers that consume large quantities of fresh water during their manufacturing processes supply raw materials to SEKISUI CHEMICAL Group:
・Manufacturers of steel products used in the housing business, and
・Manufacturers of synthetic resins used in the plastics business.

In fiscal 2023, the Group took steps to confirm the policies, target setting, and initiatives on environmental issues, focusing on water-related risks and biodiversity, with respect to the second broad category, manufacturers of synthetic resin, and initiated efforts to determine what kind of risks are evident. In order to organize and reduce the risks identified, we recognize the critical need to think work together, and will consider implementing environmental due diligence in the future.
In addition, we take steps to continuously monitor all of these suppliers based on the SEKISUI Environmental Sustainability Index. In specific terms, we calculate and work to identify the environmental impact of pollutants contained in water drainage during the production of raw materials as the use of natural capital.
We also evaluate the degree of contribution to the environment by reducing the impact on the water environment in the Group's business activities and expanding products and services that contribute to the improvement and maintenance of the water environment as a return to natural capital*.
Since fiscal 2020, we have continued to gain a better understanding of water-related risks in the supply chain in which our products are involved, as well as the impact of reducing water-related risks through our products on returns to natural and social capital.

* For details of the Integrated SEKISUI Environment Sustainability Index see P.59.

Contributing to the Reduction of the Water-related Risks through Our Businesses

SEKISUI CHEMICAL Group is engaged in water infrastructure-related businesses, including water supply, storage, and drainage. Specifically, we provide technologies and products that help improve the quality of water drainage, such as water treatment systems and sewage pipes. We also contribute to society by building resilient and disaster-resistant water infrastructure.
For example, one of our products, Cross Wave*, is being marketed in Japan, India, China, Taiwan, and other ASEAN regions, to reduce water-related risks by helping to prevent chronic water shortages, promoting the greening of urban areas and recycling rainwater as a disaster prevention measure, and minimizing the damage caused by floods.
With the goal of not only reducing damage from the ever-increasing number of disasters brought on by climate change, but also promoting disaster mitigation in support of recovery efforts after a disaster, we are expanding the peace of mind we can offer to our housing customers by recommending, for example, the installation of a drinking water storage system that uses water infrastructure piping.

* Cross Wave: Rainwater storage system. A molded product made from recycled plastic that is used to store rainwater by burying it underground to form a space. It regulates the amount of rainwater flowing into sewer systems and rivers during heavy rains, making it possible to recycle rainwater.

Reducing Water-related Risks at Businesses Sites with High Water Intake and Discharge Volumes

SEKISUI CHEMICAL Group draws the water that it needs for its business from public water systems, industrial water systems, underground reservoirs, and surrounding rivers.
Recognizing that water is a valuable resource shared by the community, we are working to reuse and reduce the amount of water consumed through various means, including the recycling of cooling water.
In the past, we set targets for reducing water intake and the chemical oxygen demand (COD) of discharged water at all of our production sites, and undertook reduction activities. In the future, we will promote reduction activities targeting sites where the impact on business is especially large based on the state of water use at business sites and local water-related risk conditions.

Reducing of Water Intake and the Chemical Oxygen Demand (COD) of Discharged Water

In FY2023, water intake volume at production sites which use large quantities of water subject to reduction decreased 8.5% compared with the base FY2016 year. This reflects the installation of equipment that control the volume of direct water intake from rivers at production sites in Japan that consume large volumes of water and the effects of reduction endeavors.
The COD impact of river discharge water at production sites with large COD emission volumes decreased 2.7% compared with the base FY2016 year.

Examples of capex using the environmental contribution investment incentive program Base year: FY2016

	Site	Reduction strategy	Result (Expected)
Reduction in Water intake volume	Shiga-Minakuchi Plant	Introduction of filtration equipment allowing the reuse of recycled wastewater as a coolant. Strengthen management and promoted visualization of water use at the facility.	Reduction of 9%
	Sekisui Medical Co., Ltd. Iwate Plant	10% reduction through automation of industrial water intake adjustment	Reduction of 10%
Reduction in wastewater COD	Sekisui Nano Coat Technology Co., Ltd.	Improve treatment capacity by upgrading wastewater treatment facility	Reduction of 25%

Increase in Water Treatment Capacity

At SEKISUI NANO COAT TECHNOLOGY CO., LTD., highly concentrated COD wastewater is discharged from the degluing and refining processes of textile products. High-concentration COD wastewater is treated at our own wastewater treatment facilities before being discharged into the sea. In recent years, the volume of wastewater has declined due to changes in the business domain.
Owing to changes in the composition of the glue used in raw materials, the COD of wastewater is becoming difficult to eliminate. In response, we have made modifications to optimize the capacity of our wastewater treatment facilities.
Treatment capacity has improved by making the treatment process more compact according to the amount of decrease in wastewater and installing a process in which microorganisms suitable for the treatment of persistently decomposed COD particles are optimized.
In FY2023, the COD volume of water discharged decreased by 72% compared with FY2016.

Wastewater treatment facility of SEKISUI NANO COAT TECHNOLOGY CO., LTD.

Water Recycling

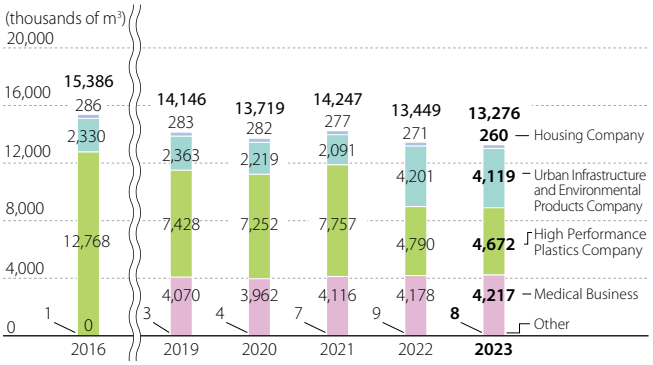
In order to reduce the amount of water it draws from water sources, SEKISUI CHEMICAL Group is promoting the reuse of water in its production processes. Each production plant of the UIEP and HPP companies recycles large volumes of cooling water for reuse in the production process. In FY2023, approximately 64 million cubic meters of recycled water was used at production sites in Japan and overseas.
In Hasuda City, where the Musashi Plant is located, wastewater purified in accordance with environmental standards is used as the main source of water for Lake Kurohama*, which is designated as a nature conservation area by Saitama Prefecture.

* For details regarding Lake Kurohama, see the following website.
https://www.sekisui.co.jp/musashi/eco/ (In Japanese only)

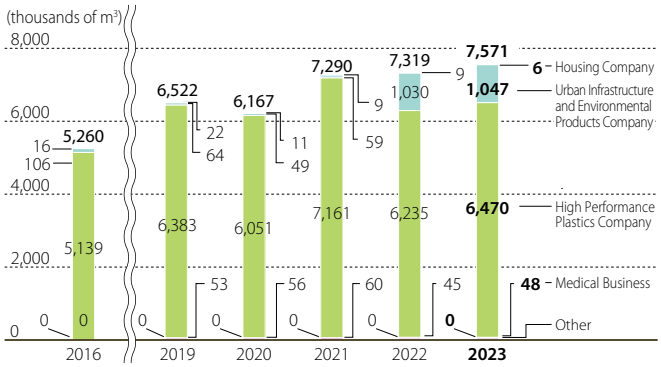
Performance Data

Note: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data for FY2022 of both companies is collated as if the change in control had been initiated from the beginning of FY2022.

Water Intake Volume at Production Sites / Japan

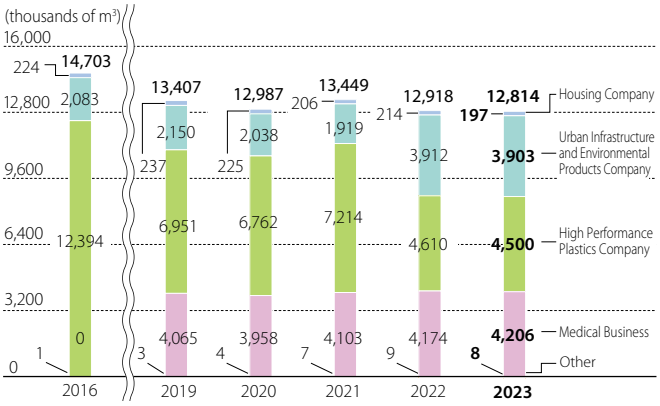


Water Intake Volume at Production Sites / Overseas

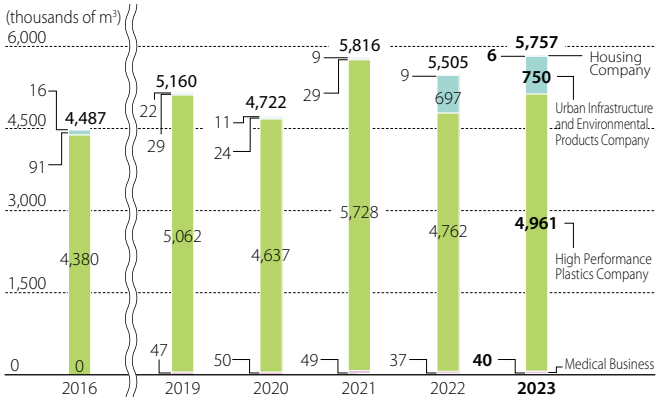


Note: Some past figures have been revised due to improvements in precision

Wastewater Discharge at Production Sites / Japan

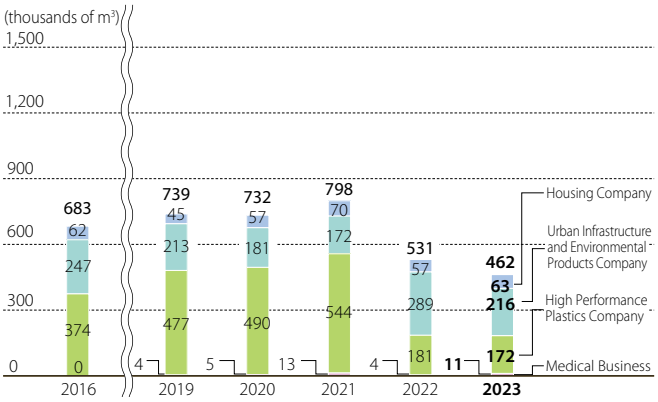


Wastewater Discharge at Production Sites / Overseas

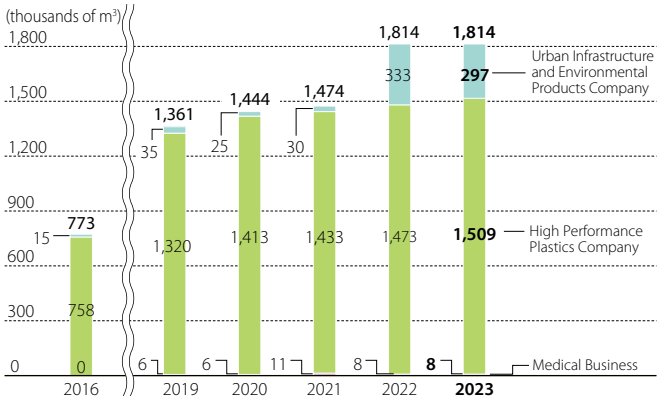


Note: Some past figures have been revised due to improvements in precision

Water Consumption at Production Sites / Japan



Water Consumption at Production Sites / Overseas



Note: Some past figures have been revised due to improvements in precision

Water Intake Volume at Production Sites by Water Source

(thousands of m^3)

Water source	Regions	All regions						Areas in regions with water stress					
		2016	2019	2020	2021	2022	2023	2016	2019	2020	2021	2022	2023
Surface water	Japan	696	726	129	185	18	25	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	1	3	0	0	0	0	1	3	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	696	727	131	185	18	25	0	1	3	0	0	0
Ground water	Japan	2,604	2,517	2,340	2,238	2,232	2,041	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	103	111	121	132	125	116	25	16	22	24	29	116
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	4	0	0	5	21	12	0	0	0	0	0	8
	Total	2,710	2,628	2,461	2,375	2,378	2,169	25	16	22	24	29	125
Seawater	Japan	0	0	0	0	0	0	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
Third-party water*	Japan	12,086	10,903	11,250	11,824	11,199	11,210	0	0	0	0	0	0
	China	273	265	247	243	226	213	236	256	241	235	222	204
	Southeast Asia and Oceania	896	1,093	957	1,087	1,146	1,194	18	80	55	42	58	1,162
	Europe	1,943	1,960	1,674	2,527	2,603	2,705	1,857	1,887	1,606	2,444	2,527	2,679
	North and Central America	2,042	3,092	3,165	3,297	3,198	3,331	10	141	94	121	132	1,920
	Total	17,241	17,313	17,293	18,977	18,372	18,653	2,121	2,365	1,996	2,842	2,938	5,965
Total volume of water withdrawn	Japan	15,386	14,146	13,719	14,247	13,449	13,276	0	0	0	0	0	0
	China	273	265	247	243	226	213	236	256	241	235	222	204
	Southeast Asia and Oceania	999	1,204	1,081	1,219	1,271	1,310	44	97	80	65	86	1,279
	Europe	1,943	1,960	1,674	2,527	2,603	2,705	1,857	1,887	1,606	2,444	2,527	2,679
	North and Central America	2,046	3,092	3,165	3,301	3,219	3,343	10	141	94	121	132	1,928
	Total	20,646	20,668	19,885	21,537	20,768	20,847	2,146	2,382	2,021	2,866	2,967	6,090

* Third-party water: Water withdrawn from local government water suppliers (public water systems, water systems for industrial use)

Note: Some past figures have been revised due to improvements in precision

Wastewater Discharge at Production Sites by Discharge Destination

(thousands of m^3)

Discharge destination	Regions	All regions						Areas in regions with water stress					
		2016	2019	2020	2021	2022	2023	2016	2019	2020	2021	2022	2023
Surface water	Japan	11,219	10,680	10,179	10,623	10,183	9,998	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	22	43	18	13	16	15	2	22	4	1	2	15
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	11,241	10,722	10,197	10,636	10,199	10,012	2	22	4	1	2	15
Ground water	Japan	0	0	0	0	0	0	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
Seawater	Japan	2,892	2,160	2,293	2,205	2,149	2,303	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0	0	0
	Southeast Asia and Oceania	0	0	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0	0	0
	Total	2,892	2,160	2,293	2,205	2,149	2,303	0	0	0	0	0	0
Third-party water*	Japan	591	567	515	622	586	513	0	0	0	0	0	0
	China	272	255	237	233	218	205	235	246	232	226	214	198
	Southeast Asia and Oceania	679	860	790	881	860	908	26	60	54	37	36	888
	Europe	1,930	1,944	1,664	2,511	2,592	2,696	1,857	1,875	1,601	2,439	2,521	2,674
	North and Central America	1,585	2,060	2,012	2,177	1,819	1,934	9	81	62	62	73	704
	Total	5,057	5,685	5,219	6,424	6,075	6,256	2,127	2,262	1,949	2,764	2,844	4,464
Total Volume of Wastewater	Japan	14,703	13,407	12,987	13,449	12,918	12,814	0	0	0	0	0	0
	China	272	255	237	233	218	205	235	246	232	226	214	198
	Southeast Asia and Oceania	701	902	809	895	876	922	29	83	58	38	38	902
	Europe	1,930	1,944	1,664	2,511	2,592	2,696	1,857	1,875	1,601	2,439	2,521	2,674
	North and Central America	1,585	2,060	2,012	2,177	1,819	1,934	9	81	62	62	73	704
	Total	19,190	18,567	17,709	19,265	18,423	18,571	2,129	2,285	1,952	2,765	2,846	4,478

* Third-party water: Wastewater (sewer systems) discharged to wastewater treatment facilities of local governments, etc.

Note: Some past figures have been revised due to improvements in precision

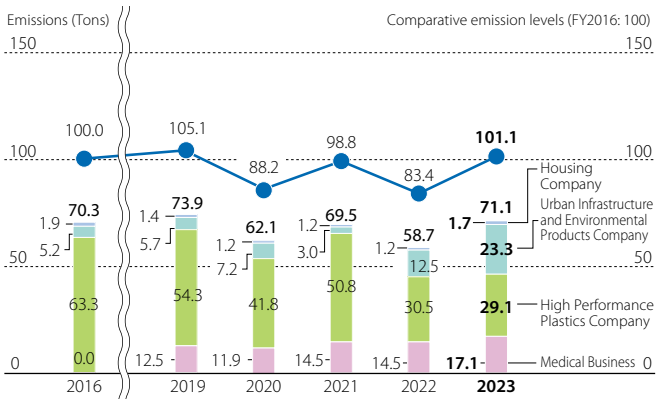
Water Consumption at Production Sites (thousands of m^3)

Regions	All regions						Areas in regions with water stress					
	2016	2019	2020	2021	2022	2023	2016	2019	2020	2021	2022	2023
Japan	683	739	732	798	531	462	0	0	0	0	0	0
China	1	10	10	9	8	8	1	10	10	9	8	6
Southeast Asia and Oceania	298	302	272	324	395	388	15	15	22	27	48	376
Europe	13	17	9	16	11	9	0	13	5	6	6	5
North and Central America	461	1,032	1,153	1,125	1,400	1,409	1	60	33	59	59	1,225
Total	1,456	2,101	2,176	2,272	2,345	2,276	17	98	69	101	121	1,612

Note: Some past figures have been revised due to improvements in precision

Indicator	Calculation Method
Water intake volume	Water intake volume = Total Water intake volume = (The sum of water intake from surface water, ground water, seawater, and third-party water)
Wastewater discharge	Wastewater discharge = Total wastewater discharge = (The sum of wastewater discharged to surface water, ground water, seawater, and third-party wastewater)
Water consumption	Water consumption = Water intake volume - wastewater discharge
Areas in regions with water stress	Areas where Baseline Water Stress is ranked as High or Extremely High under the WRI Aqueduct™ Water Risk Atlas (Aqueduct 4.0) Evaluation System

COD Discharge / Japan



Note: Some past figures have been revised due to improvements in precision

Indicator	Calculation Method
COD Discharge	Discharge = Σ[COD concentration (annual average of measured values) × Water discharge volume]

Addressing Biodiversity

Strategy (Stance, Approach, Risks and Opportunities)

Reducing the Impact of Corporate Activities on Biodiversity

While the corporate activities of SEKISUI CHEMICAL Group benefit from the multitude of blessings of nature brought about by biodiversity, they also place a burden on ecosystems. Recognizing this, we view nature as a form of capital that has value, and will therefore realize returns on the burden of its use through products and initiatives.
We will promote the efficient use of limited resources and energy, and strive to reduce the environmental impact caused by greenhouse gases and hazardous chemical substances while preventing pollution. At the same time, we will endeavor to improve functions and services so that our customers who use our products can contribute to the conservation of biodiversity.
We will work with various stakeholders to conserve and restore biodiversity to realize "Nature Positive*" through environmental considerations and contributions in our business activities and environmental conservation activities around the world, while making returns that have a positive impact on natural capital beyond the natural capital we utilize. We will work to conserve and restore biodiversity toward the realization of "Nature Positive".

* Nature Positive: To prevent damage to biodiversity on a global scale and to increase natural capital in a positive manner.

Land Use Concept

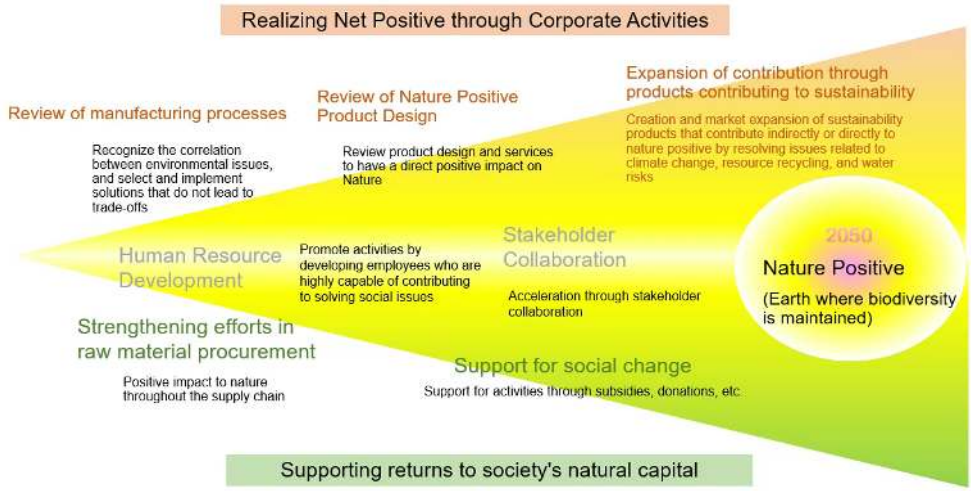
As a general rule, SEKISUI CHEMICAL Group does not use or develop land in the vicinity of protected areas (World Natural Heritage, IUCN Category I, II, III, and Ramsar Convention on Wetlands sites).
We will ascertain the impact of our business activities on biodiversity throughout the global value chain, and will review, minimize, recover, and offset activities in areas deemed important from the perspective of biodiversity.

Note: Please refer to Biodiversity Policy and Biodiversity Action Guidelines on pp.353-354

Biodiversity Conservation Initiatives based on the SEKISUI Environment Sustainability Vision 2050

In order to contribute to the realization of an earth with maintained biodiversity, SEKISUI CHEMICAL Group engages in activities based on its Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050*1.
As stated in the SDGs, natural and social environmental issues are interconnected, and in order to solve a single issue, we must remain conscious of multiple issues while working to find solutions.
Going forward, the Group will strengthen partnerships with stakeholders and work to evolve its activities, conscious of the need to not only solve issues relating to society, but also those that relate to the natural environment. By doing so, we will contribute to realizing returns on both natural and social capital*2, through which we hope to achieve a nature positive earth.
With this in mind, we have drawn up the following grand design of initiatives that will prioritize by 2050.

Biodiversity Grand Design



In order to achieve nature positivity and an earth with maintained biodiversity in 2050, the Group will undertake the following initiatives to realize returns on natural capital through its corporate activities.
・Review manufacturing processes
・Review nature-positive product designs
・Increase the degree of contribution through Products to Enhance Sustainability

In addition, we will implement the following initiatives to help support returns to natural capital by society.
・Strengthen initiatives involving raw material procurement
・Support social change

Moreover, we will undertake initiatives aimed at accelerating returns to natural capital through corporate activities and by society.
・Develop human resources
・Collaborate with stakeholders

*1 For details of the Long-term Environmental Management Vision, SEKISUI Environment Sustainability Vision 2050 see P.41.
*2 For details of the Integrated SEKISUI Environment Sustainability Index see P.59.

Risks and Opportunities

As far as the Group's biodiversity-related risks are concerned, we have drawn up four social scenarios that are based on two presupposed axes. One axis focuses on the decentralization of social systems in rural areas against concentration in large cities. The other axis focuses on mitigation as opposed to the acceleration of climate change, with temperatures of not more than 1.5°C and not less than 4°Cs. We have examined the impact from a nature perspective on each social scenario and analyzed the risks and opportunities that arise under these impacts.
As a result, we have identified the following as important risks to the Group's biodiversity.

1. Risk of biodiversity impairment with respect to timber raw materials at the procurement stage in the Housing Business
   [Ecosystem impact] Concerns surrounding the negative impact of deforestation on biodiversity.
   [Company impact] Reputational and procurement risks.

2. Risk of biodiversity impairment in the event of the illegal dumping of a product on marine ecosystems at the disposal stage after use in the Plastic Molding and Processing Business
   [Ecosystem impact] Impact of illegal dumping on marine ecosystems.
   [Company Impact] Possible reputational risk.

3. Risk of biodiversity impairment due to foundation work that entails the modification of land at the time of reclamation in the Town and Community Development Business
   [Ecosystem impact] Risk of fragmentation of the habitats of living creatures when fostering town and community development.
   [Company impact] Risk that habitat fragmentation may reduce the attractiveness and sustainability of urban environments coupled with possible reputational risk.

4. Risk of water-related disasters in Southeast Asia due to the impact of climate change on the manufacture and operation of our own and customers' plants.
   [Ecosystem impact] Disasters destroy ecological balance
   [Company impact] Physical risks

In addition, we analyzed the identified risks using the locate, evaluate, assess, and prepare (LEAP) method. Based on the results, we are advancing the following initiatives in a bid to convert risks into opportunities.

1. By procuring from sustainable forests, we are working to avoid risks and ensure a stable supply of housing with a durability of 60 years or more. We recognize that in gaining the understanding and trust of customers, we will be better placed to expand opportunities for housing sales.
2. We are endeavoring to develop a resource recycling system that prevents illegal dumping of molded plastic products at the time of disposal. In this regard we have developed a new Biorefinery (BR) technology that produces ethanol from combustible waste through the power of microorganisms. A one-tenth commercial scale demonstration plant is currently in operation with the aim of implementing this technology in society. By establishing a resource recycling system, we recognize the potential to eliminate the illegal dumping of molded plastic products and its impact on the ecosystem. This in turn will help mitigate any deterioration in the reputation of existing products. At the same time, we are prioritizing innovation as a means to address and mitigate risks which can then lead to the development of new business opportunities.
3. In order to prevent the fragmentation of the habitats of living creatures across regions, we are strengthening ecosystem bridges by raising the environmental awareness of local residents through the planting of endemic species and awareness-raising activities. As a result of these efforts, we obtained ABINC-ADVANCE certification for Asaka Lead Town, a model for the Group's Town and Community Development Business. This has allowed us to turn risk into opportunity, as the ecological considerations have helped enhance the attractiveness of the town.
4. We are expanding businesses that strengthen water infrastructure in the Asian region thereby reducing risks and generating opportunities.

Past and Future Biodiversity Initiatives

SEKISUI CHEMICAL Group has promoted the following initiatives to address biodiversity.

1. Assessment and reduction of the impact of business activities on biodiversity
   - Developing assessment methods and conducting assessments, reducing impacts
   - Greening of business sites (promoting landscaping and biotope development)
   - Promoting biodiversity-conscious purchasing

2. Development and promotion of related technologies and products
   - Incorporating biodiversity assessments at the product development stage

3. Raising employee awareness
   - Conducting nature conservation activities at all business sites
   - Expanding the SEKISUI Nature Study Course and nature conservation activities

4. Dialogue and collaboration with external stakeholders
   - Supporting innovation inspired by nature, and holding periodic forums
   - Supporting NPO's and other organizations through the Japan Business Federation (Keidanren)

5. Transmission of information
   - Participating in exhibitions
   - Providing education to the next generation (children's nature study course, school visits)
   - Publishing sustainability reports, site reports, and posting information of the Company's websites

Beginning with the current Medium-term Management Plan, we will first take action to resolve environmental issues, which are already underway, while taking into consideration biodiversity (natural capital). In addition, we will strengthen our understanding of the current situation, and if any negative impact on biodiversity is identified, we will find measures that will lead to positive nature results while mitigating negative aspects with the aim of increasing the effectiveness of initiatives.
To this end, we will also expand indicators to ascertain current conditions.

Biodiversity initiatives in the Current Medium-term Management Plan

		Recognize impact and dependence	Reduce negative impacts	Increase the positive impact
Achieve net positive through natural capital throughout the product life cycle	Products to Enhance Sustainability	• Understanding current situation and identifying important aspects by analyzing the impact of products on natural capital (LCA method, etc.) Reduction contribution • Raising awareness raising for product registration Rate of return	Consideration of product design and services to reduce negative impact on product life cycle (confirmation at registration and holding study sessions) Management indicators for each issue	Creation and market expansion of products to enhance sustainability that contribute indirectly or directly to nature positive by resolving issues related to climate change, resource recycling, and water risks. Number of registrations Net sales
	Manufacturing Process	• Understand the impact on ecosystems of water use • Grasping the impact of land of production sites by utilizing the "Land Use Score Card" (expanding target areas) Area and number of business sites	• Considering solutions that do not involve trade-offs in order to solve each environmental issue • Reduction of water risk in river basins at production sites • Promoting the use of chemical substances with only small impact on the ecosystem and suppressing the release of chemical substances • Promotion of resource recycling for plastic products	• Expanding the positive impact of green space on the premises by utilizing the results of the Land Use Score Card Points
	Human Resource Development	Improve ability to contribute to solving social issues through educational and SDGs contribution activities Awareness to SDGs No.14 and No.15 Level of ability to contribute to solving social issues, number of human resources		
Supporting Net Positive in Social	Procurement of Raw Materials	• Understanding raw material risks through CSR/timber procurement questionnaires in procurement Risk score	Strengthen sustainable procurement (focus on certification + due diligence). Especially for timber, traceability needs to be understood and sustainable procurement is pursued.	- Cumulative number of grants
	Social Transformation	-	-	• Continuing research grants (manufacturing that learns from nature) Area, CO2 fixation, job creation value, etc. • Mangrove planting in Thailand • Corporate collaboration activities supported by 30by30

: Examples of indices to measure

Governance

Promotion System for Biodiversity Issues

As far as biodiversity issues that may pose a risk to management are concerned, steps are taken to ascertain the magnitude of each risk and to consider as well as implement appropriate countermeasures under the supervision of the Board of Directors. In similar fashion to other environmental issues, our supervisory and executive systems for reducing the Group's impact on biodiversity issues and expanding its contribution to the resolution of issues are based on the Environmental Management Promotion System. (For details see P.51)
When new land is acquired, for example through large-scale land development, such as when constructing our own factories, or through M&As, we carry out environmental assessments of the impact that our business may have on the atmosphere, water areas, soil, etc. During these environmental impact assessments, we also verify any impact with regard to biodiversity.

Risk Management

As far as risk management is concerned, we have established an ERM system that in addition to identifying Group-wide major risks, shares and manages these risks within the Group. Risks related to biodiversity issues are also assessed in an integrated manner, together with other risks that are expected to have a significant impact on management. Risks that affect the Group as a whole and each organization, including such environmental issues as biodiversity, are shared and deliberated at Board of Directors, Sustainability Committee, Management meetings, and subcommittee meetings.

Assessment of Impact on Biodiversity (Natural Capital)

Under SEKISUI Environment Sustainability Vision 2050, SEKISUI CHEMICAL Group is working to realize an earth with maintained biodiversity. To that end, we are promoting initiatives that utilize the net-positive approach toward ecosystems.
We use the SEKISUI Environment Sustainability Index as an integrated indicator to confirm the degree of progress toward realizing our environmental vision. As a result, we calculate the rate of return on natural and social capital, which we consider an assessment of the degree of impact on biodiversity as a whole.
In the future, we will also identify and monitor the impact of two aspects on plant biomass (primary production of plants) and biodiversity (number of extinct species) as a breakdown of this calculation.

We have long been aware that the use of raw materials, emission of chemical substances, and disposal of products sold have a significant impact on biodiversity in our business activities.
Due to the greater understanding of the unique effects of these chemical substances in recent years as part of LCA databases used to monitor impact, the impact per unit amount of chemical substances has been increasing.
In light of this, we are updating the databases we use, reconfirming the benchmark, and expanding returns starting with the targets in the current Medium-term Management Plan.

SEKISUI CHEMICAL Group confirms the return rates of both plants (primary production of plants) and biodiversity (extinction rate of living species). The data in each case is used as a confirmation indicator to enable the Group to have a direct positive impact. The following table outlines trends in the aforementioned. Although the return rate in each case remains below 100%, we will promote corporate activities that move steadily toward nature positivity by addressing such environmental issues as climate change and resource recycling.

Trends in Rates of Return to Biodiversity and Plant Primary Production

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Biodiversity aspects	38.3	39.4	43.1	40.8	49.7	38.0	30.5
Plant Biomass aspects	35.0	35.1	34.9	38.2	41.0	67.8	50.4

Among the raw materials used by the Group, biomass-derived paper and petroleum-derived materials have a significant impact on biodiversity.
In order to reduce this impact, we recognize the importance of strengthening procurement in a manner that takes into account sustainability with respect to non-fossil resources as stipulated in our resource recycling policy.
With the aim of bolstering the sustainable procurement of raw materials, we have also reviewed items that need to be considered in supplier management. Based on the aforementioned, we are engaging in activities with a view to reducing environmental impact and corporate risks in cooperation with suppliers.

Meanwhile, products that contribute significantly to the conservation of biodiversity include those that contribute to the reduced use of minerals, fossils, and forest resources. These include products that contribute to resource recycling by reducing energy consumption during the use of vehicles and transportation, improving durability, and switching to alternative materials. Examples of the former include KYDEX, LLC products for aircrafts and railroads. Examples of the latter include products related to the SPR method for sewage pipe restoration.
Products that contribute significantly to the primary production of plants include, for example, products that curb global warming and products that can reduce waste.
Examples of the former are Sekisui Heim's solar panel-equipped houses, and the latter are Kraft tapes that enable the use of thinner paper cores than previously possible.
In order to expand these contributions, it is important to develop products and technologies that contribute to decarbonization, and to establish services and technologies that reduce the waste from products sold while promoting recycling. With this in mind, we are working to achieve the aforementioned goals by expanding our lineup of Products to Enhance Sustainability.

In fiscal 2023, the rate of return to plant biomass increased. We believe this increase can be attributed to a variety of factors, including the reduced use of raw materials that have a negative impact, improvements in the quality of green spaces at production sites, and contributions from products that have a positive impact on the land used.
As far as biodiversity is concerned, we also recognize that increases in the impact of chemical emissions and the decrease in sales of products that contribute to biodiversity have led to a decline in the rate of return.

Going forward, we will continue to promote manufacturing while examining the direction of these return rates in order to engage in nature positive corporate activities.

Indicators and Targets

Targets related to Addressing Biodiversity

JBIB Land Use Score Card® Points

Current Medium-term Management Plan (FY2023-2025) Targets +3 points over a 3-year period (compared with FY2022)
FY2023 Results +1.5 points (compared with FY2022) ☑
2030 Target Promote ecosystem consideration* at all business sites
2050 Target Maintain ecosystem consideration at all business sites

* Ecosystem consideration: Increased quantitative evaluation of biodiversity

Major Initiatives

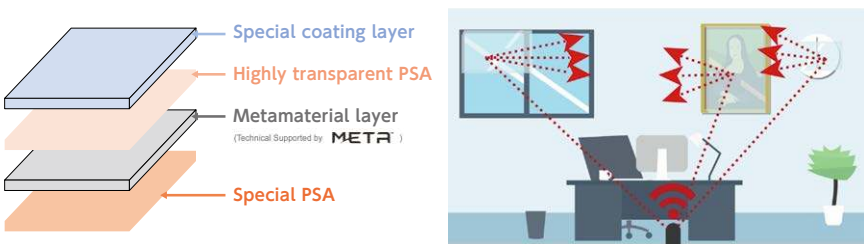
Innovation Inspired by the Nature Research Support Program and Holding of Forums

Since 2002, SEKISUI CHEMICAL Group has provided grants for manufacturing with a focus on learning from nature, while also holding forums to share the results of research work. As an effective approach to manufacturing that is geared toward the resolution of social and environmental issues, we recognize the critical need to learn from nature's wisdom. With this in mind, we are implementing various measures develop biomimicry* technology.

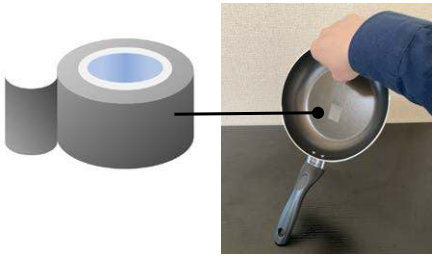
While basic science requires time for research and support, we believe that learning from nature's wisdom has the potential to create fundamental innovations that differ from conventional energy-consuming technologies.
By providing these grants to researchers outside the Company, we have supported the development of 306 technologies (cumulative total as of the end of March 2024). Amid efforts to promote development based on this understanding, the following technologies and product examples have emerged. (See the diagram below)

* Biomimicry (biomimetic) is the use of what is learned from the mechanisms of nature in the development of technology. The term is a combination of "Bio," meaning living things, and "Mimicry," meaning imitation.

[Contribution to a next-generation telecommunications society]



Transparent flexible reflector film developed from studies of the brilliance of morpho butterfly wings



Fluoroplastic-compatible adhesive tape developed from the study of mussel secretions

[Contribution to extending healthy lifespans (and COVID-19 countermeasures)]

Viru-taker™ and Allerbuster developed from the study of plant-based resins

[Contribution to addressing climate change (heat island effect countermeasure)]

Fractal sunshade material Airyshade developed
from the study of the cool shade of trees

We will continue to develop nature positive products and businesses by placing considerable importance on learning from nature's wisdom in our manufacturing activities.

Use of Sustainable Timber and Ensuring Traceability

SEKISUI CHEMICAL Group promotes the use of FSC-certified and other legally harvested timber, as well as timber that has been confirmed to be sustainable through direct engagement. In this manner, we contribute to the eradication of deforestation and the sustainable use of timber resources. In addition, we conduct surveys on commercial distribution with a focus on the logging area, tree species and quantity of timber materials to ensure traceability. For recycled materials, we use timber- and timber-based materials that are already in use in the market, unused thinnings, and branches.
In 2022, we set the target of eliminating deforestation by 2030. As a part of efforts to achieve this target, we revised our Timber Procurement Policy* and put in place Sustainable Timber Procurement Guidelines to facilitate procurement in line with this policy. In addition to the legal procurement of timber, we are also promoting initiatives to reduce the impact of deforestation on the human rights of indigenous peoples and the environment.

* For details of the SEKISUI CHEMICAL Group Timber Procurement Policy see P.364.

Initiatives to Improve the Quality of Green Spaces

SEKISUI CHEMICAL Group is implementing initiatives to improve the quality of green spaces at all of its domestic production sites and research institutes.

We are promoting initiatives to improve the quality of the green spaces within our 45 business sites in Japan (total site area: 3,282,000 m^2, total green space area: 855,000 m^2) in an effort to improve the habitats of local flora and fauna, build an ecosystem network that connects local communities and business sites, and revitalize regional cooperation. Utilizing the JBIB Land Use Score Card®, we are aiming to improve our score by three points compared with FY2022 during the period of the Environmental Medium-term Plan (FY2023-2025).

Under the guidance of the environmental consulting company Regional Environmental Planning, Inc.,, we engaged in a variety of activities, including the following.

- Planning and implementation of green space design as well as management plans in harmony with the surrounding natural environment
- Sustainable maintenance and management utilizing the natural cycle
- Eradication of invasive species
- Conservation of rare species
- Communication with stakeholders

As a result, our average score for FY2023 improved by 1.5 points compared with FY2022.

Activities to Survey Non-native and Conservation Plant Species and to Eradicate Non-native Plant Species

Many non-native species have invaded our surrounding, firmly taking root. Some of these are plants that damage ecosystems, including those that deprive native species of their habitat, and others are plants that are harmful to people.
Under these circumstances, SEKISUI CHEMICAL Group has conducted surveys of exotic and precious plants in and around its 27 plants and offices in cooperation of experts since fiscal 2018.
Based on the results of the survey, we have selected those species to be eradicated and those to be preserved, and have prepared a countermeasure manual that outlines appropriate eradication methods and timing, which we are using while continuing to engage in eradication activities.
In order to create and maintain a better environment within business sites, we recognize the need to manage green spaces with biodiversity in mind, while focusing on non-native species and species conservation (precious species).

Plant survey (SEKISUI NANO COAT TECHNOLOGY CO., LTD.)

Lecture on eradication (SHIKOKU SEKISUI CO., LTD.)

Example of a species to be eradicated (Desmodium paniculatum)

Certified as a Site Coexisting with Nature by Japan's Ministry of the Environment

Sekisui Medical Co., Ltd.'s Iwate Plant was certified as a site coexisting with nature by Japan's Ministry of the Environment.
Location: Hachimantai-shi, Iwate Prefecture Area: 27.8ha

The following items were highly evaluated by experts, which led to certification.
- A survey revealed that 951 species of flora, fauna, and spring water creatures grew in and inhabited the plant site.
- Among these species, the survey discovered 22 rare species, including Capricornis crispus (special protected species) and Glirulus japonicus (protected species).
- To create an environment that contributes to biodiversity, such as the continuous planting of deciduous broad-leaved trees by employees and the development of spawning grounds for Hynobius lichenatus and Zhangixalus arboreus, efforts were being made to engage in sustainable maintenance and management that leverages natural cycles.

Panoramic view of Iwate Plant

Typical landscape

Hynobius lichenatus

Mangrove Reforestation Activities in Thailand

SEKISUI CHEMICAL Group is engaged in mangrove reforestation activities to restore and maintain the mangrove ecosystem in Thailand and to contribute to the local community.
In fiscal 2023, the Thai province of Nakhon Si Thammarat was buffeted by extreme weather conditions, which caused the tidal flats to become dry due to high temperatures. To address this grave situation, and in cooperation with local fishermen, about 30,000 trees on 10 ha of tideland were planted at the beginning of the monsoon season. Through observation of the growth and condition of the trees planted in fiscal 2022, we found that many of the trees had already sprouted branches and that supporting roots were firmly extending into the ground. These activities are contributing to the creation of carbon-rich tropical peatlands.

Afforestation on dry tidal flats

Afforestation undertaken in FY2022

Tree planting conducted in FY2017

Collaboration with External Organizations

Corporate Organizations That Take Action with the Aim of Preserving Biodiversity

30by30 Alliance

Organizer ..... Japan's Ministry of the Environment
Significance / Objectives ... Achievement in Japan of internationally agreed 30by30 targets
Activities ..... Compile and promote necessary measures to halt and restore biodiversity by 2030 (nature positivity), including OECM certification.
Our role ..... Express support and aim to accelerate efforts through in-house and corporate collaboration.

Japan Business Initiative for Biodiversity (JBIB)

Significance / Objectives ... Contribute to the conservation of biodiversity in Japan and overseas
Activities ..... Promote a variety of activities, such as research on biodiversity in collaboration with various companies.
Our role ..... Exchange opinions with companies that promote biodiversity conservation, share case studies while accelerating in-house efforts, and raise awareness of social efforts.

Keidanren Declaration of Biodiversity Initiative

Significance / Objectives ... Work to realize a sustainable society by building a society in harmony with nature
Activities ..... Voluntarily and proactively address the seven items that make up the Keidanren Declaration of Biodiversity and Action Guidelines (revised version)
Our role ..... Endorse and work to mainstream biodiversity by developing activities in accordance with this spirit and aspiration.

Activities to Conserve Green Spaces

We work together with an environmental consulting firm on environmental conservation activities and development of local environment, such as research on ecosystems at production sites and laboratories, conservation of biodiversity, and eradication of invasive species.

Environmental Conservation Activities

As part of efforts to develop human resources that contribute to the environment, we are working with local governments, academia, NGOs, NPOs, and other organizations at our bases in Japan and overseas to conduct environmental conservation activities worldwide.

Performance Data ☑

Results from the JBIB Land Use Score Card®.

	FY2023
JBIB Land Use Score Card®	Up 1.5 points (compared with FY2022)

Index	Calculation Method
Points of JBIB Land Use Score Card®	The JBIB Land Use Score Card® is an Ikimono Symbiotic Coexistence Enterprise® promotion tool that aims to evaluate the degree of contribution to biodiversity of company-owned land. This Score Card serves as a sheet that evaluates the area, quality, and management system of green spaces at each business site on a 100-point scale. The JBIB Land Use Score Card® is used to evaluate each business site for the fiscal year in question, and to calculate the increase from the number of points compared with FY2022. The indicator is the average point increase across all business sites.

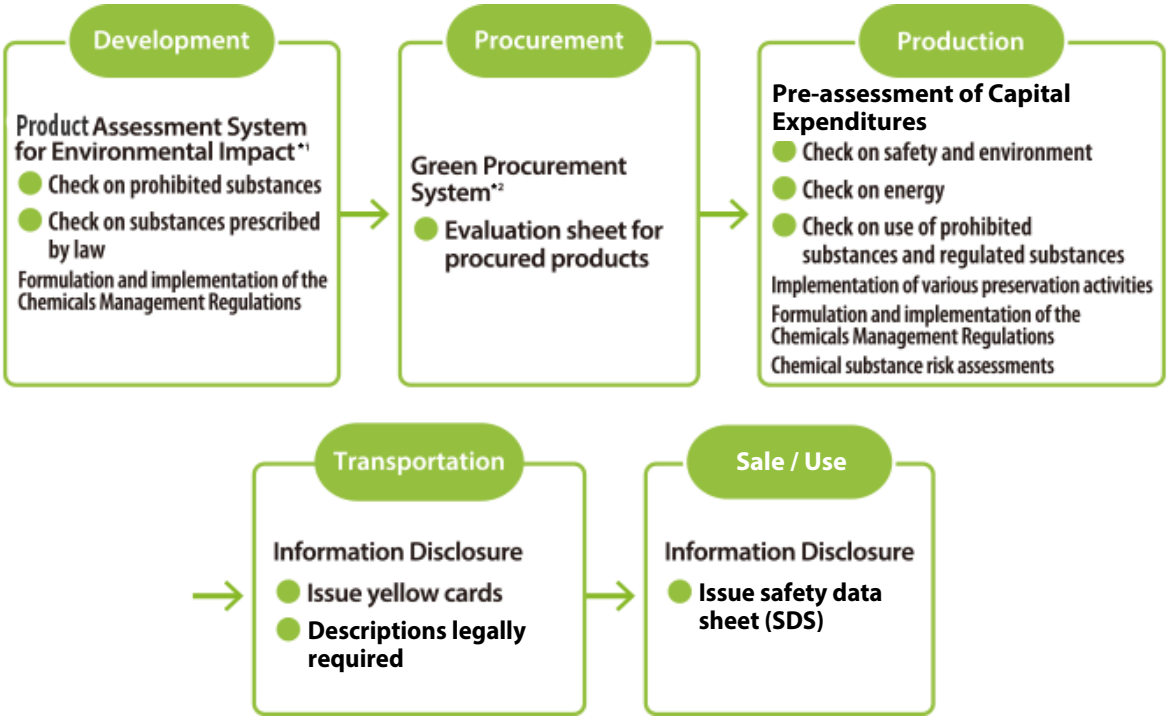
Chemical Substance Management

Strategy (Stance and Approach)

Minimizing Environmental Impact through Proper Control and Reduction of Chemical Substance Emissions

While the chemical substances that SEKISUI CHEMICAL Group is involved in make people's lives more convenient, they can also have harmful effects on the environment and human health. Therefore, we believe that it is an important corporate responsibility to properly manage chemical substances and to consider product safety, occupational safety and health, and environmental impact.
In addition to operating the Product Assessment System for Environmental Impact*1 and the Green Procurement System*2, the Group has set and worked toward its own targets for reducing emissions and the transfer of chemical substances. Moreover, in order to respond to legal and other regulatory revisions, we periodically review the chemical substances that require regulation.

*1 Product Assessment System for Environmental Impact: A system for assessing the environmental impact of products at all stages from raw material procurement through manufacture, use, disposal, and transportation.
*2 Green Procurement System: A system which prioritizes lower levels of environmental impact when procuring raw materials, parts, etc.



Governance

Promotion System for Chemical Substance Management Issues

In similar fashion to other statutory and regulatory requirements, and as far as the management of chemical substances is concerned, steps are taken to consider and implement appropriate countermeasures under the supervision of the Board of Directors. The Group's supervisory and executive systems are based on the Environmental Management Promotion System for matters related to environmental issues. (For details see P.51)

Major Initiatives

Controlling VOC Emissions

In FY2023, VOC emissions in Japan increased 83.7% compared with FY2022.
Note: However, due to revision to the applicable law, the number of substances subject to aggregation has been drastically changed since FY2023.

Preventing Air and Water Pollution

SEKISUI CHEMICAL Group complies with the values stipulated in laws and ordinances for equipment related to exhaust gases and water drainage.

Soil Contamination Countermeasures

We conduct voluntary assessments of soil contamination at all of our production sites. Where contamination is found, we take measures to purify and prevent further contamination, and report the results to the government. In addition, we continuously monitor groundwater to confirm that contamination has not spread.
When land is sold due to the closure of a production site, we undertake steps in accordance with the law. In FY2023, no new measures were required.

Disposal and Storage of Devices Containing PCBs and Management of Equipment That Uses Fluorocarbons

We are progressively disposing of transformers and capacitors that contain PCBs, starting with business sites that are now able to accept them at PCB treatment facilities.
Machines and equipment that contain PCBs in storage are strictly managed through a variety of means. This includes the locking of storage facilities and periodic inspections.
Steps are also being taken to enhance awareness toward mandatory requirements regarding equipment that uses fluorocarbons in accordance with Japan's Act on Rational Use and Proper Management of Fluorocarbons (Freon Emission Control Act) and to ensure thoroughgoing management including periodic inspection.

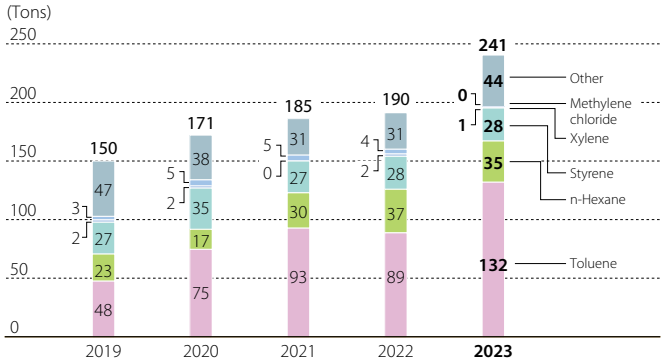
Performance Data ☑

Note 1: From FY2019, Medical Business results have been tabulated on a stand-alone basis owing to its separation from the HPP Company. The presentation of Corporate Headquarters results has been reclassified as Other.

Note 2: In line with a change in the control of certain businesses in the UIEP and HPP companies implemented from October 2022, the data for FY2022 of both companies is collated as if the change in control had been initiated from the beginning of FY2022.

Note 3: Figures are tabulated based on the review of designated chemicals under the PRTR Law, which was revised in FY2023. However, data prior to FY2022 has not been retroactively revised.

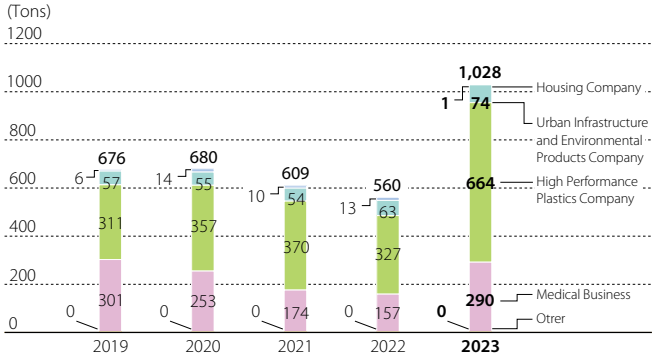
Amount of Chemical Substance Emission and Transfer (PRTR Law) / Japan



Note: Despite a change in the substances covered following revisions to the law in 2023, past data has not been retroactively adjusted.

Index	Calculation Method
Amount of Emissions / Transfer of Chemical Substances	Amount of emissions / transfer of chemical substances subject to regulation by the PRTR Law: Amount of emissions = Amount of emissions into the air + Amount of emissions into public waters + Amount of emissions into the soil on-site + Amount disposed by landfill on-site Transfer volume = Amount transferred to sewers + Amount transferred as waste material Scope: Covers production sites and research facilities in Japan

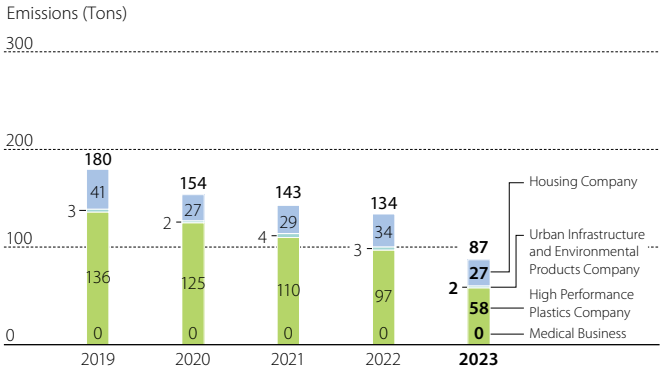
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere / Japan



Note: Despite a change in the substances covered following revisions to the law in 2023, past data has not been retroactively adjusted.

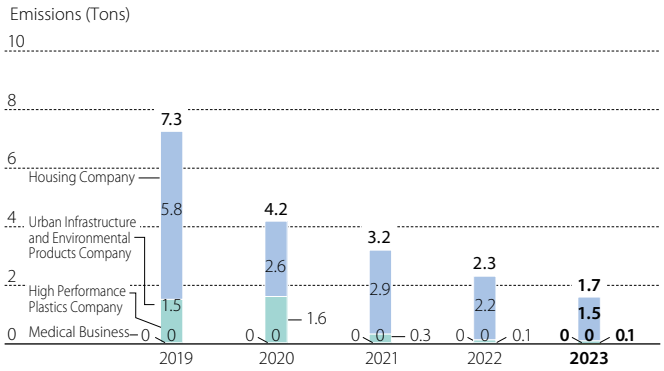
Index	Calculation Method
VOC Emissions	Amount of emissions into the atmosphere of volatile organic compounds (VOC) among the substances subject to regulation by the PRTR Law and Japan Chemical Industry Association

NOx Emissions / Japan



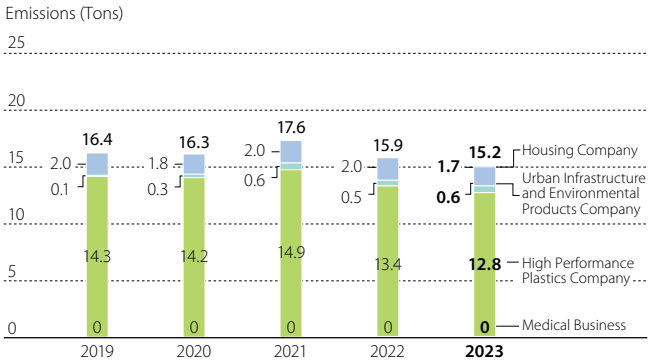
Index	Calculation Method
NOx Emissions	NOx emissions =∑(Amount of exhaust gas airflow per year × NOx concentration × 46 / 22.4)

SOx Emissions / Japan



Index	Calculation Method
SOx Emissions	SOx emissions =∑(amount of SOx per year × 64 / 22.4)

Soot and Dust Emissions / Japan



Index	Calculation Method
Soot and Dust Emissions	Soot and Dust emissions =∑ (amount of exhaust gas airflow per year × soot concentration)

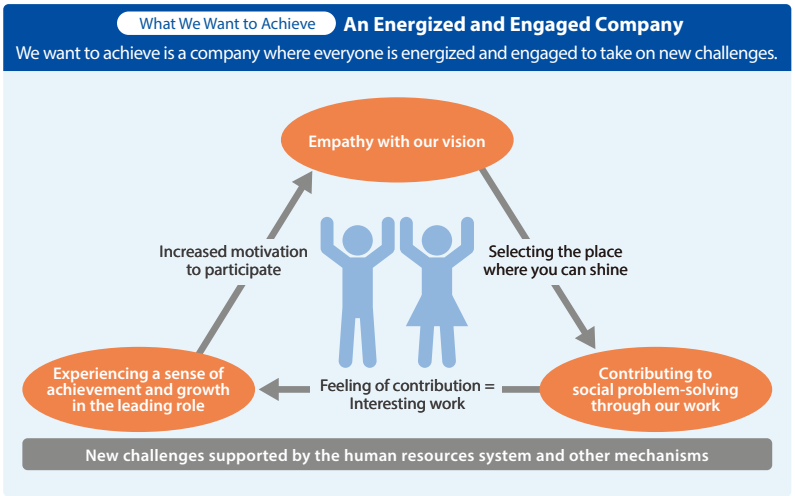
Society

Human Capital

Strategy (Stance, Approach, Risks and Opportunities)

Basic Concept

SEKISUI CHEMICAL Group has established the Long-term Vision, Vision 2030, in order to become a globally indispensable corporate group that supports Life, with the aim of realizing a society in which all generations can enjoy an affluent existence. In an effort to realize Vision 2030, we will work to become an energized and engaged company where all employees thrive on challenges, in other words, to serve as a company that fosters innovation and creation while expanding its contribution to solving social issues.



As we work to become an energized and engaged company where all employees thrive on challenges, we are promoting a shift in our human resources management that includes the promotion of a role-based human resources system and challenges as an investment in human capital. In addition, we emphasize Achieving the right talent in the right position by developing human resources that can respond to the speed of business growth and changes. This includes securing, selecting, and systematically training personnel who are essential to the realization of our Long-term Vision. Meanwhile, we have also initiated steps to invest heavily in human capital through such measures as expanding employee careers and improving working conditions to the tune of ¥12 billion over the three-year period of the Medium-term Management Plan.

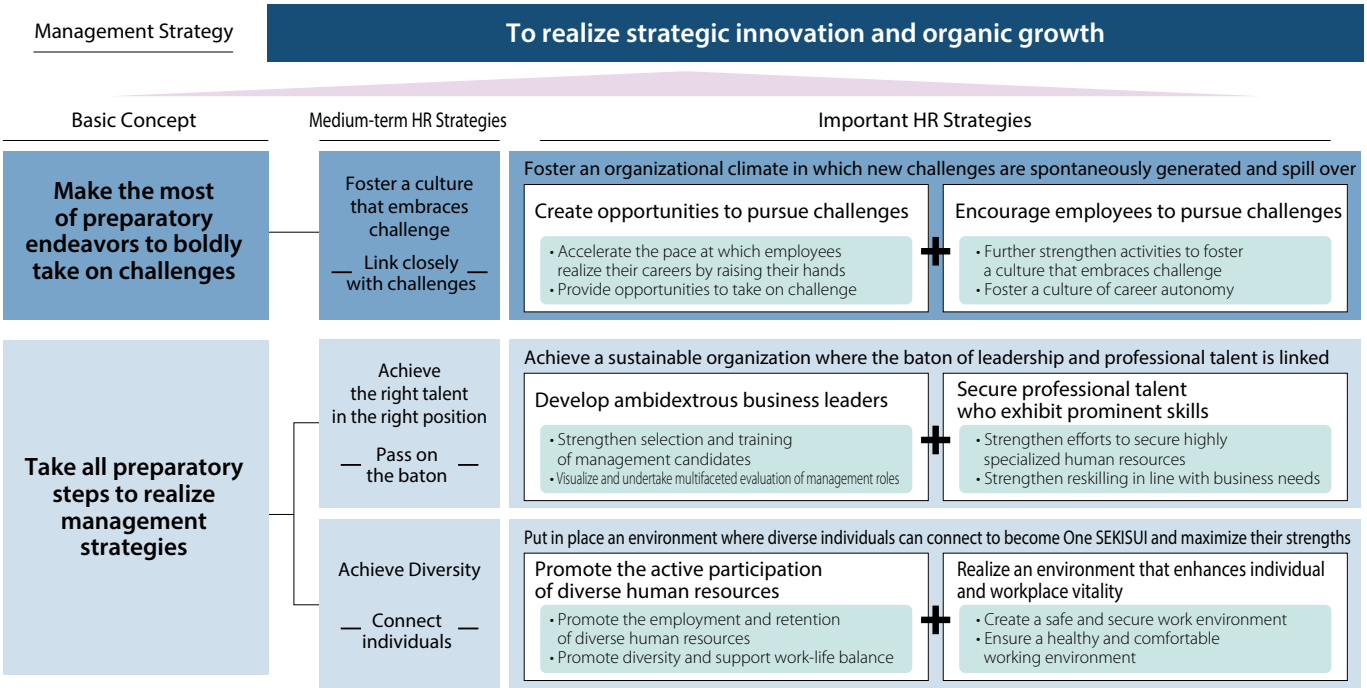
Risks and Opportunities

SEKISUI CHEMICAL Group recognizes human capital-related risks and opportunities in the following factors and is working to address each factor accordingly.

Factors	Risks	Opportunities
Increased competition for new graduate hires	・Failure to achieve planned headcount due to the declining birthrate and downturn in the industry's appeal	・Productivity improvement through DX
	・Delay in new business development due to shortages in the necessary personnel	・Supplementing the composition of labor through expanded career recruitment
Increased mobility of human resources	・Insufficient man-hours and specialized skills due to the downturn in retention	・Promotion of diversity through expanded career recruitment
	・Further downturn in retention due to a decline in engagement	・Standardization of operations through the use of systems
Shortage of executive talent	・Vacancies in line management positions due to the large number of retirements	・Selection without regard to age, gender, or nationality
	・Decline in organizational strength due to the appointment of personnel undergoing development	・Promotion of organizational revitalization and innovation
Obsolescence of skills	・Delay in business expansion due to inadequate response to changes in the environment	・Improvement in the market value of employees through reskilling
	・Decline in employee engagement due to a downturn in motivation for growth	・Expansion of global operations and creation of new products

Human Capital Strategy

Under the Human Capital Strategy outlined in the Medium-term Management Plan (FY2023-2025), we are implementing various measures based on the three pillars of fostering a culture that embraces challenge, placing the right talent in the right position, and achieving diversity.
SEKISUI CHEMICAL Group is shaping the future by passing on the baton of challenge to each individual.
We are working diligently to realize our management strategies of strategic innovation and organic growth by fostering a culture that embraces challenge and maximizing individual and organizational strengths.



Governance

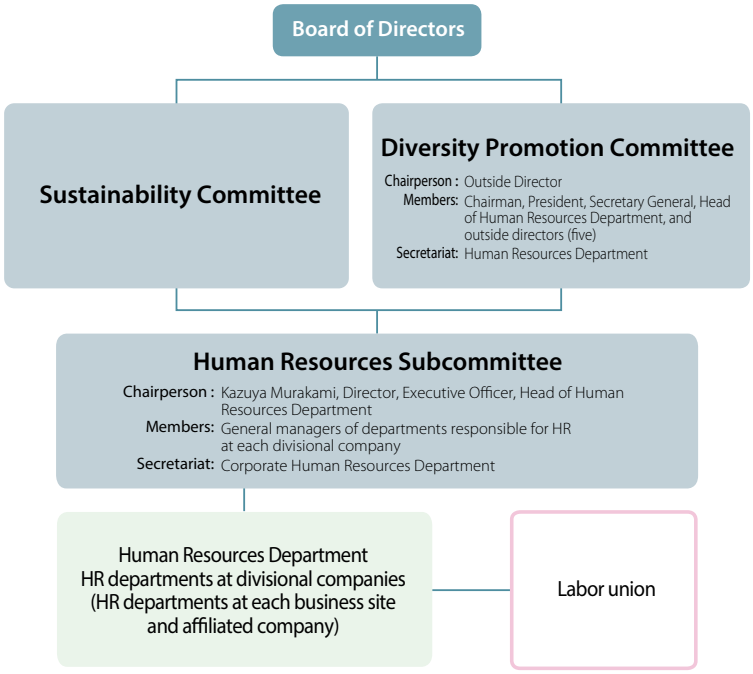
System

SEKISUI CHEMICAL Group established the Diversity Promotion Committee as a part of efforts to carry out its human capital strategy. Engaged in a variety of activities, the committee meets twice a year. Within these activities, the Committee clarifies the supervisory and executive functions in a bid to strengthen the Group's strategies and information disclosure as they relate to human capital management as well as efforts to promote diversity.
As far as the supervisory function is concerned, advice is afforded on the supervision and execution of human capital with regard to human capital management-related matters and efforts to secure the diversity of human resources.
From an executive function perspective, the Group established the Human Resources Subcommittee, under the Sustainability Committee. This Subcommittee is comprised of the general managers of the Human Resources Section at each divisional company and determines how the human capital management initiatives decided by the supervisory body will be executed. The Human Resources Department of Corporate Headquarters then collaborates with the labor union to swiftly execute these initiatives.

Diversity Promotion Committee

Chairperson: Haruko Nozaki, Outside Director
Members: Outside Directors (five), Chairman of the Board and Director, President and Representative Director, Representative Director Senior Managing Executive Officer, Director and Executive Officer and Head of the Human Resources Department
Secretariat: Human Resources Department

Human Resource / Promotional Structure



Risk Management

SEKISUI CHEMICAL Group recognizes the risks and opportunities of four factors regarding human capital: Increased competition for new graduate hires, Increased mobility of human resources, Shortage of executive talent, and Obsolescence of skills (see P.150).

We are promoting various measures to reduce risks based on KPIs that are set in conjunction with the risks and opportunities associated with each factor. In addition, the Human Resources Subcommittee, which meets once every six months, evaluates risks and opportunities along with these measures.

By adopting a PDCA cycle-based approach with respect to these initiatives, we are able to reduce risks, prevent reoccurrence, and expand opportunities. In this manner, we are promoting a human capital strategy .

The Group-wide Risk Review Subcommittee also evaluates risks and opportunities related to human capital, and monitors the likelihood (frequency) and impact (outcome). At the same time, steps are taken to confirm the consistency of measures in response to social conditions and demands, identify issues, consider countermeasures, develop strategies to reduce risks one step ahead, respond quickly when problems occur, and turn risks into opportunities.

Indicators and Targets

SEKISUI CHEMICAL Group established 14 guiding principles under a new human capital strategy based on the Medium-term Management Plan launched in FY2023. These guiding principles consist of two policies and 12 KPIs (including three priority KPIs).

The following 14 guiding principles comprise the targets of SEKISUI CHEMICAL Group's human capital strategy.

14 Human Capital-related Guiding Principles

Policies			
1	Human resources development		
2	Internal environmental improvement policy		
KPIs			
No.	Items	Category	Targets (2025)
1	Degree of challenging behavior expression	Priority	60%
2	Rate of successor candidate preparation	Priority	100%
3	Retention rate	Priority	Maintain/Improve from previous year
4	Engagement score	Major	Maintain/Improve from previous year
5	Training hours	Major	10 hours
6	Ratio of female in management position	Major	5%
7	Number of hires	Major	Ratio of female employees: 35%
8	Gender wage gap	Major	Maintain/Improve from previous year
9	Percentage of male employees taking childcare leave	Major	75%
10	Employment ratio of people with disabilities	Major	2.5% (above the legally stipulated ratio)
11	Total working hours	Major	Less than 2000 hours/year
12	Rate of long-term leave due to mental health problems	Major	1.0%

Fostering a Culture That Embraces Challenge

Strategy (Stance and Approach)

Basic Concept

For SEKISUI CHEMICAL Group to bring Vision 2030 to fruition, as outlined in its Medium-term Management Plan, it is vital that each and every employee embrace challenge. In order for employees to embrace challenge and to take the appropriate action, it is equally important that we put in place the prerequisite environment. To this end, it is essential that managers set the right goals, motivate employees, and foster an organizational culture in which efforts to take on challenges are valued and failures are tolerated. Accordingly, the human capital strategy in the Medium-term Management Plan focuses on creating opportunities and encouraging employees to pursue challenges. As we foster a culture that embraces challenge, we are promoting various measures to achieve these goals.

Important HR Policies

1. Creating opportunities to pursue challenges

・Accelerating the pace at which employees realize their careers by raising hands
・Providing opportunities to take on challenges

2. Encouraging employees to pursue challenges

・Further strengthening activities to foster a culture that embraces challenge
・Fostering a culture of career autonomy

Indicators and Targets

Under the new human capital strategy outlined in the Medium-term Management Plan, SEKISUI CHEMICAL Group has established 14 guiding principles that consist of two policies and 12 KPIs (including 3 priority KPIs). To foster a culture that embraces challenge, we are promoting two initiatives: Creating opportunities to pursue challenges and encouraging employees to take on challenges. Based on the aforementioned, we have identified and are evaluating the following items.

Note: For details of the 14 human capital-related guiding principles see P.155.

Indicators

Priority KPI: Degree of challenging behavior expression

In fiscal 2021, SEKISUI CHEMICAL Group set the degree of challenging behavior expression as a key human capital KPI. Every year, we conduct a survey to measure employees' challenge behavior and employ the results of each survey to make improvements at the workplace level.

Question in the Degree on Challenging Behavior Expression Survey

I am already engaging in specific challenging behavior in an effort to realize Vision 2030.
From fiscal 2023: Respondents who replied "Yes" or "Somewhat applicable."
Prior to fiscal 2022: Respondents who replied "Yes."

Major KPI: Engagement Score

Engagement surveys that also include overseas Group companies are conducted each year. Within each survey, the percentage of employees who score an average of 4.5 or higher on six engagement-related behavioral questions (each on a 6-point scale), which measure passion for work and attachment to the Company is defined and measured as a key KPI.

Questions

1. If a friend is looking for work, I would not hesitate to recommend this company.
2. If given the opportunity, I would tell others how great it is to work for this company.
3. It would take a lot for me to leave this company.
4. I rarely think about leaving this company to work somewhere else.
5. This company inspires me to do my best every day.
6. This company motivates me to not only complete assigned tasks, but also to contribute more than is normally required.

Targets

Degree of challenging behavior expression

SEKISUI CHEMICAL Group has set the target of exceeding 60% in FY2025, the final year of the Medium-term Management Plan.

Engagement Score

SEKISUI CHEMICAL Group has set maintain/improve from the previous fiscal year as a target for the six engagement-related behavior questions.

For details of FY2023 results, see Major Initiatives for Fostering a Culture That Embraces Challenge on P.159.

Major Initiatives

SEKISUI CHEMICAL Group measures the development of an organizational climate in which new challenges are spontaneously generated and spill over.

Degree of challenging behavior expression (SEKISUI CHEMICAL Group)

	FY2021	FY2022	FY2023
Degree of challenging behavior expression (%)	51	47	48
Response rate (%)	62	81	88

Note: The indicator was redefined in fiscal 2023; fiscal 2021 to fiscal 2022 results are also listed based on the redefined standard.

Creating opportunities to pursue challenges

1. Accelerating the pace at which employees realize their careers by raising hands

In 2000, SEKISUI CHEMICAL Group launched an HR recruitment system in a bid to promote individual employee self-fulfillment and corporate growth. This system is implemented four times a year to match employees with departments.
Employees take the initiative to develop their capabilities and hone their individual skillsets in order to achieve their own careers. Those who raise their hands and take on the challenge of pursuing opportunities where they can play an active role will have the chance to move up the ladder. The Company can select from the pool of motivated employees who raise their hands.

Intra-Group Job Postings Results

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of postings	45	31	55	56	78
Number of people to be recruited	62	54	80	101	122
Number of applicants	135	155	236	159	138
Number of employee transfers	28	28	70	45	41

Career Path Support Results (SEKISUI CHEMICAL)

		FY2019	FY2020	FY2021	FY2022	FY2023
No. of employees who have changed career courses	Male	10	14	2	6	6
	Female	1	2	4	3	1
No. of employees who have converted to permanent, full-time employment	Male	2	1	4	3	0
	Female	11	14	10	11	4

2. Provide opportunities to pursue challenges

SEKISUI CHEMICAL Group has established the Innovation School as a place to study where executive officers personally take on the role of educators to increase the motivation of each and every employee to, for example, change the Company and change each individual's behavior. In addition, in line with the extension of the retirement age, we have established a new system for employees 60 year's old and older to work part-time. In order to expand opportunities for employees over the age of 60, we are increasing the number of work style options to expand their opportunities to play an active role and help them move on to their second life.

Results of Group's Major recruitment-type training programs

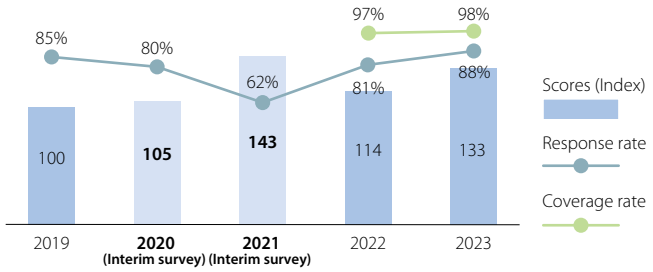
Name of Training Program	FY2019	FY2020	FY2021	FY2022	FY2023
Innovation School (persons)	69	Not implemented	102	102	54

Opportunities to Pursue Challenges

1. Further strengthening activities to foster a culture that embraces challenge

Every year, we conduct a survey to measure the level of employee engagement, focusing on their passion for work and attachment to the Company, as the foundation for taking on challenges. In fiscal 2023, the response rate hit a record high with the score improving to 133 compared with the previous year. Analyzing the results of the survey at the divisional company, Group company, and each organizational unit level, we are formulating and implementing improvement measures according to the issues faced.
As a cross-organizational initiative, the HR departments of domestic Group companies come together to undertake Engagement Drive Project activities. The project includes meetings to share advanced case studies of other companies and good practices internally, as well as seminars on organizational development methods.

Engagement Survey



Note: Some past figures have been revised due to improvements in precision.

- Scores are calculated using fiscal 2019 as 100.
- Survey scope: All employees (including regular full-time, non-full-time employees, and dispatch employees) of 157 of the 160 Group companies surveyed.
- Coverage rate: Percentage of companies surveyed relative to the number of Group companies in Japan and overseas.
- Response rate: Percentage of employees who responded to the survey relative to the total number of employees of the companies where the survey was conducted.
- Interim surveys were conducted by the organization of choice in fiscal 2020 and fiscal 2021 (reference data).

2. Fostering a culture of career autonomy

SEKISUI CHEMICAL Group believes that promoting autonomous career development is important in further motivating employees to take on challenges. Working to promote this autonomous career development, SEKISUI CHEMICAL operates the Career Interview System for all employees. Under this system, employees discuss their past experience, commitment toward and fulfillment of roles as well as career and work orientation with their respective managers. The fruits of these discussions are then centrally managed under the Group's human resource system and utilized in an organized manner.

Since its introduction in fiscal 2022, the promotion of measures to firmly establish this system has resulted in an improvement in the career interview implementation rate from 75.4% in FY2022 to 81.2% in FY2023. In addition to their immediate superiors, department heads and the Human Resources Department now have a better understanding of each employee's career aspirations. As a result, we are now able to assign work, including transfers, and provide training opportunities, laying the groundwork for a more effective consideration of employees' career development.

Moreover, we provide career autonomy supervisor and basic training on how to formulate career plans in order to conduct career interviews more effectively. Steps have also been taken to change the existing framework for career training opportunities from one that focus on age to a framework based on roles. We believe that such training is an opportunity for each employee to think autonomously about his or her career, and that through autonomous career development, we will be able to instill in our employees a proactive approach toward taking on challenges.

Career Training Attendance Results (SEKISUI CHEMICAL)

Training Program Name	FY2021	FY2022	FY2023
Career autonomy supervisor training (persons)	393	252	134
Career plan basic training (persons)	—	17	62
Newly appointed management career planning training (persons)	—	203	204
Career planning training for those being promoted to Advanced Level (non-managerial) (persons)	—	89	—
New employee career planning training (persons)	—	78	95

Achieving The Right Talent in the Right Position

Strategy (Stance and Approach)

Basic Concept

SEKISUI CHEMICAL Group aims to achieve the right talent in the right position by shifting to a human resource management approach that is based on roles.
The goal is not to place the right talent in the right position according to each individual's skills and capabilities, as we have in the past, but rather to place the right talent in the right position according to each important role within the Group. To achieve this, we revamped our human resources system and management framework under the previous Medium-term Management Plan.・Review of the qualification system: Introduced a key position grading system for management, abolished appointment probation periods, and commenced a successor training system.

・Review of the qualification system: Introduced a key position grading system for management, abolished appointment probation periods, and commenced a successor training system.
・Retirement extension: Extended from 60 to 65
(Implemented by SEKISUI CHEMICAL and certain Group companies in 2021; implementation completed at all Group companies by fiscal 2025).
・System: Began visualizing and utilizing employee qualitative information through a human resource system.

Based on this approach, we will focus on fostering business leaders who promote both the exploration and creation of new businesses and the steady growth and refinement of existing businesses in a mutually beneficial manner. In addition, we are working to secure professional human resources with a high level of expertise and execution skills, who will serve as a source of corporate value.

Major HR Policies

1. Develop ambidextrous business leaders
・Strengthen selection and training of management candidates
・Visualization and multifaceted evaluation of management roles

2. Secure prominent professional human resources
・Strengthen efforts to secure highly specialized human resources
・Strengthen reskilling in line with business needs

Indicators and Targets

Under the new human capital strategy outlined in the Medium-term Management Plan, SEKISUI CHEMICAL Group established 14 guiding principles, consisting of two policies and 12 KPIs (including 3 priority KPIs). Within these KPIs, we are promoting two initiatives. In specific terms, we are working to develop ambidextrous business leaders and secure prominent professional human resources in order to achieve the right talent in the right position. Based on the aforementioned, we have identified and are evaluating the following items.

Note: For details of the 14 human capital-related guiding principles see P.155.

Indicators

Priority KPI: Rate of successor candidate preparation

SEKISUI CHEMICAL Group has positioned the development of successors in each position as a priority issue for the sustainable development of its diverse businesses. We monitor the number of positions and successors in collaboration with the heads of the human resources departments at each divisional company.
Note: Rate of successor candidates to the most senior business leader post
Method of disclosure: Number of successor candidates to the most senior business leader post ÷ Number of the same post

Major KPI: Training hours

Business leaders are required to have a multifaceted perspective and strong management skills. Moreover, professional human resources must possess the necessary expertise coupled with the ability to execute. In order to develop these capabilities, SEKISUI CHEICAL Group has put in place a foundation for human resource development by providing role-based training as well as programs in which employees can voluntarily take part.
Method of disclosure: Training hours per employee per fiscal year

Targets

Targets for fiscal 2025, the final year of the Medium-term Management Plan

・Rate of successor candidate preparation (SEKISUI CHEMICAL Group)
100%

・Training hours (SEKISUI CHEMICAL)
10 hours or more
Note: Educational programs held at SEKISUI CHEMICAL's Human Resources Department at Corporate Headquarters.

For details of fiscal 2023 results, see Major Initiatives for Achieving the Right Talent in the Right Position on P.166.

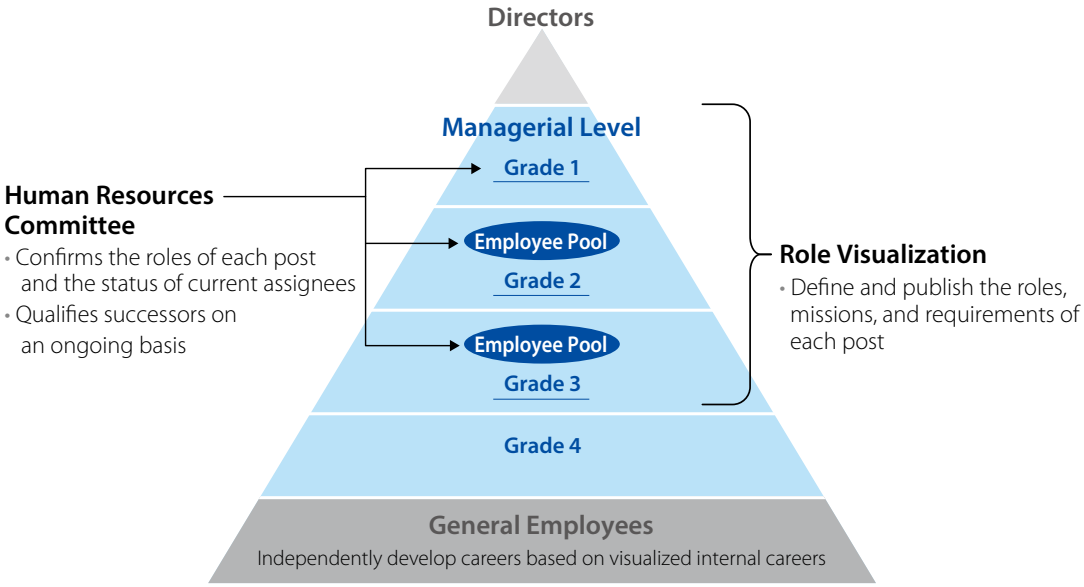
Major Initiatives

Developing Ambidextrous Business Leaders

1. Strengthen selection and training of management candidates

SEKISUI CHEMICAL Group established the Human Resources Committee to promote efforts aimed at strengthening the selection and training of management candidates. Our goal is to properly manage the roles required to realize our management strategies, and to ensure that the personnel and successors responsible for these roles receive continuous training.

Overall view of the role-based system



Training System Chart

A Training and Development for Business Leaders:
Selective Capability Development to Acquire Competencies Appropriate for Grade 1-2 Incumbents and Candidates

B Role-based Capability Development:
Selective Capability Development to Achieve Aspired Roles

C Reskilling:
Reskilling Program Aligned with Business Needs

D Strengthening Organizational Infrastructure:
ESG Management Literacy Enhancement Program (Knowledge, Awareness, and Attitude) Essential for SEKISUI CHEMICAL Group Employees

Performance Data

Rate of successor candidate preparation (SEKISUI CHEMICAL)

	FY2021	FY2022	FY2023
Rate of successor candidate preparation	50.5	67.7	92.4

Training Results Common throughout the Group

	FY2019	FY2020	FY2021	FY2022	FY2023
Newly appointed manager receiving training (persons)	252	220	199	213	210

Hours of training per full-time employee (SEKISUI CHEMICAL)

	FY2019	FY2020	FY2021	FY2022	FY2023
Hours of training	9.4	6.3	7.1	6.1	6.2

Evaluator Training Results (SEKISUI CHEMICAL)

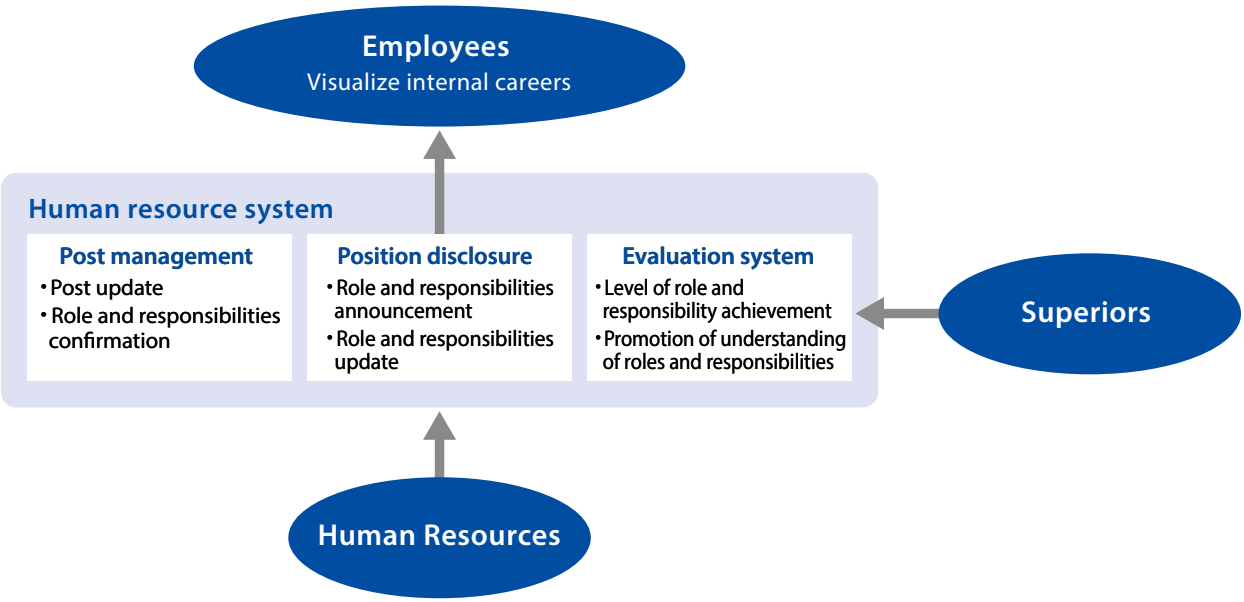
	FY2021	FY2022	FY2023
Evaluator training (understanding the evaluation system) (persons)	941	75	164
Evaluator training (understanding the evaluation system + basics of evaluation) (persons)	493	—	—
Training to strengthen evaluation skills (1) (basic of evaluation + goal setting) (persons)	—	146	62
Training to strengthen evaluation skills (2) (daily management + interview training) (persons)	—	148	64

In line with the introduction of a new evaluation system, we conducted a two-tiered training program. The first to promote understanding of the evaluation system and a second to promote understanding of the evaluation system together with the basics of evaluation for those with little evaluation experience in fiscal 2021.
Building on the content of each of the aforementioned programs aimed at promoting an understanding of the evaluation system as well as the basics of evaluation, we conducted training to strengthen evaluation skills from fiscal 2022.

2. Visualization and multifaceted evaluation of management roles

In order to promote the visualization of roles, SEKISUI CHEMICAL Group defines the roles and mission requirements for each post by utilizing its human resource system, and takes steps to progressively disclose details. In this way, we are working to visualize careers within the Company, identify areas to aim for, and promote autonomous career development.

Role Visualization Diagram



Secure Prominent Professional Human Resources

1. Strengthen efforts to secure highly specialized human resources

In addition to the difficulties involved in developing highly specialized human resources through work, there is an excess in demand across all industries. SEKISUI CHEMICAL Group has introduced professional qualification allowances for lawyers and other specialized professions as a mechanism to continuously secure human resources within the Company. We have also secured highly specialized human resources by redefining specialized personnel in such staff divisions as DX and legal affairs.

Trends in the Number of Specialty-position Employees (SEKISUI CHEMICAL)

	FY2021	FY2022	FY2023
Number of Specialty-position employees	32	38	39

Note: Professional human resources who demonstrate a high level of expertise, which is the source of our competitiveness

2. Strengthen reskilling in line with business needs

1) Developing Global Talent

SEKISUI CHEMICAL Group offers training programs to acquire e-mail writing, presentation, negotiation, and other practical skills. The Group also hosts global career events where employees hear directly from expatriates, giving them a more concrete and familiar sense of global work.

We also offer the six-month SEKISUI Global Academy training program. After taking this program and acquiring the necessary skills, participants travel overseas for a week to give presentations to local partners. The number of participants in fiscal 2023 was 14. In addition to language skills, this program affords participants the opportunity to acquire the necessary skills to build collaborative ties with local people. The program also provides advice on how to work with Japan, outlines differences in values, and allows participants to experience firsthand what it is like to work globally. As an added bonus, the program leads to networking among participants across different departments and generations.

Meanwhile, over and above training in Japan, we are committed to developing human resources who are capable of playing an active role globally. Based on this commitment, we provide opportunities to work overseas. This includes dispatching trainees on a short-term basis as well as staff to overseas research institutions.

Fieldwork at the Global Academy in Ho Chi Minh City

Number of Japanese Employees Stationed Overseas SEKISUI CHEMICAL Group (FY2023)

Breakdown by Region (Persons)	
North America/Latin America	54
Europe	36
Asia / Oceania	94

2) DX human resource development

SEKISUI CHEMICAL Group promotes the development of DX human resources with the aim of transforming business processes. In order to help employees acquire the necessary digital skills, we conduct literacy and digital skills training that is open to all employees. These initiatives help motivated employees gain the necessary skills to solve business problems.

3) Manufacturing specialist development

Training is conducted for management and young employees to develop manufacturing specialists.

Training for production managers is conducted for each position (production manager, production assistant manager, and site leader). This training is designed to help participants learn about SEKISUI CHEMICAL Group's approach to manufacturing so that they can better understand and carry out the roles required of each position. Through group discussions, participants learn about the challenges they will face in performing the duties of each position and how to improve their own level of leadership after returning to their respective workplaces. In fiscal 2023, 49 employees took part in this training.

In addition, basic production training provides opportunities for young employees working on the front lines to gain a basic understanding of all aspects of manufacturing, including safety, quality, and productivity. Using SEKISUI CHEMICAL's proprietary e-learning content, we also administer comprehension tests after watching videos to ensure that an acceptable level of understanding is firmly established. In fiscal 2023, more than 10,000 employees participated in this training.

Achieving Diversity

Strategy (Stance and Approach)

Basic Concept

In 2015, SEKISUI CHEMICAL Group formulated its Diversity Management Policy and is working to promote diversity. Based on this policy, diversity is not only viewed in terms of such outward differences as gender, age, and race, but also in terms of differences in career backgrounds, values, personality, and other factors. Against this backdrop, we will work to understand, recognize, and harness these differences between each and every employee as strengths. In addition, we are focusing on securing diverse human resources and creating an environment in which a disparate workforce can excel while facilitating little or no turnover. Through these means, we are endeavoring to remain a company where all employees can fully demonstrate their abilities and achieve self-actualization. Underpinning these efforts are work style reforms and health and productivity management. In each case, we have clarified our commitment by issuing a Statement of Work Style Reform and Declaration of Health.

Important HR Policies

1. Promote the active participation of diverse human resources

- Promote the employment and retention of diverse human resources
- Promote diversity and support work-life balance

2. Realize an environment that enhances individual and workplace vitality

- Create a safe and secure work environment
- Ensure a healthy and comfortable working environment

Indicators and Targets

Under the new human capital strategy outlined in the Medium-term Management Plan, SEKISUI CHEMICAL Group established 14 guiding principles, consisting of two policies and 12 KPIs (including 3 priority KPIs). Within these KPIs, we are promoting two initiatives in a bid to achieve diversity. In specific terms, we are promoting the active participation of diverse human resources and working to realize an environment that enhances individual and workplace vitality. Based on the aforementioned, we have identified and are evaluating the following items.

Note: For details of the 14 human capital-related guiding principles see P.155.

Indicators

Priority KPI: Retention rate

Retention rate of all employees
Method of disclosure: 1- (Employee turnover (Number of people who left employment)) ÷ Number of employees as of April of the fiscal year)) ×100

Major KPI: Ratio of female in management position

Percentage of female managers to all managers

Major KPI: Ratio of female to total hires

Ratio of female hired for both new graduates and Mid-career hires

Major KPI: Gender wage gap

Wage gap between men and women among all employees, regular full-time employees, and non-full-time employees.
Method of disclosure: Average annual wage for women ÷ average annual wage for men ×100

Major KPI: Percentage of male employees taking childcare leave

Percentage of male employees who took at least one day of childcare leave during the fiscal year
Method of disclosure: Male employees who took childcare leave during the relevant period* ÷ Male employees whose spouse gave birth during the relevant fiscal year
* SEKISUI CHEMICAL employees can take childcare leave until the child reaches 3 years of age.

Major KPI: Employment ratio of people with disabilities

Percentage of employees with disabilities to all employees
Method of disclosure: (Number of regular workers who have physical, intellectual, or mental disabilities ÷ Number of regular workers) ×100

Major KPI: Total working hours

Total actual hours worked during the year
Method of disclosure: Scheduled hours worked + Overtime hours worked - Paid leave hours taken

Major KPI: Rate of long-term leave due to mental health problems

Percentage of employees who took a leave of absence for more than one month due to mental health problems during the year.
Method of disclosure: Number of employees who were absent from work for more than one consecutive month due to mental health issues ÷ Number of employees covered by health management at SEKISUI CHEMICAL Group domestic business sites

Targets

- **Retention rate (SEKISUI CHEMICAL)**
  Maintain or improve compared to the previous year

- **Ratio of female managers (SEKISUI CHEMICAL)**
  5% (FY2025)

- **Ratio of female to total hires (SEKISUI CHEMICAL)**
  Ratio of female new graduate employees: 35% (FY2025)

- **Gender wage gap (SEKISUI CHEMICAL)**
  Maintain or improve compared to the previous year

- **Percentage of male employees taking childcare leave (SEKISUI CHEMICAL)**
  75% (FY2025)

- **Employment ratio of people with disabilities (SEKISUI CHEMICAL)**
  2.5% (above the legally stipulated ratio)

- **Total working hours (SEKISUI CHEMICAL)**
  Less than 2,000 hours (FY2025)

- **Rate of long-term leave due to mental health problems (SEKISUI CHEMICAL Group)**
  1.0% or less (FY2025)

Note: For details of FY2023 results, see Major Initiatives for Achieving Diversity on P.173.

Major Initiatives

Promote the Active Participation of Diverse Human Resources

Basic Concept of Diversity

Based on SEKISUI CHEMICAL Group's Diversity Management Policy (see P.359), diversity is not only defined in terms of gender, age, and race, and other outward differences, but also in terms of careers, values, personality, and other factors. Likewise, we understand, recognize, and utilize the differences between each and every employee as strengths. In promoting diversity, we will foster an organizational culture in which all employees are able to work dynamically and make the most of their unique characteristics and talents. In order for diverse human resources to thrive, we will also nurture a culture of challenge and create an appropriate environment while promoting inclusion.

1. Promote the employment and retention of diverse human resources

Aiming to employ diverse human resources, we are promoting the hiring of new graduates on a long-term basis to strengthen management's ability to sustain business. We are also focusing on expanding career hiring to keep pace with changes in the business environment.
To promote the retention of a diverse workforce, including women, people with disabilities, and seniors, we have adopted flexible hours, working from home, and other systems that accommodate the diversity of work styles, and are providing support for balancing work with various life events such as nursing care, childcare, and illness.

Performance Data

Composition, Number, and Ratio of Female Directors and Audit and Supervisory Board Members (SEKISUI CHEMICAL) (FY2023)

	Board of Directors		Audit and Supervisory Board Members		Total Officers	Executive Officers
	Internal Directors	Outside Directors	Full-time Audit and Supervisory Board Member	Outside Audit and Supervisory Board Member		
Female (persons)	0	3	0	0	3	2
Male (persons)	7	2	2	3	14	28
Ratio of Female (%)	—	60.0	—	—	17.6	6.7

Number of Female Directors and Female Managers (SEKISUI CHEMICAL Group [Number of officers excluding SEKISUI CHEMICAL])

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of Female Directors (persons)	2	2	2	3	4
Number of Female in Managerial Positions (persons)	185	188	195	206	240

Note: Some past figures have been revised due to improvements in precision.

Composition of Personnel (SEKISUI CHEMICAL)

		FY2019	FY2020	FY2021	FY2022	FY2023
Employees*1	Male (persons)	3,327	3,308	3,250	3,226	3,270
	Female (persons)	629	652	652	661	705
	Ratio of Female (%)	15.9	16.5	16.7	17.0	17.7
Regular Full-time Employees*2	Male (persons)	3,073	3,060	3,023	3,032	3,119
	Female (persons)	570	601	607	627	668
	Ratio of Female (%)	15.6	16.4	16.7	17.1	17.6
Average Years of Continuous Employment*2	Male (years)	17.2	17.2	17.6	17.9	17.1
	Female (years)	12.6	12.4	12.9	13.1	12.2
Managerial Positions (Managers)	Male (persons)	678	672	700	790	801
	Female (persons)	41	44	45	47	57
	Ratio of Female (%)	5.7	6.1	6.0	5.6	6.6
Managerial Positions (Department Managers and General Managers)	Male (persons)	642	649	635	558	577
	Female (persons)	15	16	15	17	14
	Ratio of Female (%)	2.3	2.4	2.3	3.0	2.4
All Managerial Positions (Number)	Male (persons)	1,320	1,321	1,335	1,348	1,378
	Female (persons)	56	60	60	64	71
	Ratio of Female (%)	4.1	4.3	4.3	4.5	4.9
Employees Newly Appointed to Managerial Positions	Male (persons)	68	58	54	70	53
	Female (persons)	14	6	3	6	5
	Ratio of Female (%)	17.1	9.4	5.3	7.9	8.6
Deputy (Assistant) Manager / Supervisor Level*3	Male (persons)	810	796	795	827	880
	Female (persons)	84	96	113	127	145
	Ratio of Female (%)	9.4	10.8	12.4	13.3	14.1

*1 Workers with direct employment relationships with the Group (including permanent, full-time employees and non-full-time employees as well as workers on loan from the Group to other companies but excluding workers on loan from other companies to the Group).

*2 Employees with no determined period of employment (including workers on loan from the Group to other companies but excluding workers on loan from other companies to the Group).

*3 Advanced level employees in the Business Career Course.

Composition of Personnel (SEKISUI CHEMICAL Group [excluding SEKISUI CHEMICAL on a non-consolidated basis])

		FY2018	FY2019	FY2020	FY2021	FY2022
Employees	Male (persons)	16,362	16,360	16,062	15,857	15,822
	Female (persons)	5,048	5,149	5,100	5,069	5,195
	Ratio of Female (%)	23.6	23.9	24.1	24.2	24.7
New Graduates Hired	Male (persons)	572	427	483	405	448
	Female (persons)	251	176	209	150	183
	Ratio of Female (%)	30.5	29.2	30.2	27	29.0
Managerial Positions (Managers)	Male (persons)	2,926	2,924	2,847	2,865	3,031
	Female (persons)	130	158	160	168	178
	Ratio of Female (%)	4.3	5.1	5.3	5.5	5.5
Managerial Positions (Department Managers and General Managers)	Male (persons)	1,588	1,595	1,570	1,533	1,400
	Female (persons)	26	24	28	27	28
	Ratio of Female (%)	1.4	1.5	1.8	1.7	2.0
All Managerial Positions	Male (persons)	4,514	4,519	4,417	4,398	4,431
	Female (persons)	156	182	188	195	206
	Ratio of Female (%)	3.3	3.9	4.1	4.2	4.4
Management Personnel (Global Leader)	Male (persons)	204	206	193	183	115
	Female (persons)	5	4	3	3	1
	Ratio of Female (%)	2.4	1.9	1.5	1.6	0.9
Employees Newly Appointed to Managerial Positions	Male (persons)	211	241	205	187	191
	Female (persons)	20	38	12	17	22
	Ratio of Female (%)	8.7	13.6	5.5	8.3	10.3

Note 1: The above table was prepared based on the results of a survey conducted in July 2023.
Note 2: Data for FY2023 is being compiled as of July 2024.

Age Composition of Permanent, Full-time Employees* (SEKISUI CHEMICAL)(FY2023)

	Under 30 years old	30-39 years old	40-49 years old	50-59 years old	60 years old and over
Male (persons)	396	654	695	1,173	201
Female (persons)	161	192	127	167	21
Ratio of Female (%)	28.9	22.7	15.5	12.5	9.5

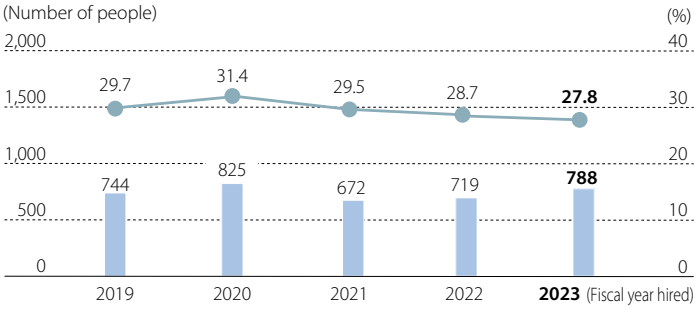
* Employees with no determined period of employment (including workers on loan from the Group to other companies but excluding workers on loan from other companies to the Group).

Recruitment (SEKISUI CHEMICAL)

		FY2019	FY2020	FY2021	FY2022	FY2023
New Graduate Recruitment	Male (persons)	96	83	63	64	83
	Female (persons)	35	43	18	25	38
	Ratio of Female (%)	26.7	34.1	22.2	28.1	31.4
Mid-career Recruitment	Male (persons)	29	21	19	50	75
	Female (persons)	4	2	3	9	15
	Ratio of Female (%)	12.1	8.7	13.6	15.3	16.7
	Ratio of Mid-career Employees Hired (%)	20.1	15.4	21.4	39.9	42.4

Note 1: New-graduate recruitment: Employees who joined the Company for the first time after graduation (undergraduate degree, graduate school, etc.) with no working experience
Note 2: Mid-career recruitment (experienced personnel hires) ratio: Ratio of mid-career hires to all hires
Note 3: Some past figures have been revised due to improvements in precision.

Number of New-Graduate Recruitment / Ratio of Female among New-Graduate Recruitment (SEKISUI CHEMICAL Group)



Note: Including certain affiliates accounted for by the equity method

Training Results Common throughout the Group (SEKISUI CHEMICAL Group)

Training name	FY2019	FY2020	FY2021	FY2022	FY2023
Number of New Employees Receiving Induction Training (persons)	243	101*	150	152	158

* Since this training was urgently converted to an online format due to the COVID-19 pandemic, trainees from Group companies are not included.

Retention Rate (SEKISUI CHEMICAL)

		FY2019	FY2020	FY2021	FY2022	FY2023
Employee Turnover (Number of People Who Left Employment) (persons)	Male	63	48	74	85	76
	Female	10	26	20	25	19
	Total	73	74	94	110	95
Retention Rate (%)	Male	98.0	98.4	97.6	97.2	97.6
	Female	98.3	95.7	96.8	96.1	97.2
	Total	98.0	98.0	97.5	97.0	97.5

Retention Rate Three Years After Employment (SEKISUI CHEMICAL)

	FY2017	FY2018	FY2019	FY2020	FY2021
Retention Rate Three Years After Employment (%)	90.6	88.6	93.1	89.6	89.0

2. Promote diversity and support work-life balance

2-1. Promote gender diversity

SEKISUI CHEMICAL Group's efforts to promote women's empowerment are divided into four stages: Enhancement of the employment of women, Retention and active participation, Promotion to managerial positions, and follow-up training for promotion to post-managerial positions.

The Group has set its target for the ratio of female hired at 35% for fiscal 2025, the final year of the Medium-term Management Plan. In fiscal 2023, the ratio came in at 31.4% (up 3.3 percentage points compared with the previous fiscal year) on a non-consolidated basis. To achieve our recruitment activity targets, we have revamped our recruitment website and created a new page to introduce the Group's diversity initiatives.

We have continued to conduct the Women's Career Development Program (CDP) to support the promotion of women to managerial positions since 2014. The purpose of this training is to motivate female employees to seek promotion to managerial positions, to gain a better perspective of what is required, and to acquire the skills necessary for promotion to managerial positions. Training is also provided to the supervisors of employees earmarked for potential promotion. Supervisors analyze the strengths of subordinates and areas for improvement and assign tasks that require employees to move outside their comfort zone. Working to improve the abilities of subordinate staff, women earmarked for potential promotion then take on these tasks as a work theme. To date, 410 employees have participated in this Program with 116 promoted to managerial positions. We have set a target ratio for female directors at 30% as part of our follow-up training for promotion to post-managerial positions.

In addition, as a Group-wide initiative aimed at empowering women, we hold seminars every year for all employees on a variety of topics. In fiscal 2023, we held a seminar on women's careers and new options (non-medical egg freezing) in conjunction with International Women's Day. Two experts in their field were invited to host lectures and to provide the latest information. Through these means, we are hoping to provide women with a better understanding of their own career design as well as various other topics.

Performance Data

Training Results for Women (SEKISUI CHEMICAL Group)

		FY2019	FY2020	FY2021	FY2022	FY2023
Women's CDP Training (selected participants)	Women (persons)	39	52	58	49	48
	Supervisors (persons)	24	46	55	46	46
Women's Career Seminar (open participation)	Young employees (persons)	—	—	—	55	36
	While raising children (persons)	—	—	—	73	34
	All levels (persons)	—	—	—	67	37

Gender Wage Gap (SEKISUI CHEMICAL) (FY2023)

Regular full-time employees (%)	Non-permanent, non-full-time employees (%)	Overall (%)
70.9	110.0	71.7

Note 1: Including workers on loan from the Group to other companies.
Note 2: There is no wage disparity in the human resources system; based on the labor composition (age and qualifications) ratio

2-2. Promote the active participation of people with disabilities

SEKISUI CHEMICAL Group is promoting the active participation of people with disabilities from the two aspects of recruitment and retention.
From a recruitment perspective, we take into account the characteristics of each individual's disability and determine the most appropriate assignment based on suitability for the position and workplace through multiple steps such as workplace tours, hands-on training, and recruitment training. In 2023, we launched a new farming model. Under this model, vegetables grown on the farm are provided to the cafeterias of business sites.
As far as retention is concerned, we hold information exchange meetings for the heads of human resources departments at each SEKISUI CHEMICAL Group company. We are working to promote the employment of people with disabilities while supporting their retention by sharing information on disability characteristics as well as points to consider when hiring.

Performance Data ✅

Employment Ratio of People with Disabilities (SEKISUI CHEMICAL)

	FY2019	FY2020	FY2021	FY2022	FY2023
Employment Ratio of People with Disabilities (%)	2.9	2.7	2.5	2.3	2.4

Note: Some past figures have been revised due to improvements in precision.

2-3. Promote the Active Participation of Seniors

SEKISUI CHEIMCAL Group provides training for employees who choose to extend their mandatory retirement age in order to encourage each and every one of them to play a leading role and continue to take on challenges regardless of age.

Performance Data

Training Results for Seniors

Training name	FY2021	FY2022	FY2023
Employees in management positions who took career training after selecting to extend their mandatory retirement age (persons)	51	35	55
General employees who took career training after selecting to extend their mandatory retirement age (persons)	27	34	11
Employees of Group companies who took career training after selecting to extend their mandatory retirement age (persons)	–	50	127
[Required] Employees at age 57 who took the required career training before selecting to extend their mandatory retirement age (persons)	–	94	69
[Elective] Employees between the ages of 50 and 56 who took elective career training before selecting to extend their mandatory retirement age (persons)	–	60	41

2-4. Active Participation of Global Human Resources

SEKISUI CHEMICAL Group hosts Vision Caravans for local executives and employees worldwide and conducts ongoing dialogue to promote an understanding of the Long-term Vision and to encourage employees to take on new challenges. In addition, we deploy human resources training programs that are firmly rooted in each area, thereby enabling employees to make the most of their unique characteristics and talents at their respective workplaces.
In Japan, we focus on hiring as well as retention support to non-Japanese employees.

Performance Data ✅

Breakdown of the Number of Employees (SEKISUI CHEMICAL Group) (FY2023)

Number of employees (persons)	26,929
Breakdown by region (persons)	
Japan	19,856
North America/Latin America	2,282
Europe	1,053
Asia / Pacific	3,738

2-5. Support for Balancing Childcare and Work

•Support for balancing work and childcare

In order to support working styles that accommodate such life events as childbirth and child rearing, SEKISUI CHEMICAL is working to develop systems and create an environment in which these systems are easy to adopt.
As far as the Group's systems are concerned, employees can take childcare leave until their child reaches three years of age and can use the shortened working hours system until their child enters junior high school. We also provide a financial support system for employees on childcare leave, creating an environment in which employees can concentrate on childcare with peace of mind.

Pamphlets supporting childcare co-sponsored by labor and management

Moreover, and in addition to the head of the Human Resources Department sending out messages, e-learning courses are also provided to managers to create a corporate culture that is conducive to adopting these systems.
To encourage male employees to take childcare leave, we distribute information about the available systems to supervisors and male employees themselves. We also hold social events with experienced mothers and fathers in cooperation with the labor union, and publish interviews with employees who have taken childcare leave in our internal newsletter.

Use of Childcare-related Systems (SEKISUI CHEMICAL) ✅

		FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of those who took childcare leave (%)*1	Female	100	95.8	100	100	97.1
	Male	39.0	34.6	47.3	68.1	69.8
Average number of childcare leave acquisition days (days)*2	Female	259.2	270.3	293.8	358.0	371.7
	Male	24.7	43.3	38.8	29.1	47.3
Ratio of those who returned to work after childcare leave (%)	Female	100	95.5	91.7	100	96.0
	Male	100	100	100	100	100

*1 Ratio of those who took childcare leave: Excludes those who are taking maternity leave
*2 Average number of childcare leave acquisition days: The average number of days of childcare leave taken by employees who completed the period during which they were eligible to take childcare leave in the subject fiscal year in FY2022.

• Support for Balancing Nursing Care and Work

Since 2019, SEKISUI CHEMICAL Group has held regular seminars for all employees to help create an organizational culture that facilitates balancing nursing care and work. In fiscal 2023, we held a Business Carer seminar, which was attended by 198 people. Through this theme, we are deepening understanding toward the need for preparation, the challenges to be faced, and work colleagues.
Moreover, we have published the Nursing Care Road Walking Guide, a booklet that provides basic information on nursing care as well as details of public and in-house support, which is available to all employees.

• Support for Balancing Illness (Treatment) and Work

In addition to upgrading and expanding systems, SEKISUI CHEMICAL Group is raising awareness in an effort to help employees with various illnesses better understand the support that is available and to continue to work.
In fiscal 2023, we held a seminar on the theme of balancing work with the treatment of cancer, which was attended by 187 people. As a cancer survivor, the lecturer imparted first-hand knowledge of the disease, treatment, how best to provide support in the workplace, and other useful information.

Usage Results for the Balanced Support Policies (SEKISUI CHEMICAL) ☑ (persons)

Policy	Main content		FY2019	FY2020	FY2021	FY2022	FY2023
Shortened working hours for childcare	Can be taken up to the child enters junior high school. (The statutory end date is until the child reaches three years of age.)	Female	55	67	64	70	78
		Male	2	1	0	0	2
		Total	57	68	64	70	80
Use of flexible working hours	Times of starting and finishing work may be moved earlier or later by up to 60 minutes until the child reaches junior high school age.	Female	10	6	4	0	3
		Male	7	4	3	1	1
		Total	17	10	7	1	4
Family leave	Three days of special care leave per year granted until the child or grandchild starts high school.	Female	62	51	54	68	77
		Male	193	126	156	152	174
		Total	255	177	210	220	251
Nursing care leave	Up to a total of 93 days for each individual eligible for care. (Up to a maximum of one year for the first individual eligible for care.)	Female	1	0	1	1	1
		Male	4	1	2	1	2
		Total	5	1	3	2	3
Shortened working hours for nursing care	Two days per week or 4.5 hours per day for a maximum of three years for each individual eligible for care.	Female	0	0	0	2	2
		Male	4	1	1	1	0
		Total	4	1	1	3	2

Note 1: Accumulated annual leave can be accumulated up to 40 days per year out of the annual paid leave that expires, and can be taken in days or hours depending on the purpose.
Note 2: Some past figures have been revised due to improvements in precision.
Note 3: Please refer to P.186 for the status of annual paid leave taken.

Usage Results for the Balanced Support Policies (SEKISUI CHEMICAL) (persons)

Policy	Main content		FY2019	FY2020	FY2021	FY2022	FY2023
Accumulated annual leave (for raising children)	Acquired on an hourly basis for children up to the age of 18	Female	57	39	37	52	52
		Male	28	21	13	32	43
		Total	85	60	50	84	95
Accumulated annual leave (for personal injury or illness)	Acquired on a daily basis (10 or more consecutive business days) or hourly basis	Female	6	9	33	46	40
		Male	37	25	66	58	71
		Total	43	34	99	104	111
Accumulated annual leave (for care giving)	Acquired for care giving on a daily or hourly basis for spouses, parents, children, etc.	Female	17	10	13	20	17
		Male	15	6	5	10	28
		Total	32	16	18	30	45
Accumulated annual leave (for health nursing)	Acquired for health nursing on a daily or hourly basis for spouses, parents, children, etc.	Female	31	14	25	38	45
		Male	30	14	21	37	58
		Total	61	28	46	75	103
Accumulated annual leave (for fertility treatment)	Acquired on a daily or hourly basis	Female	2	1	1	4	5
		Male	0	0	1	0	2
		Total	2	1	2	4	7
Accumulated annual leave (for volunteering)	Acquired on a daily or hourly basis	Female	3	1	0	0	3
		Male	5	1	0	1	6
		Total	8	2	0	1	9

Note 1: Accumulated annual leave can be accumulated up to 40 days per year out of the annual paid leave that expires, and can be taken in days or hours depending on the purpose.
Note 2: Some past figures have been revised due to improvements in precision.
Note 3: Please refer to P.186 for the status of annual paid leave taken.

Realize an Environment That Enhances Individual and Workplace Vitality

1. Create a Safe and Secure Work Environment

In addition to efforts aimed at reducing working hours, SEKISUI CHEMICAL is endeavoring to improve work productivity. To pursue a highly productive work style that maximizes results in a limited amount of time, it is important for employees to work autonomously and for supervisors to engage in self-directed support-type management. In order to instill this approach in our employees, we have rolled out the Work Style Reforms Guidelines and Work Style Reforms e-learning. In fiscal 2023, we continued to conduct training for managers to coach employees' self-support.
To realize flexible work styles, we are upgrading and expanding Group-wide working from home/flexible hours and other systems. As a result, coexistence between going to an office and working remotely has steadily taken hold.
We will continue to maintain close communication between the Company and labor union, engage in constructive dialogue on issues common to labor and management, and promote system revisions related to flexible work styles through the Labor-Management Committee.

•Meeting with the President / Top Management in 2023

The Meeting with the President/Top Management initiative is a forum for dialogue between management and employees on a variety of themes.
Drawing on the theme, What is a good company full of vitality from an external perspective?, a meeting was held in fiscal 2023. Three female outside directors, including the Chair of the Diversity Promotion Committee, were invited as panelists, to a meeting attended by approximately 200 employees. In addition to imparting their thoughts on the Company's strengths and potential for growth, outside directors drew on their experiences when replying to issues raised by employees and outlining management's perspective. As such, the meeting was an opportunity for the frank exchange of opinions by not only employees, but also management to think about the future of SEKISUI CHEMICAL Group.

Performance Data

Training Results for Managers to Coach Employees' Self-support (SEKISUI CHEMICAL Group)

Training Program Name	FY2022	FY2023
Training for managers to coach employees' self-support (persons)	202	74

Hours Worked and Paid Vacation Days Taken (SEKISUI CHEMICAL) ✅

	FY2019	FY2020	FY2021	FY2022	FY2023
Monthly average number of overtime hours per employee (hours)	18.0	15.6	18.2	19.0	18.7
Annual average number of total hours worked per person (hours)	1,914	1,903	1,925	1,932	1,919
Percentage of paid vacation days taken per employee (%)	71.4	58.2	64.9	66.6	74.7
Average number of paid vacation days taken per employee (days)	13.6	11.2	12.5	12.8	14.1

Note 1: Excluding managers and workers on loan from other companies.
Note 2: The average number of overtime hours per employee per month is calculated based on the prescribed working hours of 7.5 hours.
Note 3: Percentage of paid vacation days taken per employee = Number of paid vacation days taken / Available paid vacation days ×100

Number of Labor Union Members

The SEKISUI CHEMICAL Labor Union serves as the Company's labor union. Adopting a union shop system, 100% of eligible employees are members (2,390 in FY2023).

2. Ensure a Healthy and Comfortable Working Environment

Promoting Health and Productivity Management

SEKISUI CHEMICAL Group strives to improve its employees' physical and mental health based on the idea that employees are valuable resources entrusted to the Group by society. In March 2019, we announce details of our Declaration of Health, and established the Basic Policy for Health and Productivity Management, with summarize our philosophy regarding our goals for health and productivity management*1. We are also promoting health management using a Health and Productivity Management Strategy Map*2.

*1 Health and Productivity Management is a registered trademark of the NPO Kenkokeiei.
*2 Health and Productivity Management Strategy Map (In Japanese only)
https://www.sekisui.co.jp/csr/pdf/csr_strategy_map.pdf

Declaration of Health for SEKISUI CHEMICAL Group

SEKISUI CHEMICAL Group has been engaged in health management initiatives for our employees based on our belief that **"employees are precious assets bestowed on us by society."** SEKISUI CHEMICAL endeavors to take these initiatives to the next level by treating **the promotion of the health of our employees as a management strategy** that is aimed at achieving the physical, mental, and social **Well-Being of all employees.**

SEKISUI CHEMICAL Group's
Basic Policy for Health and Productivity Management

**Strive to achieve the Well-Being of all employees,
and create workplaces where a diverse personnel can play an active role with vitality.**

- Practice a comprehensive health promotion program that encompasses everything from health management (defense) to improving (offense) the fulfillment and rewards of working.
- Focus on improving productivity by advancing the awareness and behavior of each and every employee.
- Encourage employees to make a proactive and ongoing effort to strive for Well-Being now and in the future.
- Strive to contribute to society by realizing the happiness of employees and their families, and our customers through the Well-Being of our employees.

Management Issues to be Solved through Health and Productivity Management

Contribute to greater productivity through healthy minds and bodies
Address the declining birthrate and aging society
Contribute to a higher engagement score
Create and foster a well-Being culture

Initiative 1: Health Checkups and Measures to Prevent Lifestyle-related Diseases

SEKISUI CHEMICAL Group collaborates with the SEKISUI Health Insurance Society. We facilitate health and carry out uniform health checkups for all Group companies. In addition to introducing a health management system, we are also undertaking a variety of measures, including putting in place the SEKISUI Health Network (SHN), which can accommodate workplaces with less than 50 employees in a bid to promote better health Group-wide, including small work sites.

Health Checkups and Measures to Prevent Lifestyle-related Diseases

	FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of employees receiving health checkups (%)	99.6	98.2	98.6	98.9	99.5
Percentage of employees receiving a secondary medical examination (%)	78.0	67.1	69.7	67.7	70.0

We have established high-risk values and confirmed that the health of employees who fall under this category is being properly managed (implementation rate of 100% in FY2022; implementation rate details for FY2023 scheduled for Web release in August 2024). Based on the aforementioned, the rate of high-risk employees (%) has gradually decreased (1.15 in FY2020, 0.97 in FY2021, and 0.92 in FY2022).

Seven Health Habits Support Program

The Seven Health Habits Support Program using health support apps held four events. 92.7% of those who attended the walking event said they enjoyed the event. For the sleep event, there was a 19.5% improvement in the quality of sleep before and after the event. Work day presenteeism also increased by 5.3 points, from 64.4 to 69.7. Moreover, the rate of Seven Health Habits recognition increased from 75.3% in FY2022 to 83.4%.

Initiative 2. Mental Health

SEKISUI CHEMICAL Group undertakes the following measures to support mental health.

1. Use of stress level tests

The Group conducts stress level tests of all Group companies, including those with fewer than 50 employees. Population analysis has been mandatory since fiscal 2019. As such, population analyses have been conducted on a 100% Group-wide basis. In addition, detailed population analyses have been conducted at 93.7% of the Group's business sites (91.6% in the previous fiscal year). Furthermore, the rate of workplace environment improvement based on stress tests was 63.0% (55.0% in the previous fiscal year).

2. Mental Health Training by Job Classification

SEKISUI CHEMICAL Group conducts self-care training for all Group employees and line care training for managers every year. In fiscal 2023, we launched training for all new employees of the Group as a mental health measure for young employees.

Participation in Mental Health Training

Training name	FY2020	FY2021	FY2022	FY2023
Self-care training participation rate for all employees (%)	76.9	74.8	83.5	84.7
Managers: Line care training participation rate(%)	—	91	90.8	57.9*
Training participation rate for new employees(%)	—	—	—	94.5

* Only line managers are required to participate in FY2023.

3. Enhanced Consultation Centers Where Employees Can Comfortably Seek Advice

SEKISUI CHEMICAL Group has established consultation centers that are available to any employee of the Group, regardless of employment format, thus strengthening the safety net function.

Initiative 3: Workplaces and Systems Where Employees Can Work with Peace of Mind

There are a variety of existing factors at workplaces that may hinder health, including chemical substances, working posture, and noise. To counter these factors, we are undertaking activities across the Group through the utilization of an occupational health and safety management system. In addition, we are also striving to enhance a range of internal systems so that not only healthy employees, but also employees with illnesses can work with peace of mind in a caring environment.

In fiscal 2023, we conducted training on women's health for managers in an effort to solve women's health issues, with 76.7% of all managers attending. In addition, a seminar for female employees was held on the theme of Women's Health in the Event of a Disaster, with a participation rate of 67.7% of which 99.4% confirmed their understanding.

Initiative 4. Group-wide Initiatives

In order to promote health and productivity management in unison as a group, we are promoting use of the Group's Health and Productivity Management Organization Recognition Program, in the large enterprise category. Group companies that are engaging in activities aimed at increasing the level of health through pre-assessment are covered under this use. We took steps to initiate information exchange meetings among applicable companies from fiscal 2019. Having established specific health and productivity management targets for each company and putting in place a mechanism to share details regarding the level of achievement, we are promoting activities on an integrated Group-wide basis. In addition, we have appointed people responsible for, and others in charge of health and productivity management at approximately 300 business sites. In this manner, we have established systems that ensure the definitive promotion of health and productivity management.
Attended by representatives of the labor union, the Health Up Working Group meets monthly with the SEKISUI Health Insurance Society to share information and deliberate on measures.

Initiative 5: Increase Motivation and Productivity

With the aim of establishing productivity indicators, we have identified a total of 29 KPIs, including seven major indicators, and are implementing various health-related measures for each.

External Evaluation

In recognition of SEKISUI CHEMICAL's efforts to resolve employee health- and productivity-related issues from a Group-wide perspective, the Company was certified as a 2023 Health and Productivity Management Organization in the large enterprise category (White 500) for the eighth consecutive years together with 32 affiliated companies in Japan.

2024
健康経営優良法人
Health and productivity
ホワイト500

News Release (March 15, 2024)

https://www.sekisui.co.jp/news/2024/1400540_41090.html (In Japanese only)

Performance Data

Rate of long-term leave due to mental health problems (%) (SEKISUI CHEMICAL Group)

FY2019	FY2020	FY2021	FY2022	FY2023
0.77	0.98	1.02	1.13	1.14

Stress-check Assessment Rate (%) (SEKISUI CHEMICAL Group)

FY2019	FY2020	FY2021	FY2022	FY2023
92.5	93.9	95.2	95.5	96.4

Note: Companies subject to stress check: Companies that are members of the SEKISUI Health Insurance Society (excluding some affiliated companies)

Primary KPIs (7 Indicators) (see the aforementioned rate of prolonged absence due to mental health issues) (SEKISUI CHEMICAL Group)

	FY2020	FY2021	FY2022	FY2023
Implementation of 4 or more of the Seven Health Habits (%)	59.0	54.0	63.9	63.5
Implementation ratio of workplace environment improvements (%)	64.3	65.5	55.0	63.0
Presenteeism (%)*1	65.5	64.7	57.6	57.6
Absenteeism (days)*2	1.27	1.31	2.29	3.05
Employees in an ideal health condition (%)*3	—	—	33.1	31.9
Work engagement (%)*4	—	—	3.05	3.01

*1 Presenteeism is a condition in which a person is working but is unable to perform at full capacity due to health problems. The University of Tokyo version one-question-type survey in FY2019, and WHO-HPQ survey from FY2020 onward.

*2 Absenteeism: Absent from work due to injury or illness. Actual calculation from FY2022

*3 Employees in an ideal health condition: Percentage of respondents who answered that their usual subjective mental and physical health was "very good" or "good" based on the survey with questions referenced from the OECD (BLI: Better Life Index).

*4 Work engagement: The nine-item average, of the nine-item version of the Utrecht Work Engagement Scale, the most widely used work engagement measurement.

Safety Issues

Strategy (Stance, Approach, and Awareness of Risk)

Basic Concept

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group has continued to promote safety management activities centered on rebuilding audit systems, clarifying global equipment design standards, improving site qualities, and actively utilizing digital technology.
As a result of these activities, we have firmly instilled activities that help improve the intrinsic equipment safety issues identified in domestic production site safety audits within the following fiscal year. In addition, the number of workplace accidents (in particular, incidents that involve personnel falling off equipment and falling over) decreased due to the activities of key safety personnel at domestic construction sites. There were no major equipment-related accidents (fires or explosions) in Japan or overseas.
In contrast, the following issues were uncovered.

- Identification of risks associated with equipment-related workplace injuries at production sites and a review of the method and scope of such risks
- Development of automated detection technologies based on monitoring cameras for the purpose of reducing activities that deviate from rules at construction sites
- Measures against heatstroke amid the increasingly severe hot summer environment
- Efforts to ensure intrinsic equipment safety at overseas sites and the development of human resources to promote safety

Risk Awareness

SEKISUI CHEMICAL Group recognizes the following safety-related risks.

1. Serious equipment accidents (fires / explosions)
Injury to the body or damage to the property of employees and neighboring residents, long-term suspension of operations, suspension of customer production, inability to continue business

2. Work-related fatal or serious accidents
Difficulty in securing human resources due to loss of trust and harmful rumors

3. Large-scale leakage of hazardous substances and environmental pollution
Injury to the bodies or damage to the property of employees and neighboring residents, long-term suspension of operations, suspension of customer transactions, incidence of decontamination costs

4. Serious violations of environment-related laws
Business continuity risk due to loss of trust, long-term suspension of operations, suspension of customer transactions, and tightening of regulations

Developing Human Resources Capable of Identifying Dangerous Situations

SEKISUI CHEMICAL Group believes that creating a workplace in which employees can work safely and with peace of mind is a key corporate responsibility and one of management's most important priorities. Based on this concept, we engage in total safety activities (zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on the five themes (1) to (5) listed below. However, no matter how safe and secure an environment is, accidents cannot be prevented if each and every employee working there does not take the necessary care. Safety is not possible without the safety endeavors of each individual. For this reason, in addition to safety education and efforts to increase sensitivity to danger, we are also focusing on creating a culture of observing and complying with established rules.

(1) Safety management using OHSMS
(2) Intrinsic equipment safety*
(3) Safety education of employees
(4) Risk management, including risk assessment
(5) Safety as well as disaster-preparedness audits to evaluate the status of the above activities

* The term for machine safety activities promoted by the Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.

Governance

System for Occupational Safety

We have established the SEKISUI CHEMICAL Group Safety Policy as our basic philosophy on occupational safety and share it with all employees.
The Safety Subcommittee, established under the Sustainability Committee, formulates policies and activity guidelines for initiatives related to occupational safety and health. Each site puts into practice and promotes these initiatives under the guidance of the Safety & Environment Group at the Manufacturing Infrastructure Enhancement Center.
We have compiled a wide range of Group occupational health and safety data. This compilation includes data generated from work at production and construction sites and through research activities, as well as from partner companies outside the Group.
The Safety Subcommittee met twice in fiscal 2023, in October and March.
In the event of an actual occupational accident, information, including the employment status of the affected person, is collected. If there are any issues with management at a business site, steps are taken to secure the necessary improvements.
At SEKISUI CHEMICAL Group, the decision on whether or not to acquire ISO 45001 certification is determined on an individual business site basis. The Group then promotes activities to acquire the necessary certification. Sites that have not acquired certification also build and operate safety and health management systems that reflect ISO and OHSAS requirements. We monitor the status of activities through safety and disaster-preparedness audits, and promote efforts to maintain and revitalize safety management activities.
The percentage of ISO 45001 certified business sites (21) to the total number of the Group's domestic and overseas production sites (91) is 23%.

Business sites (in Japan) that have acquired external certification (ISO 45001)

・SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant
・SEKISUI CHEMICAL CO., LTD. Shiga-Minakuchi Plant
・SEKISUI CHEMICAL CO., LTD. Taga Plant
・CHIBA SEKISUI INDUSTRY CO., LTD.
・SHIKOKU SEKISUI CO., LTD.
・TOKUYAMA SEKISUI CO., LTD.
・Sekisui Medical Co., Ltd. Iwate Plant
・Sekisui Medical Co., Ltd. Tsukuba Plant

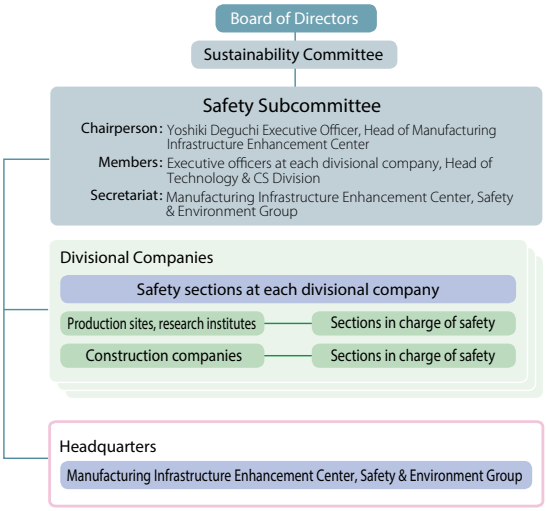
The percentage of ISO 45001 certified business sites (8) to the total number of the Group's domestic production sites (46) is 17%.

Business sites (overseas) that have acquired external certification (ISO 45001)

SEKISUI S-LEC MEXICO S.A. de C.V.
SEKISUI S-LEC B.V.
SEKISUI POLYMATECH EUROPE B.V.
SEKISUI SPECIALTY CHEMICALS EUROPE S.L.
SEKISUI DIAGNOSTICS (UK) LIMITED
SEKISUI SPECIALTY CHEMICALS (THAILAND) CO., LTD.
S AND L SPECIALTY POLYMERS CO., LTD.
SEKISUI RIB LOC AUSTRALIA PTY. LTD.
SEKISUI PILON PTY. LTD.
SEKISUI S-LEC (THAILAND) CO., LTD.
SEKISUI DLJM MOLDING PRIVATE LTD. Greater Noida
SEKISUI DLJM MOLDING PRIVATE LTD. Tapukara
SEKISUI DLJM MOLDING PRIVATE LTD. Chennai 1
SEKISUI DLJM MOLDING PRIVATE LTD. Gujrat
Sekisui S-Lec (Suzhou) Co., Ltd.

The percentage of ISO 45001 certified business sites (15) to the total number of Group overseas production sites (45) is 33%.

Safety-promotion System

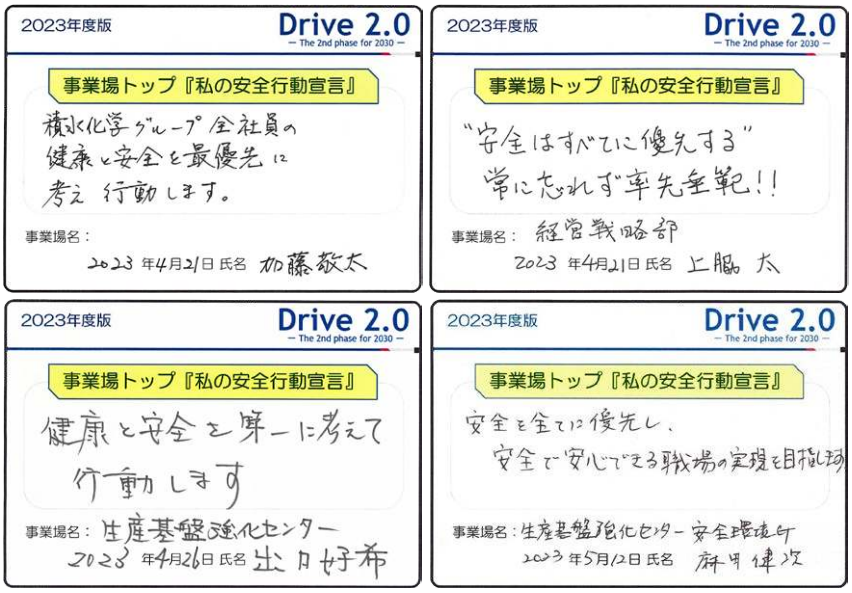


Occupational Safety Committee Meeting Held

SEKISUI CHEMICAL Group holds legally mandated Occupational Safety Committee meetings at each business site. During Occupational Safety Committee meetings, labor and management work together to conduct disaster-related investigations. Strategic proposals related to occupational health and safety are also made.
Meetings of the Central Occupational Safety Committee were held at the Company's head office up to fiscal 2019. This Committee served as a Group-wide forum for discussion between labor and management. Despite refraining from face-to-face meetings and the hiatus attributable to such factors as the COVID-19 pandemic, deliberations in the form of Central Occupational Safety Committee meetings, at which labor and management discuss issues and measures regarding safety activities, resumed from fiscal 2022.

Declaration of the Commitment to Safe Business Practices Announced by the Leadership of Each Division

SEKISUI CHEMICAL Group recognizes that the most important aspect of safety activities is for the top management of each business site to demonstrate leadership and take the initiative. Based on this understanding, the president and leadership of each division declare their commitment to safe business practices each fiscal year and their personally written declarations are posted on the intranet.



A safety declaration posted on the intranet

Risk Management

SEKISUI CHEMICAL Group identifies and manages safety-related risks as follows.

1. Serious equipment accidents (fires / explosions)

The Group implements risk management by creating equipment management standards to prevent serious equipment accidents, adding equipment assessment items to the management assessment sheet for safety audits, defining equipment management indicators, and utilizing data.

2. Work-related fatal or serious accidents

Injuries caused when caught or entangled in machinery and equipment are highly likely to result in serious permanent disability or fatality. Accordingly, the Group focuses on identifying and mitigating the relevant risks.

3. Large-scale leakage of hazardous substances and environmental pollution

In addition to identifying business activity risks that could have a significant impact on the environment in advance and implementing preventive measures, the Group undertakes activities to prevent large-scale spills outside of business sites through drills that anticipate the occurrence of such risks.

4. Serious violations of environment-related laws

By specifying environment-related laws and regulations applicable to each business site and conducting environmental audits based on these audit standards, the Group engages in activities to prevent serious violations of laws and regulations at business sites.

Implementation of Safety Audits

SEKISUI CHEMICAL Group has identified occupational health and safety management system evaluation categories, which are employed in the self-evaluations conducted at each business site as well as safety audit evaluations by Corporate Headquarters. We review evaluation categories each year, taking into account issues related to Group-wide safety management activities.

In fiscal 2023, safety audits were conducted at 15 domestic sites. This was the first time since fiscal 2019 that all of our business sites had carried out on-site inspections. We were able to conduct document reviews including the close exchange of information, and site inspections from a broader perspective. In the future, the Group plans to make continuous improvements to its safety auditing procedures, to ensure that they are carried out appropriately in line with audit objectives and the circumstances in each case.

Implementation of Occupational Safety Assessments

Article 14 of the Group's Safety Management Rules stipulates that when launching a new business, the general manager of the relevant business division is responsible for conducting a comprehensive prior assessment of occupational safety. Based on this stipulation, the relevant divisional company that is looking to launch a new business implements an assessment.
Laws and regulations at overseas sites differ depending on the region, country, and state. For this reason, external consultants (experts in local laws and regulations) conduct audits to confirm the status of legal compliance.

Implementation of Medical Examinations

SEKISUI CHEMICAL Group provides medical examinations for employees based on the results of medical examinations in accordance with the Employment Evaluation Guidelines for High-risk Employees (for health management officers). In addition, we confirm through safety audits and other means that the following legally mandated health checkups are conducted at each business site.

・Special medical examinations
・Medical examinations for those engaged in designated work

Indicators and Targets

Targets

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group is promoting safety activities based on the KPI of zero incidents of injuries attributable to machines and equipment with the aim of preventing serious accidents that could result in permanent disability by preventing injuries caused when caught or entangled in machinery and equipment. In FY2023, there were eight incidents of injuries attributable to machines and equipment.

Key Implementation Measures	Management Indicators	Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan	Number of incidents in FY2023 ☑
Safety audits, mutual on-site inspections, comments and sound improvements through on-site risk assessment	Zero incidents of injuries attributable to machines and equipment	0	8

Major Initiatives

Development of Human Resources to Take the Initiative in Safety Activities

To strengthen its safety activities, SEKISUI CHEMICAL Group established and has continued to promote a Safety Leader (SL) certification system since fiscal 2017. Certified SLs assist safety managers and promote safety management activities at each site.
In fiscal 2023, 27 employees (and a cumulative total of 184 since fiscal 2017) were certified under the SL certification system.
SLs are tasked with identifying and mitigating risks at their respective workplaces, holding workshops with other SLs Group-wide, upgrading and expanding the content of safety training, and promoting the rollout of best practice examples.
In addition, since fiscal 2017, we have continued to support employees in their efforts to acquire Safety Sub-assessor (SSA)* certification, holders of which promote machine safety activities. As of March 2024, a cumulative total of 225 employees have qualified with 193 holding certification. Furthermore, 23 employees have acquired Safety Assessor (SA)* certification, while two have acquired Safety Senior Assessor (SEA)* certification, which rank above SSA.

* A safety qualification by Japan Certification Corporation that certifies knowledge of machinery safety based on international safety standards.

New Equipment Design Safety Standards

The New Equipment Design Safety Standards, which summarize the safety specifications necessary for production equipment used by the Group, began undertaking Intrinsic Equipment Safety*1 activities. At the same time, following an update to reflect ISO/JIS machine safety criteria, these Standards now serve as an important document for improving production equipment.
The New Equipment Design Safety Standards have been systematized in accordance with ISO/IEC Guide 51 and are comprised as follows.
Standard A: Basic safety standards
Standard B: Common safety standards
Standard C: Individual equipment safety standards

In 2020, we established the Revision Committee which consists of 12 individuals with SSA*2 qualifications. This Committee updates these Standards with the goal of revising the content once a year.

*1 Machine safety activities promoted by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.
*2 A safety qualification by Japan Certification Corporation that certifies knowledge of machinery safety based on international safety standards.

Increasing Opportunities to Uncover Risks and Deploying Best Practices through Mutual On-site Inspections

Since fiscal 2021, the Group has conducted mutual on-site inspections among its manufacturing sites. This initiative is led by the Technology & CS Promotion departments of each divisional company, and involves employees from different manufacturing sites, who work to uncover risks at each other's sites. Previously, safety, accident-prevention, and environmental audits were only conducted once every three years making frequent audits impossible. This made it difficult to horizontally deploy best practice examples of other business sites.
Mutual on-site inspections help improve the awareness of and sensitivity to risks of participating employees, while allowing site leaders and others hosting inspections to learn from other business sites. This has made it easier to reaffirm risks at workplaces and to quickly deploy best practices horizontally.
In addition, the Safety & Environment Group prepares and distributes the Site Risk Identification Handbook as a guideline for uncovering risks on one's own to safety officers at each business site.

Improving Emergency Response Skills

SEKISUI CHEMICAL Group has identified the following as high risk scenarios that require particular focus with respect to prevention.
・Getting caught or entangled in machinery at production sites
・Falling off equipment or falling over at a business site
・Chemical process-related fires or explosions

Moreover, the Company conducts Heads-up Training where chemical processes are integral to production. At SEKISUI CHEMICAL Group, we conduct Heads-up Training to strengthen the decision-making capabilities of all our employees in the event that they encounter an emergency situation. More specifically, supervisors with years of experience will ask trainees what they would do if equipment designed to prevent danger fails. Trainees are then tasked with providing responses off the top of their heads. This training improves the skills needed to respond to unexpected situations in the event of a disaster by passing down to younger employees the on-site safety know-how accumulated over many years by senior employees. Through this training, we are able to improve equipment countermeasures and revise operating procedures. In addition to teaching trainees how to handle potential problems (troubleshooting), training is applied on various occasions, including evacuation as well as disaster prevention drills.

Deepening Understanding of the Basic Safety Principles

SEKISUI CHEMICAL Group is working to prevent occupational injuries caused by manufacturing machines and equipment through activities that ensure intrinsic equipment safety*. At the same time, we are endeavoring to prevent occupational accidents caused by the actions of workers. Based on the lessons learned from past occupational accidents that have actually occurred at Group sites, we have formulated and are implementing the Basic Safety Principles, which summarize the rules to be observed and prohibited matters during work across six categories for each work process.
In order to ensure that these principles are quickly disseminated throughout the Group, posters with illustrations and easy-to-understand explanations were prepared and distributed to all business sites in Japan and overseas.

* Machine safety activities implemented by SEKISUI CHEMICAL Group. These activities promote improvements to unsafe areas of production equipment through intrinsic safety design policies and safeguards.

Six Basic Principles for Hot Work Poster (Thai version)

Measures to Prevent Fires and Explosions

Fires and explosions have a significant impact on the surrounding environment and on business continuity. As a preventive measure, we invite outside disaster prevention experts to undertake disaster-preparedness audits when conducting safety audits.
We verify such items as the storage and handling status of hazardous materials as well as the recovery systems used in the event of a natural disaster, etc., to detect disaster risks at an early stage and take preventive measures.
In fiscal 2023, these was audits were conducted at 16 sites uncovering 432 items. As a result, each business site is making the necessary improvements.

Type of audit	Target / Aim of audit
Safety audit	・Document review Checking of conditions relating to health and safety management activities ・On-site inspections Confirmation of the safety of people's work, their working environments, the surfaces on which they walk, etc. ・Intrinsic equipment safety measure status Inclusion of accident-prevention measures at the facility design and installation stages ・Process examinations of facility management departments Facility installation management, construction management, maintenance management Note: For sites that implement safety audits only, the audit will proceed in much the same manner as before, including the disaster-preparedness audit outlined as follows.
Disaster-preparedness audit	Primarily consists of audits for accident-prevention measures relating to business continuity ・Checking of storage and handling conditions of hazardous as well as designated flammable materials ・Checking of fire-fighting equipment maintenance status ・Measures for responding to earthquakes and other natural disasters

Safety Audits at Overseas Business Sites

SEKISUI CHEMICAL Group has established and deployed global safety standards to raise the level of safety activities at overseas production sites, which operate within different legal, regulatory, and cultural environments.
In fiscal 2023, auditors went directly to business sites to conduct on-site inspections. We also conducted an occupational health and safety management audit based on the Group's evaluation standards through remote meetings for sites that had completed on-site inspections.

Safety Awards

We hold the SEKISUI CHEMICAL Group Safety Conference every year.
In fiscal 2023, awards were bestowed by the president, and case studies presented by sites with the best safety records using an online format on May 26.

Safety Management Across Supply Chains

The Housing Company has organized the Sekisui Heim Cooperation Association with its partner companies (contractors) to ensure the safety of employees of partner companies (contractors) involved in the on-site construction of houses, and holds regular meetings and other events. At these meetings, the Housing Company shares the Group's safety policy, holds safety education sessions, and provides various training opportunities related to occupational safety.

Emergency-preparedness Drills

Each business site conducts emergency response and notification drills to prevent environmental pollution in the event of an emergency and to prevent the spread of pollution. Training is conducted at least once a year, assuming a variety of cases depending on the characteristics of the site.

Environment-related Complaints and Accidents

Environment-related Complaints and Accidents (FY2023) ✅

Category		Number of cases	Details
Accidents	Fires	1	A catalytic combustion device caught fire and some of the machine's connections burned. The fire was extinguished by the public fire department without any injuries.
	Leakage	0	—
Complaints		0	—

Indicator	Calculation Method
Fires	Number of fire incidents involving firefighting activities by public fire departments that occurred during the fiscal year
Leaks	Number of incidents involving the off-site leakage of hazardous or toxic materials of 1/5 or more of the designated quantity or 200 liters or more that occurred during the fiscal year
Complaints	Number of complaints that could significantly affect the living environment of neighborhood residents that occurred during the fiscal year

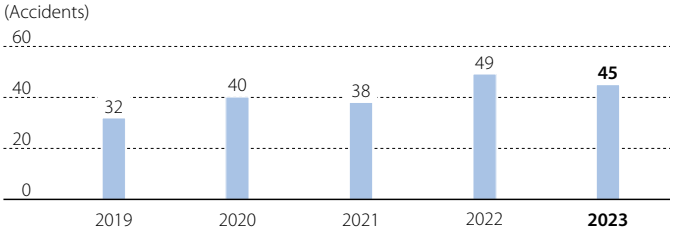
Performance Data

Safety Performance

Japan

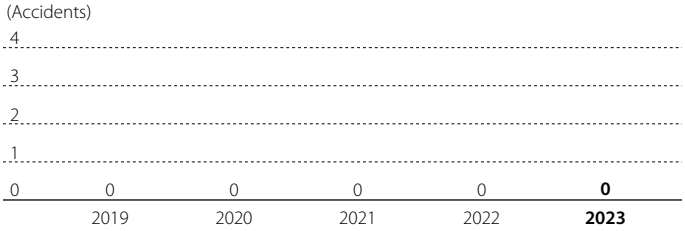
Aggregate scope: 48 production sites and 5 research institutes in Japan

Number of Occupational Accidents



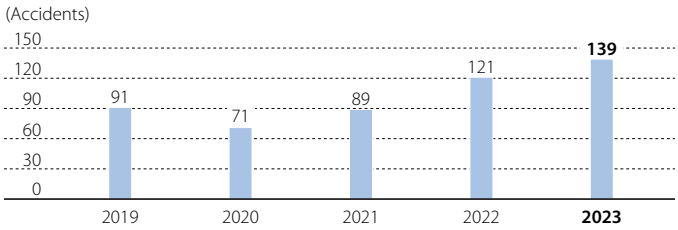
Indicator	Calculation Method
Number of Occupational Accidents	The number of occupational accidents (both those resulting in lost time and those not) occurring during a given fiscal year (April through the following March)

Number of Facility Accidents



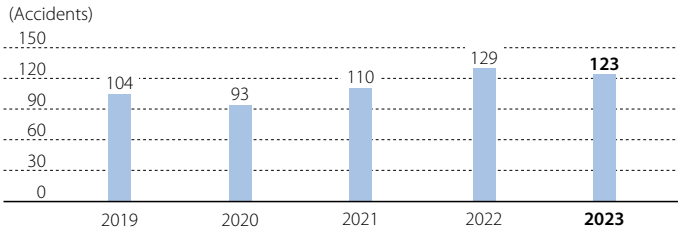
Indicator	Calculation Method
Number of Facility Accidents	The number of incidents where facilities malfunctioned (fires, leaks, etc.) that fulfill at least one of the following criteria (SEKISUI CHEMICAL Group criteria), from (1) to (3), occurring during a given fiscal year (April through the following March) (1) Human harm: An accident causing at least 30 days' lost work (2) Material harm: 10,000,000 yen or greater (3) Opportunity loss: 20,000,000 yen or greater

Number of Cases of Long-term Sick Leave



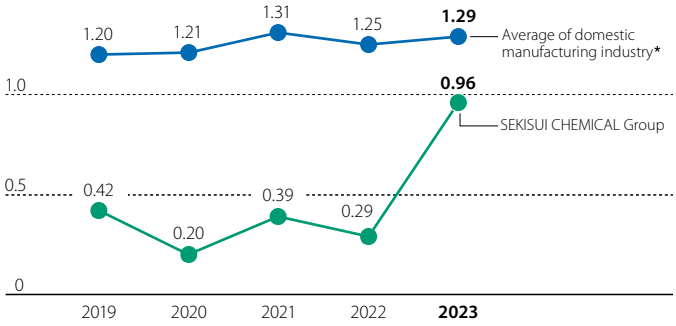
Indicator	Calculation Method
Number of Cases of Long-term Sick Leave	Describes leave of 30 days or more consecutively for sickness or injury occurring in a Japanese production site or research institute during the given fiscal year (April to the following March), and which is newly-occurring. Recurrences within 6 months of the start of work attendance are not counted. However, leave attributable to an occupational injury is counted as an occupational accident and not classified as long-term sick leave

Number of Commuting Accidents



Indicator	Calculation Method
Number of Commuting Accidents	The number of accidents occurring during commutes to Japanese production sites and research institutes during a given fiscal year (April to the following March); counting assault, damage, self-inflicted injury, and accidents; includes accidents while walking

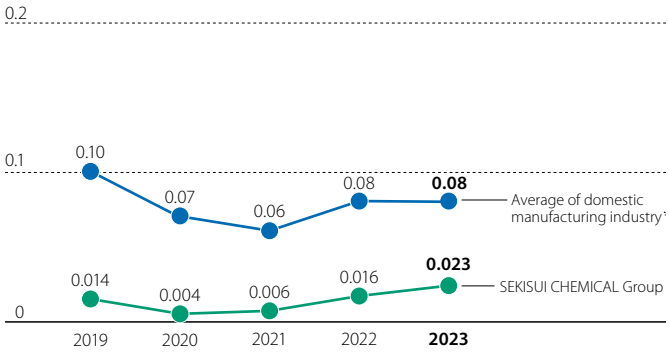
Frequency Rate Over Time



* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Indicator	Calculation Method
Frequency Rate	The total number of injuries, illness and fatalities in occupational accidents with lost time per 1,000,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of injuries, illness and fatalities in occupational accidents with lost time / total number of man-hours worked) × 1,000,000

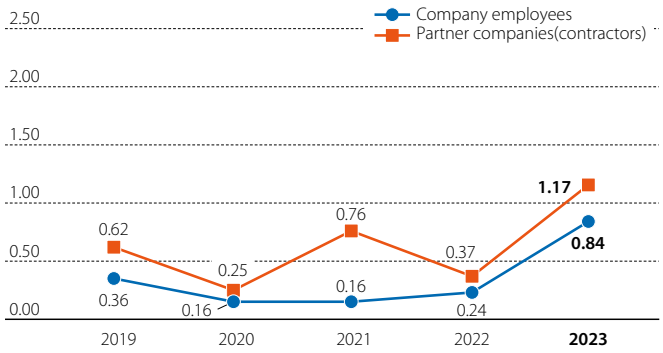
Severity Rate Over Time



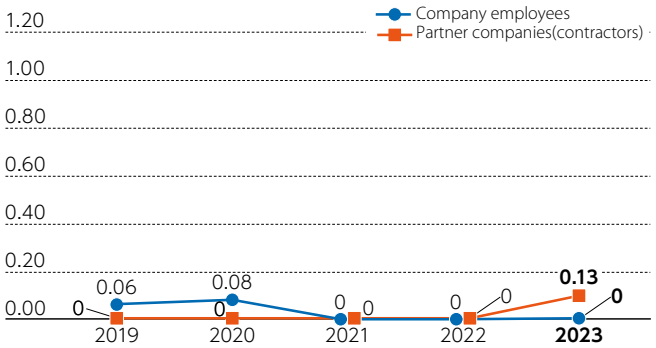
* Source of information for the Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Indicator	Calculation Method
Severity Rate	The total number of days of work lost per 1,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of days of work lost / total number of man-hours worked) × 1,000

Lost Time Injury Frequency Rate (LTIFR)



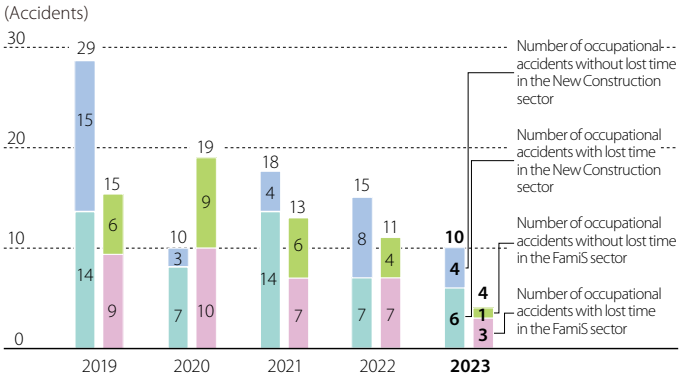
Occupational Illness Frequency Rate (OIFR)



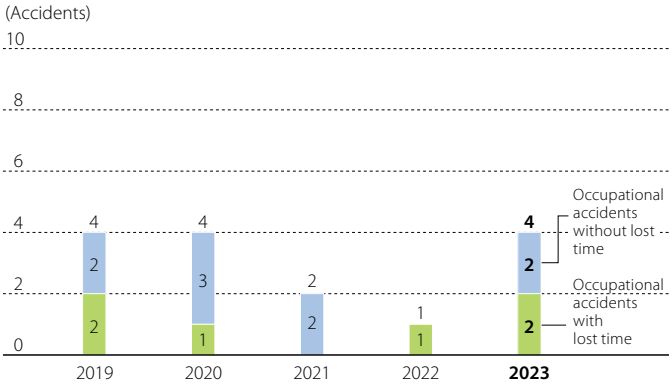
Indicator	Calculation Method
Lost Time Injury Frequency Rate	(Number of accidents causing sick leave / total number of man-hours worked) × 1,000,000

Indicator	Calculation Method
Occupational Illness Frequency Rate	(Occupational illnesses / total number of man-hours worked) × 1,000,000 Occupational illnesses as defined by the Ministry of Health, Labour and Welfare, including heat stroke, lower back pain, and intoxication by chemical substances

Safety Performance in the Housing Company's Construction Sites



Safety Performance with Respect to Construction Sites in the Urban Infrastructure & Environmental Products Company



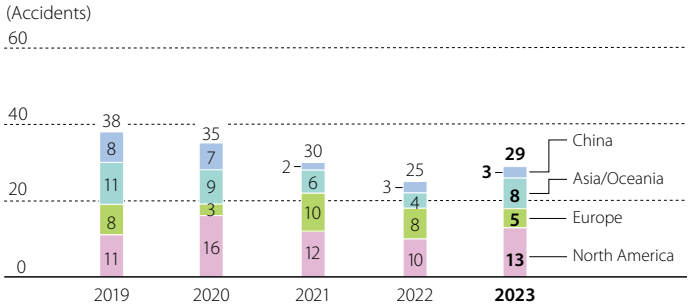
Indicator	Calculation Method
Safety performance on the Housing Company's construction sites	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the Housing Company during a given fiscal year (April through the following March)

Indicator	Calculation Method
Safety Performance with Respect to Construction Sites in the UIEP Company	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the UIEP Company during a given fiscal year (April through the following March)

Overseas

Aggregate scope: 45 overseas production sites

Number of Occupational Accidents



Indicator	Calculation Method
Occurrence of occupational accidents at overseas production sites and research institutes	The number of occupational accidents (both those resulting in lost time and those not) occurring at overseas production sites and research institutes during a given fiscal year (April through the following March)

Japan and Overseas

Aggregate scope: 48 production sites, 5 research institutes, and 31 construction offices in Japan
45 production sites overseas

Number of fatalities due to occupational accidents

(Number of people)

		FY2019	FY2020	FY2021	FY2022	FY2023
Employees		0	0	0	0	0
	Japan	0	0	0	0	0
	Overseas	0	0	0	0	0
Partner Companies (contractors)		0	1	0	0	0
	Japan	0	1	0	0	0
	Overseas	0	0	0	0	0
Total		0	1	0	0	0

Health and Safety / Accident Prevention Costs

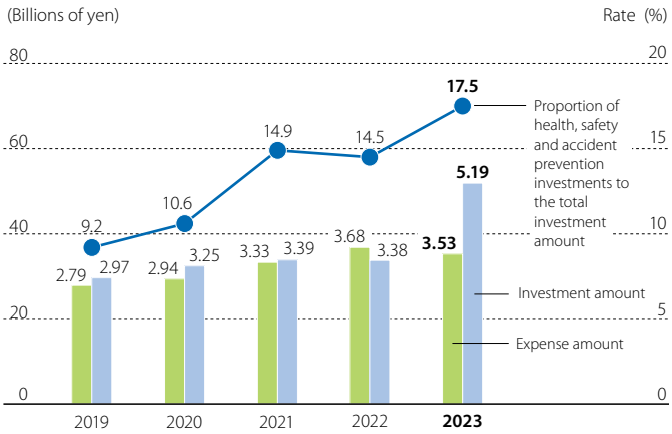
Aggregate scope: 46 production sites, 5 research institutes, Corporate Headquarters departments, and back offices of divisional companies in Japan

Accident Prevention Costs (FY2023)

(Millions of yen)

Item		SEKISUI CHEMICAL Group	
Classification	Details	Expense amount	Investment amount
1) Costs within business site areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.	1,307	5,192
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	2,223	–
3) Other	Safety awards, etc.	4	–
Total		3,534	5,192

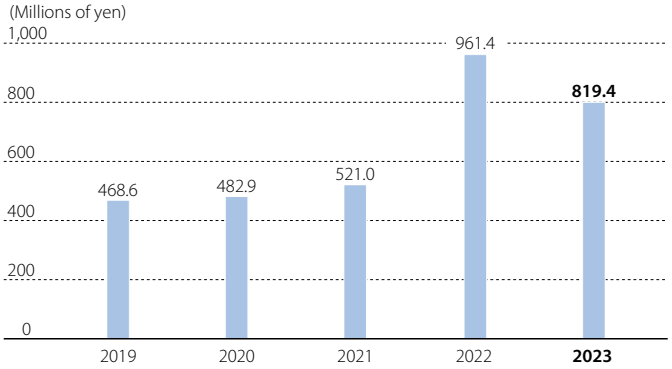
Costs and Investments Over Time



Index	Calculation Method
Costs	Costs associated with health and safety as well as accident prevention activities during a given fiscal year (April through the following March)
Investment amounts	The amount invested in health and safety as well as accident prevention-related measures authorized during a given fiscal year (April through the following March)

Note: Collated after adding maintenance costs (production, logistics, and power transformer facility management) to costs within business site areas from FY2021.

Loss Costs Over Time



Index	Calculation Method
Loss costs	The costs of responding to, and the labor costs incurred due to, occupational accidents, facility accidents, commuting accidents, and long-term sick leave due to illness occurring within a given fiscal year (April through the following March)

Stakeholder Engagement

Strategy

Basic Concept

SEKISUI CHEMICAL Group believes that constructive dialogue to increase corporate value is important to build relationships of trust with its five stakeholders: Customers, Shareholders, Employees, Business Partners, Local Communities and the Environment.
Positioning stakeholders as partners when enhancing corporate value, and grasping their expectations and demands through constructive dialogue while solving issues for society as a whole will lead to significant business opportunities for the Group. In addition, we will further promote sustainable growth by building relationships of mutual prosperity with stakeholders.
In fiscal 2023 the ESG Management Department, which falls under the purview of the Representative Director, Senior Managing Executive Officer (Head of the ESG Management Department), took on the role and responsibility for promoting constructive dialogue with all stakeholders. The various evaluations and opinions received from our stakeholders are reported to the Sustainability Committee, which is chaired by the president and comprised of directors, to ensure that they are appropriately reflected in our corporate activities. Moreover, to secure the timely, appropriate, and proactive disclosure of information throughout the Group, we have formulated the Corporate Information Disclosure Regulations that encompass such items as the specific content of disclosure and disclosure systems based on our Principle of Corporate Information Disclosure, and disclose information in accordance with our IR (disclosure) Policy.
There were no significant concerns raised by stakeholders through each engagement in fiscal 2023.

Major Initiatives

Responsibility of SEKISUI CHEMICAL Group to Each Stakeholder and Communication Methods

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Customers	We take the voices of our customers seriously, offer prominent products and services and strive to build a long-term relationship of trust with our customers.	● Departments in Charge of ESG ● Departments in Charge of Quality Control ● Sales Department	・Customer Consultation Office (handles inquiries) ・CS surveys (customer satisfaction surveys) ・Sales activities ・Website, Social media ・exhibition spaces, expos / events	・Day-to-day ・As necessary (carried out whenever needed at each divisional company, business site, or sales office) ・Day-to-day ・Day-to-day ・As necessary (implemented through questionnaires and conversations at venues)
Shareholders	To meet the expectations of all our valued shareholders, we strive for highly efficient use of capital, fair ethical disclosure of information, adequate returns from profit, and increasing corporate value through sustainable growth.	● Departments in Charge of General Affairs ● Departments in Charge of IR ● Departments in Charge of Public Relations ● Departments in Charge of ESG	・General Meeting of Shareholders ・Management briefings ・Integrated reports ・Responding to surveys from institutions that evaluate ESG	・Once per year ・4 times per year ・Issued once per year ・As necessary (handled in order of inquiry)
Employees	We foster among our employees a spirit of taking on new challenges and are actively creating workplaces where every employee can stand out and diverse human resources can both excel and feel that their work is worthwhile.	● Departments in Charge of Human Resources ● Departments in Charge of Safety ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG ● Departments in Charge of Public Relations	・Individual boss and subordinate interviews ・Counseling ・Labor-management meetings ・Central Occupational Safety Committee ・Internal whistleblowing system ・Employee satisfaction surveys ・Various employee questionnaires ・Dialogue with management ・Intranet and internal newsletter	・As needed (counseling available upon request through an in-house occupational counselor or external clinical psychologist) ・Regularly ・Once per year ・As needed (handling for consultations and reports) ・Once per year ・As needed (questionnaires implemented for internal publications, various types of training sessions, etc.) ・Regularly ・As needed (information updated when necessary), 4 times per year

Major Initiatives

Responsibility of SEKISUI CHEMICAL Group to Each Stakeholder and Communication Methods

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Business partners	When procuring materials, we follow the fundamentals of being open, fair, compliant with the law and social norms, engaged in relationships of mutual trust, environmentally conscious, anti-corruption, and considerate of human rights. We aim to achieve coexistence and shared prosperity by building more robust partnerships with our business partners and engaging in fair trade. We are also engaged in promoting CSR based on cooperation with our business partners.	● Departments in Charge of Purchasing ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG	・Purchasing activities ・Explanatory meetings with suppliers ・CSR procurement questionnaires ・Points of contact for consultations from, and whistleblowing by, business partners ・Website	・Day-to-day ・Regularly ・Once per business partner every three years ・As needed (handling for consultations and reports) ・As needed (information updated when necessary)
Local communities	We emphasize a perspective that encompasses contributions to the development of communities through our business, coexistence with communities, and environmental conservation. We think about how to make measures that are tailored to the needs of each community and practice business in ways that engender trust.	● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Public Relations	・Volunteering by employees ・Dialogues with NPOs and NGOs ・Support for learning (dispatching of instructors, factory tours, etc.) ・News releases	・Regularly ・As needed (implemented as necessary before and after activities) ・Regularly ・As needed (latest information posted as necessary)
Global environment	We are engaged in expanding and creating the market for Sustainability contributing Products, reducing our environmental impacts, and conserving the natural environment— all with the aim of realizing "earth with maintained biodiversity."	● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Sales ● Departments in Charge of Purchasing	・Volunteering by employees ・Dialogues with NPOs and NGOs ・Sales operations ・Purchasing activities	・Regularly ・As needed (implemented as necessary before and after activities) ・Day-to-day ・Day-to-day

Direct Dialogue Event Between Top Management and Employees

SEKISUI CHEMICAL Group held "Vision Caravan 2023" (Japan/overseas) and "Meeting with the President/Top Management in 2023" as events for direct dialogue between top management and employees.
With fiscal 2023 the first year of the Medium-term Management Plan, Vision Caravan 2023 was an opportunity for top management to explain to employees the Group's aspirations as outlined in its Long-term Vision, Vision 2030, and the role played by the Medium-term Management Plan, Drive 2.0, as a strategy to achieve the Vision.
Continuing on from fiscal 2022, the Meeting with the President/Top Management initiative was also held to allow employees to gain a true picture of top management and their intentions while generating increased energy through an improved sense of expectation and trust. Centered on the key words: Vision 2030, ESG management, and challenge, these events served as a forum for executives to offer their thoughts on achieving the Long-term Vision and to talk about their own experiences and challenges. In response, employees were able to directly ask questions and seek advice on how to address issue and better take on challenges. This process of mutual dialogue helped employees gain an understanding of the connection between their daily work and the Long-term Vision, and get hints on how they can contribute to the realization of the Long-term Vision through their work.
In addition to an online format, meetings were also held at production and other business sites. Employing a hybrid format of online and face-to-face meetings roughly 2800 employees participated in fiscal 2023.

"Vision Caravan 2023" held in Japan

"Vision Caravan 2023" held overseas

Direct Dialogue with Investors to Promote Mutual Understanding

SEKISUI CHEMICAL Group believes it is extremely important to engage in constructive dialogue with shareholders and investors in order to achieve sustainable growth and enhance corporate value over the medium to long term.
We have therefore identified Active Engagement Between Investors and Management as one of our key issues, while the President and Senior Managing Executive Officer, Head of the Business Strategy Department are taking the lead in proactively holding quarterly financial results briefings and direct dialogue with shareholders and institutional investors to leverage our management strategy to enhance corporate value. During fiscal 2023, we held 80 engagements.
We are strengthening information dissemination on our website with an awareness of fair disclosure while striving to reflect as much as possible the opinions and questions received through dialogue with shareholders and investors in the Integrated Report and other IR materials. In fiscal 2023, we formulated a new medium-term management plan to strengthen capital policy disclosure in a bid to secure growth, based on feedback from institutional investors, and held briefings for institutional investors and analysts. Details have been published on our website.
In recent years, interest in ESG investment has grown globally, and ratings agencies are proactively undertaking surveys. SEKISUI CHEMICAL Group compiles and publishes its Sustainability Report based on rating agency questionnaires and third-party reviews, as well as referencing various report-drafting guidelines including GRI standards and considering the importance of the report to society and SEKISUI CHEMICAL Group.

Number of Times Active Engagement Conducted Between Investors and Management ☑

	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results
Number of engagements*	67	54	82	74	80

* The number of engagements represents the number of times the Company president and executives in charge of specific areas engaged in dialogue with investors.

Promoting Understanding and Acceptance of ESG Management Concepts Among Employees

We are promoting a variety of initiatives to deepen the understanding and penetration of various issues including SEKISUI CHEMICAL Group's approach to ESG management.
We took steps to instill and promote a better understanding of the Group's Long-term Vision, Vision 2030, and approach toward ESG management through Vision Caravan 2023 held in Japan and overseas in fiscal 2023.
Moreover, we implement ESG management training for new employees, newly appointed managers, and others based on their position.
In fiscal 2023, as in fiscal 2022, we held President Workshop meetings for the presidents of local subsidiaries outside of Japan. We were able to confirm the progress and effectiveness of challenging behavior and engagement improvement measures, and gain insights that will lead to the resolution of our own issues from other companies' case studies.

Communication Tools with Employees

SEKISUI CHEMICAL Group has published an in-house magazine (including a series of special features on ESG management) and the SEKISUI CHEMICAL Group ESG Management Reader's Guide (introduction to ESG management), a tool to promote understanding of ESG management among all employees, in order to secure increased acceptance of the Group's ESG management.
These communication tools and ESG-related materials are freely available for employees to download from the intranet, and are also distributed to all employees, regardless of whether they are regular or non-regular staff, on an as needed basis, for example when employees join the Company or when implementing ESG-related educational programs.
The regional headquarters disseminate ESG-related information to employees of their respective Group companies. In Europe, ESG-related information is posted on the intranet once a month, and in the U.S., ESG training based on each employee's position is held on a regular basis. In China and Asia, we are working to raise employees' awareness of ESG by holding ESG poster competitions and creating animated videos.

SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction) / Japanese edition

SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction) / English edition

Distributing Value to Stakeholders

SEKISUI CHEMICAL Group calculates distribution status based on financial statements by stakeholder, using GRI and other standards as a reference.

(Unit: Millions of yen)

Stakeholders	Method of Calculating Amounts	FY2019	FY2020	FY2021	FY2022	FY2023
Shareholders	Dividends	22,401	22,193	23,177	25,100	29,094
Business partners	Cost of sales, Selling costs / General administrative costs (Excluding personnel costs)	829,809	778,554	858,944	926,822	930,019
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	211,675	210,705	210,122	224,034	232,120
Local communities	Donations	158	218	198	198	296
Global environment	Environmental conservation costs	17,850	16,207	27,522	26,373	16,115
Government and administrative bodies	Corporate taxes, local taxes, business taxes	22,619	19,902	31,099	28,727	32,425
Creditors	Interest paid as part of costs apart from sales	695	861	774	871	1,103

Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates

SEKISUI CHEMICAL Group respects international norms and standards including the Universal Declaration of Human Rights, ISO 26000, the OECD's Guidelines for Multinational Enterprises, the ILO's International Labor Standards, and the United Nations' Universal Declaration of Human Rights as well as Guiding Principles on Business and Human Rights (Ruggie Framework). In March 2009, SEKISUI CHEMICAL signed the United Nations Global Compact*.
In addition, SEKISUI CHEMICAL Group is a supporter of the Japan Climate Initiative (JCI) Declaration. As such, the Group is joining the front line of the global push for decarbonization from Japan.

WE SUPPORT
UN GLOBAL COMPACT

* United Nations Global Compact: A voluntary program in which top management of firms around the world pledge to comply with 10 principles on subjects such as human rights, labor standards, the environment, and anti-corruption efforts within the scopes of influence of their firms and participate in building a global framework for realizing sustainable growth.

Information Disclosure Based on the Recommendations of the Task Force on Climate Change-related Financial Disclosures (TCFD)
Information Disclosure in Accordance with the Task Force on Nature-related Financial Disclosures (TNFD) Guide

SEKISUI CHEMICAL Group declared its support for the recommendations put forward by the TCFD*1 in January 2019. The Group began disclosing information based on these recommendations from July 2019. Furthermore, in July 2023 we began addressing the Group's biodiversity issues based on a guide released by the TNFD*2 in February 2023*3. By promoting the disclosure of such information, we will strive to build a sustainable management infrastructure that includes relationships of trust with stakeholders.

*1 TCFD: Task Force on Climate-related Financial Disclosures, a task force established in 2015 by the Financial Stability Board (FSB), an international organization that seeks to stabilize the financial system. It recommends that companies disclose information on their analysis of the impact of climate change on their finances.
*2 TNFD: Taskforce on Nature-related Financial Disclosures
A framework was established in 2021 for private companies and financial institutions to properly assess and disclose risks and opportunities related to natural capital and biodiversity. As a framework to follow TCFD, it aims to construct a disclosure framework for natural-related risks.
*3 Disclosed on the Company's website under TCFD/TNFD Report 2023. See the following for more information.
https://www.sekisuichemical.com/sustainability_report/report/#tcfd

Major Organizations in Which SEKISUI CHEMICAL Group Participates

As of March 31, 2024

Organization, Committee, Conference, etc.	Main Positions Undertaken by SEKISUI CHEMICAL Group Personnel Including Directors
Committee on Urban Policy and Housing Development, Japan Business Federation	Chair
Planning Subcommittee, Committee on Responsible Business Conduct & SDGs Promotion, Japan Business Federation	Subcommittee Chairman
Keidanren Committee on Nature Conservation	Vice Chairman
Japan Chemical Industry Association	Director
The Japan Plastics Industry Federation	Director
Kansai Chemical Industry Association	Managing Director
Japan PVC Pipe and Fittings Association	Chair, Representative Director
FRPM Pipes Association of Japan	Chair
Japan Sewage Works Association	Advisory Council Director
Federation of Japan Water Industries, Inc.	Director
Japan Sewage Pipe Renewal Method Association	Vice Chairman, Director
Japan Federation of Housing Organizations	Director
Japan Prefabricated Construction Suppliers and Manufacturers Association	Managing Director
The Machinami Foundation	Director
The Provision of Quality Housing Stock Association (SumStock)	Vice Chairman
Japan-China Association for Building and Housing Industry	Director
Japan Adhesive Tape Manufacturers Association	Director
Environmentally Symbiotic Housing Promotion Council	—
New Energy Foundation	—
Elderly Service Providers Association	—
SDGs: Smart Wellness Housing R&D Consortium	—
Senior Housing Association	—
Japan Housing Association	—
Geo-Heat Promotion Association of Japan	—
Nature Environment Coexistence Technology Association	—
RE100	—
Japan Clean Ocean Material Alliance (CLOMA)	—

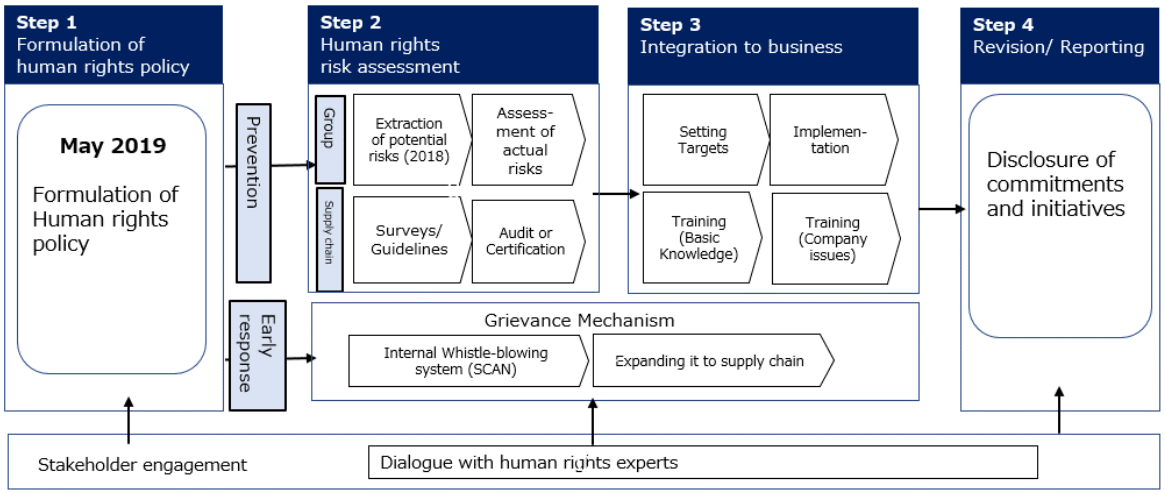
Respect for Human Rights

Strategy

Basic Concept

SEKISUI CHEMICAL Group recognizes its responsibility to protect the human rights of all people who are affected by its business activities. In recent years, human rights issues have received increasing attention from society as laws and regulations regarding human rights have been enacted in Japan and overseas. In order to strengthen our sustainable management platform, we believe it is vital that we respect the human rights of not only Group employees, but also other stakeholders, including business partners.
With this in mind, SEKISUI CHEMICAL Group formulated a human rights policy based on the United Nations Guiding Principles on Business and Human Rights in May 2019 in a bid to fulfill its responsibilities to all stakeholders. In February 2024, we also clearly specified human rights issues that the Group considers particularly salient. Based on the aforementioned policy, SEKISUI CHEMICAL Group will identify, address, and correct human rights risks that may arise from its business activities by organizing human rights initiatives that are in line with the Company in the following manner: promoting human rights impact assessments, integrating into the Group's business, making reports, and putting in place the Grievance Mechanism.
In the Medium-term Management Plan, we have identified the following as important issues: ① cultivating and instilling a culture of respect for human rights; ② implementing human rights due diligence to reduce risk; and ③ implementing the Grievance Mechanism. The Human Rights Subcommittee plays a central role in steadily advancing business and human rights initiatives. At the same time, we will work to strengthen the implementation capabilities of divisional companies and regional headquarters (RHQs).

Overview of SEKISUI CHEMICAL Group's Human Rights Initiatives



Risk Awareness

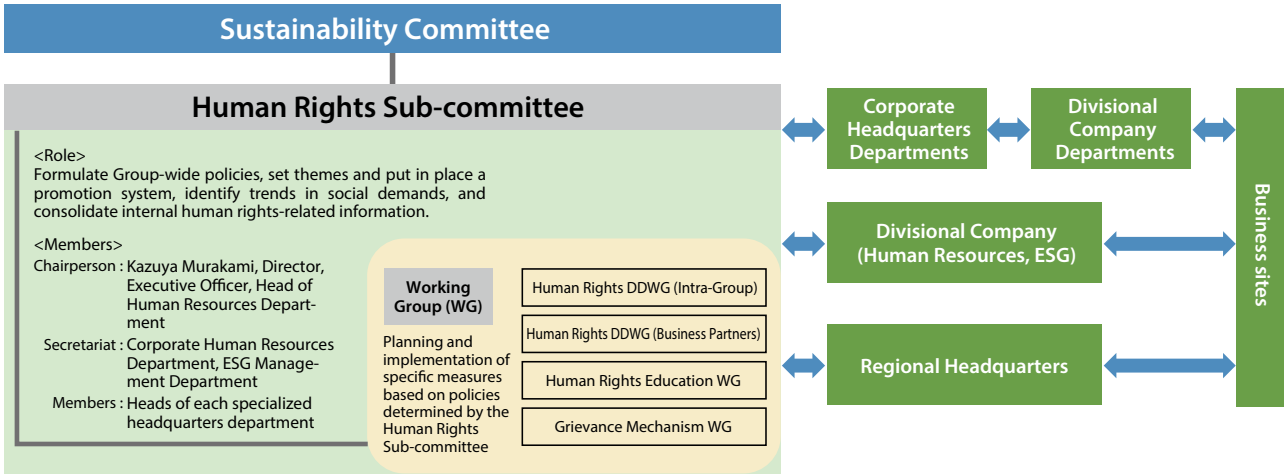
In 2018, SEKISUI CHEMICAL Group used Verisk Maplecroft's data to calculate human rights risk scores from high-risk areas and industry perspectives. As a result, we identified potential high human rights risks in Thailand, China, and India. In 2019, we became aware of the high human rights risks of foreign workers in Japan through dialogue with overseas experts. In 2021, we conducted a questionnaire survey of all areas where Group companies are located. While the survey did not reveal any issues that required immediate action, we identified issues that required further investigation and are continuing to take corrective measures.

The Group will continue to analyze latent human rights risks on a regular basis. We will also conduct surveys, questionnaires, and engage in dialogue with overseas experts as appropriate while working to recognize new human rights issues and identify risks based on global standards.

Governance

System

In fiscal 2022, SEKISUI CHEMICAL Group established the Human Rights Subcommittee under the Sustainability Committee to strengthen its response to a wide range of human rights issues in a cross-organizational manner, and is promoting initiatives accordingly.
The Human Rights Subcommittee is composed of the Director and head of the Human Resources Department as Chairman and the heads of each specialized headquarters department. The Subcommittee is responsible for formulating Group-wide policies on human rights. At the same time, four working groups linked to the Subcommittee draft and implement specific measures.
We will promote human rights initiatives throughout the Group by sharing the policies and measures established by the Human Rights Subcommittee and each working group with the relevant departments of the Company's headquarters and divisional companies, and by applying these down to the business site level.
In fiscal 2023, the Human Rights Subcommittee met eight times.



Grievance Mechanism

SEKISUI CHEMICAL Group has put in place a variety of mechanisms to listen to the voices of stakeholders, including an internal whistleblowing system, a business partner reporting desk, the Customer Consultation Office, and a sustainability inquiry desk, in order to take appropriate measures to correct any negative impact on human rights that arise from its business activities.
We established the SEKISUI Compliance Assist Network (S.C.A.N.), an intra-company whistle-blowing system for Group employees in 2002. Globally, we have put in place and are operating a whistle-blowing hotline in major overseas areas.
Beginning in fiscal 2015, we established and are operating a reporting and consultation desk that can be used by executives and employees of business partners in Japan that engage in ongoing business transactions with SEKISUI CHEMICAL Group companies.
In order to develop a mechanism that can be accessed by a wider range of stakeholders, including non-Japanese employees and overseas business partners going forward, we will work to put in place multilingual internal whistleblowing systems, increase awareness, and establish a whistle-blowing system for overseas business partners.

Risk Management

Risk Management

SEKISUI CHEMICAL Group conducts human rights due diligence together with specialized organizations while prioritizing potential human rights risks based on dialogue with experts and an analysis survey conducted by a specialized organization (Verisk Maplecroft*1) and the identification of high-risk sites through simultaneous surveys in all areas. The relevant sites, RHQ (regional headquarters), divisional companies, and Corporate Headquarters cooperate in planning and implementing remedial action measures for identified issues. Through these efforts, we will implement Group-wide risk management activities on a global basis with the aim of reducing risks.

*1 A risk analysis and research corporation with a global perspective and knowledge of human rights, economic, and environmental risks.

Human Rights Due Diligence (SEKISUI CHEMICAL Group)

SEKISUI CHEMICAL Group launched initiatives aimed at building a human rights due diligence*2 framework in November 2018. The major initiatives implemented up to fiscal 2023 are as follows.

• From FY2018 to FY2019:
Employed a specialized agency (Verisk Maplecroft) to analyze potential human rights risks in major businesses and conducted internal hearings based on the results of analysis.

• FY2020:
Implemented human rights interviews at domestic production sites.

• FY2021:
Conducted a survey-format human rights risk assessment on a global basis for management in all areas where the Group is located and for employees (including indirect employees) at selected business locations.

• FY2022:
Corrected issues identified through the above risk assessment and conducted human rights interviews at two domestic and overseas bases.
-UIEP Company SEKISUI INDUSTRIAL PIPING CO., LTD. (Taiwan)
-Housing Company Sekisui Heim Kinki Co., Ltd.

• FY2023:
Human rights interviews were conducted at three locations: overseas production site, domestic nursing care site, and domestic construction site.
-HPP Company PT. SEKISUI POLYMATECH INDONESIA
-Housing Company: Healthy Service Corporation
-Construction company (a business partner of the Housing Company)

*2 Human rights due diligence is the ongoing management process of identifying and assessing any potential negative impact on human rights (human rights risks) from a company's business activities, and if there are human rights risks, the process of creating mechanisms to prevent or mitigate the impact from such risks.

Identifying and Remediating Human Rights Risks

SEKISUI CHEMICAL Group is implementing initiatives to identify and remediate human rights risks based on global human rights risk assessments. In fiscal 2022, we confirmed the status of each situation on an individual basis for Group companies in Japan and overseas (total of six locations) at which issues were identified through the above human rights risk assessments. After formulating remediation plans to address the issues identified, steps were taken at five locations. (Remediation plan example: Draft employment agreements in workers' native languages in order to promote an understanding of employment agreements among foreign nationality workers employed at Group companies in Japan). Regarding the remaining one location, we plan to reconfirm the status after April 2024.

Human Rights Interview at an Overseas Production Site

In fiscal 2023, as in fiscal 2022, we conducted an interview on human rights at an overseas production site (Indonesia). As a result of the human rights risk assessment by Verisk Maplecroft conducted in 2018, the country-specific risk score was generally high in Indonesia. However, the Group did not confirm the working conditions of its employees through surveys and interviews at that time. To this end, we interviewed local employees to gain a better understanding of their actual working conditions (appropriate wages, appropriate working hours, forced labor, occupational safety and health in the workplace, etc.).

- **Targets**
  HPP Company
  25 employees working at PT. SEKISUI POLYMATECH INDONESIA (including 11 women) + three managers (including one woman)

- **Implementation method**
  1) As a preliminary survey, we conducted a survey of employees based on the Dhaka Principles, an international norm on responsible migrant worker employment.
  2) Caux Round Table Japan*3 conducted interviews with employees divided into groups of five, each lasting about an hour based on a preliminary survey.

- **Survey content**
  Forced labor, freedom of association, the right to collective bargaining, equal pay, and prohibition of discrimination, etc.

- **Results**
  Although no significant negative impact on the human rights of employees was found in this survey, issues that should be prioritized were identified, such as occupational safety and health, respect for the rights of female workers, and respect for the rights of trainees under the Indonesian Intern Training (MAGANG) system. To address these issues, PT. SEKISUI POLYMATECH INDONESIA formulated a remedial action plan.

*3 A non-profit organization with a network of various CSR initiative organizations both inside and outside of Japan and extensive experience with support programs for initiatives to reduce human rights risks within corporate supply chains.

Human Rights Interviews at Domestic Construction and Nursing Care Sites

Since fiscal 2020, SEKISUI CHEMICAL Group has conducted human rights assessments, including interviews with employees, at domestic production sites and construction companies of the Housing Company that employ foreign workers. This is in response to the high level of human rights risks related to the working environment of foreign workers in Japan identified through dialogue with overseas experts.
In addition to expanding the scope of this program to include nursing care sites within the Group and business partner construction companies of the Housing Company, we conducted foreign national employment management assessments*4, including employee interviews, for the two companies listed below in fiscal 2023.

• Targets

1) Healthy Service Corporation (Group company that engages in nursing care) : Three female foreign nationality employees + one manager
2) A construction company (business partner of the Housing Company): Two foreign nationality employees (none of whom were women) + one manager

• Implementation method

1) Conducted a preliminary survey consisting of 342 questions in 40 categories regarding human rights, and held interviews with personnel and labor management supervisors based on the survey results
2) Interviews were conducted with foreign nationality employees and managers for human resources and labor management.
3) Took remedial action with regard to the assessment results and matters indicated by third parties (Remedial action example: Appoint a person in charge of lifestyle and business counseling, guidance, etc. for foreign nationality employees.)
4) As a result of the assessment, if the company is recognized by a third-party organization as an excellent business that employs foreign nationality employees appropriately, that company can acquire a Certificate in Appropriate Employment Company of Foreign National Employees.

• Results

Healthy Service Corporation received an overall evaluation that was significantly higher than the average, and in particular high evaluations in such categories as "hiring," "personnel systems," "human rights," and "internal agreements," and was judged to be appropriate in terms of hiring and working hours with respect to its foreign nationality employees. On the other hand, in the "labor" category, the recommendation was made to appoint a person in charge of lifestyle and business counseling, and to provide guidance to foreign employees. In response to this recommendation, remedial action was taken. In specific terms, a person in charge of employment and labor affairs for foreign workers in the company was appointed. In addition, in the human resource management category, the evaluation identified issues in the training of employees, particularly with respect to medium- to long-term employment and clarifying career paths. These issues remain an area of ongoing consideration.
A construction company (business partner of the Housing Company) was highly evaluated in each of the "hiring," "labor," "employee agreement," "human rights," and "job satisfaction" categories, exceeding the appropriateness criteria, and was recognized as a company that properly employs foreign nationals. On the other hand, feedback relating to the construction company (business partner) pointed out access to remediation, evaluation systems, and the creation of a systematic structure for career development as future issues.

*4 This assessment is designed to confirm whether foreign national human resources are appropriately employed. Involved in foreign national human resources recruitment, foreign national employment support, and Japanese language education support, One Terrace Co., Ltd. serves as the certification organization.

Human Rights Due Diligence (Our Suppliers)

Caring About Human Rights Issues Across the Entire Supply Chain

Until now, we have conducted CSR procurement surveys of our direct suppliers. To ensure that the Group's policies are understood throughout the entire supply chain, including secondary and tertiary suppliers, we formulated the SEKISUI CHEMICAL Group Sustainable Procurement Guidelines (Supplier Code of Conduct) in fiscal 2021. In addition to Japanese, we also prepared English and Chinese translations. Taking into account opinions of outside experts, the Supplier Code of Conduct is also intended to align with the United Nations Global Compact 10 Principles, the Guiding Principles on Business and Human Rights, and the SEKISUI CHEMICAL Group Human Rights Policy.
In addition to asking all our suppliers to extend this Code of Conduct to their secondary and tertiary suppliers, we have requested that suppliers sign on to acknowledge compliance with the guidelines. In this regard, we have obtained the agreement of approximately 61% of our key suppliers in Japan and overseas to work with us to achieve the Code of Conduct.

Details of Human Rights Due Diligence Implementation in the Supply Chain

In order to enhance sustainable procurement, in fiscal 2021 we broadly revised the survey to include content that allows us to evaluate and confirm the compliance status and achievement status of the above Supplier Code of Conduct. Moreover, we began implementing the survey across the globe at the same time from fiscal 2021 in order to more rapidly address common global initiatives. As a result, we received responses from 67% of our suppliers that were subject to the survey.
In fiscal 2022, we conducted direct interviews with 13 companies with poor self-assessments on the above survey for the purpose of confirming whether there were any potential risks, and to confirm their situation. As a result, we determined that risk was low at 12 companies. We are implementing activities involving consultants in order to reduce the risk at the remaining company with its cooperation.
Following a direct hearing conducted in fiscal 2022, we confirmed the follow-up status of one overseas supplier who agreed to work together to improve sustainable procurement in fiscal 2023.
We confirmed that the issues that had been raised during the interview, such as the return of passports, the return of deposits, and the preparation of employment contracts in the native language, had been completed and improved.
We also conducted investigations in regard to minerals that present the risk of human rights violations (child labor, etc.) at mining sites and wood that presents the risk of threatening the rights of indigenous people and the rights of workers as a result of deforestation. This move was taken as part of an effort to achieve sustainable procurement that respects human rights through revisions to the survey details and guideline formulation. The details are described in Responsible Procurement (see P.231).

Indicators and Targets

Current Medium-term Management Plan Targets (FY2023-2025)	FY2023 results
Continuously implement human rights due diligence and gradually transition the operating entity to each divisional company and regional headquarters	● SEKISUI CHEMICAL Group ・High Performance Plastics Company: Human rights interview conducted at PT. SEKISUI POLYMATECH INDONESIA (Indonesia) ・Housing Company : Human rights interview conducted at Healthy Service Corporation ● Construction company (Business partner) ・Housing Company : Human rights interview conducted at construction company (Business partner)
Expand the scope of management of key risks in the supply chain, put in place management regulations, expand self-audit operations, and utilize external evaluations	・Sustainable Timber Procurement survey : Implementation rate 100% ・Responsible Mineral Procurement survey : Implementation rate 100% ・Establishment of basic procurement policy ・Sustainable procurement research methodology : Decided on a new method ・Management system (IT system) : Capital investment completed ・Correspondence to overseas business partners from the FY2021 survey : Completed improvements
Cultivate and instill a culture of respect for human rights	・Held Human Rights Month (Global) ・Understanding of management and executives: Held lectures and briefing sessions ・Incorporated into existing training
Complete the global introduction of multilingual whistleblowing systems (SEKISUI Global Hotline) that also function as the Grievance Mechanism	Completed introduction in China and Australia

Major Initiatives

Human Rights Education

Human Rights Training for Group Employees

SEKISUI CHEMICAL Group conducts training and education on human rights for its employees in order to engage in management that takes human rights into consideration. In particular, we are promoting awareness toward the importance of respecting human rights and the Group's human rights policy. Training, especially at such milestones as entry into the Company and promotion, is designed to raise awareness of human rights issues, including forced labor, child labor, and harassment.

As part of our human rights training program for domestic and overseas employees, we began deploying the Business and Human Rights e-Learning course via our intranet in North America, Europe, and Asia in fiscal 2020. Through these training and education programs, we are promoting awareness toward the importance of respecting human rights and our human rights policy.

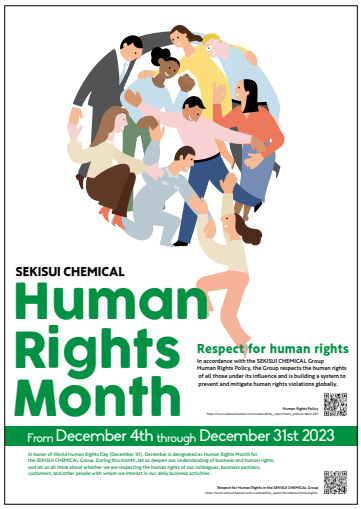
In fiscal 2023, we conducted Compliance and Human Rights e-Learning" (a project linked to Compliance Month in October and Human Rights Month in December) to help employees understand a wide range of human rights and compliance issues, including respect for human rights, prohibition of discrimination, prevention of harassment, and protection of personal information, contained in the Compliance Manual distributed to all Group employees.

In addition, in order to help executives better understand the need to respect human rights, we invited an outside expert* to give a lecture on "Business and Human Rights, a New Management Agenda for Japanese Companies" at the Executive Officers Liaison Meeting, thereby deepening the understanding of human rights among executives.

* Owls Consulting Group, Inc.

Conducted SEKISUI CHEMICAL Group Human Rights Month

In order to provide opportunities for employees to act with respect for human rights, SEKISUI CHEMICAL Group held Human Rights Month in December of fiscal 2023. In addition to the initiatives implemented during Human Rights Week in fiscal 2022, such as the dissemination of the president's message and the display of human rights posters, a business and human rights seminar was held online in Japan on December 4. We provided a video viewing during Human Rights Month. On top of translating the president's message into 11 languages, the human rights poster was published in both Japanese and English, and distributed to all areas where SEKISUI CHEMICAL Group operates.



Stakeholder Engagement

In October 2023, SEKISUI CHEMICAL Group participated in individual dialogues* with overseas experts (research analysts of the World Benchmarking Alliance (WBA) and specialists on the global value chain) to explain the Group's human rights initiatives and receive advice on how to develop activities in the future.
The experts evaluated the Group's human rights due diligence, remediation planning, and monitoring cycle as effective initiatives. On the other hand, they advised that it is important to listen to the voices of employees from the rights holder's perspective and solve issues identified one by one, rather than judging whether or not to take action from management's perspective alone.
We will continue to use the opinions of these stakeholders to promote systematic human rights initiatives in accordance with the Guiding Principles on Business and Human Rights.

* Individual dialogues: Hosted by the Caux Round Table Japan

Response to the UK Modern Slavery Act

SEKISUI CHEMICAL Group discloses a statement, adopted by the Board of Directors, regarding its efforts to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains, in accordance with section 54 (1) of the UK Modern Slavery Act, which came into force in the UK in 2015.
We will also take appropriate measures to comply with laws and regulations related to human rights in countries and regions other than the UK that are relevant the Group's operations.

Statement on the UK Modern Slavery Act
https://www.sekisuichemical.com/sustainability_report/pdf/English_Modern_Slavery_Statement_for_FY2022.pdf

Responsible Procurement

Strategy (Stance, Approach, and Awareness of Risk)

Basic Concept

SEKISUI CHEMICAL Group aims to continue evolving in its procurement activities with respect to accountability, transparency, and respect for stakeholders' interests, based on its Long-term Vision, Vision 2030, Vision Statement: "Innovation for the Earth: In order to realize a sustainable society, we support the basis of LIFE and will create peace of mind for the future. In addition to the conventional concepts of Q (quality), C (cost), and D (delivery), we therefore revised and made additions to the Basic Procurement Policy, guidelines, and surveys during our current Medium-term Management Plan in order to promote responsible procurement that better considers society and the environment.
In preparation for the next fiscal year's Sustainable Procurement Survey, we worked to list all suppliers in our supplier due diligence, which takes into account the Company's negative impact, contributions to, or direct links to people, the environment, and society. At the same time, we identified new methods to improve the effectiveness of due diligence and developed IT systems to undertake the necessary management. Recognizing that society's demands on companies will increase in the future, we will undertake a review in a timely and appropriate manner based on trends in overseas laws, regulations, and directives.

Awareness of Risk

SEKISUI CHEMICAL Group recognizes procurement-related risks as follows.
・Improper procurement in the supply chain
In the event that improper procurement occurs, we will identify the situation through appropriate procedures and work to correct it.
If the problem is not corrected within a certain period of time, we will consider measures, including the suspension of business transactions, in both product sales and raw material purchases.

Revising the Basic Procurement Policy

We established the SEKISUI CHEMICAL Group Basic Procurement Policy as a policy to promote CSR procurement, which we also posted and disclosed on the Group's website. Since its formulation in October 2006, we have expanded the content of the Policy to include conflict minerals in 2014 and timber procurement in 2018 in response to social issues and demands that have arisen. In 2019, we further enhanced the Policy by incorporating environmental considerations. In February 2024, we revised the Basic Procurement Policy together with the SEKISUI CHEMICAL Group Human Rights Policy, calling on suppliers to fulfill their responsibilities to respect human rights. At the same time, we posted information on the Company's website to widely publicize details.

Note: See P.363 for the Basic Procurement Policy.

Sustainable Procurement Guidelines (Supplier Code of Conduct)

Sustainable Procurement Guidelines (Supplier Code of Conduct) summarize the procurement objectives that SEKISUI CHEMICAL Group and its business partners aim to achieve. Sustainable Procurement Guidelines are in line with the UN Global Compact 10 Principles, UN Guiding Principles on Business and Human Rights, and SEKISUI CHEMICAL Human Rights Policy, and serve as the criteria that must be observed by all business partners involved with the Group and the production of its products.
We ask our business partners to understand and comply with the purpose and content of these guidelines as well as cooperate with us in our efforts to realize a sustainable society.

Governance

System

At SEKISUI CHEMICAL Group, the Purchasing Group of Corporate Headquarters plays a central role in conducting procurement-related transactions in cooperation with the purchasing departments of business sites and Group companies as well as the Overseas Management Group. All transactions are conducted in accordance with our Basic Policy on Sustainable Procurement and Guidelines.
In order to achieve more appropriate procurement throughout the supply chain, we encourage secondary and tertiary suppliers to realize and maintain socially responsible operations through our primary suppliers.
Cooperation with business partners is indispensable to the realization of sustainable procurement. For this reason, we are working to promote the understanding of suppliers regarding sustainable procurement and surveys. The Basic Policy on Sustainable Procurement and Guidelines are available on our website in English and Chinese for overseas business partners.

Building Supply Chains based on Sustainable Procurement Surveys

SEKISUI CHEMICAL Group conducts sustainable procurement surveys to assess whether business partners are operating in a socially responsible situation. The purpose of these surveys is to build a responsible supply chain and to realize and maintain sustainable procurement. Based on the survey results, we will work together with our business partners to resolve any issues that arise.
In fiscal 2021, the sustainable procurement survey was drastically revised. The contact of each survey has been changed from the original ISO-based format to the latest version of the CSR/Procurement Self-assessment Questionnaire prepared by the secretariat of Global Compact Network Japan (GCNJ). These revisions enable us to conduct more comprehensive surveys that include items related to human rights. In the past, the timing of each survey was not standardized, but we have revised to ensure that surveys are conducted simultaneously worldwide. We plan to expand the scope of the survey as necessary.

	Previous Surveys	Surveys from FY2021 Onward
Questionnaire	SEKISUI CHEMICAL Group's original questionnaire that referred to ISOs, etc.	Questionnaire using the latest version of the GCNJ CSR Procurement Self-Assessment Questionnaire
Survey scope	Purchasers with annual transactions of 30 million yen or more, cumulative top 80% of purchasers by Group company	Major purchasers possessing a defined amount of capital, with annual transactions of 30 million yen or more
Schedule	Sequential implementation (generally three years to complete surveys of all eligible companies)	Simultaneous surveys conducted every three years

Risk Management

In fiscal 2023, SEKISUI CHEMICAL Group introduced a system that enables centralized management of purchased products and raw material suppliers. This enables the department that oversees Group-wide procurement-related activities to confirm the existence of risks to sustainable procurement in purchased goods and suppliers. In the event a risk is identified, risk-related quantitative information and the status of countermeasures can also be confirmed.
From fiscal 2024, we plan to use this system in planning measures to maintain sustainable procurement by updating sustainable procurement-related information, such as survey results, in a timely and appropriate manner.

Sustainable Procurement Survey Process

Survey scope:
1. Suppliers of raw materials and materials (including packaging materials) that constitute or accompany products
2. Utility-related business partners
3. Production equipment- and construction work-related business partners
4. Trading companies and manufacturers if the business partner is a trading company
5. Not applicable if the business partner is a SEKISUI CHEMICAL Group company

Frequency:
Each time for new business partners and once every three years for existing business partners

Survey method:
Surveys are conducted using the latest version of the CSR/Procurement Self-assessment Questionnaire

Survey structure:
The Purchasing Group of Corporate Headquarters manages the entire survey, while business site and Group company purchasing departments are responsible for requesting business partners to fill out questionnaires and collecting their responses. The Overseas Management Group and Group company purchasing departments are tasked with conducting surveys of business partners abroad.

In fiscal 2024, we will conduct studies based on the new Sustainable Procurement Survey framework.

Indicators and Targets

Targets

Critical Action Items	Details	Targets	Results
Expand the management scope of priority risks	2023		
	・Sustainable timber procurement survey	100% implementation rate	100% implementation rate
	・Responsible mineral procurement survey	100% implementation rate	100% implementation rate
Establish management regulations	2023		
	・Basic procurement policy	Revised edition	○
	・Sustainable procurement survey methodology	New method determined	○
	・Management system (IT system)	Capital investment	○
Deploy use of self-audits and utilize external assessments	2023		
	・Response to overseas suppliers from the fiscal 21 survey	Improvement completion	○

Major Initiatives

FY2023 Sustainable Procurement Survey

SEKISUI CHEMICAL Group conducts surveys of its business partners regarding sustainable procurement.
In fiscal 2022, the Group held a direct hearing with an overseas business partner, who at that time agreed to work together to make improvements regarding sustainable procurement. Subsequent dialogue was undertaken in fiscal 2023 to confirm the status of progress.
As a result, we confirmed that the issues that had been raised at the time of the hearing, such as the return of passports, the return of deposits, and the preparation of employment contracts in the native language, had been completed and improved.

Request to Sign the Supplier Code of Conduct

SEKISUI CHEMICAL Group asks suppliers to sign the Supplier Code of Conduct when conducting its survey on sustainable procurement.
The Supplier Code of Conduct is designed to ensure that suppliers maintain high standards of safe working conditions, fair and respectful treatment of employees, and ethical practices. In our Code of Conduct, we have established items that require our suppliers' supply chains (secondary and tertiary suppliers) to achieve and maintain socially responsible conditions. Through these efforts, we aim to expand sustainable procurement.

Declaration of Partnership Building

In March 2022, we signed the Declaration of Partnership Building, declaring that we will focus on coexisting in mutual prosperity throughout the supply chain, forging new partnerships (inter-company collaboration, support for IT implementation, expert matching, green procurement, etc.), and comply with promotion standards.

Declaration of Partnership Building
https://www.biz-partnership.jp/declaration/70769-05-08-tokyo.pdf (In Japanese only)

FY2023 Responsible Mineral Procurement Survey

SEKISUI CHEMICAL Group holds in-house training sessions to deepen understanding of surveys on the background behind conflict minerals (minerals that fund armed insurgents) and social changes (human rights violations such as child labor).
This training was conducted prior to the survey based on the Responsible Mineral Procurement Survey Manual.
The survey was conducted at 35 sites in Japan and 16 sites overseas that handle the subject minerals. As a result, 96% of the raw materials containing the target minerals in Japan were identified at smelters, and 4% were unknown. Overseas, 99% were identified at smelters, and 1% were unknown.
In fiscal 2024, we will consider responses in line with the risk levels of undisclosed or unknown raw materials.

Changes to the Responsible Mineral Procurement Survey

	Previous Surveys	Surveys from FY2021 Onward
Target risks	Whether they fund armed insurgents	・Whether they fund armed insurgents ・Overall human rights violations including child labor
Target regions	The Democratic Republic of Congo and neighboring countries Total: 10 countries	・CAHRAs (EU Conflict Mineral Regulation): 28 countries ・The Democratic Republic of Congo and neighboring countries: 10 countries Total 34 countries (due to duplication)
Target minerals	3TG (tantalum, tungsten, tin and gold)	3TG+ cobalt, mica
Target raw materials	Product raw materials for which customers have requested investigations	Raw materials containing target minerals
Report contents	・Number of companies and products about which customers have made inquiries ・Number of products containing 3TG among the above ・Status of smelter identification for the above products containing 3TG	・Number of companies and products about which customers have made inquiries ・List of raw materials, names of target minerals, refineries, countries of origin, etc. ・High risk level, response

Sustainable Timber Procurement

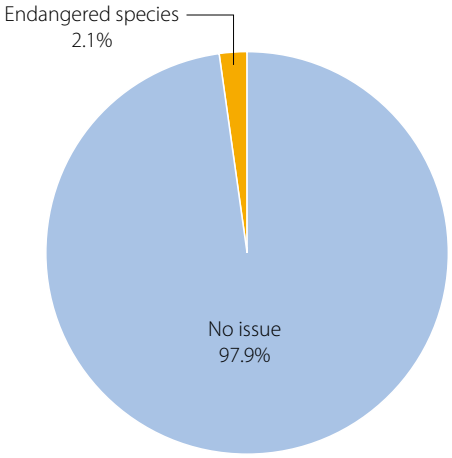
In the course of our business activities, we procure wood itself or wood as a raw material. We are aware that this may have a negative impact on human rights and the environment.
At COP26 in November 2021, the leaders of more than 100 countries, including Japan, signed a document promising to end deforestation by 2030.
In response, the Group made significant progress regarding due diligence in fiscal 2022.
Specifically, we set a new target of zero deforestation by 2030 and reviewed our Timber Procurement Policy* in an effort to achieve this target.

* See P.364 for the details of the Timber Procurement Policy.

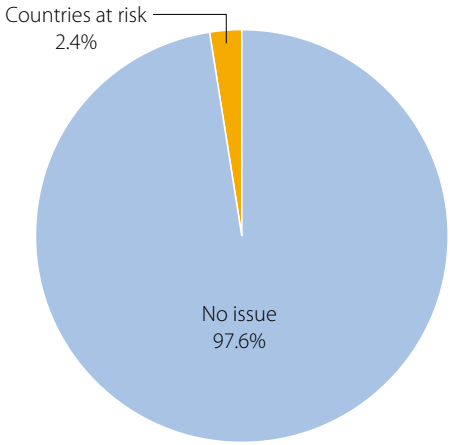
	Previous Policy	Policy for 2022 and Beyond
Environment	–	Promote the procurement of timber from forests that are properly managed for sustainable use.
	–	Promote the procurement of timber that does not lead to natural forests being converted to other uses.
	–	Procure timber from forests other than those with high conservation value, such as biodiversity conservation.
	–	Procure timber from non-threatened tree species.
	We will use timber- and wood-based materials that are already used in markets, as well as unused thinnings and branches.	Procure wood materials that contribute to resource circulation, such as recycled materials and unused thinned wood.
	–	Proactively employ suppliers that are implementing activities that lead to an increase in forests.
Society	–	Promote procurement in a manner that does not have a negative impact on local communities and respects local cultures, traditions, and economies in the sales channels, including logging and processing of timber products.
	–	Promote procurement that respects the rights of indigenous peoples.
	–	Promote procurement that respects the rights of all workers.
Governance	We make every effort to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements.	Comply with all laws and regulations relating to forest procurement.
	We implement small quantity investigations on the logging area, tree species, and quantity of timber materials, in order to ensure traceability.	Ensure traceability of timber and timber products, and promote clear place of origin and problem-free procurement of timber and timber products.

The Group has established the Sustainable Timber Procurement Guidelines in order to achieve procurement in line with our Timber Procurement Policy. In addition to legal timber procurement, we also aim to reduce the negative impact of deforestation on the human rights and environment of indigenous people.
We conducted a survey of 54 suppliers with respect to tree species and logging sites. We also held hearings with suppliers who handle raw materials that are endangered species and whose logging areas are in high-risk countries to clarify traceability. As a result of the survey, we were able to identify two suppliers with risks directly in the supply chain. In the future, we will continue our efforts to reduce the risks identified.
Procurement ratios by area are shown as follows.

Percentage of trees 2023 Survey



Percentage of logging countries 2023 Survey



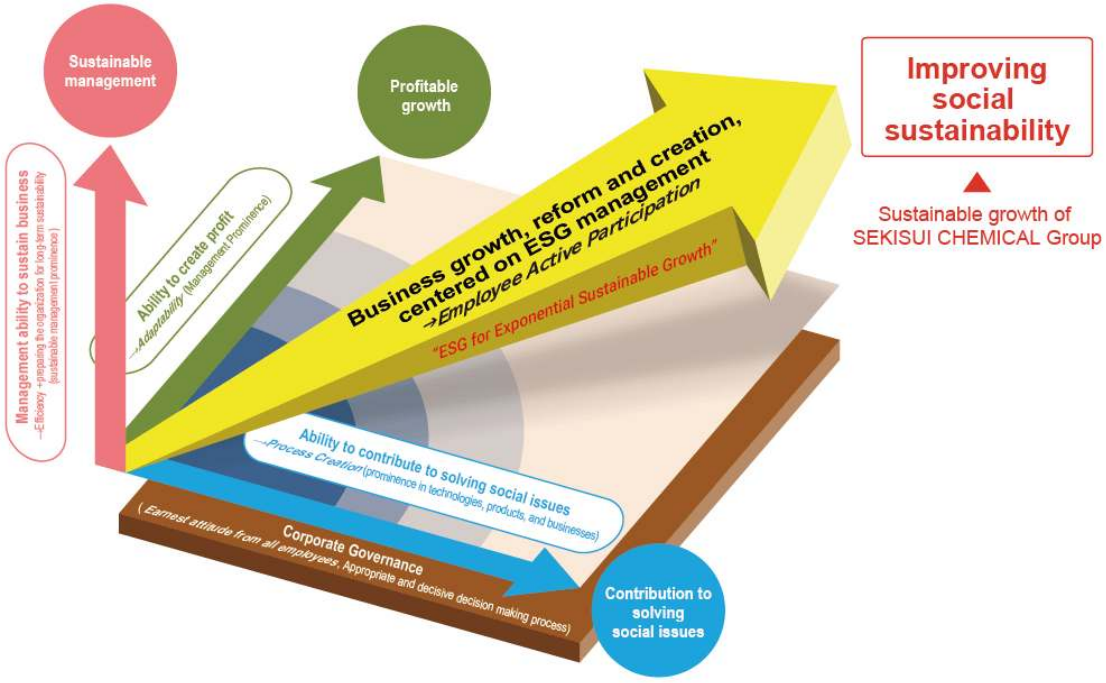
Note: Countries at risk: Malaysia, Indonesia, Russia, Vietnam

Enhancing the Ability to Contribute to Solving Social Issues through Employee Training as well as Social and SDGs Contribution Activities

Strategy (Stance and Approach)

Promoting Training to Enhance the Ability to Contribute to Solving Social Issues

To realize a sustainable society, SEKISUI CHEMICAL Group emphasizes management's ability to sustain business, create profit, contribute to solving social issues in its bid to both contribute to solving social issues and corporate growth.
In order to accelerate the development of Products to Enhance Sustainability and expansion of related markets, we undertake the training of Group employees to broaden their ability to contribute to solving social issues.
Through this training, we are working to help employees think in ways that will connect to management's ability to sustain business and the ability to generate profit.

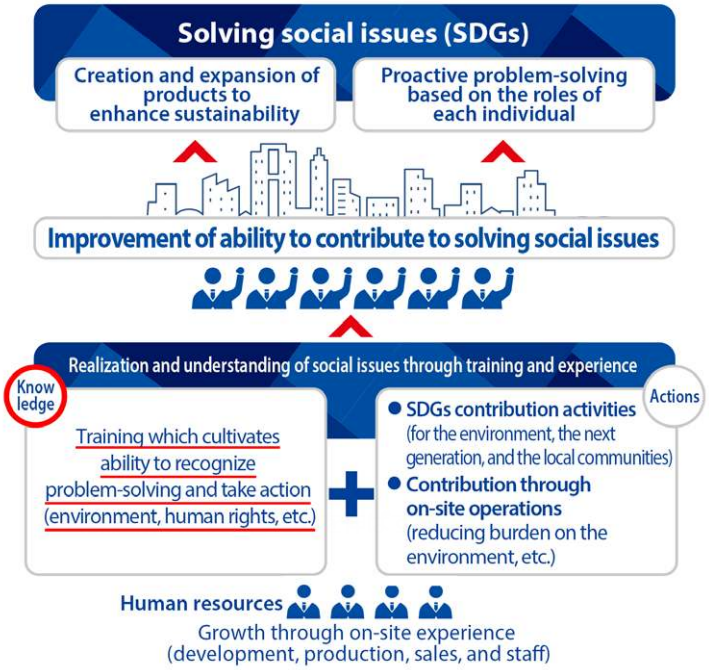


Management approach toward realizing a sustainable society,

Promoting Long-term Employee Training

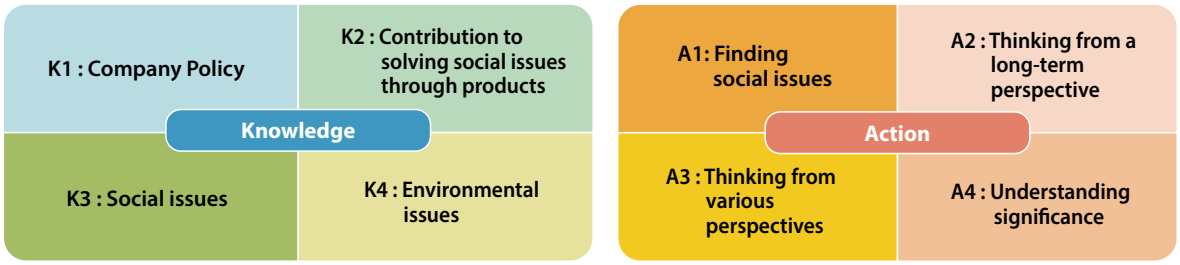
In addition to encouraging the growth of employees through on-the-job experience, we provide training that enables employees to recognize issues while also fostering an awareness toward problem-solving and the ability to take action.

On top of knowledge-based training, we are endeavoring to transform the consciousness of employees by having them spearhead activities that focus on solving social issues (i.e. SDGs). Moreover, we are encouraging a change in behavior through activities (i.e., activities that contribute to SDGs) that improve the ability to help solve social issues.



Schematic view of employee training that develops the ability to contribute to solving social issues

We believe that it is important to improve the level of knowledge and action in order to develop the ability to contribute to solving social issues. In this regard, we have identified eight categories (four for knowledge and four for action) as the necessary qualities for human resources to contribute to solving social issues. We provide employees with training as the means to secure improvements in each of these eight categories, and conduct regular surveys to confirm the growth of each employee's knowledge and ability to take action, while addressing weaknesses and developing strengths.



K…Knowledge A…Action

Knowledge and action items required of personnel who contribute to solving social issues

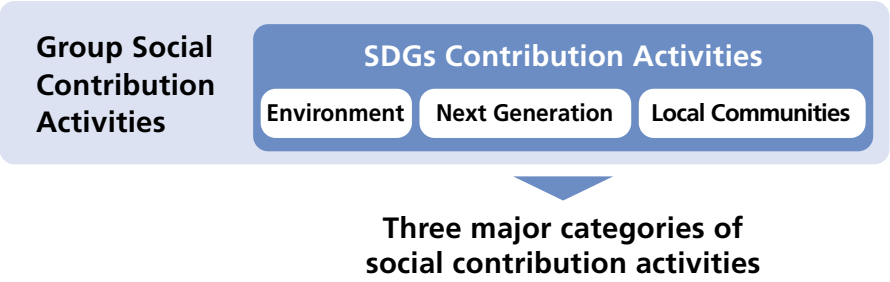
Training to Improve the Ability to Contribute to Solving Social Issues in the Environmental Medium-term Plan

Training Programs That Support Transformation Toward Practical Application

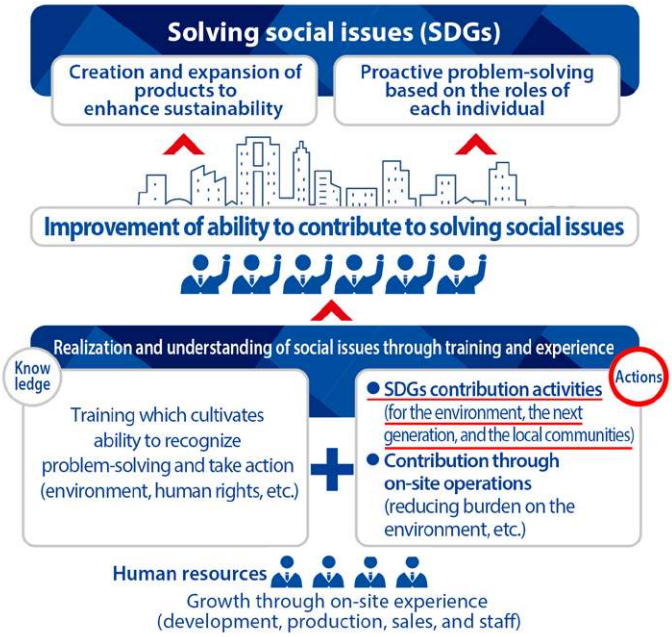
Carrying on from the previous Medium-term Management Plan, we will continue to provide training to impart knowledge and information on social issues under the current Medium-term Management Plan. At the same time, we will further enhance training at the development stage to create products and services for solving social issues.

Promote Social Contribution Activities based on the SDGs

SEKISUI CHEMICAL Group not only contributes to solving social issues through its business activities, but also through social contribution activities that make the most of the characteristics and resources of the Group in various aspects related to society. We have positioned the environment, the next generation, and local communities as the three main areas of our activities. In addition, we define and promote activities that contribute to the SDGs as activities that contribute to society.



We believe that awareness toward the SDGs is essential when seeking to contribute to the resolution of social issues. By engaging in social contribution activities with an awareness of the SDGs, we are working to improve the Group's ability as a whole to contribute to solving social issues.
As a member of society, we will use SDGs as a guidepost to help navigate what we can do to solve social issues, and take action starting from our daily lives.



Governance

Promoting Training to Enhance the Ability to Contribute to Solving Social Issues

Training Promotion System in the Current Medium-term Management Plan

SEKISUI CHEMICAL Group promotes training to improve employees' ability to contribute to solving social issues while conducting a PDCA cycle.

Plan: From the Long-term Environmental Management Vision for 2050, we have drawn up an ideal image of human resources, set milestones to achieve that image, and put in place a training system that will help employees develop their knowledge and ability to take action.

Do: We regularly plan and implement training programs, such as training brochures, e-learning, and online seminars, based on the training system.

Check: In fiscal 2021, we established a human resource indicator to measure the progress of individuals. This indicator is designed to help employees understand the current state of knowledge/action required to solve social issues, and to encourage self-improvement.
Using this indicator, we periodically conduct the Ability to Contribute to Solving Social Issues Review to measure the ability of employees to contribute to solving social issues. This indicator allows us to identify strengths and weaknesses in knowledge and actions related to social and environmental issues, and to ascertain growth in the ability to contribute to solving social issues.

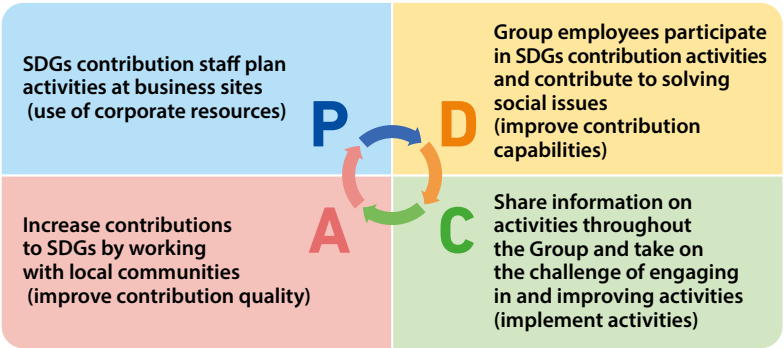
Action: Based on the results of the Ability to Contribute to Solving Social Issues Review, we identify the gap between expectations and reality, as well as plan and implement training programs to address areas of weakness. Moreover, we will reflect the results of this review when putting in place the training system in the next fiscal year.

In the future, we will continue to train employees to improve their ability to contribute to solving social issues by utilizing the human resource indicator and conducting a PDCA cycle.

Training System for Enhancing the Ability to Contribute to Solving Social Issues.

Promotion System for SDGs Contribution Activities

SEKISUI CHEMICAL Group conducts voluntary activities to contribute to the SDGs at each business site and by employees of its domestic and overseas Group companies.
Personnel from domestic and overseas Group companies and the ESG Management Department collaborate to instill greater awareness of and contributions to the SDGs. We are also fostering a corporate culture that contributes to the SDGs through a Plan-Do-Check-Action (PDCA) cycle, and are developing human resources to promote SDGs contribution activities.



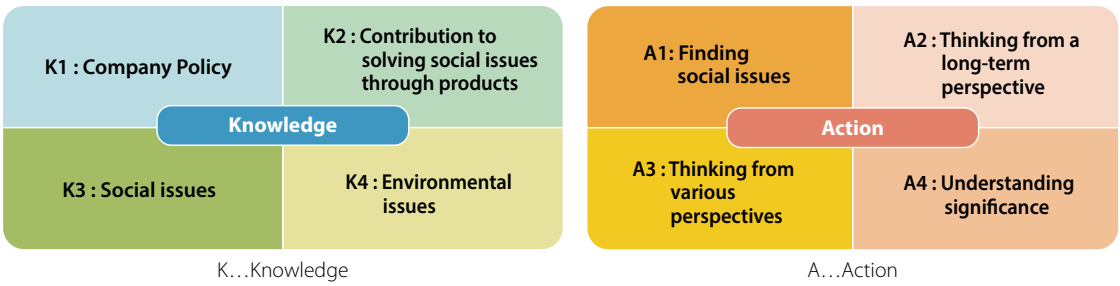
Major Initiatives

Promoting Training to Enhance the Ability to Contribute to Solving Social Issues

Training to Enhance the Ability to Contribute to Solving Social Issues (implemented in FY2023)

	No.	Program Name	Subject					Training Format	Category							
									Knowledge				Action			
			Production	Engineering, Development, and Design	Sales	Staff	Job Responsibilities		K1	K2	K3	K4	A1	A2	A3	A4
First half	1	[New employee training] About ESG	○	○	○	○	New employees	Group work	●	●	●	●				●
	2	E-learning to improve the ability to contribute to solving social issues (knowledge)	○	○	○	○	All positions	Readings e-learning	●	●	●			●	●	
	3	Current topics related to the environment (relationship with management)	○	○	○	○	Manager level and above	Readings e-learning	●	●		●		●		●
	4	Video promoting ESG management	○	○	○	○	All positions	Video	●		●	●		●		●
	5	Seminars on LCA (information on external training)		○		○	Optional	Lecture seminars		●		●	●			●
	6	Practical programs for selected employees (emergence roundtable discussion, etc.)				○	Selected	Group work	●	●	●	●	●	●	●	

	No.	Program Name	Subject					Training Format	Category							
									Knowledge				Action			
			Production	Engineering, Development, and Design	Sales	Staff	Job Responsibilities		K1	K2	K3	K4	A1	A2	A3	A4
Second half	1	E-learning for improving the ability to contribute to solving social issues (action)	○	○	○	○	All positions	Readings e-learning				●		●	●	●
	2	[Training for new managers] About ESG (overview)	○	○	○	○	New managers	Lecture seminars	●	●	●	●		●	●	●
	3	Current topics related to the environment (relation to business)	○	○	○	○	General employees	Readings e-learning	●	●		●		●		●
	4	Solving social issues without trade-offs	○	○	○	○	All positions	Readings e-learning		●	●	●		●	●	
	5	Seminars on LCA (information on external training)		○		○	Optional	Lecture seminars		●		●	●			●
	6	Practical programs for selected employees (emergence roundtable discussion, etc.)				○	Selection	Group work	●	●	●	●	●	●	●	



K…Knowledge

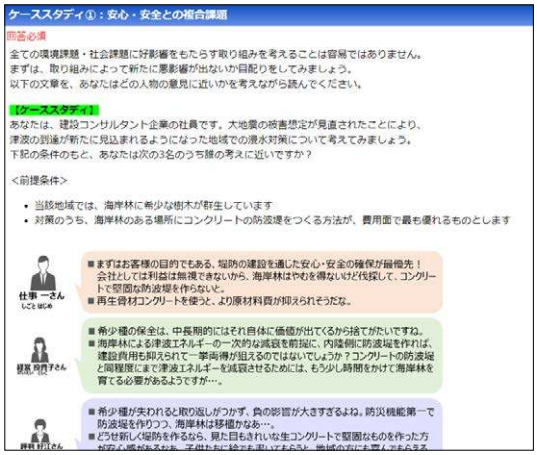
A…Action

1. Implementing training in accordance with the points to be strengthened in the current Medium-term Management Plan

E-learning to learn about complex issues

Under the Medium-term Management Plan launched in fiscal 2023, we are renewing our awareness of the interrelationship between environmental issues, such as climate change, resource recycling as well as water-related risks and biodiversity, and are strengthening our efforts to find solutions that do not involve trade-offs throughout the product life cycle.

In line with this understanding, we conducted e-learning utilizing a role-playing format aimed at thinking about actions that do not require a trade-off and actions that generate synergies, when thinking about complex issues.



E-learning about complex issues

2. Provide training to address weaknesses

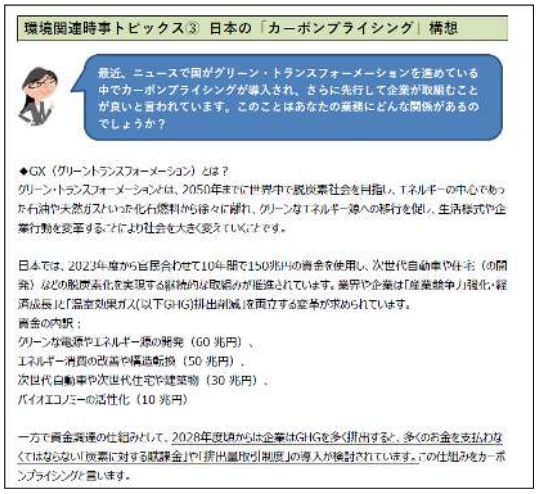
We implemented a program to address certain items (weak points) that received low scores in the Ability to Contribute to Solving Social Issues Review conducted for employees in Japan in fiscal 2023.

Program example: Distribution of current topics related to the environment

News about climate change and resource recycling is frequently reported in newspapers and on the Internet. In order to let employees know what environmental issues these are related to and what solutions are effective, we distributed current environmental topics.

We introduced our internal and external efforts to help employees learn about the environmental issues that are occurring today and to help them think about solutions.

Based on the results of the Ability to Contribute to Solving Social Issues Review conducted in fiscal 2022, we felt that training should be provided on a job responsibility basis, and accordingly implemented the program with content divided by job responsibility. In fiscal 2023, we adopted the Japanese carbon pricing concept and the Green Transformation (GX), and explained the relationship with business operations through e-learning for general employees and the relationship with management for those in managerial positions and above.


環境関連時事トピックス③ 日本の「カーボンプライシング」構想

最近、ニュースで国がグリーン・トランスフォーメーションを進めている中でカーボンプライシングが導入され、さらに先行して企業が取組むことが良いと言われています。このことはあなたの業務にどんな関係があるのでしょうか？

◆GX（グリーントランスフォーメーション）とは？
グリーン・トランスフォーメーションとは、2050年までに世界中で脱炭素社会を目指し、エネルギーの中心であった石油や天然ガスといった化石燃料から徐々に離れ、グリーンなエネルギー源への移行を促し、生活様式や企業行動を変革することにより社会を大きく変えていくことです。

日本では、2023年度から官民合わせて10年間で150兆円の資金を使用し、次世代自動車や住宅（の開発）などの脱炭素化を実現する継続的な取組みが推進されています。業界や企業は「産業競争力強化・経済成長」と「温室効果ガス(以下GHG)排出削減」を両立する変革が求められています。
資金の内訳：
グリーンな電源やエネルギー源の開発（60 兆円）、
エネルギー消費の改善や構造転換（50 兆円）、
次世代自動車や次世代住宅や建築物（30 兆円）、
バイオエコノミーの活性化（10 兆円）

一方で資金調達の仕組みとして、2028年度頃からは企業はGHGを多く排出すると、多くのお金を支払わなくてはならない「炭素に対する賦課金」や「排出量取引制度」の導入が検討されています。この仕組みをカーボンプライシングと言います。

Example of distribution of current topics related to the environment

Application of a Human Resource Indicator That Measure the Ability to Contribute to Solving Social Issues

In fiscal 2021, SEKISUI CHEMICAL Group began applying a human resource indicator that serves as a benchmark for individual progress in order to ascertain the current state of knowledge and actions that employees require to solve social issues and to encourage self-improvement.
Under the current Medium-term Management Plan, we will continue to use this human resource indicator.
Specifically, we conduct the Ability to Contribute to Solving Social Issues Review encompassing employees in Japan each year to measure their ability to contribute to solving social issues. This dovetails with our Vision Statement (Vision 2030): To realize a sustainable society, we support the basis of LIFE and will create peace of mind for the future. This Review allows us to keep track of each employee's knowledge and behavioral growth.

The Review is in the form of a questionnaire and is self-checked by employees. The Review confirms how much knowledge employees have and whether they are taking actions that will help solve social issues. By conducting this Review on a regular basis, we measure the extent to which self-awareness of contributions to solving social issues has improved. As self-awareness improves, we are confident that employees will act with an awareness of their contribution to solving social issues as part of their work.

Drawing on this indicator in fiscal 2023, we were again able to identify strengths and weaknesses with respect to knowledge and actions taken regarding social and environmental issues. As a result, we took steps to promote effective human resources development by conducting training programs that address weaknesses and develop strengths.

<Results of the Ability to Contribute to Solving Social Issues Review (FY2023)>

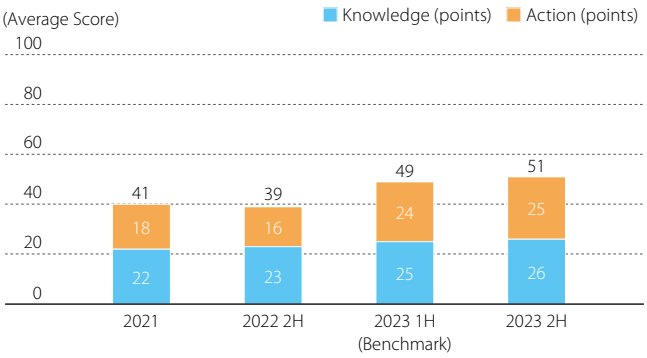
In fiscal 2023, we changed the questions in the Ability to Contribute to Solving Social Issues Review to better reflect employees' self-awareness. Benchmarks were also recalculated based on this.
The average score for the Group as a whole was 49, which was set as a benchmark under the current Medium-term Management Plan.
After implementing training programs for one year, we conducted the Ability to Contribute to Solving Social Issues Review again to determine growth from the benchmark.
The average score for this second Group-wide review in fiscal 2023 was 51 points, an improvement of 2 points from the benchmark.
When we checked the degree of knowledge and action goals achievement, we found that knowledge was 59% and action was 45%. The results showed that there was a larger gap between action and our goals.
When checked by job responsibility, the average score was highest in the order of management, managers, and general employees. Based on these findings, we decided that we needed to train employees according to their responsibilities, and conducted e-learning for managers and above and for general employees.
Based on the results of this review, we will continue to promote stratified training programs according to job type and responsibility in fiscal 2024. We will also plan and conduct training programs that promote behavioral change.

Criteria for Calculating Points for the Ability to Contribute to Solving Social Issues Review

Definition	Calculated the response results of employees who responded to the questionnaire survey out of all SEKISUI CHEMICAL Group employees in Japan. Responsibilities were tabulated after classifying into Top management (directors and executive officers), Middle management, and General employees, based on personnel information.
Calculation Method	Knowledge, action: Points allocated to each question selection by weighting The total score for each respondent is calculated and averaged.
Scope of calculation	Employees who responded to the questionnaire survey out of all SEKISUI CHEMICAL Group employees in Japan

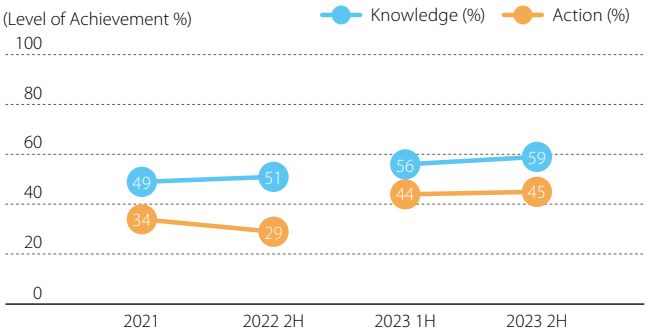
Performance Data

Trends in Average Score



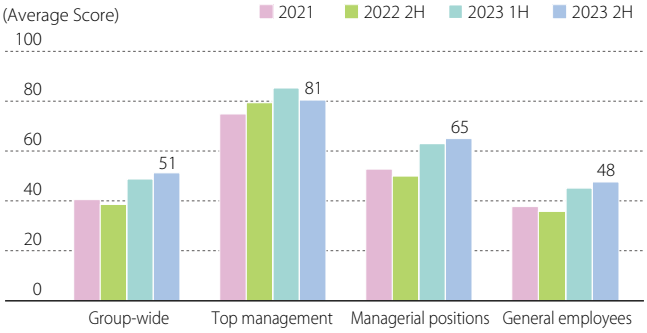
Note: Question details revised from FY2023 to more easily reflect employees' self-awareness; benchmark reworked.

Level of Knowledge and Action Achievement (%)

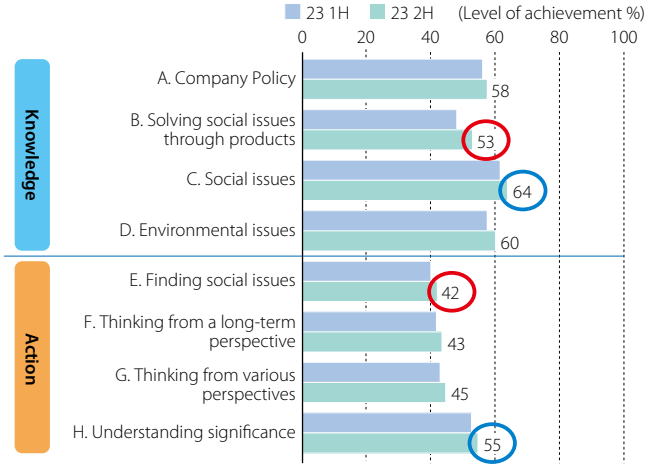


Note: Weighted average owing to the difference in knowledge and action weighting.

Trends in Average Score by Responsibility and Duty



Level of Achievement by Category (FY2023)



* Average score weighted average for each category.

○ : Categories with the highest level of achievement in knowledge and action.

○ : Categories with the lowest level of achievement in knowledge and action.

Revitalizing Activities through the SDGs Challenge

SEKISUI CHEMICAL Group is making steady efforts to raise awareness of the SDGs and social issues. Specifically, we are actively raising awareness through such means as disseminating information on the SDGs contribution activities of each Group company and sharing SDGs-related information with the persons in charge.
In fiscal 2023, we held activity promotion study sessions for those in charge, where they learned about the relationship between solving social issues and social contribution activities, as well as examples of activities.
In addition, we are working to revitalize activities by supporting efforts to improve activities implemented at our business sites and encouraging people to take on the challenge of new activity programs through the SDGs Challenge.

Results of FY2023 Activities

A total of 167 initiatives were implemented at domestic sites, 51 of which were SDGs Challenges.
From fiscal 2023 to fiscal 2025, we have and will continue to promote social contribution activities that contribute to solving social issues such as climate change measures, resource recycling, biodiversity conservation, and regional co-operation, and are working to revitalize these activities.
We will continue to contribute to solving social issues through social contribution activities from the perspective of the SDGs.

Initiatives in Three Main Areas

Environment: Conservation of the Natural Environment That Forms the Foundation of Society

SEKISUI CHEMICAL Group is working to conserve the natural environment in order to realize an earth with maintained biodiversity as stipulated in the SEKISUI Environment Sustainability Vision 2050. Working in collaboration with NPOs and other organizations, we are developing social contribution activities related to the local environment such as nature conservation activities in each region while at the same time presenting in-house awards for outstanding activities. We believe that it is effective to develop environmental human resources and solve social issues by having employees take the initiative in carrying out activities.
Group offices carried out various measures including clean-up activities in surrounding areas, forest conservation, and environmental education in fiscal 2023.

Major Social and SDGs Contribution Activities Undertaken or Participated in during FY2023 (Environmental Field)

We work with local communities to protect the natural environment and biodiversity.

SDGs	Activities	Purpose	Continuity	Coordination / Cooperation
15	Tohoku Coastal Forest Restoration Activities "Tane-Project" (Sekisui Heim Tohoku Group)	Restore coastal forests using locally grown seedlings	2015-	The Great East Japan Earthquake-destroyed satoyama forest rescue network
15	"Sekisui no Mori" maintenance activities (TOKUYAMA SEKISUI CO., LTD., Sekisui Medical Co., Ltd., Tokuyama Plant)	Conserve forest environments and enhance the functioning of forests	2000-	Yamaguchi Prefecture Shunan Agriculture, Forestry and Fisheries Office Social Employment Center "SELP Shinnanyo"
13	Former Matsuo mine site tree-planting activities (Sekisui Medical Co., Ltd., Iwate Plant)	Plant trees to restore waste land into forests	2007-	Study Club on REGIONAL ENVIRONMENT Planning in TOUHOKU
15	Eradication of Invasive Aquatic Grasses in the Shinmachi River (Shikoku Sekisui Co., Ltd.)	Remove non-native while conserving native waterweed species	2015-	NPO Saijo Nature School
14	Nakaumi and Lake Shinji Clean-up Activities (SEKISUI SEIKEI, LTD., Izumo Plant)	Conduct clean-up activities to conserve the environment around Nakaumi and Lake Shinji	2006-	Shimane Prefecture, Izumo City
4	"Uruoi no Mori" plants and insects observation event (Extracurricular classes) (Chiba Sekisui Industry Co., Ltd.)	Provide children with the opportunity to learn about changes in nature at "Uruoi no Mori", a local grove of miscellaneous trees	2015-	Ichihara Municipal Urutsu Elementary School

Satoyama Conservation Activities

[Site] SEKISUI CHEMICAL Co., Ltd., Tsukuba Site/Tsukuba City,Ibaraki Prefecture
[Collaborating partner] NPO TSUKUBA KANKYOU FORUM
[Purpose] Conserving the biodiversity of the Susomi Forest at the foot of Mt. Tsukuba
[Continuity] Participated in activities since 2012
[Effect] FY2023: Held three times with 29 employees participating
[Related SDGs]

In cooperation with TSUKUBA KANKYOU FORUM, an NPO engaged in activities to conserve the precious satoyama environment, about 200 saplings have been planted so far. We are working to conserve biodiversity through the maintenance of thickets and rice paddies using natural farming methods.

Environmental conservation activities of overseas Group companies

[Overseas Subsidiary] SEKISUI S-LEC (THAILAND) CO., LTD (Thailand)
[Activities] Since 2022, we have been participating in the WeCYCLE Project. This project involves donating used PET bottles for reuse. PET bottles collected by employees are recycled into pillowcases, which are then donated to local hospitals. In fiscal 2023, 3,340 used PET bottles (50.1kg) were collected and donated to the project.
[Related SDGs]

Initiatives in Three Main Areas

Next Generation: Building Local Communities in Which Children Can Develop and Healthily Grow into Adulthood

With the aim of creating a society where children, who will lead the next generation, can develop and healthily grow into adulthood, we provide career education for elementary, junior high, high school, and university students that leverage the characteristics of our business. The purpose of this education is to help children acquire knowledge, skills, and ways of thinking that will help them lead independent lives as members of society.
SEKISUI CHEMICAL Group conducts a variety of activities, including on-site chemistry classes held by its employees and on-line classes to learn about the SDGs through the Group's products and manufacturing.

List of Next-generation Education Initiatives

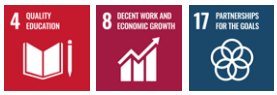
	Activity	Aim	Target	Cooperation	Division of roles	Continuity	Result 1 (Single-year FY2023) (Number of people, etc.)	Result 2 (Total number of people, etc., including results from FY2023)	Developability
1	TOKUYAMA SEKISUI Children's Chemistry Classroom (TOKUYAMA SEKISUI CO., LTD.)	Convey the allure of chemistry to future generations of children	Preschool to elementary school students	Local social welfare council	Organizer	2022-	31	114	Implementation on a continuous basis; establishment of targets and staging methods
2	Summer Vacation Carpentry Classroom (Kyushu Sekisui Heim Industry Co., Ltd.)	Raise environmental awareness among future generations of children and pass on cultural skills through the practice of craftsman techniques	Elementary school students	Local governments	Coorganizer	2022-	15	30	Implementation on a continuous basis
3	Support for exhibiting at "Work Festival in Yamatokoriyama" (Nara Sekisui Co, Ltd.)	Enable children to experience work in order to acquire new knowledge and make discoveries while learning about the various occupations and companies that exist today	Elementary school students	Local industrial park and governments	Coorganizer	2019-	262	637	Implementation on a continuous basis
4	Bus tour to learn about the environment for children during summer vacation (Collaboration between three companies: Sekisui Chemical Hokkaido Co., Ltd., Hokkaido Sekisui Heim Industry Co., Ltd., Hokkaido Sekisui Heim Industry Co., Ltd. Iwamizawa exhibition space)	Tour of a facility that uses natural energy while learning about "COOL CHOICE," a global warming countermeasure	Elementary school students	Local governments	Coorganizer	2019-	14	91	Implementation on a continuous basis

	Activity	Aim	Target	Cooperation	Division of roles	Continuity	Result 1 (Single-year FY2023) (Number of people, etc.)	Result 2 (Total number of people, etc., including results from FY2023)	Developability
5	**New** Challenge! kids chemistry class (Shiga-Minakuchi Plant)	Instilling an interest in chemistry and a spirit of exploration in the next generation of children	Elementary school students	Local welfare organizations	Organizer	2009-	83	550	・Implementation on a continuous basis; expand scale through collaboration with local welfare organizations
6	**New** Onsite classes on renewable energy (Sekisui LB Tec Co., Ltd.)	Deepen the next generation of children's understanding of renewable energy	Elementary school students	Local governments	Coorganizer	2023-	202	202	Implementation on a continuous basis
7	Experiments to investigate plastics and factory tour (Shikoku Sekisui Industry Co, Ltd.)	Ensure that the next generation of children will find manufacturing interesting and deepen their understanding of local industry	Elementary school students	Local governments	Coorganizer	2013-	40	270	Implementation on a continuous basis
8	SDGs education utilizing Edu Town SDGs electronic teaching materials (SEKISUI CHEMICAL Co., Ltd.)	Next-generation children will learn about SDGs through manufacturing and develop the ability to think and act for themselves in solving social issues	Elementary school upper grade years to junior high school students	Producer of teaching materials	・Platform construction ・Provision of teaching materials ・Alliance participation	2018-	5,564 page views (SEKISUI CHEMICAL-related pages only)	63,950 page views (SEKISUI CHEMICAL-related pages only)	・Part of Web content made into a booklet with continued distribution free of charge to elementary and junior high schools nationwide; further expansion of Web content

	Activity	Aim	Target	Cooperation	Division of roles	Continuity	Result 1 (Single-year FY2023) (Number of people, etc.)	Result 2 (Total number of people, etc., including results from FY2023)	Developability
9	Online lessons to learn about SDGs (SEKISUI CHEMICAL Co., Ltd.)	Under the theme of the SDGs, for which there is an increasing need in schools, we will utilize our unique expertise to bring about improvements in the next generation of young people's knowledge and ability to take action needed to solve problems toward the creation of a sustainable society	Junior high school students	Education support company	Organizer (Providing teaching materials and instructors)	2021-	151	502	・Online lessons conducted even during pandemics; establishment of an operating system
10	Chemistry Classroom Project (High Performance Plastics Company Minase Site)	Raise the next generation of children's interest in and passion for chemistry.	Junior high school students	Local junior high schools and junior high schools from which requests were received	Organizer	2008-	1,882	35,604	・Collaboration with teachers; Minase researcher support
11	Science classes (Shikoku Sekisui Co., Ltd.)	Raise the next generation of children's interest in and passion for science.	Junior high school students	Local junior high schools	Organizer	2009-	65	940	Implementation on a continuous basis
12	**New** SB-University (SEKISUI CHEMICAL Co., Ltd.)	Accelerate the shift to a sustainable society by sharing values and opinions and holding discussions between university students, who will lead the next generation, and the Company	University students	Initiatives Other companies	Providing teaching materials and instructors	2023-	30	30	Implementation on a continuous basis

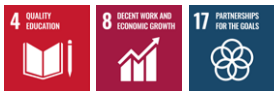
SB-University, a Co-creation Program with Generation Z

[Education scope] University students
[Number of people] 30
[Purpose] Accelerate the shift to a sustainable society by sharing values and opinions and holding discussions with university students, who will lead the next generation.
[Topic] Thinking about ways to solve social issues without making trade-offs in purpose-driven businesses
[Content] SEKISUI CHEMICAL Group invited 30 university students for free to attend a community event for global sustainability leaders. After a lecture on the aforementioned topic, the participating university students listened to keynote speeches and panel discussions held by various companies and organizations during the event to deepen their understanding of sustainability. At the end, we held a themed workshop for the students, where they asked questions and commented on presentations.
University students who participated in this program commented, "I was able to draw the word 'purpose' more clearly than ever before," and "By being able to interact actively and closely with people from companies, I was able to learn how companies are managed based on the term 'purpose' and from what perspective companies are looking at society and the future and thinking about their management vision. It was a very good learning experience.
[Related SDGs]



Next-generation Training Activities at Overseas Group Companies

[Overseas Subsidiary] SEKISUI KYDEX, LLC. (The U.S.)
[Activities] As part of the annual Manufacturing Day event in the U.S., SEKISUI KYDEX hosted over 120 students from local high schools at South Campus to learn about opportunities for careers in manufacturing, processes, safety measures, design and engineering, and sustainable recycling practices. A local technical college, Pennsylvania College of Technology, also sent representatives to speak with students about education opportunities in thermoplastics, as depicted in the photo.
[Related SDGs]



Initiatives in Three Main Areas

Local Communities: Creating a Sustainable Society as a Corporate Citizen

As a member of the local community, SEKISUI CHEMICAL Group is actively engaged in social contribution activities that contribute to the creation of a sustainable society. In order to deepen understanding of and help solve issues faced by local communities, we are promoting a variety of initiatives, including creating safe and secure communities in cooperation with local communities, holding extracurricular classes at local elementary schools, and supporting programs for developing countries.

Major Social and SDGs Contribution Activities Implemented or Participated in during FY2023 (Local Community Fields)

We work with local communities to achieve a sustainable society.

SDGs	Activities	Purpose	Continuity	Coordination / Cooperation
1	Stockpile donations (food bank support) (Sekisui Heim Industry Co., Ltd.)	Reduce food loss and assist poor families	2023-	NPO Food Bank Saitama
2	TFT Program to support school lunches in developing countries (Sekisui Medical Co., Ltd., Tsukuba Plant)	Support school lunches in developing countries through participation in the TABLE FOR TWO initiative	2022-	NPO TABLE FOR TWO International
3	Old clothing donations furugidevaccine (Musashi Plant, SEKISUI MUSASHI KAKO CO., LTD.)	Provide assistance for clothing reuse and medicine for children in developing countries	2023-	JAPAN REUSE SYSTEM CO., LTD.
3	Corporate blood donation (Shiga-Minakuchi Plant, Sekisui Minakuchi Kako Co., Ltd.)	Support local medical care through continuous blood donation activities	1965-	Japanese Red Cross Society Shiga Prefecture Red Cross Blood Donation Center
4	Donations of books for elementary and junior high school students (TOKUYAMA SEKISUI CO., LTD.)	Established the Tokuyama Sekisui Library; donate books every year to support children's reading activities	2004-	Shunan City Shinnanyo Library
7	Sekisui Heim Solar Power Smiling Kids Project (GUNMA SEKISUIHEIM Co., Ltd.)	Support local child-rearing by utilizing profits from the sale of solar power generation	2014-	Maebashi City Third Nursery School
11	Creation and donation of traffic safety educational materials (Sekisui Heim Shinetsu Co., Ltd.)	Support traffic safety education for children by creating traffic safety materials for early elementary school students in cooperation with Nagano Prefectural Police	2023-	Nagano Prefectural Police Headquarters Traffic Department

Reducing food loss and supporting children's cafeterias

[Site] Tokyo Sekisui Heim Co., Ltd./ Shinjuku-ku, Tokyo
[Collaborating partner] ○△□ Children's Cafeteria
[Purpose] Reduce food loss and support children's cafeterias
[Continuity] Implemented for the first time in fiscal 2023
[Effect] FY2023: Donated three boxes of stockpiled water and 650 meals
[Related SDGs]

We quickly exchanged food and water stockpiled at the site for emergency use, and donated the unused portion to the ○△□ Children's Cafeteria in Saitama Prefecture. The cafeteria then distributed this food and water to people living in the community. As opposed to its disposal, this enabled us to effectively utilize food.

Activities to raise awareness of disaster prevention and mitigation

[Site] East Japan Sekisui Shoji Co., Ltd./ Minato-ku, Tokyo
[Collaborating partner] Kawasaki city
[Purpose] Raising awareness of disaster preparedness through experiences related to disaster prevention and mitigation
[Continuity] inactivity since fiscal 2022
[Effect] FY2023: 10 Group employees participated
[Related SDGs]

Since fiscal 2022, we have participated in the disaster prevention event Preparedness Festa organized by the Kawasaki City Crisis Management Headquarters. Through such hands-on activities as assembling disaster toilets and miniature versions of the Cross Wave rainwater protection product, we helped raise awareness toward to the need to prepare for disasters among citizens.

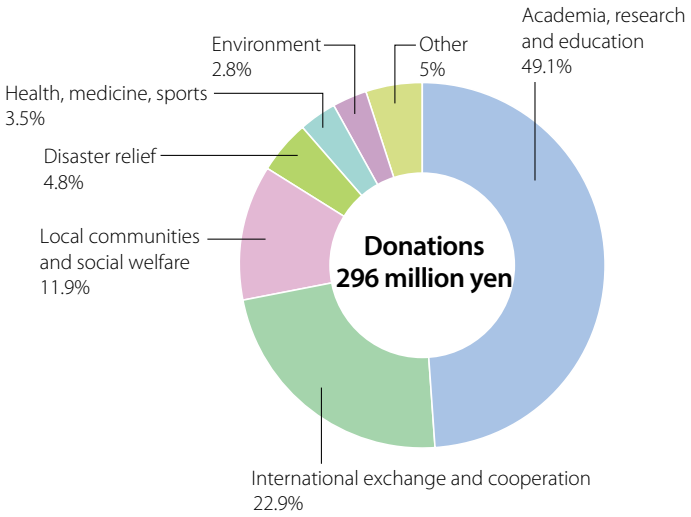
Performance Data

Details of donation activities in FY2023 (SEKISUI CHEMICAL Group)

(Unit: Thousands of yen)

Type of Donation	Total Amount
Donations	296,088
Employee volunteers	51,629
Donations of goods	4,507
Administrative costs	2,256

Breakdown of Cash Donations in FY2023



Governance

Corporate Governance

Strategy (Stance and Approach)

Basic Concept

SEKISUI CHEMICAL Group's basic corporate governance policy is to achieve sustainable growth and increase corporate value over the medium to long term.
To achieve this, we are increasing management transparency and fairness and pursuing swift decision-making. At the same time, we will continue to meet the expectations of our five stakeholders-customers, shareholders, employees, business partners, and local communities and the global environment-through the creation of social value as stated in our Corporate Philosophy.

SEKISUI Corporate Governance Principles

The Company has established and disclosed the SEKISUI Corporate Governance Principles for the purpose of further evolving its corporate governance initiatives and communicating its corporate governance approach and initiatives to stakeholders.
In addition to the above Principles, the status of the Company's initiatives and its approach with respect to the Corporate Governance Code, consisting of the General Principles, Principles, and Supplementary Principles, are summarized and disclosed in the Initiatives to Each of the Principles of the Corporate Governance Code.
Details of SEKISUI CHEMICAL Group's Corporate Governance Report, SEKISUI Corporate Governance Principles, and Initiatives to each of the Principles of the Corporate Governance Code are available at the following address.

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

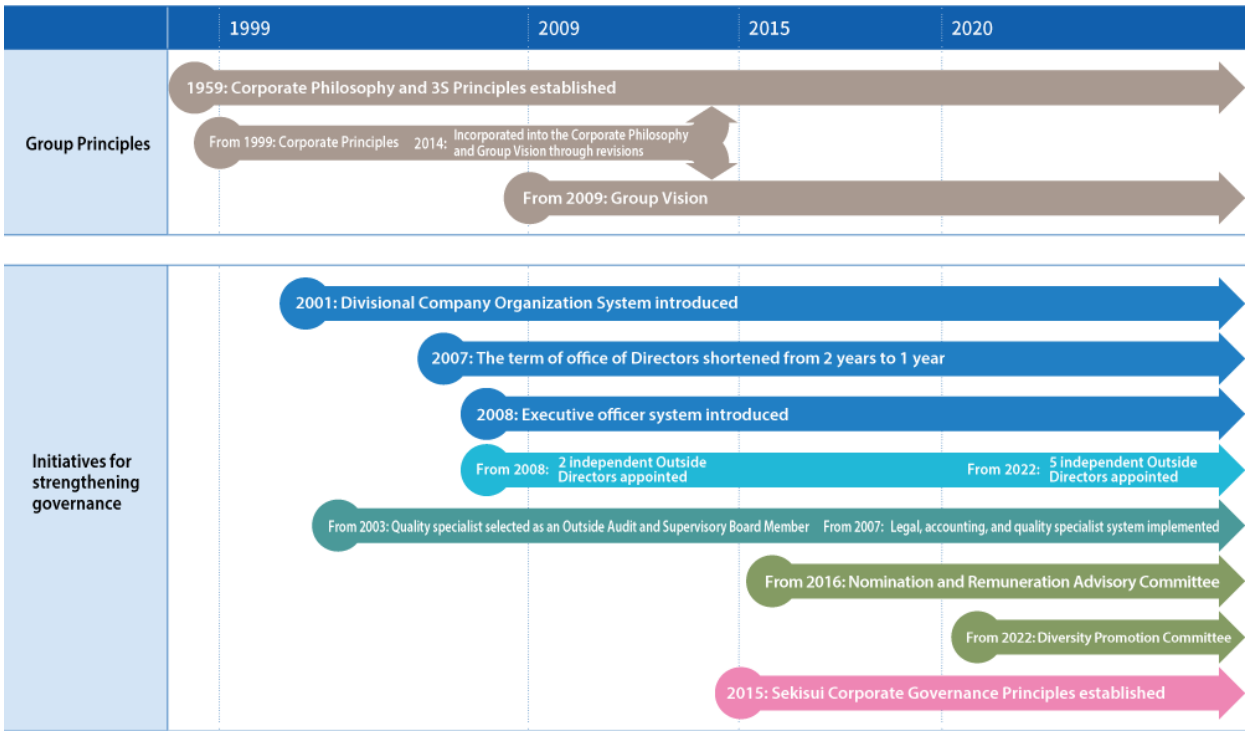
Governance

Organizational Structure

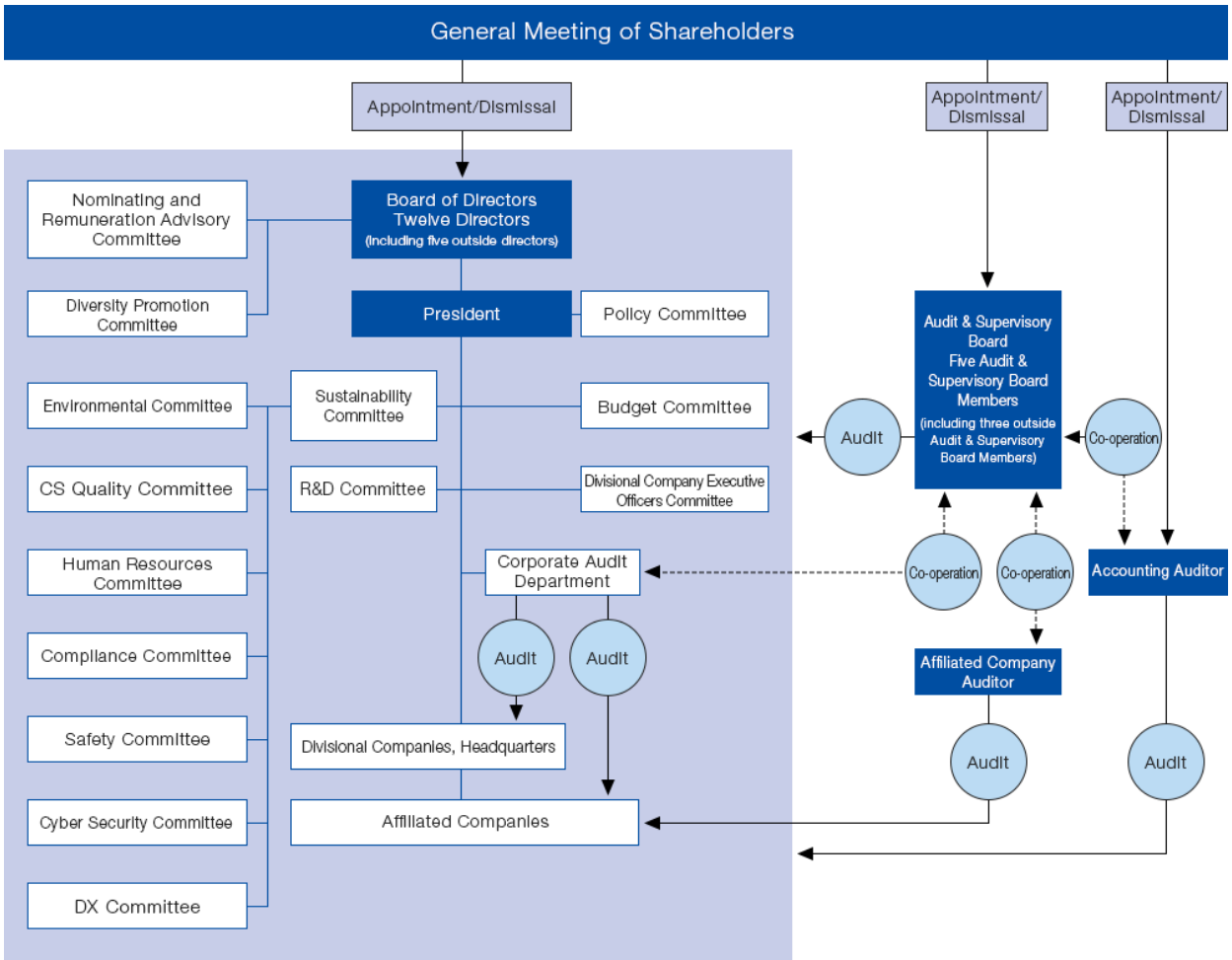
SEKISUI CHEMICAL has chosen a company with an Audit and Supervisory Board as its organizational structure under the Companies Act. Under the Divisional Company Organization System, we have adopted the Executive Officer System in order to separate the supervisory function of directors from the business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

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

Initiatives Taken to Enhance Corporate Governance



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



Roles and Responsibilities of the Board of Directors

The Board of Directors is positioned as the body that determines basic Group-wide policies, makes sophisticated management decisions, and supervises the execution of business.
The Company's Chairman, who is a non-executive director, serves as the Chairman of the Board of Directors. In addition, the Company has established a highly effective supervisory system for directors by appointing outside directors with sufficient independence to ensure management transparency and fairness.
As a general rule, directors are required to attend all of the meetings of the Board of Directors.

Composition of the Board of Directors

We have limited the number of directors to 15, of which several outside directors are to be appointed.
Our Board of Directors is made up of directors with excellent character, insight, and high ethical standards, as well as knowledge, experience, and relevant capabilities.
In addition, all Audit and Supervisory Board members, including outside Audit and Supervisory Board members, attend meetings of the Board of Directors. At least one Audit and Supervisory Board member is appointed with knowledge of corporate finance and accounting, and at least one is appointed with knowledge of the legal system. The diversity and number of Board of Directors' members is set to ensure that appropriate decisions are made in accordance with the scope and size of our business.
The presidents of the divisional companies, who are the top management of each business and senior corporate officers with significant experience and strong expertise, are appointed as inside directors. Together with the independent outside directors, who have broad knowledge and experience, and Audit and Supervisory Board members with strong expertise, the presidents of the divisional companies effectively perform the roles and responsibilities of the Board of Directors and maintain a balance with respect to diversity, optimal size, and capabilities. Following their initial appointment to the Company's Board of Directors at the Annual General Meeting of Shareholders held in June 2022, three female directors have been continuously reappointed.
In light of the above, we believe that the diversity of our Board of Directors is ensured in terms of both skills and gender.

Attendance of Directors and Audit and Supervisory Board Members

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

About the Age-group Composition of Officers

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

Note: As of March 31, 2024

Outside Director

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

Hiroshi Oeda, Outside Director

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

Haruko Nozaki, Outside Director

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

Miharu Koezuka, Outside Director

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

Machiko Miyai, Outside Director

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

Yoshihiko Hatanaka, Outside Director

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

Assessment Relating to the Board's Effectiveness

Every year, the Company conducts a survey to evaluate the effectiveness of the Board of Directors for directors and Audit and Supervisory Board members, and to evaluate the effectiveness of the Board of Directors.
Based on the results of the survey, the Company confirmed that the Board of Directors set appropriate agenda items, ensured sufficient time for discussion, and allowed directors and Audit and Supervisory Board members, including outside directors, to actively offer their opinions and suggestions. For this reason, we believe that our Board of Directors contributes to enhancing the corporate value of the Group and is functioning properly.
In fiscal 2023, the Board of Directors thoroughly deliberated on key management issues, including growth strategies (R&D, new large-scale businesses, large-scale capital expenditures, etc.) and fundamental strategies (Sustainability Committee reports, digital transformation, safety, compliance, CS & Quality, etc.).

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

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

In order to enhance deliberations at meetings of the Board of Directors, materials for meetings are distributed in advance and prior explanations are provided by the executive officer in charge of the Secretariat. In addition, we provide opportunities to deepen understanding of our business on an ongoing basis through orientation at the time of appointment, business briefings and site visits multiple times a year.
In order to further enhance the effectiveness of management oversight by outside executives, the Nomination and Remuneration Advisory Committee, which is composed of a majority of outside directors, has enhanced its deliberations. In addition, dialogue with Audit and Supervisory Board members and accounting auditors is also conducted. In terms of succession planning, we are also strengthening contact between the current management team and candidates for the next management level. For example, we offer lectures by outside directors at Executive Officers Liaison Committee meetings, which are held at the time of each quarterly settlement of accounts, and provide opportunities for directors, Audit & Supervisory Board members, and executive officers to come together when establishing a new management system after the Annual General Meeting of Shareholders.

Opportunities to Deepen Understanding of the Company's Business

In order to deepen understanding of the Company and the characteristics of the Group's wide-ranging business, we conduct business site inspections by outside executives each year and business briefings for outside officers.
In fiscal 2023, we inspected the core plants of each divisional company (Housing Company: Sekisui Heim Industry Co., Ltd.; Urban Infrastructure & Environmental Products Company: Shiga-Ritto Plant; High Performance Plastics Company: Musashi Plant and Shiga-Minakuchi Plant), as well as Asaka Lead Town and the High Performance Plastics Company's MINASE INNOVATION CENTER.

Grasp External Trends on Economic, Environmental, and Social Topics

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

[FY2023 Executive Officers Liaison Meeting Lecture Topics]
① Owls Consulting Group, Inc.
Principal Ayumi Yamori
Theme: Social trends related to business and human rights, leading examples, etc.
② Machiko Miyai, Outside Director
Theme: The Morinaga Group sustainable management
③ Takuya Shimamura, Director Chairman, AGC Inc.
Theme: Ambidextrous management: Working toward organizational cultural change
～Conditions for a leader to shine a light in people's hearts～
④ Yoshihiko Hatanaka, Outside Director
Theme: Responsibility and thoughts for the next generation

Nomination and Remuneration Advisory Committee

We have established a voluntary advisory committee on nomination and remuneration to supplement the functions of the Board of Directors and to increase the fairness and transparency of management.
The Nomination and Remuneration Advisory Committee deliberates on matters related to improving the effectiveness of the Board of Directors, including the election and dismissal of senior management, the nomination of candidates for director, and the remuneration system and level of remuneration for directors. The Committee also deliberates on the appointment of former representative directors and presidents to the positions of advisors or executive advisors as well as other relevant factors as their treatment, and submits recommendations and advice to the Board of Directors.
The Nomination and Remuneration Advisory Committee is composed of seven members, the majority of whom are independent outside directors. The chairperson is selected from the independent outside directors.

Remuneration and Other Compensation for Executives

Policy regarding determination of remuneration and other compensation

① Basic policy

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

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

② Remuneration mindset

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

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

<Base remuneration>

- Regular monthly remuneration*
- Within the scope of executive remuneration, a fixed amount is paid according to the roles and responsibilities of directors.

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

<Bonuses>

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

<Share-based compensation>

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

Determination Process for Executive Remuneration and Other Compensation

We have established the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors in order to achieve the purposes of the executive compensation system.
This committee deliberates on the structure and level of remuneration for directors, verifies the appropriateness of individual remuneration, and uses objective and transparent procedures. Through the above procedures, the Board of Directors has determined that the content of remuneration, etc. for each individual director for the fiscal year in question is in line with the decision-making policy.
<Overview of the Nomination and Remuneration Advisory Committee and the Methodology of Determining Remuneration, etc.>

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

Officer Remuneration in FY2023

(Amount: Millions of yen)

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

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

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

Notice of Convocation of the Annual General Meeting of Shareholders
https://www.sekisuichemical.com/ir/stock/shareholder_info/

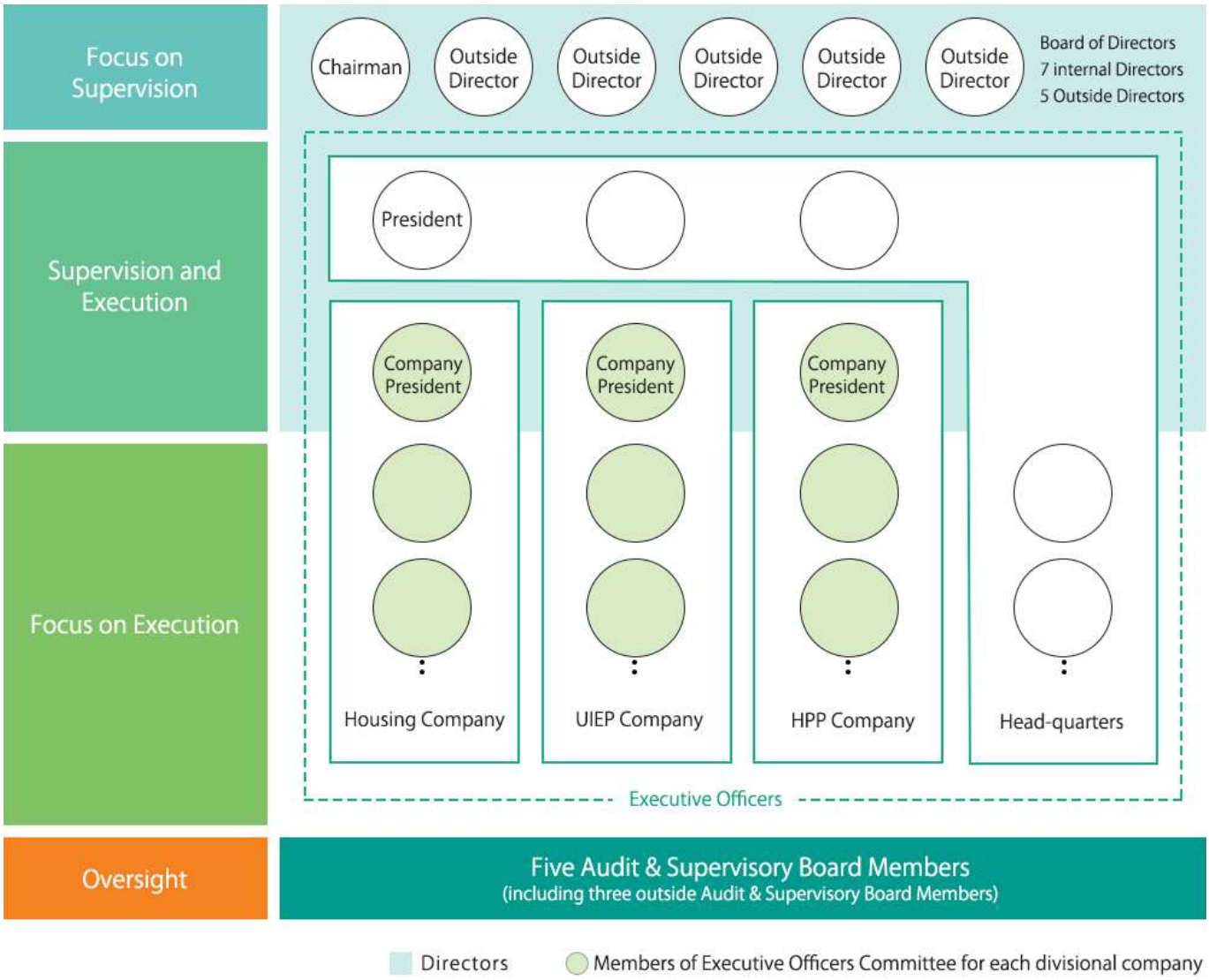
Director Company Stock Ownership Guidelines

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

Executive Officer System and Executive Committee

We have established a management system based on the Divisional Company Organization System to maximize corporate value. Together with assigning operating officers specializing in business execution to each divisional company, the Executive Committee has been established to serve as the top decision-making body in each divisional company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee. Executive officers are appointed by a resolution of the Board of Directors for a term of one year.
Through the transfer of authority to divisional companies, the Board of Directors is responsible for determining the basic management policies of SEKISUI CHEMICAL Group and for making sophisticated management decisions and overseeing business execution in an effort to continuously increase corporate value.

Management System



Auditing System

Approach to the Appointment of Audit and Supervisory Board Members

The Audit and Supervisory Board has a total of five Audit and Supervisory Board members: Two full-time in-house Audit and Supervisory Board members and three part-time outside Audit and Supervisory Board members. As far as the composition of the Audit and Supervisory Board is concerned, one or more members will have knowledge and expertise in corporate finance and accounting, one or more will have knowledge and expertise in legal systems, and one or more will have knowledge and expertise in manufacturing and CS & Quality, which are extremely important for manufacturers.
Officers with experience as Head of Legal Department and plant managers have been appointed as in-house Audit and Supervisory Board members in fiscal 2024.
Three outside Audit and Supervisory Board members are appointed: A certified public accountant with experience working at an auditing firm, a lawyer with extensive experience in corporate legal affairs, and a university professor specializing in quality control.

Internal Control System

In May 2006, the Board of Directors adopted a basic policy for establishing an internal control system to ensure the appropriateness of its business.
Specifically, under the "Corporate Activity Guidelines" based on the Group corporate philosophy, we closely coordinate the direction, order, and communication of SEKISUI CHEMICAL Group (the Company and its subsidiaries). At the same time, we provide guidance, advice, and evaluation to Group companies to ensure the appropriateness of the Group's overall operations.

Internal Control System Overview

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

Major Initiatives

Execution of Duties by Directors

In order to ensure that Directors carry out their duties efficiently, the Board of Directors met 17 times in fiscal 2023. In addition, discussions of important matters related to our management policies and strategies were carried out at meetings of the Policy Committee, which is made up of inside Director members charged with the responsibility of carrying out the executive function. Policy decisions were made by the Board of Directions following these discussions.

Execution of Duties by Audit and Supervisory Board Members

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

Group Company Business Management

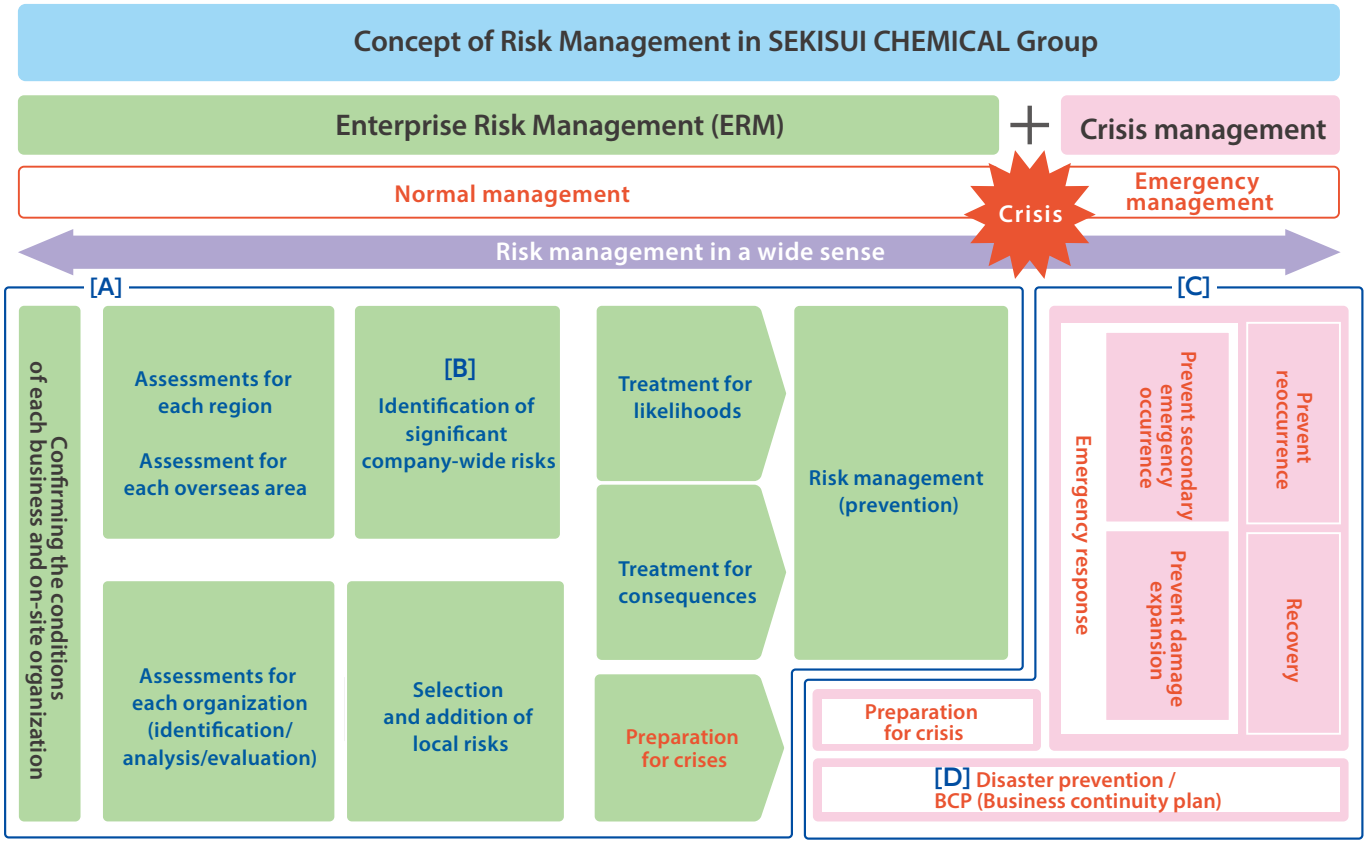
Through rules such as our domestic and overseas affiliate company handling policy and affiliate company decision-making guidelines, we have constructed a framework for getting approval and reports from Group subsidiaries to the Company. In addition, our Corporate Audit Department implements internal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

Risk Management

Strategy (Stance and Approach)

Risk Management Philosophy

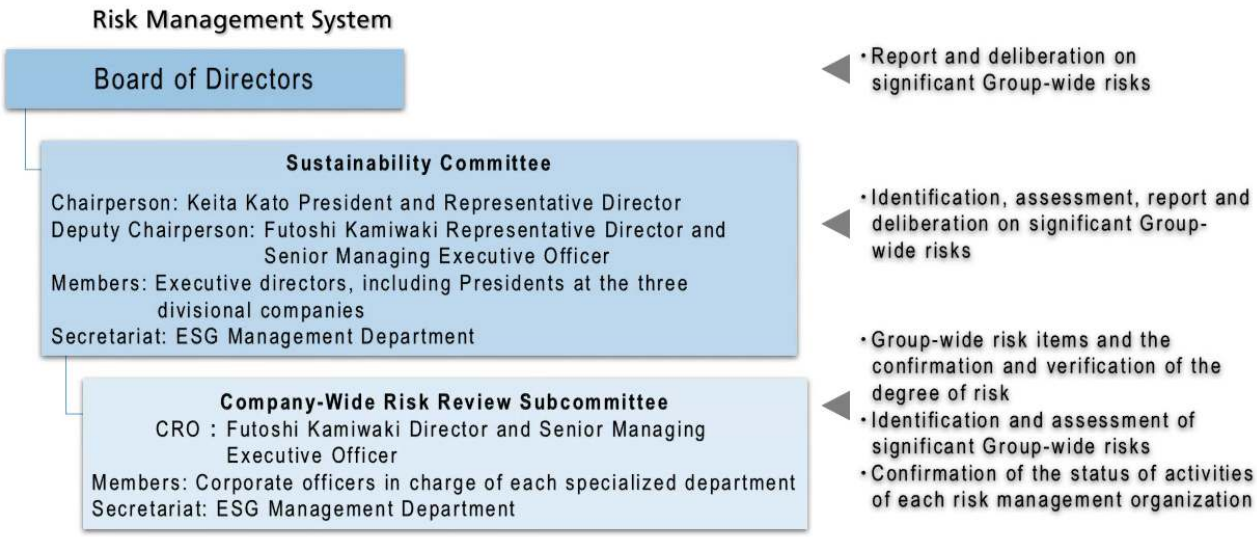
In order to realize our Long-term Vision in a rapidly changing business environment, it is essential to take decisive risks and earn the trust, expectations, and peace of mind of stakeholders. SEKISUI CHEMICAL Group believes that risk control and resilience capabilities that enable risk taking are key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



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

Governance

Structure of Risk Management Activities



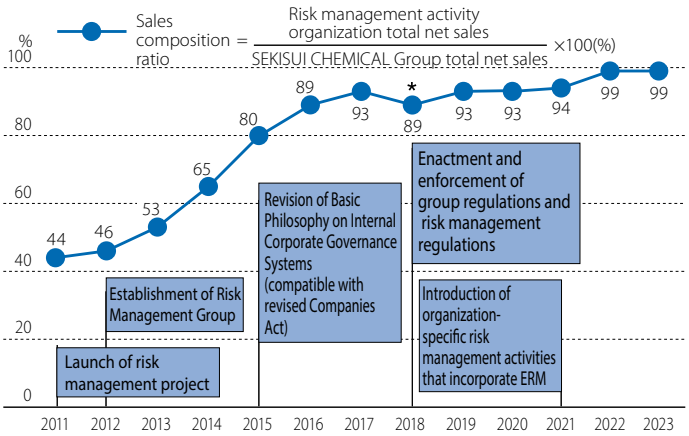
The Group-wide Risk Review Subcommittee, with the participation of the directors in charge of each specialized corporate area, deliberates on whether or not there are any changes in the results and likelihood of correction or correction of major Group-wide risks identified in the previous fiscal year,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

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

Amid increasing uncertainty and complexity in the business environment surrounding companies, SEKISUI CHEMICAL Group believes that improving the "risk sensitivity" of its employees is essential for the appropriate management of risks, and continues to implement PDCA cycles in accordance with ISO31000, the international standard for risk management. We comprehensively identify different risks related to the business objectives of each organization, and quantify those risks from the perspectives of "results" and "likelihood of occurrence", etc. In addition, each specialized corporate department identifies "Group-wide major risks" that are likely to lead to serious incidents in the five areas of "safety, quality, accounting, legal and ethical affairs, and information management." By making it mandatory to conduct assessments in organizational risk-management activities, we have built an ERM system to curb serious incidents and share and manage them within the Group. The effectiveness of ERM is continuously verified by regularly checking for uncertainties.
Overseas, starting in fiscal 2023, the Overseas Regional Headquarters identifies risks specific to each region. The operating companies in each region conduct assessments along with "Group-wide major risks" to assess risks specific to each region, and, as in Japan, promote risk management activities in each specialized area.

Increasing Risk-sensitivity Using PDCA Cycles

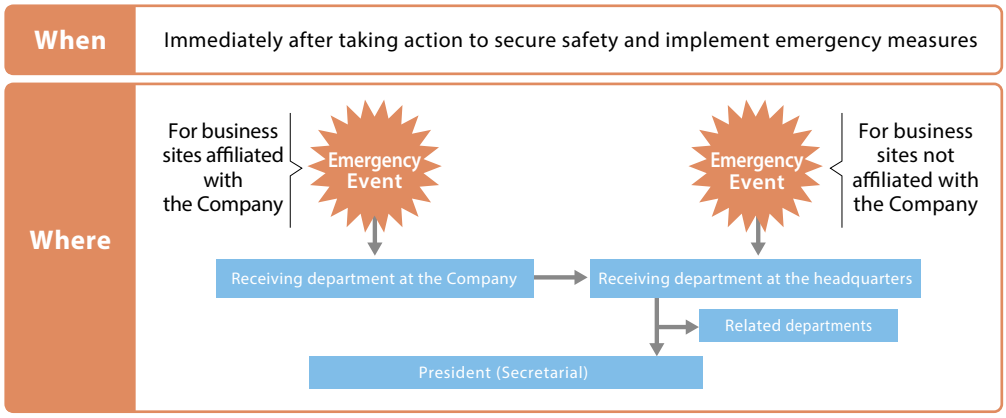
In the increasingly complex external and internal environment, it is extremely difficult to accurately grasp the risks that may occur in the future. In order to manage risks appropriately, our Group considers it essential to improve the risk sensitivity of its employees, and we continue to implement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



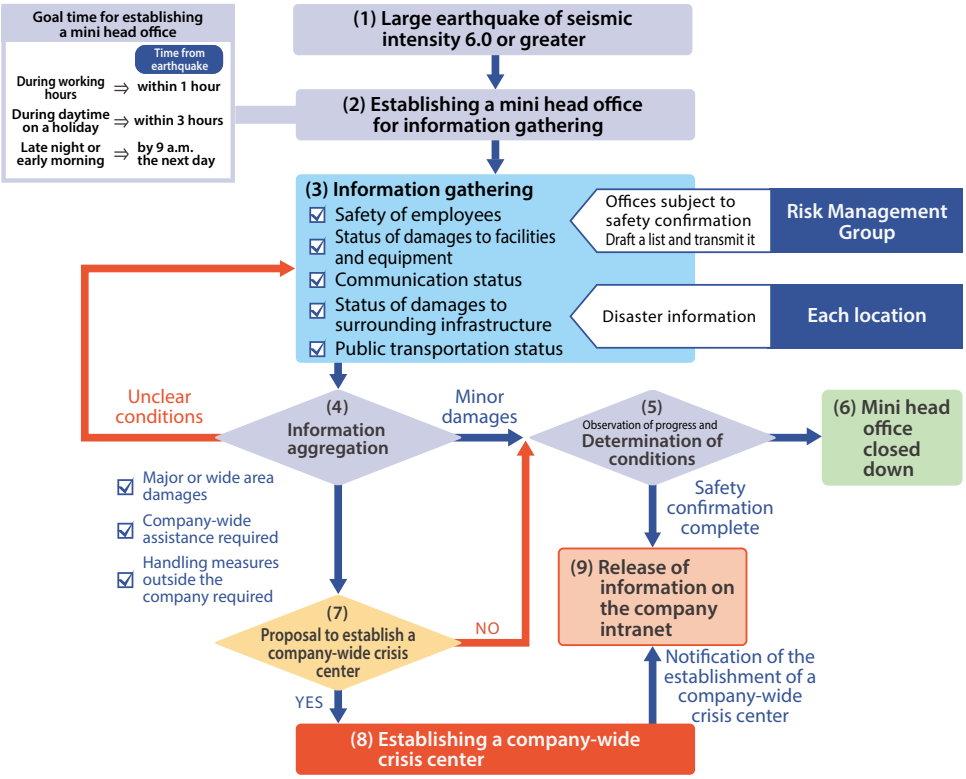
* Temporary decline resulting from a large-scale M&A.

Domestic Crisis Management Organizational Structure

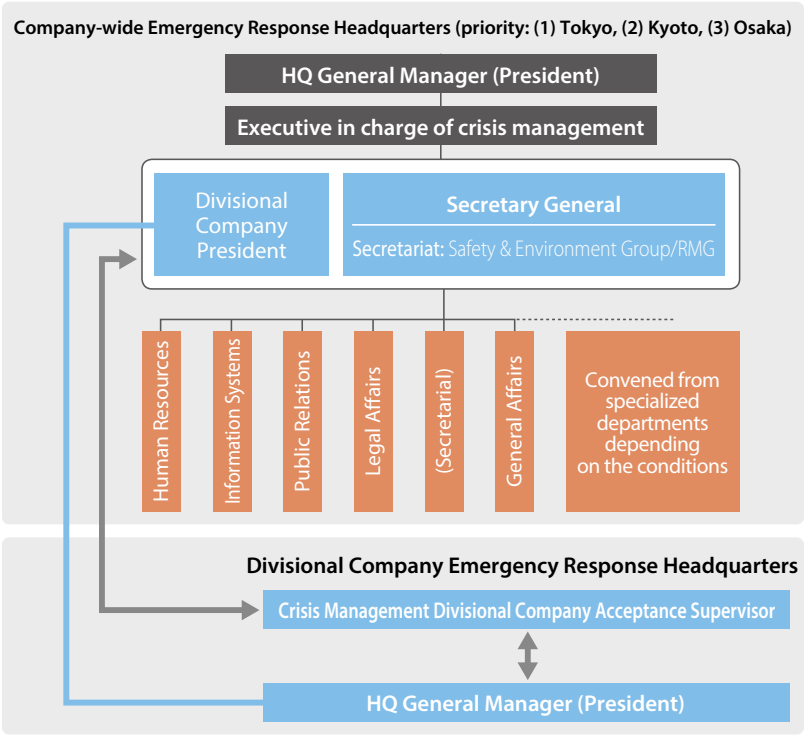
Procedures for contacting divisional companies / Corporate Headquarters from the frontline immediately after an emergency occurs.



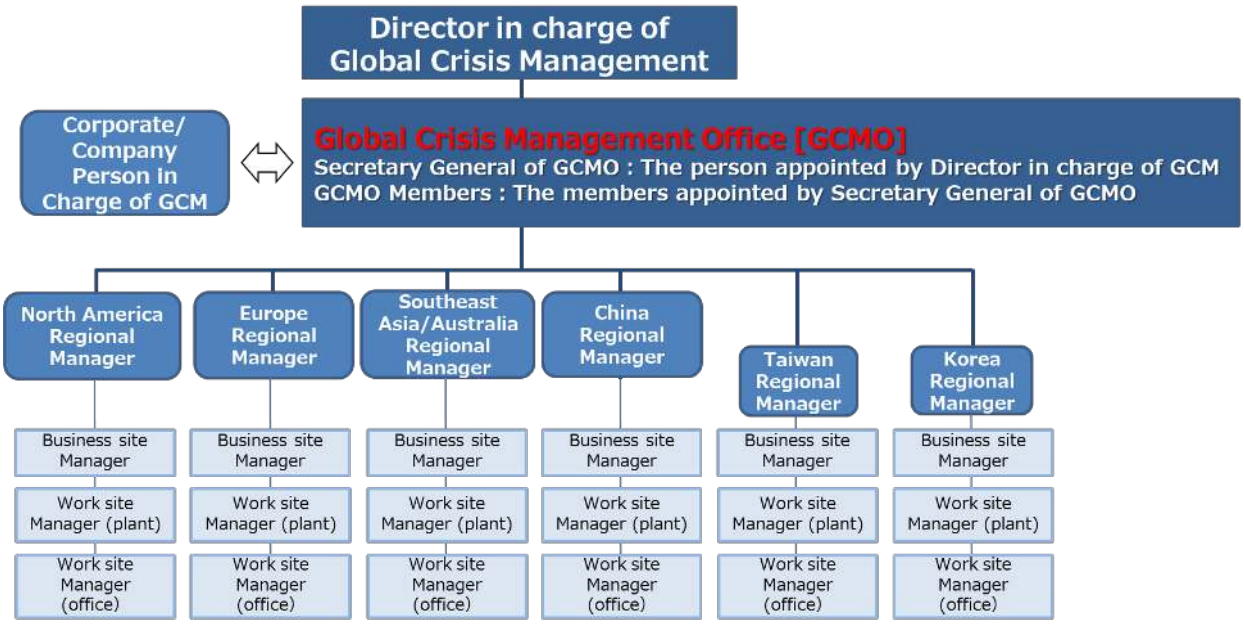
Initial action of the Emergency Response Headquarters (in the event of a major earthquake)



Emergency Response Headquarters Functions (when a major earthquake occurs)



Overseas Crisis Management Organizational Structure



Risk Management and Crisis Management

Risk Management

In the past, SEKISUI CHEMICAL Group's risk management focused on identifying and responding to risks in each business and organization (bottom-up approach) in line with the characteristics of a diverse range of businesses and business formats.
In addition to this, the current Medium-term Management Plan identifies risks that could disturb the management of the entire Group (Group-wide major risks) and has built and strengthened a top-down approach system to deploy them in Group-wide measures and in each business and organization.
In the next medium-term plan, we will strengthen our ability to detect risks globally and strengthen our ability to reduce risks by integrating each business and organization with specialized headquarters departments.

Crisis Management

In the wake of the outbreak of COVID-19 as of the end of fiscal 2019, Corporate Headquarters took the lead in developing and renewing BCPs for all organizations while putting in place a BCM system under the current Medium-term Management Plan.
Under the next Medium-term Management Plan, we will work to establish autonomous training programs while conducting reviews for each organization and constantly raising performance.

Indicators and Targets

Targets

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

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

Major Initiatives

Training Systems

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

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

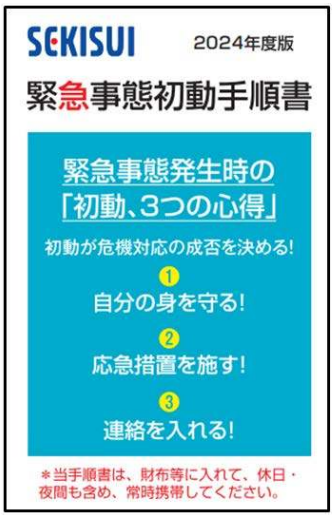
Crisis Management Activities

Based on the experience of the Great East Japan Earthquake, SEKISUI CHEMICAL Group totally reviewed its crisis management system in fiscal 2011. Since then, we have been strengthening the system and mechanisms. Crisis management activities are conducted in accordance with the SEKISUI CHEMICAL Group Crisis Management Guidelines. Crisis management liaison meetings, which are attended by representatives from each Corporate Headquarters group and divisional companies, are held regularly to review case studies and conduct training.
Specifically, we conduct a review of the Emergency Situation Initial Response Procedures Manual through drills attended by members of initial response headquarters across the Group and confirm coordination.
We also distribute the Emergency Situation Initial Response Procedures Manual to all employees every year. This ensures that each individual can make an appropriate initial response in the event of an emergency. In addition, since fiscal 2019, we have installed a safety confirmation system on all employees' mobile phones and other devices so that we can quickly confirm the safety of employees in the event of an emergency.
To combat infectious diseases, we established an infectious disease emergency task force in March 2020 and set up a special page on our intranet for dealing with infectious diseases and disseminating action guidelines and sharing measures to prevent the spread of infectious diseases. In the event that an infected person is identified within the Group, we promptly assess the situation and share information with the people concerned, placing the highest priority on the safety of employees. As a result of these efforts, there was no major impact on our business up until the task force was dissolved in September 2022.

Business Continuity Plan (BCP) Implementation

We have positioned the BCP as an essential tool to support our business strategy. In light of the Group's divisional company system and wide-ranging business operations, our basic stance is that those in charge of each line of business (the heads of business units, the presidents of business companies, etc.) individually determine the necessity of a BCP according to the nature of the business. Based on this, we have recommended the formulation of a BCP and the implementation of business continuity management (BCM) in line with ISO 22301, which standardizes the method of undertaking BCM. However, as different threats are increasing, it is increasingly necessary to determine how to continue operations in the event of the loss of major management resources over the medium to long term, and to prepare for such loss. Accordingly, all organizations formulated or revised an initial response plan (ERP) with "protecting human life" as the first priority as a Group-wide initiative in fiscal 2021. Major business organizations also developed a resource-based all-hazard BCP to respond to all crisis events.
In fiscal 2022, we made desktop training mandatory for all relevant organizations, verified the effectiveness of and made revisions to ERP documents, and completed a PDCA assessment of the BCM cycle. In addition, with the participation of the presidents of each divisional company, we conducted a task force joint drill to improve the resilience of each divisional company. In fiscal 2023, individual organizations implemented BCM operations autonomously using a simple training tool. In the future, each divisional company will take the lead in developing a system for collaboration among bases and strengthening regional cooperation.
Through the above, in the event of an emergency that could threaten the continuance of operations, we will be able to respond quickly and resume important operations as soon as possible. We are building a system to minimize losses to our organization and customers and to fulfill our social responsibilities as a company.

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



Japanese edition

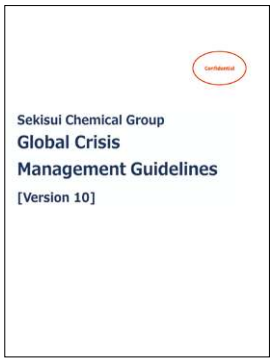
English edition

Overseas Crisis Management Activities

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

Global Crisis Management Guidelines

Japanese edition



English edition

Chinese edition

Korean edition

Legal and Ethical Issues

Strategy (Stance, Approach, and Awareness of Risk)

Basic Concept

Compliance Management

In Fiscal 2003, SEKISUI CHEMICAL Group established the Compliance Declaration. Based on the concepts of contribution to society, being a trusted company, and complying with the law and its spirit, we have clarified our stance of earning a high level of trust from society through compliance in accordance with our principles and the spirit set forth in our Corporate Activity Guidelines.
We are currently aiming to grow sustainably under our Long-term Vision, Vision 2030, and at the heart of this commitment is compliance. Under the current Medium-term Management Plan, we are working to improve our management ability to sustain business by suppressing the number of major incidents. We are working to raise the awareness of compliance among each and every employee by promoting various compliance programs.
We will continue our efforts to further strengthen compliance management so that the Group can be widely trusted by society.

Risk Awareness

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

Formulating the Compliance Policy

The Group prepared the Compliance Manual in 2003. It consists of conduct guidelines and detailed explanations of compliance items such as anti-corruption, conflicts of interest, compliance with the Antitrust Law, accounting, and harassment, and has been used for in-house education.
Beginning in 2022, with the purpose of making our Group-wide approach to compliance known to our stakeholders, we have formulated the SEKISUI CHEMICAL Group Compliance Policy by extracting the conduct guides from the Compliance Manual. This policy is posted on our website.

SEKISUI CHEMICAL Group Compliance Policy
https://www.sekisuichemical.com/sustainability_report/pdf/update/Compliance_Policy_EN.pdf

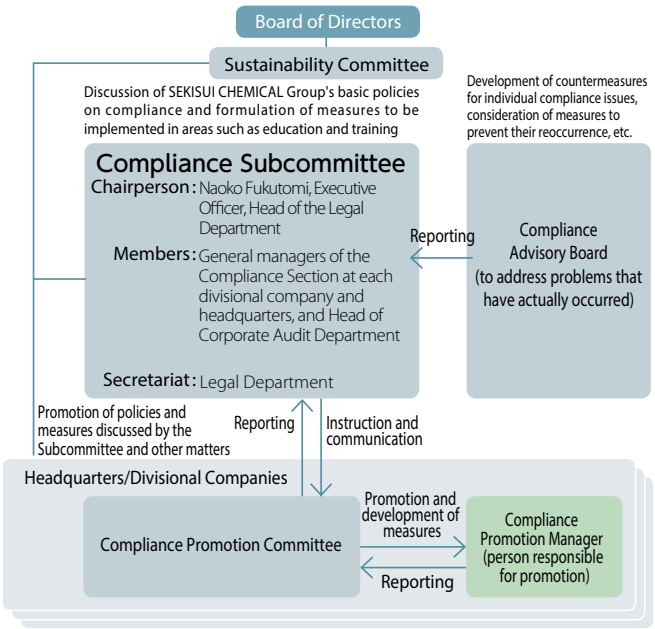
Please refer to Compliance Policy on P.356

Governance

System

SEKISUI CHEMICAL Group has established a realistic and effective compliance promotion system to ensure the implementation of compliance management. The Compliance Subcommittee, which is chaired by the executive officer in charge of the Legal Department, has been established under the Sustainability Committee to oversee the Group's compliance, and formulates policies and implementation measures. In addition, the Compliance Promotion Subcommittee has been set up at Headquarters and each divisional company, and compliance promotion managers have been appointed to implement and develop each measure.
In the event of a major compliance issue, the Compliance Advisory Board will convene to discuss follow-up measures and prevent reoccurrence.
In fiscal 2023, the Compliance Subcommittee met twice, in May and November 2023.

Compliance Promotion System



Risk Management

Risk Management System

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

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

Indicators and Targets

Targets

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

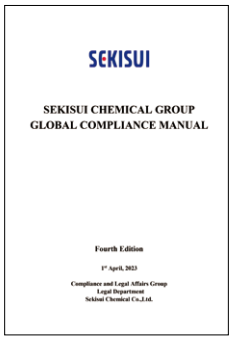
Key Implementation Measures	Management Indicators	Final Fiscal Year (FY2025) Targets of the Current Medium-term Management Plan	FY2023 Results
Strengthen control over overseas Group companies	Deployment rate of important rules (regarding antitrust laws, anti-bribery, etc.) at overseas Group companies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

Major Initiatives

Fostering Compliance Awareness

SEKISUI CHEMICAL Group has prepared and distributed to all employees the Compliance Manual, its overseas version, the Global Compliance Manual, and the Compliance Card for portable use, in order to foster an awareness toward compliance in each and every employee.
In fiscal 2023, we conducted a global e-learning program on the subject of the Global Compliance Manual to ensure that it is thoroughly understood.

The Company's Compliance Manual



The Company's Global Compliance Manual (English edition)

The conveniently sized Compliance card

Compliance Training

As part of our efforts to put compliance management into practice, the Group focuses on employee compliance education.
Compliance-related content is included in new employee as well as rank-specific training. We also conduct e-learning sessions specific to compliance at least four times a year. In this manner, we provide opportunities for all Group employees to learn about the importance of compliance on an ongoing basis.
In fiscal 2023, we provided similar learning opportunities to employees who do not have access to the intranet individually, including those working on the production plant floor, by providing paper-based training opportunities at the request of Group companies and business sites.

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

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

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

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

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

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

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

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

Status Regarding the Prevention of Bribery and Corruption

SEKISUI CHEMICAL Group is a signatory and endorser of the United Nation's Global Compact, which identifies anti-corruption as a voluntary action principle. In this spirit, and under the supervision of the executive officer in charge of the Legal Department, we have established the Bribery Prevention Regulations in accordance with the United Nations Convention against Corruption as one of our internal regulations, and are promoting efforts to prevent corruption and bribery through various means, including introducing the Regulations throughout the Group. The Bribery Prevention Regulations define bribery as the giving, offering, or promising of money or any other advantage (including but not limited to the giving etc. of checks, gift vouchers, travel, meals, or loans, or education or employment opportunities to friends or relatives. The same definition shall apply hereinafter.) with the intention of (i) causing a public official or an officer or employee of a private company to take or not to take particular action in connection with his/her duties or (ii) causing such public official or such officer or employee to use his/her position to influence other public officials or other officers and employees to take or not to take particular action in connection with their duties, in order to gain an illicit business advantage. The rules to prevent bribery and corruption also define the acceptance of bribes as the acceptance of, or request or promise to receive, money or any other advantage in connection with the recipient's duties for improper purposes.
In addition, we have formulated the Bribery Prevention Guidelines, which summarize the matters that Group employees must comply with when conducting business in Japan, the United States, and China. These rules and guidelines are made widely known through the intranet, and employees can check them at any time.
As a major measure to prevent corruption and bribery, we have established and operate policies to prevent violations before they occur. Specifically, we have identified high-risk cases and established the following rules.

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

We also provide specialized training on anti-corruption for departments that are especially susceptible to the risk of corruption and bribery. In this manner, we encourage employees to learn about the relevant rules and guidelines and use the appropriate application forms.
In addition, the Compliance Policy, Compliance Manual, and Global Compliance Manual also convey policies on anti-bribery.
In fiscal 2023, questions on bribery were included in the e-learning program for employees of Group companies in Japan as well as overseas
No serious violations related to corruption or bribery were confirmed in fiscal 2023.

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

SEKISUI CHEMICAL Group has adopted a policy of "No damage to the company." Based on this policy, when there is a conflict between the interests of the Company and an individual director or employee, we make decisions from the perspective of whether it is in the Company's interest.
In order to thoroughly implement the above policy, we formulated the "Conflict of Interest Guidelines" in 2023. In this way, we operate rules to check in advance any outsourcing transactions that may cause conflicts of interest.

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

As part of our anti-trust law compliance program, we operate a business organization membership payment system, an advance application system for contacting competitors, and a price revision committee system. Every year, we conduct audits on the operation of the program and review the program as appropriate. We have also introduced this program to domestic business companies with high cartel risk.
In conducting our business activities, we comply with the Act against Unjustifiable Premiums and Misleading Presentations and other laws and regulations in advertising and labeling, and conduct our business activities with integrity.
No significant violations regarding anti-trust laws or advertising and labeling were identified in fiscal 2023.

Initiatives to Strengthen Accounting Compliance

SEKISUI CHEMICAL Group is working to improve Group-wide accounting skills and financial knowledge in order to reduce risks related to finance and accounting.
Accounting meetings are held for employees in charge of accounting at domestic and overseas companies. At these meetings, fiscal-related rules and accounting compliance activities are explained and shared. We also provide training in accounting and financial literacy through study sessions and e-learning. In addition to preventing accounting treatment errors and accounting improprieties from occurring, we are also working to raise awareness of accounting compliance among divisions and employees involved in accounting. In fiscal 2023, accounting meetings were held in Japan and overseas in a hybrid format of online and face-to-face meetings. A total of 287 employees, mainly personnel in charge of accounting, participated.
Accounting training was conducted online on a specific topic, and a total of 71 employees attended, including video viewers. In addition, a total of 4,852 employees took the e-learning course, which is being conducted for a wider target audience to raise awareness of accounting compliance.

Tax Compliance initiatives

SEKISUI CHEMICAL Group considers the payment of taxes to be one of the fundamental and important social responsibilities that a company should fulfill. We comply with the tax laws of the countries and regions in which we operate, and pay taxes appropriately.
The Group does not use tax havens for tax avoidance purposes. We will pay taxes appropriately in accordance with the economic conditions of the countries and regions in which we operate, contribute to the economies of those countries and regions, and aim for harmony and stable development together.
Transactions with tax risks are checked with outside experts as necessary to ensure their proper handling and to reduce tax risks.
Furthermore, as a response to transfer pricing risk, transactions are conducted in compliance with national and regional laws and regulations and arm's length prices in accordance with OECD Guidelines. In addition, in order to resolve unstable tax positions, the Company utilizes Advance Pricing Agreements (APAs) depending on the size of the transaction and the extent of tax risk.
We respond in good faith and appropriately to investigations by tax authorities. Results are reported to the Board of Directors and improvements made as appropriate. Through these initiatives, we strive to maintain good relationships with tax authorities.

Compliance Reinforcement Month

Initiatives Taken in Japan

SEKISUI CHEMICAL Group has designated October of each year as "Compliance Reinforcement Month." This is an opportunity for all employees to reaffirm the importance of compliance.
In fiscal 2023, we conducted training in Japan on four themes: labor management, contract basics, confidential information management, and vehicle operation management. In order to provide an opportunity for employees who could not participate in person, training was conducted remotely online. For labor management, we used a Web conferencing system. For the other three themes, we used video streaming.

Initiatives Taken During Compliance Reinforcement Month in Japan (FY2023)

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

Overseas Initiatives

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

Overseas Compliance Reinforcement Month Initiative Themes(FY2023)

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

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

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

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

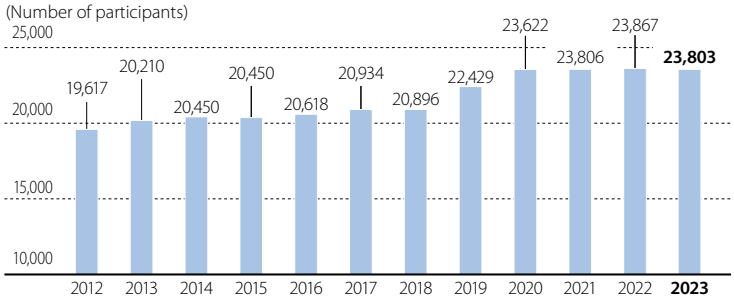
Responding to Compliance Violations

In the event of a violation of compliance, we will conduct a thorough investigation of the employee who committed the violation. After the investigation, the Company will take disciplinary action, including dismissal, demotion, and salary reduction, as well as reduction of personnel evaluation, depending on the extent and type of violation.
In addition to punishing individuals who have committed compliance violations, we are also working to prevent recurrence by correcting problems in the organizational culture that lie behind them.

Performance Data

Employees Using the e-learning System Over Time

Employees Using the e-learning System Over Time



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

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

List of Results Relating to Compliance Training

FY2023 List of Results Relating to Compliance Training

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

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

Number of Whistleblowing Cases and Consultations

FY2023 Number of Whistleblowing Cases and Consultations

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

Donations to Political Organizations

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

(Unit: thousands of yen)

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

Information Management

Strategy (Stance, Approach, and Awareness of Risk)

Basic Concept

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

We consider the following major incidents related to information management to be risks that could cause corporate value to be impaired.
1. Exploitation and destruction of data by cyber attacks
2. Large-scale and long-term information system failures
3. Leakage of personal information and confidential information, and violation of the Data Protection Law

Cyber Security Policy

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

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

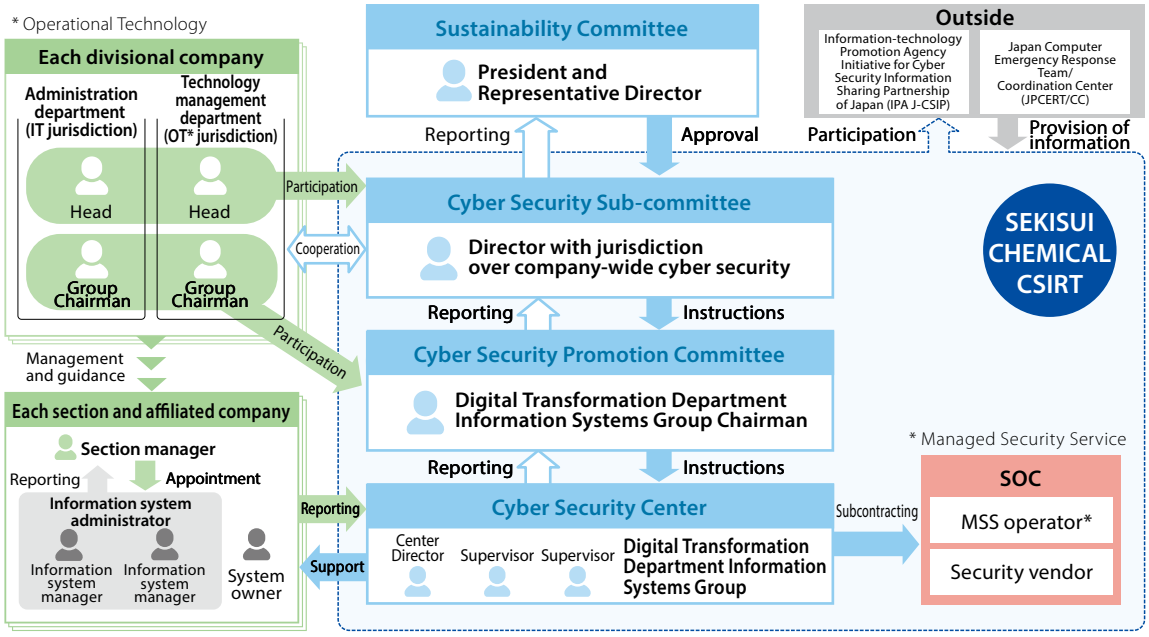
Governance

Cyber Management System

SEKISUI CHEMICAL Group has established CSIRT*1 under the Sustainability Committee, which is chaired by SEKISUI CHEMICAL's president, as an organization for dealing with cyber security.
CSIRT has established the Cyber Security Subcommittee as the policy-making body for information security. The subcommittee is chaired by Tatsuya Nishida, CISO (Chief Information Security Officer), and discusses Group-wide cyber security measures and significant security incidents.
The Cyber Security Promotion Subcommittee is responsible for promoting measures based on decisions made by the subcommittees, and has established the Cyber Security Center as a working unit.
The Cyber Security Center works with SOC*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 an information management system that encompasses the entire Group. Even if there is an organizational change or a change in the information system administrator, the list management system allows us to keep track of the presence or absence of the information system administrator at each office.
In the future, we will upgrade the operation of CSIRT domestically and promote the establishment of CSIRT at overseas Group companies.

*1 Computer Security Incident Response Team, or CSIRT, is the title given to specialized teams that receive reports, conduct surveys and enact response measures related to computer security incidents at companies and other organizations.
*2 The Security Operation Center, or SOC, is a specialized entity devoted to monitoring and analyzing threats to information systems. It works to detect threats as soon as possible, and plays a role in supporting the CSIRT with its response and recovery efforts.

Diagram of Overall Management System



Risk Management

SEKISUI CHEMICAL CSIRT's Protection Activities

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

Plan: Planning and review
・Planning of cyber security enhancement plans

Do: Implementation of upgrade planning
・Strengthening overseas cyber security measures
・Educational activities for employees using e-learning
・Cyber security of the supply chain and thorough information management

Check: Inspection and assessment
・Report on risk assessment to the Cyber Security Subcommittee and report on countermeasures to the Cyber Security Promotion Subcommittee

Act: Improvement activities
・Setting improvement targets based on the results of activities and revising action plans

Indicators and Targets

Targets

SEKISUI CHEMICAL Group has identified zero cyber security incidents as a KPI under its current Medium-term Management Plan and taken steps to promote information management activities. The purpose is to prevent any damage to its corporate value due to serious incidents.
As a result of these activities, there were no significant cyber security incidents in fiscal 2023. The results of major implementation measures are as follows.

Major Implementation Measures Chart

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

Major Initiatives

Measures Against Information Leaks and Risks

SEKISUI CHEMICAL Group takes measures to ensure the safety of customer information, including personal information, and internal information, including confidential information, from both the perspective of systems and personnel measures. SEKISUI CHEMICAL CSIRT's Cyber Security Center plays a central role in swiftly implementing appropriate measures against external threats. Specifically, we are constantly aware of new threats such as newly reported viruses and targeted e-mails, and update the policies of our security products. In addition, we are working to prevent information leaks by educating employees through e-learning and conducting audits.
CSIRT holds regular Cyber Security Subcommittee and Cyber Security Promotion committee meetings. The subcommittee report on the evaluation of risk measures, while the promotion committee reports on the activities of risk countermeasures. In addition, every year, training sessions are held for subcommittee members to examine their ability to make management decisions in the event of an information security accident.

Key System-related Measures

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

Key Personnel Measures

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

Measures Against Natural Disaster Risks

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

Protecting Personal Information

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

Preventing Leakage of Technical Information

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

CS & Quality Management

Strategy (Stance, Approach, and Awareness of Risk)

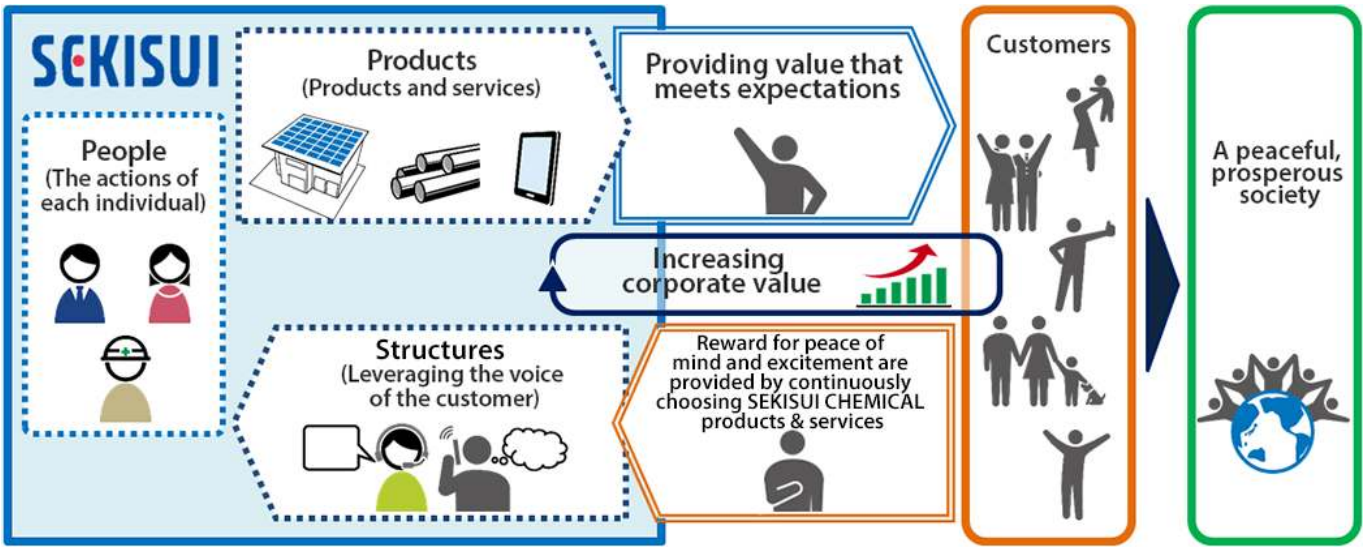
Basic Concept

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

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

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

SEKISUI CHEMICAL Group's CS & Quality Management Circulation Diagram



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

CS & Quality Current Medium-term Plan

		FY2023	FY2024	FY2025
Strengthening QMS	New Businesses 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	Support for Businesses Requiring Reinforcement	Status of Daily Management Monitoring and Support	
		Reinforce Testing Data Reliability 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		
trengthening CS	CS Monitoring	Analyze the Status of Surveys Consider Improvement Measures	Feedback Preparation	Individualized Support for Each Base and Issue
	CS & Quality Information Dissemination	Rebuild Media and Methods	CS & Quality Seminars, Disseminate through New Media	
KAIZEN Activities Activity Groundwork	Improve Quality	Japan: Support Promotion Themes Overseas: Promote the Transfer of Theme Promotion Support Functions to RHQ*2		
		Enhance Group KAIZEN Activity Presentations, Promote Group-wide Collaboration Planning		
	Expand Domains	Deploy to Indirect Operations	Improve Coordination with Each Divisional Company	
Strengthening CS & Quality personnel (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.

*2 RHQ (Regional Headquarters)

Awareness of Risk

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

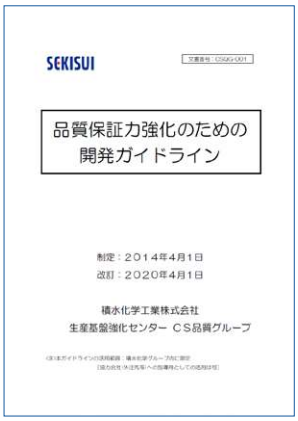
SEKISUI CHEMICAL Group adheres strictly to quality compliance. We are working to build a culture that prioritizes quality and the prevention of fraud by continuously strengthening the foundations that support quality through such efforts as preventing defects and strengthening daily management. Especially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

Formulating Quality Guidelines

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

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

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


SEKISUI

品質保証力強化のための
開発ガイドライン

制定：2014年4月1日
改訂：2020年4月1日

積水化学工業株式会社
生産基盤強化センター CS品質グループ

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

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

https://www.caa.go.jp/en/policy/consumer_research/pdf/consumer-oriented.pdf

* 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.

消費者志向経営

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

1. Ensuring Basic Qualities
   We have established a quality assurance system covering the entire process from product development to design, production, and sales while promoting design and development management, as well as daily management activities.
   In addition, Group companies in Japan and overseas are developing and promoting Group KAIZEN Activities, in which employees in each workplace form small groups to address various topics such as improvements in quality and productivity.

2. Creating Value That Exceeds Customers' Expectations
   We held three CS & Quality seminars to introduce internal experts and case studies to provide hints on how to create value that exceeds customers' expectations.

3. Upgrading Technological Capabilities
   In the development of new products, we held one development prevention seminar with the purpose of imparting knowledge on effective and efficient methods to prevent quality problems before they occur.
   Furthermore, we operate our quality management system (QMS) on a process-based approach to ensure processes are efficient. As far as internal audits in particular are concerned, we conducted SPMC Internal Audit Practical Training at three sites to enable the use of SEKISUI CHEMICAL's proprietary assessment tool, the SEKISUI Process Management Chart (SPMC).

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

5. Providing Thoroughgoing Employee Education

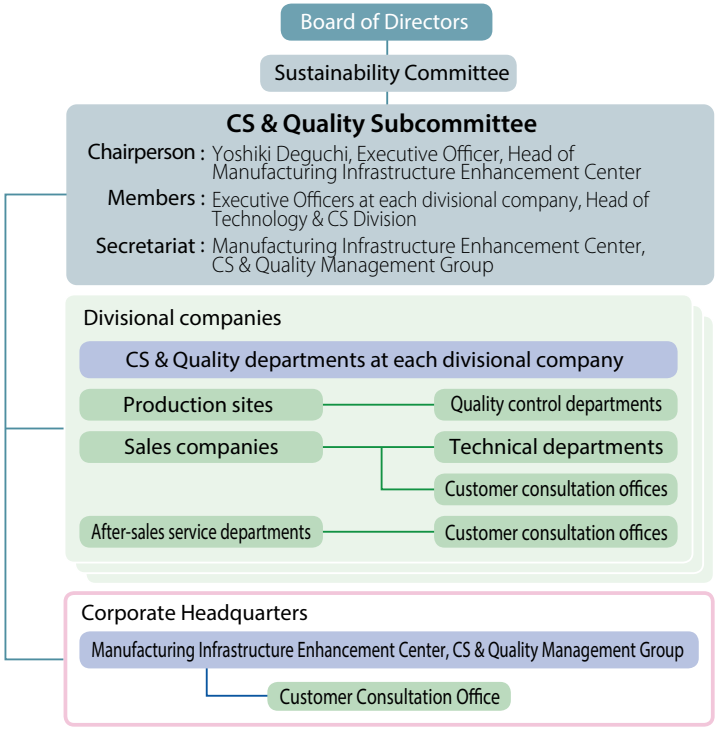
We conduct CS & Quality-related training for new employees every year. We encourage our employees to think about our concept of "CS & Quality management" and what we can do to satisfy our customers, so that they can apply this information in their daily business activities.

Governance

CS & Quality Subcommittee

SEKISUI CHEMICAL Group holds twice-yearly meetings of the Sustainability Committee and CS & Quality Subcommittee, which is a subordinate committee, with respect to CS & Quality.
In fiscal 2023, the CS & Quality Subcommittee met twice in total in October and March.

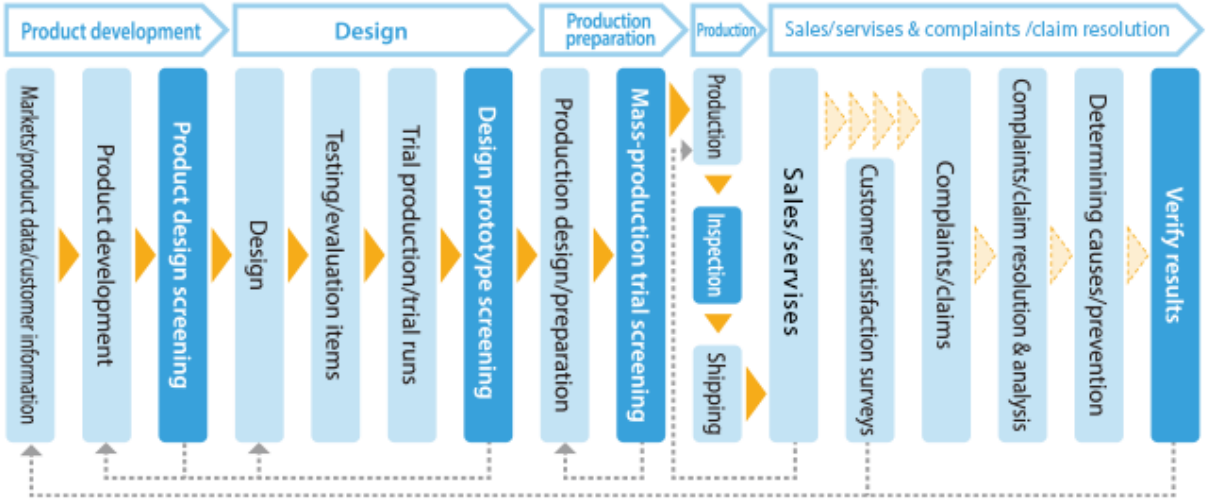
CS & Quality Management Promotion System



Establishment of a Quality Assurance System

The Group has established a quality assurance system that covers all processes from design and development, production, and sales.
We have established a quality assurance system for each process and promote daily management with an emphasis on standards.
At the same time, we are focusing on manufacturing innovation, recognizing that on-site manufacturing is the key to supporting quality.
In addition, when developing and improving products, we conduct rigorous design reviews from the perspective of quality assurance and safety.
We have also established a system that enables us to sustain and manage services for our customers even after sales are made.

Quality Assurance System



Risk management

Addressing New Products and Business Risks

SEKISUI CHEMICAL Group considers the occurrence of defects when launching new businesses to be a risk. In order to reduce this risk, we have established and are operating the Gate Review (GR)* system as a mechanism to conduct rigorous design reviews.
We use a design check sheet that shows points to be aware of during design, and clarify the points to be discussed during the design review. We also conduct an external knowledge review, which aims to obtain new knowledge from internal and external experts as initial input information for the design of industry, laws, and other matters related to new businesses.

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

Addressing Existing Business Risks

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

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

Indicators and Targets

Targets

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

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

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

Major Initiatives

Strengthening QMS

Strengthening daily management

When SEKISUI CHEMICAL Group transitioned toward ISO9001:2015 certification, we devised an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), to strengthen our response to process approaches. Illustrating the management flow at a glance, the SPMC can be effectively used for daily management checks, corrective action, internal audits, and other activities, including quality education.
In fiscal 2023, as in fiscal 2022, we held training for QMS internal auditors as well as SPMC Internal Audit Hands-on Training. We also worked to increase the competence of employees by expanding and making use of such tools as the "Voice Video of Internal Audit Scenarios" and "Audit Trail," an e-Learning course for enhancing the groundwork of internal audits.
We will continue to promote initiatives to improve the quality of our quality management system.

SPMC Internal Audit Hands-on Training

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

Based on the CS & Quality Medium-term Plan launched in fiscal 2020, SEKISUI CHEMICAL Group continues to create and operate systems as well as mechanisms to thoroughly prevent data falsification and manipulation.
In fiscal 2023, steps were taken to confirm the operating status of the system established in fiscal 2022 to prevent data entry errors and manipulation., We also worked to improve the reliability of inspection data and transcripts.
In the future, we will focus on utilizing digitized inspection data to improve the quality of operations.
SEKISUI CHEMICAL Group will continue to strengthen internal quality control and provide quality compliance training to ensure that the Group reinforces its awareness toward compliance. Through these means, we will enhance our quality assurance capabilities and extinguishing any potential for fraud.

Compliance with laws and voluntary regulations regarding product safety

SEKISUI CHEMICAL Group regards product safety as the most important factor in quality. In order to deliver safe products to customers, we strive to ensure the safety of the products manufactured and sold by each Group company.
Safety reviews are conducted at the design and development stage to ensure product safety. In addition, in the event that a legal or regulatory violation related to product safety is confirmed internally or pointed out externally, information is promptly disclosed to the public and steps taken to quickly investigate the cause and prevent a recurrence. The same applies to violations of product safety standards voluntarily established by Group companies.
In fiscal 2023, there were no cases of violation of various laws and voluntary regulations regarding product safety.

Product quality disclosure and labeling

SEKISUI CHEMICAL Group ensures that all relevant laws and regulations as well as internal rules are strictly observed with respect to the disclosure of information related to product quality and safety.
At the development stage, we set and check items for compliance with laws and regulations relating to product information disclosure, and implement design reviews (DRs).
In fiscal 2023, there were no violations of information disclosure relating to product quality and safety.

Strengthening CS

CS Monitoring

Based on the current Medium-term Management Plan, we launched a CS monitoring program (internal survey) for the purpose of ascertaining and strengthening the ability of Group employees to respond to customers.
In fiscal 2023, when the program was first launched, 7,936 employees responded. In the future, we will reflect the results of each survey in measures to strengthen our ability to respond to customers.

CS & Quality information dissemination

CS & Quality Seminar

The CS & Quality seminar is an in-house lecture held by external experts on a wide range of topics, including case studies of customer satisfaction and the development of organizations/human resources that can provide customer satisfaction. We have held these meetings since fiscal 2001 to raise awareness of CS & Quality. As of the end of fiscal 2022, a total of 64 such meetings have been held.
In fiscal 2023, seminars were held three times: once in the first half and twice in the second half.

<The 65th>
Why do incidents of data falsification continue to occur
TECHNOFA CORP
Chairperson Yoshihito Hirabayashi
(July 24, 2023)

<The 66th>
Customer feedback is a tool utilized to visualize customers satisfaction.
—Creating a bridge for CS improvement—
Skymark Airlines Inc. Kentaro Toda, General Manager of CS Promotion Office
Yaryoku Inoue, Assistant General Manager
(December 19, 2023)

<The 67th>
From Customer Satisfaction (CS) to Customer Delight (CD)-What is Service Excellence?
Graduate School of the University of Tokyo
Associate Professor
Tatsunori Hara of the Graduate School of Engineering
(March 21, 2024)

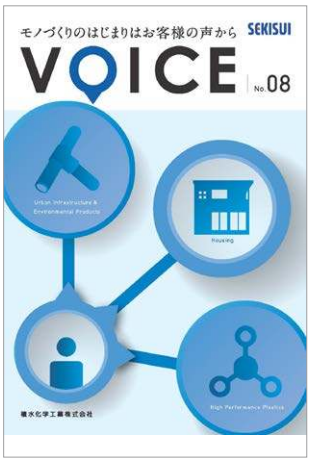
Publication of CS & Quality information tools (STAR 55 Bulletin / VOICE / Shining)

Since 2002, the 55th anniversary of our founding, we have undertaken STAR 55 activities, a Group-wide initiatives aimed at promoting CS. Since 2004, we have expanded our efforts to engage in CS quality-based management.
As part of these endeavors, we have published the STAR 55 Bulletin, a compilation of positive Group-wide CS & Quality examples since 2006. The 50th issue was published in September 2023.
In addition, in 2015 we launched VOICE, a collection of slightly less than 10,000 customer comments received each year by the Customer Consultation Office and the Group's subsequent response, with the aim of fostering a CS & Quality culture and encouraging employees to look beyond the business for which they are responsible. The most recent 8th issue of VOICE was published in July 2023. In 2019, we launched VOICE+ as an additional Web edition issue, and by March 2024 had published a combined total of 11 VOICE and VOICE+ issues.

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

●STAR55 Bulletin No.50 (September 2023)

●VOICE No.08 (July 2023)



●Shining No.01 (November 2023)

Improving KAIZEN Activity Groundwork

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

Improving the Quality of KAIZEN Activities

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

Expanding the Scope of KAIZEN Activities

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

Group KAIZEN Activity Presentations

Group KAIZEN Activity presentations (Group-wide competition) were held on a Group-wide basis in January 2024.
Under the slogan, "Widening the circle of KAIZEN, enhancing the quality of KAIZEN, and accelerating the KAIZEN process", selected presentation sites participated not only from Japan, but also four overseas regions (Europe, the United States, China, and Asia. In fiscal 2023, all presenters gathered together and were able to present their KAIZEN results face-to-face.
In addition, poster sessions were held in conjunction with each presentation.
Successful steps were taken to promote further exchange and mutual improvement by discussing and exchanging information on more in-depth content that could not be conveyed through presentations alone.

FY2023 Group KAIZEN Presentations

Strengthening CS & Quality Human Resources

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

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

In fiscal 2023, we held one development prevention online seminar.
As far as the content of CS is concerned, we conducted training that enables those in charge of each business to acquire and apply methods of designing and analyzing questionnaires in order to strengthen the mechanisms for collecting and utilizing customer feedback.
We are also focusing on digitizing training in an effort to address the shift to teleworking and ensure operational efficiency. As a result, we have put in place and operate a system that allows anyone to learn on demand at any time.

*1 DR: Design Review
*2 QFD: Quality Function Deployment

Performance Data

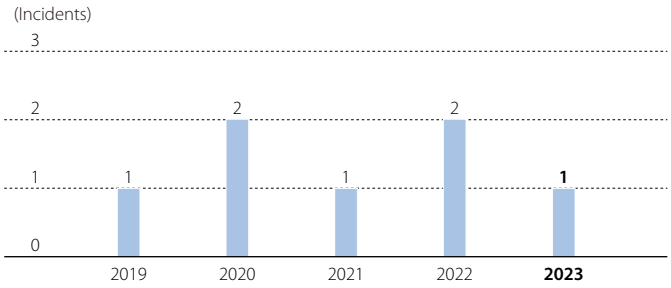
FY2023 Results

There was one major quality issue in the Group that occurred in FY2023. (Based on individual divisional company standards)
External loss costs*[1] came in at 79% compared with FY2020.
We will continue to strengthen Group-wide quality assurance systems. We will also focus on design/development processes. Moreover, we will promote the use of development preventive measures (such as QFD and DRBFM*[2])3 to reduce external loss costs.
In FY2023, the utilization rate of development prevention methods was 100%.

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

Data Concerning Major Quality Issues

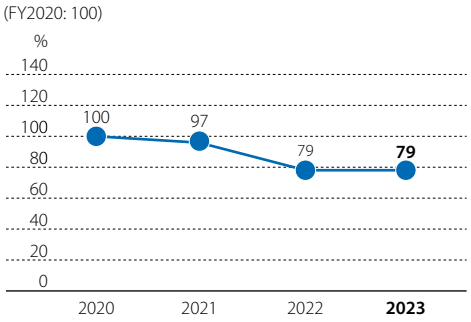
Number of Major Quality Issues ✅



Indicator	Calculation Method
Major Quality Issues	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 (1) Of the accidents that threatened user lives or lead to bodily harm, those in which the harm is serious. (2) Product loss or destruction incidents for which there is a risk of severe or fatal user injuries 2) Problems which have serious impacts (cause serious loss) to customers, users, or society 3) Compliance (such as complying with related laws and regulations) problems related to product or service quality 4) Product recall problems

Data Concerning External Loss Costs

External Loss Costs

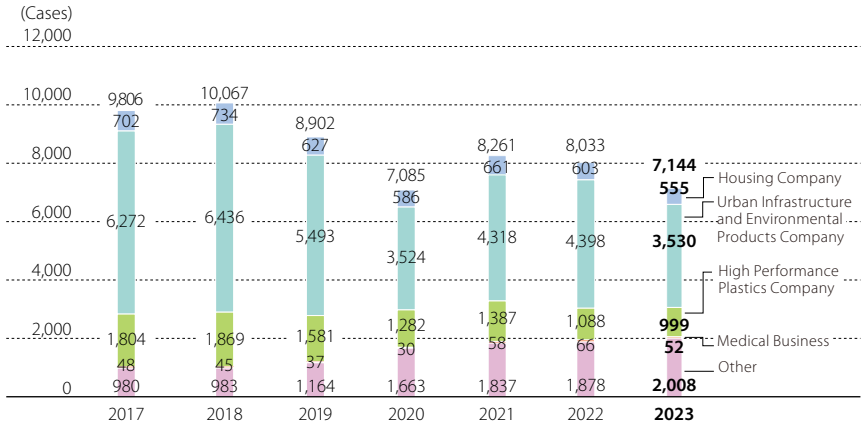


Indicator	Calculation Method
External failure costs	Costs arising from responding to product-related complaints

Other Data

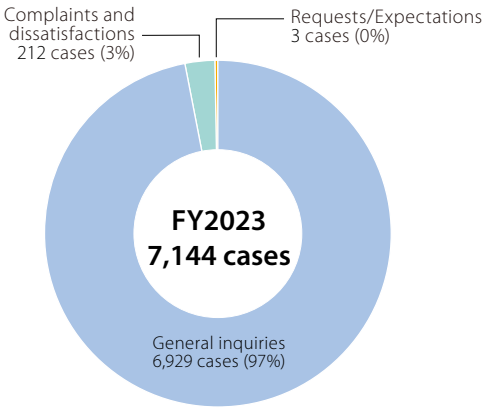
Data on incoming calls to the Customer Consultation Office

Incoming Contacts Received by the Customer Consultation Office in FY2023



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

Breakdown of incoming contacts (SEKISUI CHEMICAL)



Indicator	Calculation Method
Breakdown of incoming contacts	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 Note: Insider Net: A SEKISUI CHEMICAL Group intranet site on which details of incoming contacts to the Customer Consultation Office are released in real-time.

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

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

Housing Company (integrated certification)

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

Sekisui Board Co., Ltd.

Corporate Headquarters

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

Urban Infrastructure & Environmental Products Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Ritto Plant
SEKISUI CHEMICAL Co., Ltd. Gunma Plant
Shikoku Sekisui Industry Co., Ltd.
Kyushu Sekisui Industry Co., Ltd.
Sekisui Aqua Systems Co., Ltd.
Chiba Sekisui Industry Co., Ltd.
Sekisui Home Techno Co., Ltd.
Sekisui Chemical Hokkaido Co., Ltd.
Toto Sekisui Co., Ltd. Ota Plant
Yamanashi Sekisui Co., Ltd.
TOKUYAMA SEKISUI CO., LTD. Pipe Material Factory
Sekisui SoflanWiz Co., Ltd.
NIPPON INSIEK CO., LTD.
SEKISUI ESLON B.V.
Sekisui Chemical G.m.b.H.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.
Sekisui Industrial Piping Co., Ltd.
SEKISUI SPECIALTY CHEMICALS (THAILAND) CO., LTD.
SAND L SPECIALTY POLYMERS CO., LTD.

High Performance Plastics Company

SEKISUI CHEMICAL Co., Ltd. Shiga-Minakuchi Plant
SEKISUI CHEMICAL Co., Ltd. Musashi Plant
SEKISUI CHEMICAL Co., Ltd. Taga Plant
Sekisui Fuller Company, Ltd. (integrated certification)
- Shiga Plant
- Hamamatsu Plant
- Osaka Office
- Tokyo Office

Sekisui Techno Molding Co., Ltd. Tochigi Plant
Sekisui Techno Molding Co., Ltd. Aichi Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Sekisui Material Solutions Co., Ltd.
Sekisui Nano Coat Technology Co., Ltd.
Sekisui Chemical Co., Ltd. Tsukuba Site / IM Project
Sekisui Polymatech Co., Ltd
Sekisui Seikei Co., Ltd.
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec B.V.
Sekisui S-Lec Thailand Co., Ltd.
Sekisui S-Lec (Suzhou) Co., Ltd.
Sekisui S-Lec America, LLC.
Sekisui Alveo BS
Sekisui Alveo G.m.b.H
Sekisui Alveo S.r.L
Sekisui Alveo S.A.
Sekisui Alveo A.G.
Sekisui Alveo (Benelux) B.V.
Sekisui Alveo B.V.
Thai Sekisui Foam Co., Ltd.
Sekisui Voltek, LLC. Coldwater Plant
Sekisui Pilon Plastics Pty. Ltd.
Youngbo Chemical Co., Ltd.
Sekisui Youngbo HPP (Wuxi) Co., Ltd.
Sekisui Specialty Chemicals America, LLC.
- Calvert City Plant

Sekisui Specialty Chemicals America, LLC.
- Pasadena Plant

Sekisui Specialty Chemicals America, LLC.
- Dallas HQ

Sekisui Specialty Chemicals Europe, S.L.
- Tarragona Plant

SEKISUI DLJM MOLDING PVT LTD- CHENNAI-1
SEKISUI DLJM MOLDING PVT LTD- CHENNAI-2
SEKISUI DLJM MOLDING PVT. LTD GR. NOIDA
SEKISUI DLJM MOLDING PVT. LTD TAPUKARA
SEKISUI DLJM MOLDING PVT LTD GUJARAT
SEKISUI POLYMATECH (THAILAND) Co., Ltd.
PT. SEKISUI POLYMATECH INDONESIA
Sekisui Polymatech (Shanghai) Co., Ltd.
SEKISUI POLYMATECH EUROPE B.V.
SEKISUI AEROSPACE CORPORATION
SEKISUI KYDEX, LLC.

Intellectual Property Management

Strategy (Stance and Approach)

Basic Concept

We believe that intellectual property as a result of our research and development activities is an important management resource that supports SEKISUI CHEMICAL Group's growth and earnings as well as efforts to maximize corporate value. For this reason, we strive to secure strategic intellectual property that supports our business and to maintain and manage the intellectual property we have acquired.
Under the Medium-term Management Plan that started in fiscal 2023, we are engaged in activities while referencing the Patent Asset Index™(PAI), which is an indicator of the value of patented property.

Governance

System

In response to the divisional company organization system, SEKISUI CHEMICAL Group has established independent intellectual property departments at each of its headquarters and divisional companies so that each divisional company can promptly promote its activities in accordance with its business environment.
The R&D Committee regularly monitors the activities of intellectual property departments and holds discussions with top management.

Risk Management

Risk Management

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

Indicators and targets

Targets

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

Major Initiatives

Strategic Activities for Securing Intellectual Property

SEKISUI CHEMICAL Group promotes strategic intellectual property activities that make the most of its technology prominence and contribute to its business.
Specifically, we analyze the competitive environment surrounding intellectual property information, markets, and competitive information, expanding to include not only patent information but also a wide range of non-patent information related to business activities, and then implement appropriate strategies and intellectual property portfolio management.

Employee Education

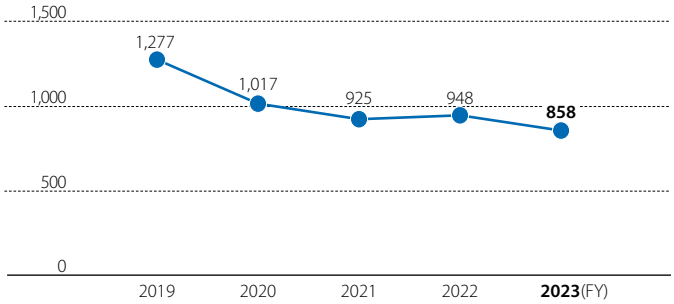
In order to ensure that each developer maintains and manages his or her own intellectual property and avoids and prevents intellectual property infringement by others, we have prepared several educational programs tailored to the level of each developer, from basic knowledge to strategy building, and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

Reasonable Evaluations with Regard to Inventions

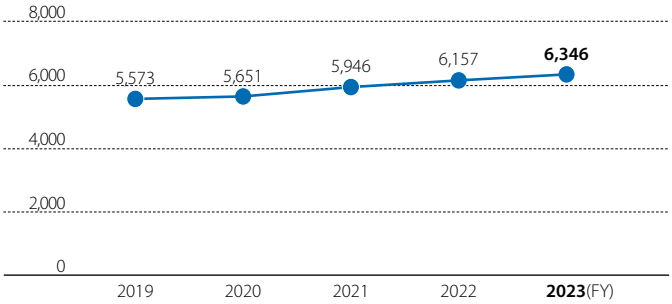
SEKISI CHEMICAL Group has established the Invention Grand Prize system as part of the evaluation and treatment of researchers and engineers, in addition to providing various incentives for employee inventions. We also reward employees with inventions that make a particularly large contribution to profits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

Performance Data

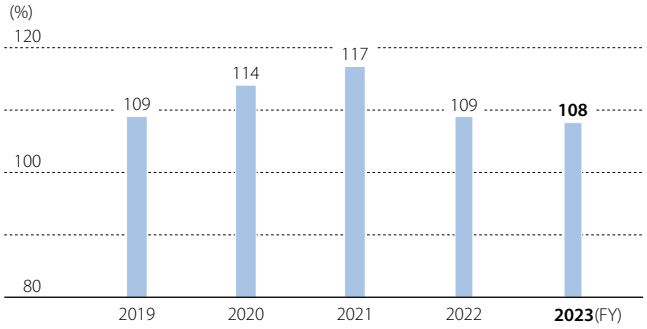
Number of Patent Application Filings



Number of Patents Held



Patent Asset Index™ growth rate



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

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

Innovation

Strategy (Stance and Approach)

Basic Concept

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

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

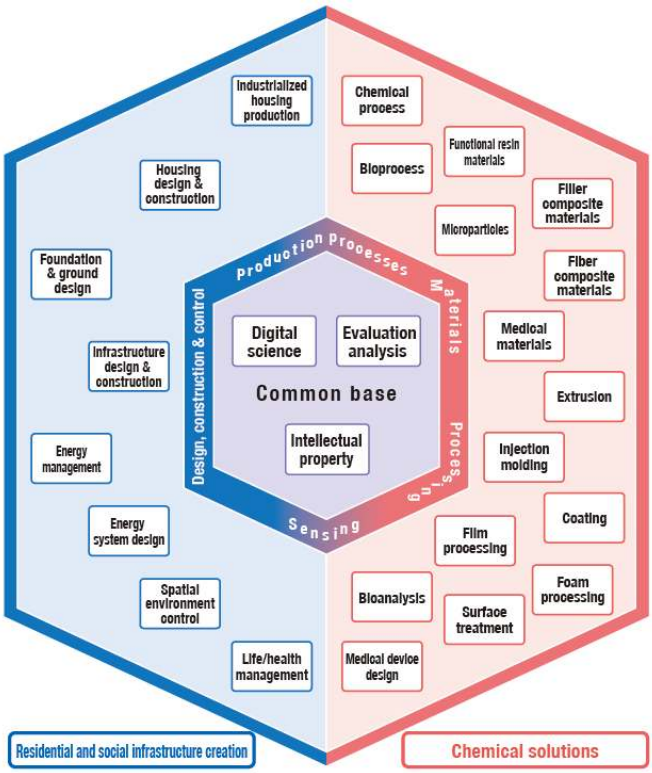
In addition, we launched a Group-wide innovation roundtable initiative to identify business opportunities across business domains and to regularly examine the combination of technologies. Through these efforts, we are working to strengthen our ability to innovate as a comprehensive Group-wide strength.

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

Governance

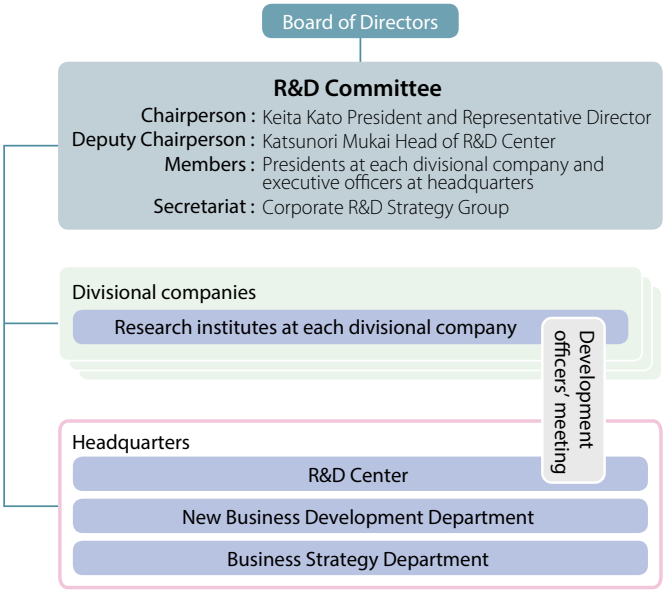
System for Promoting Innovation

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



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

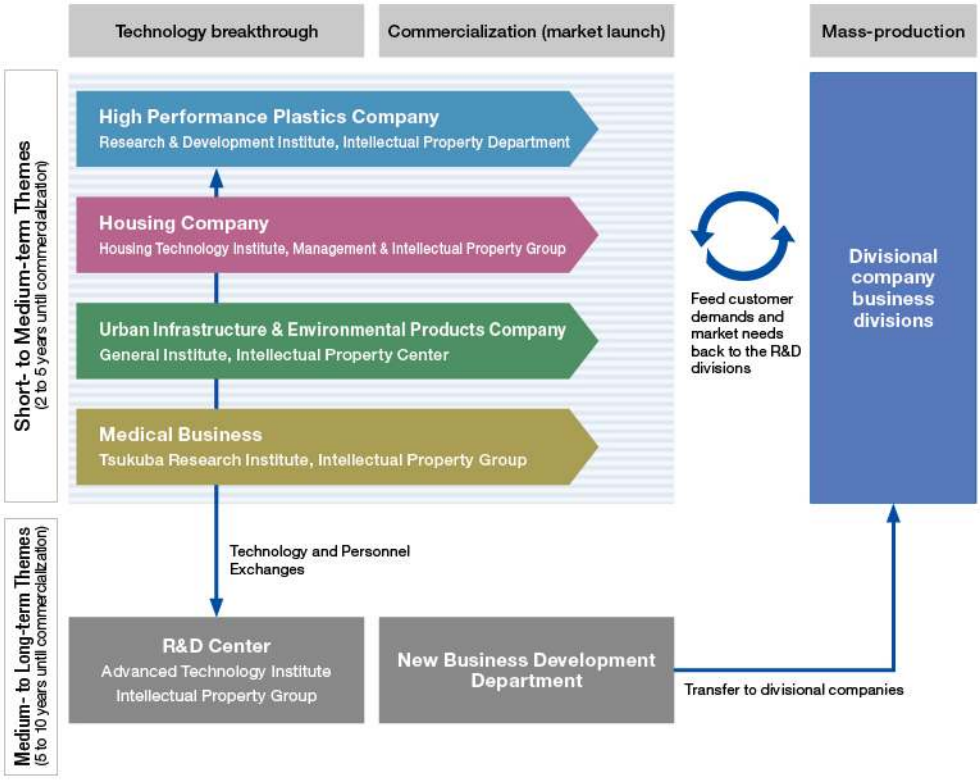
The status of innovation initiatives is monitored regularly by the R&D Committee. Discussions are underway with top management to further strengthen innovation.



Roles of the R&D Committee

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

R&D and intellectual property management system



Risk Management

Collection and Analysis of Information to Respond Appropriately to Uncertainties

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

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

Indicators and Targets

Targets

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

Major Initiatives

Internal and External Technology Fusion

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

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

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

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

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

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

Moreover, we have entered into a partnership with ArcelorMittal, S.A., one of the world's largest steel companies, to pursue a carbon recycling technology project. In addition to promoting initiatives aimed at reducing CO_2 emissions during steelmaking, we are also engaged in a joint study with COSMO ENERGY HOLDINGS Co., Ltd. to convert CO_2 into valuable materials.

Mechanisms for Creating New Businesses

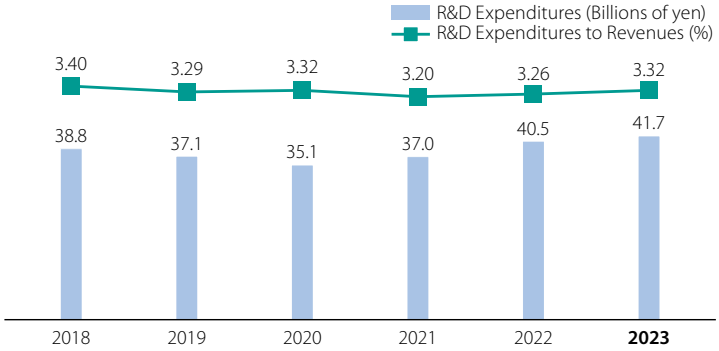
In 2021, SEKISUI CHEMICAL Group established the Innovation Promotion Group in the New Business Development Department with the aim of continuing to bring about innovation that helps resolve social issues as stipulated in the Group's Vision 2030.

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

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

Performance Data

R&D Expenditures / R&D Expenditures to Revenues



DX

Strategy (Stance and Approach)

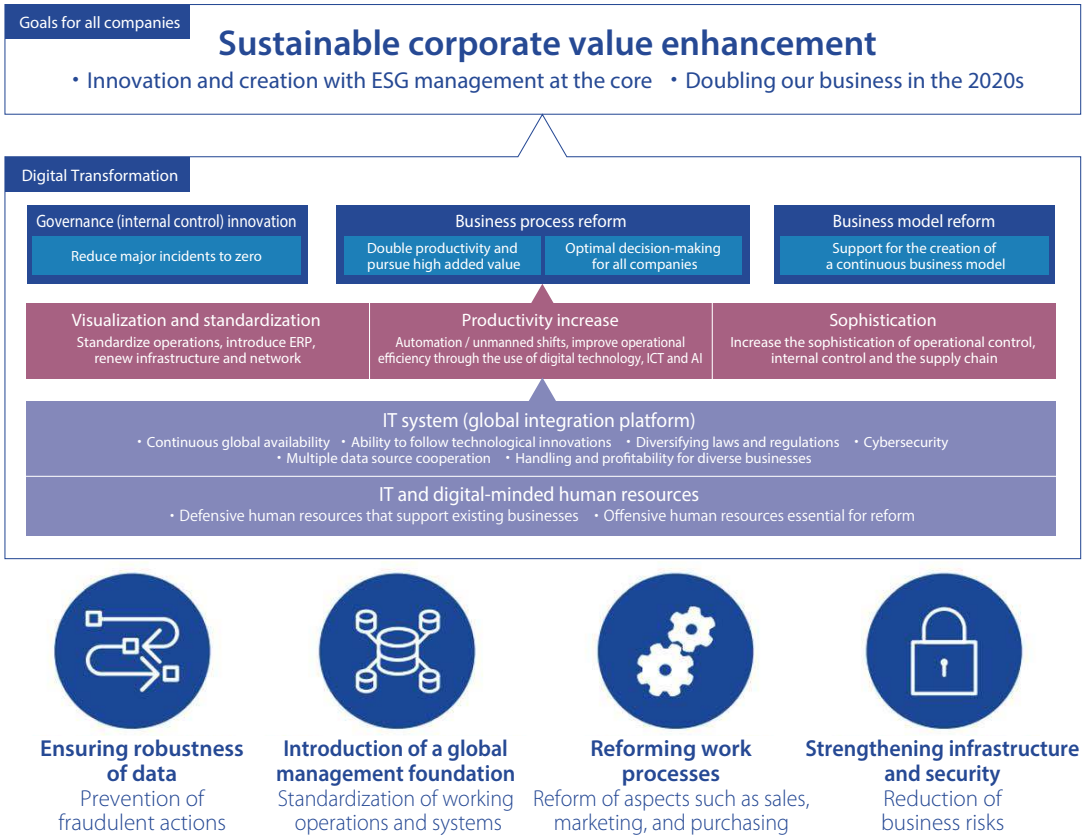
Basic Concept

The mission of Digital Transformation (DX) for SEKISUI CHEMICAL Group is to accelerate and support growth business strategies and structural reforms to realize the Long-term Vision.
Against the backdrop of major changes in the external environment, the Group has four sense of crises: a lack of governance and labor, diversification of management data, and a reduction in profitability due to changes in the market. In light of these factors, we are implementing DX as a means to survive against global competition.
Our Group-wide DX is centered on business process transformation, and we are advancing three reforms: governance innovation and business model transformation from the perspectives of "visualization and standardization*," productivity improvement, and sophistication. We are also strengthening our foundation, including in IT systems and personnel, to support these transformations.

Governance

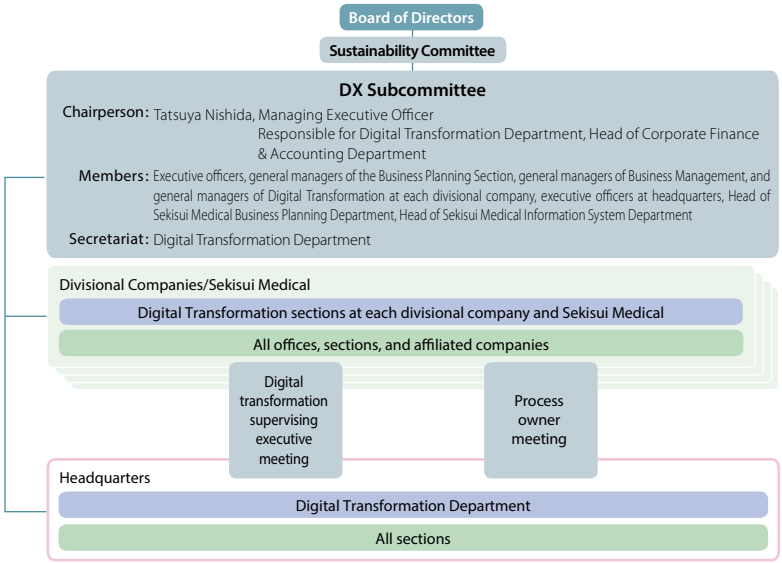
DX Overview

SEKISUI CHEMICAL Group is promoting thorough standardization and data-based productivity improvements as "business process transformation."
In order to accelerate growth strategies and structural reforms on a Group-wide and global basis to realize our Long-term Vision, we are shifting to a phase of further digital expansion and the creation of benefits in each of our global management foundation, purchasing, and sales and marketing domains. Governance will be strengthened through the operation of a global management foundation and the deployment of an indirect purchasing system. At the same time, we will fully create the benefits of the DX projects we have developed to date.
In order to support the realization of these goals, we are developing human resources who can make full use of digital tools and data, and establishing a global cyber security response system.



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

DX Promotion System



Risk Management

Risk Recognition and Response System

DX delays or stagnation in SEKISUI CHEMICAL Group could lead to the risk of delays in responding to increasingly sophisticated governance-related and other social demands. There is also a risk that the current reliance on manpower may continue.
With this in mind, the DX Subcommittee, chaired by the executive officer in charge of the Digital Transformation Department, was newly established under the Sustainability Committee. This subcommittee monitors the progress of digital transformation from a management perspective and makes decisions on countermeasures.
In addition, since the use of information systems and data is essential to the promotion of DX, it is important to address risks related to information management. We have established CSIRT as a cyber security response system, and are also conducting employee awareness activities and incident training.

Indicators and Targets

Targets

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

Major Initiatives

Global Management Foundation

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

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

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

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

Purchasing

As part of our global purchasing reforms, we are working to standardize purchasing operations and visualize transaction data using systems.
By visualizing global transactions, fraud can be deterred and detected at an early stage. We will also improve purchasing power and reduce procurement costs by achieving overall optimal purchasing. In addition, we are working to establish systems and infrastructures that can continuously reduce costs by minimizing low-value-added operations through the introduction of systems.
In 2023, we completed the introduction of the indirect purchasing system to our main domestic bases and made efforts to firmly establish its use. We are also reducing procurement costs by utilizing accumulated data and strengthening negotiating power and management/control through consolidation.

Sales and marketing

Our Group aims to thoroughly improve efficiency and productivity through the standardization and automation of business operations related to sales and marketing, and to improve the top line through the use of sales data.
Problems arose in operations related to sales and marketing, such as the different systems used by each divisional company, and the large portion of work that was personalized. In response to these problems, we are working to shift to value-based operations so that we can provide better value to our customers by engaging in business processes more effectively.
In fiscal 2023, we are making progress in visualizing the status of customer transactions and expanding our efforts to strengthen our sales processes through data analysis, including the use of external data.
We are also working to further secure sales data, an essential part of our DX initiatives.

DX human resources

In order to significantly improve the productivity of operations, it is important to standardize, automate, and improve the efficiency of operations through the use of digital technology and data. In order to accelerate DX, we are also promoting the development of so-called DX human resources, who will be able to use digital technology to solve business issues and spread those activities in the field.
In fiscal 2023, we established five practical courses with the goal of solving business issues. Through classroom lectures on digital tools and practical training to solve business issues, DX business core-level personnel who have improved their digital skills and realized the benefits of DX will further promote DX activities in the field.

Diverse work styles

In order to realize a diverse range of work styles, the Group promotes "remote work," a way of working that utilizes in-house IT systems from locations other than offices (home, outside, etc.). We are also working to strengthen global communication with a view to achieving long-term growth on a global basis.
In fiscal 2023, we began to further develop our Integrated User Certification Infrastructure to ensure the safety and secure use of cloud services, which are rapidly being introduced, and to shift to communication platforms and digital devices that can be used globally. Through this IT infrastructure, we have been able to achieve both work productivity and cyber security in a variety of work styles, including telecommuting. We will continue to realize safety and timely information sharing on a Group-wide and global basis.

Increasing the speed of material development through digital science

We are promoting the use of Materials Informatics (MI) in order to respond to the environmental changes surrounding the development of new materials (shorter product life cycles, resource constraints, and the need to both diversify material requirements and accelerate R & D activities). One of the features of the Group's MI is the fusion of informatics technologies, such as computational science, image analysis, evaluation analysis, and system design capabilities.
Currently, work is currently being conducted on a number of MI R&D projects. Specifically, we have achieved such results as considering the formulation design of film products at a faster pace than in the chemical industry, and significantly shortening the time required to develop adhesives for electronic material tapes.
In the future, we will accelerate the development of materials as well as the development of innovative fields under our Long-term Vision.
By expanding the scope of value creation using the power of digital technology, we will be the driving force behind the Group's sustainable growth.

Reference Materials

SEKISUI CHEMICAL Group's Various Policies

SEKISUI CHEMICAL Group Human Rights Policy

SEKISUI CHEMICAL Group recognizes that it is our responsibility to protect human rights of all individuals affected by our business activities.
In order to advance efforts to promote respect for human rights, we hereby announce the adoption of SEKISUI CHEMICAL Group Human Rights Policy (Policy), based on the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council in June 2011.
SEKISUI CHEMICAL Group contributes to society through its business activities under its Corporate Philosophy, the 3S Principles (Service, Speed, and Superiority), in order to meet the expectations of its stakeholders. As part of our Group Vision, residential and social infrastructure creation and chemical solutions are designated as the business domains that should be pursued, through which we are working to improve the lives of the people of the world and the Earth's environment.
For the SEKISUI CHEMICAL Group to truly contribute to the achievement of a sustainable world, we understand that the human rights of all individuals within our sphere of influence must be respected.

1. Basic principles on human rights

The Policy is our promise to respect human rights, in order to fulfill our responsibilities to all stakeholders, based on our Corporate Philosophy and Group Vision. To that end we support and respect the United Nations International Bill of Human Rights (specifically the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights), which sets out the basic human rights of every individual. Furthermore, in addition to the Declaration on Fundamental Principles and Rights at Work from the International Labour Organization (ILO)*, which sets out people's fundamental rights at work, we also support and respect international human rights standards for workers adopted in conventions on such matters as wages and working hours, and the United Nations Declaration on the Rights of Indigenous Peoples. Lastly, as a company that has signed up to the United Nations Global Compact (GC), we support and respect the GC Ten Principles.

* This includes support and respect for the ILO's Core Labour Standards: the effective abolition of child labour, the elimination of all forms of forced or compulsory labour, the elimination of discrimination in respect of employment and occupation, freedom of association and the effective recognition of the right to collective bargaining, a safe and healthy working environment.

2. Scope

The Policy is applicable to all employees and executive officers of SEKISUI CHEMICAL Group. Our Group also requires all of our business partners to comply with the Policy in connection with our products and services.

3. Responsibility to respect human rights

SEKISUI CHEMICAL Group is aware that it is not possible to completely eliminate every possibility of an adverse impact from its business activities. That said, we aim to fulfill our responsibility of promoting respect for human rights by building a responsible supply chain that avoids infringing the human rights of the people affected by our business activities, and, if our business activities do have an adverse impact on someone's human rights, appropriate action will be taken in an effort to rectify that situation.

4. Human rights due diligence

SEKISUI CHEMICAL Group will establish a system of human rights due diligence to identify, prevent and mitigate any adverse impacts on human rights that our Group causes in society.

5. Dialogue and consultation

In its implementation of the Policy, SEKISUI CHEMICAL Group will engage in earnest dialogue and consultation with our stakeholders, and will apply expert human rights knowledge from independent third parties.

6. Education and training

SEKISUI CHEMICAL Group will provide education and training as is appropriate to ensure that the Policy becomes an incorporated part of all of our business activities and is implemented effectively.

7. Remediation

If it emerges that SEKISUI CHEMICAL Group's business activities have had adverse impact on someone's human rights, or if our involvement in the same through for example one of our business relationships emerges or is suspected, we will work to remedy the same through dialog and the appropriate processes in line with international standards.

8. Responsible executive officer(s)

SEKISUI CHEMICAL Group will entrust an executive officer or officers with the responsibilities for execution of the Policy, who will supervise its progress and status.

9. Information disclosure

SEKISUI CHEMICAL Group will disclose the progress and the results of our efforts to promote respect for human rights, on its website and through other media.

10. Applicable laws and regulations

SEKISUI CHEMICAL Group will comply with the laws and regulations of each of the countries and regions in which our business activities are conducted. Where there is a conflict between a country's laws or regulations and internationally recognized human rights standards, our Group will pursue ways to respect international human rights principles to the maximum extent possible.

The Policy has received the approval of our board of directors and the signature of our President and Representative Director.

Date of Enactment: May 15, 2019
Date of Revision: March 1, 2020
Date of Revision: February 1, 2024

SEKISUI CHEMICAL CO., LTD.
President and Representative Director

Keita Kato

Human rights issues

The following are salient human rights issues that SEKISUI CHEMICAL Group is addressing in accordance with its human rights policy.

(1) Discrimination

We respect human rights and diversity of individuals. We do not tolerate discrimination based on nationality, race, ethnicity, religion, ideology, gender, age, disability, gender identity, sexual orientation, or employment status, or any behavior that undermines individual dignity.

(2) Harassment

We do not tolerate harassment of any kind, whether mental or physical, or any behavior that harms others.

(3) Forced Labor and Child Labor

We do not tolerate forced labor, child labor, or any form of modern slavery, including human trafficking.

(4) Freedom of Association and Right to Collective Bargaining

We respect the freedom of association and the right to collective bargaining.

(5) Occupational health and safety

We will comply with laws and regulations concerning workplace safety and health, and will create a safe and healthy work environment by giving due consideration to such laws and regulations.

(6) Working hours and wages

We shall comply with all laws and regulations concerning working hours and wages, and shall consider fair and equal wages for employees and business partners.

SEKISUI CHEMICAL Group Environmental Management Policy

Mission

Working hand-in-hand with a variety of stakeholders*1, we, SEKISUI CHEMICAL Group, aim to contribute to returns to natural capital and the realization of an earth with maintained biodiversity by enabling the continuous growth and co-existence of ecology and the economy.

*1 Includes all upstream and downstream global supply chains.

Basic Policy

SEKISUI CHEMICAL Group engages in various endeavors that contribute to carbon neutrality, a circular economy, and a society with abundant access to clean water in all of the countries and regions in which it operates.

1. Contribute to the environment through the Group's business

We will work to develop products that contribute to the environment across all stages of the product life cycle*2 from research to procurement, production, sales, use, and disposal as waste and expand applicable markets.

*2 We will promote initiatives in collaboration with all upstream and downstream global value chains, including raw material suppliers.

2. Minimize environmental impact and prevent pollution

We will work to reduce environmental impact*3 and prevent pollution throughout the product lifecycle, and develop measures in cooperation with stakeholders.

*3 Activities to reduce environmental impact, including the reduction of GHG emissions and recycling of resources as well as water.

3. Training

We will enhance our ability to resolve environmental issues through continuous training, participation in social contribution activities promoted by business sites, and self-improvement.

4. Comply with statutory and regulatory requirements

We will observe the related laws, regulations, and international rules.

5. Contribute to society

We will engage in social contribution activities focusing on the environment, next-generation education, and local communities, and support activities aimed at solving environmental issues by NPOs and local governments.

6. Enhance the Group's credibility

We will maintain transparency in our activities and results, regularly report on progress, and communicate closely with stakeholders to build trust.

[Climate Change Mitigation and Adaptation Policy]

Mission

SEKISUI CHEMICAL Group recognizes the serious impact of global warming and climate change on humanity and the global environment, and pledges to act proactively and responsibly.
We place the utmost importance on climate change mitigation and adaptation, striving to reduce our environmental footprint and to contribute to the realization of a resilient, low-carbon society.
We will maintain transparency in our actions and results, regularly report on progress, and prioritize dialogue with various stakeholders.

Basic Policy

<Efforts to Mitigate Climate Change>

1. We will work to develop and expand products that reduce GHG emissions across all stages of the product life cycle* from research to procurement, production, sales, use, and disposal as waste.

2. We will set targets based on scientific evidence to vigorously reduce GHG emissions. Moreover, we will continuously contribute to the reduction of GHG emissions through various initiatives, including efforts to increase energy efficiency, utilize renewable energy, and conserve resources.

3. We will continuously contribute to efforts aimed at fixing the amount of CO_2 by promoting the procurement of timber in line with the Group's Timber Procurement Policy and Sustainable Timber Procurement Guidelines.

4. We will develop human resources who are aware of all relevant issues and who actively consider and implement measures to reduce GHG emissions by promoting nature conservation activities, including reforestation.

<Efforts toward Climate Change Adaptation>

1. We will work to develop and expand products that can transform social systems and limit the damage caused by natural disasters that are becoming more frequent and devastating as a result of climate change.

2. We will put in place a BCP, develop leaders who are highly sensitive to risks, and conduct human resources training to ensure that our business activities can continue even in the event of frequent and severe disasters caused by climate change.

* All upstream and downstream global value chains, including raw material suppliers. We will also promote measures by joining and collaborating with related organizations and initiatives that share the same mission and objectives.

[Resource Recycling Policy]

Mission

In partnership with the supply chain*, SEKISUI CHEMICAL Group will work to minimize the use of virgin raw materials derived from fossil fuels, promote resource recycling, and realize a circular economy through its businesses.

Basic Policy

1. Promote innovation that contributes to resource recycling
2. Expand the use of non-fossil fuel-based and recycled materials in our business activities
3. Maximize the recycling of waste generated throughout the life cycle into materials

* All upstream and downstream global value chains, including raw material suppliers. We will also promote measures by joining and collaborating with related organizations and initiatives that share the same mission and objectives.

[Water Resources Policy]

Mission

Water is an essential resource for all life on earth (maintenance activities) and for the business activities of companies. As such, the sustainable use and management of water resources are an absolute must.
SEKISUI CHEMICAL Group is acutely aware of the importance of water resources and is committed to promoting its sustainable use and management to ensure a society with abundant access to clean water.
We will maintain transparency in our actions and results, regularly report on progress, and prioritize dialogue with various stakeholders.

Basic Policy

1. Contribute to the reduction of water-related risk through our business activities
We will contribute to society through our business by developing water infrastructure, including water purification, supply, storage, and drainage facilities, so that people, companies, and organizations around the world can have access to the quality and quantity of water they need.
We will also help build a resilient water infrastructure that can quickly be restored while minimizing water-related risks in the event of a disaster.

2. Ensure the efficient use and conservation of water resources (risks posed by the Group)
We will work to ensure the efficient and minimal use of water resources. In addition, we will preserve and improve water quality through proper treatment and handling.

3. Reduce water-related risks with respect to business activities and the global value chain (risks to which the Group is exposed)
We will identify, manage, and minimize water-related risks, including local water stress, water scarcity, and water pollution in our business activities and all the upstream and downstream global value chains in which we operate.

4. Promote sustainable water use through collaboration with stakeholders*.
We will collaborate with stakeholders and reduce water-related risks. We will promote the sustainable use of water in each region by establishing water projects in partnership with suppliers and customers, and through water conservation activities in cooperation with local communities.

* All upstream and downstream global value chains, including raw material suppliers. We will also promote measures by joining and collaborating with related organizations and initiatives that share the same mission and objectives.

[Biodiversity Policy]

Mission

The business activities of SEKISUI CHEMICAL Group benefit from the many blessings that nature's wisdom provides in maintaining a healthy balance of species, ecosystem services, and ecosystem hierarchies in biodiversity. Meanwhile, the Group depends on biodiversity while imposing impacts. Recognizing this, we view nature as valuable "natural capital" and understand the impact of its use. Accordingly, we will implement measures, including product development, market expansion, and corporate activities that reduce any negative impact while increasing positive impacts on natural capital.

We will promote the efficient use of limited resources and energy, and strive to reduce the environmental impact caused by greenhouse gases and hazardous chemical substances while preventing pollution. At the same time, we will endeavor to improve product functions and services so that our customers who use our products can contribute to the conservation of biodiversity.

We will collaborate with various stakeholders to conserve and restore biodiversity in a bid to achieve nature positivity*1 through various environmentally conscious endeavors and contributions across our business activities and environmental conservation activities around the world, while making returns that have a more positive impact on natural capital than the natural capital we use.

*1 Nature positivity: To halt further deterioration from a global scale biodiversity perspective and positively increase natural capital.

Basic Policy

1. We will work to comprehensively understand and manage the relationship between our corporate activities and the dependence and impact of biodiversity, and place importance on biodiversity.
2. We will minimize any negative impact by giving full consideration to biodiversity at all stages of the product life cycle*2.
3. We will contribute to the conservation and restoration of biodiversity through our business activities and initiatives.

*2 Upstream and downstream global value chains, including raw material suppliers. We will also promote measures by joining and collaborating with related organizations and initiatives that share the same mission and objectives.

Land Use Policy

1. In principle, we will not engage in the use and development of land that entails conversion activities in the vicinity of valuable ecosystems.
2. In the event of new land use or a change in the use of existing land, we will assess the impact on biodiversity and work to minimize of any identified negative impact.
3. As far as the land that we manage and use on an ongoing basis is concerned, we will work to conserve biodiversity and restore the potential biodiversity of land with its inherent ecological hierarchy preserved.

Declaration of Zero Deforestation

SEKISUI CHEMICAL Group will not engage in any direct or indirect deforestation activities throughout the entire life cycle of its products, including raw material procurement.

[Biodiversity Action Guidelines]

1. Identify and grasp dependencies and impacts on biodiversity throughout the global value chain and reduce any negative impact

We will comprehensively identify the dependence and impact of our business activities on biodiversity throughout the entire upstream and downstream global value chain, including raw material suppliers, and consider how to avoid, minimize, recover, and offset any negative impact on the ecosystem at all stages of the product life cycle (from raw materials to manufacturing, use, and disposal after use).

2. Contribute to the conservation and restoration of biodiversity through various business means, including product functions and services

We will work to develop and deploy technologies and products that contribute to the conservation and restoration of biodiversity, while learning from the natural world's waste-free materials and energy circulation system and making use of its wisdom in manufacturing.

3. Enhance employee knowledge and capacity to act to conserve biodiversity

We will work to conserve biodiversity by enhancing employees' knowledge and capacity to act through the promotion of social contribution activities, including training and nature conservation activities.

4. Engage in dialogue and collaborate with stakeholders and promote conservation activities

We will promote biodiversity conservation by engaging in dialogue with various stakeholders and working together toward the same goal.

5. Transmit and disseminate information and raise awareness

To remain a company that is trusted by and meets the expectations of society, we will take the lead in disclosing information on our dependence on and impact on biodiversity as well as our achievements in mitigating and conserving biodiversity. We will also contribute to raising awareness and promoting a sustainable society.

SEKISUI CHEMICAL Group CS & Quality Management Policy

Mission

We, SEKISUI CHEMICAL Group, consider CS & Quality as our central concept of management and will consistently innovate to maintain the quality of products throughout all our activities, continuously provide values (goods and services) that meet customer expectations, strive for selection by our customers on an ongoing basis, and develop and grow with the customer over the long time.

Basic Policy

We, SEKISUI CHEMICAL Group, consider Customer's Feedback as precious resources for management and strive to innovate about Quality of Products, Quality of People and Quality of Systems based on the motto: We consider customer's feedback as the beginning of our manufacturing. Furthermore, we contribute to the realization of a safe and affluent society by continuously providing our customers and their communities with new value.

1. Ensuring basic qualities

To ensure the reliability and safety of our manufactured products, which form the basis of Product Quality, we effectively leverage customer's feedback and dedicate ourselves with a strong belief in forestalling any potential trouble and preventing any future recurrence throughout our entire value chain.

2. Creating attractive qualities

We aim to share the excitement of our customers by thoroughly pursuing what the customer values and constantly creating attractive products and services that should realize such customer values.

3. Upgrading technological capabilities

For the sake of ensuring Basic Qualities and for creating Attractive Qualities, we are upgrading our technological capabilities in all fields in order to achieve superb manufacturing development.

4. Enhancing communication

We value communication with our customers and the community and make sincere efforts when dealing with them as well as complying with the relevant laws and regulations in each country and region. We place special emphasis on resolving customer complaints or claims at an early stage by responding promptly and empathetically.

5. Providing thorough employee education

To gain and maintain the full trust and impression of our customers, we provide employees with continuous CS & Quality education as well as motivating our employees to achieve self-realization through customer satisfaction.

SEKISUI CHEMICAL Group Compliance Policy

1.SEKISUI CHEMICAL Group Compliance

We believe in integrity, and will raise compliance awareness and conduct ourselves in a compliance-oriented manner to ensure that SEKISUI CHEMICAL Group can be trusted by society at large.

2.Relationship with Society

1) Accounting Processing
We will carry out the proper accounting process based on facts and prepare financial statements properly.
2) Government Laws and Regulations
When undertaking sales activities, we will obtain any necessary permits and licenses, and will ensure that we always undertake renewal procedures and other such procedures in order to comply with administrative laws and regulations.
3) Security Export Control
We will not export any arms, weapons, and related technologies that may harm international peace and security.
4) Political Donations
We will not give illegal political donations.
5) Rejection of Association with Antisocial Forces
We will take a firm stance toward antisocial forces, and will not associate with such forces in any way.
6) Prohibition on Insider Dealings
If we become aware of insider information of SEKISUI CHEMICAL Group or any of its business partners in the course of our work, we will not divulge it to any third party or trade in their shares until such information is made public.
7) Disclosure of Corporate Information
On the basis of our Principle of Corporate Information Disclosure we will disclose corporate information in a fair, timely, and appropriate fashion.
8) Conservation of the Global Environment
We are fully aware of the importance of environmental protection, and will endeavor to reduce our environmental impacts in all stages of our business activities ranging from product research and development to the procurement of raw materials, production, sales, and transportation and to contribute to environmental protection through SEKISUI products.
9) Respect for Human Rights and Prohibition of Discrimination
On the basis of the SEKISUI CHEMICAL Group Human Rights Policy, we will respect the human rights of each and every person who is affected by our Group's business activities, and will strive to ensure we do not violate human rights.

3. Relationship with Customers, Business Partners, and Competitors

1) Product Safety
For the manufacture, development, sale, transport, maintenance, and repair of products, we will always pay attention to safety, fully understand laws and safety standards related to the safety of products, and observe them, to supply better products to customers.
2) Ensuring Sound Quality
We will not engage in misconduct regarding quality that leads to quality scandals, such as concealing product safety defects, misrepresenting performance, failing to comply with product-specific laws and regulations or official certification requirements, fraudulent labeling, and falsifying or fabricating quality data.

3) Marketing and Sales Activities in Good Faith
We will conduct marketing and sales activities with consideration given to the interests of customers and in compliance with applicable laws and regulations, including the Consumer Contract Act, the Act on Specified Commercial Transactions, and the Act against Unjustifiable Premiums and Misleading Representations.
4) Compliance with Antitrust and Competition Laws
We will not, under any circumstances, engage in conduct that constitutes a violation of antitrust and competition laws such as cartels, bid-rigging, constraints on resale price, or transactions with constraint conditions, and always strive to engage in fair and free business competition.
5) Fair Trading with Business Partners, Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors
We will respect the rights of our business partners, deal with them honestly and in good faith, and treat them fairly and equitably.
6) Corruption Prevention
We will never engage in conduct that is considered or could be construed as bribery. We will also take care so as not to be complicit in money laundering.
7) Conflicts of Interest
If there is a conflict of interest between the company's interests and the interests of an individual in our dealings, we will consider the matter from the perspective of whether our actions are beneficial for the company, and ensure that we do not cause any damage to the company.

4. Relationship with Employees

1) Power Harassment
We will not abuse our power or engage in any acts equivalent to an abuse of power toward others.
2) Sexual Harassment
We will not engage in sexual harassment or any acts that are equivalent to sexual harassment.
3) Compliance with Labor Relations Laws
We will comply with the labor relations laws to commit ourselves to maintaining a healthy and safe work environment.

5. Relationship with the Company's Property

1) Proper Management and Protection of the Company's Property
We will ensure adequate management of the company's property, whether tangible or intangible, and prevent assets from being damaged or stolen, or trade secrets from being divulged.
2) Proper Use of Intellectual Property
We will use intellectual property, which is the company's valuable assets, in an appropriate manner and ensure the protection of the intellectual property rights.
3) Proper Management and Protection of Personal Information
We will specify the purpose of use of personal information to the extent possible, clearly state this prior to obtaining such information in a fair manner, and use it only within the scope of the stated purpose. We will also handle personal information appropriately in accordance with the relevant laws.

SEKISUI CHEMICAL Group Human Resources Policy

Mission

Based on our belief that employees are precious assets bestowed on us by society, we, SEKISUI CHEMICAL Group, are committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their specialties and support growth through challenges.
With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure working environments in response to conditions in each country and region.

Basic Policy on Human Resources

Goal: Everyone's challenge is linked to efforts aimed at solving social issues

(1) Promote Diversity
SEKISUI CHEMICAL Group will foster an organizational culture in which all employees are able to work dynamically and make the most of their unique characteristics and talents.

(2) Encourage Challenge
Support personnel who take the initiative and continue to take on challenges.

(3) Nurture Prominent Human Resources
Support human resources who have their own unique skills to learn and grow on their own.

(4) Promote Teamwork
We create workplace cultures that facilitate open communication on an equal footing, and in which members cooperate and respect each other

(5) Create safe and secure working environments
We create working environments that ensure employees are both physically and mentally healthy, and that allow them to work safely

Note: Developed (1), (2), and (3) as the Human Resource Development Policy.

Harassment Prevention Guidelines

We never commit sexual harassment or other actions that stain personal character.

1. We do not commit sexual harassment or any conduct that might be misunderstood as sexual harassment.
2. We do not misuse the power of a superior position nor use any language or conduct that could sexually annoy any person. In addition, we prevent other employees from using such offensive language or conduct.

Diversity Management Policy

Diversity is essential to maintain our strong corporate presence for 100 years and beyond. We understand and recognize that every employee's orientation to work and life, and their personal strengths are different and thus we use this to our advantage. Through employee dialogue, we will strengthen our organizational culture by providing employment, opportunities for development and an enhanced working environment to support growth.

Note: Developed the same policy as the Internal Environment Improvement Policy.

Statement of Work Style Reforms

We determine work methods that promote growth over time to enable each and every individual employee to manifest their personal characteristics, and pursue highly productive work methods that maximize success.
In order to improve productivity, the Company actively invests in management resources, and unifies managers and workers to coalesce their wisdom Companywide. We nurture work worth doing by improving the quality of the job, and promote workers' diverse activities by returning the success of reforms to them.

Declaration of Health

SEKISUI CHEMICAL Group has been engaged in health management initiatives for our employees based on our belief that employees are precious assets bestowed on us by society. SEKISUI CHEMICAL endeavors to take these initiatives to the next level by treating the promotion of the health of our employees as a management strategy that is aimed at achieving the physical, mental, and social well-being of all employees.

Basic Policy for Health and Productivity Management

Strive to achieve the well-being of all employees, and create workplaces where diverse personnel can play an active role with vitality.

- Practice a comprehensive health promotion program that encompasses everything from health management (protecting health) to improving (actively enhancing health) the fulfillment and rewards of working.
- Focus on improving productivity by advancing the awareness and behavior of each and every employee.
- Encourage employees to make a proactive and ongoing effort to strive for well-being now and in the future.
- Strive to contribute to society by realizing the happiness of employees and their families, and our customers through the well-being of our employees.

SEKISUI CHEMICAL Group Safety Policy

Mission

We, SEKISUI CHEMICAL Group, recognize that the safety of our employees and those who work together with us, is essential to achieving sustainable growth. We aim to be a Safe and Secure enterprise that establishes safe and secure working environments and has the full trust of not only by all those who work together with us, but also our customers, our communities.

Basic Policy

Based on the concept of human dignity that everyone is invaluable, we prioritize safety over anything else as a basic rule in all of our business activities from development, production, construction to servicing. We are committed to promoting comprehensive safety activities with the aim of achieving zero occupational injuries, equipment-related accidents, commuting-related accidents or extended sick leave.

1. We strive to develop a safe and comfortable workplace where everyone is taken care of both mentally and physically, which should lead to good health for our employees and those who work together with us, whom we highly value.
2. We thoroughly disseminate the legal requirements concerning health and safety/disaster prevention to our employees to ensure compliance.
3. We carry out risk assessment and promote risk reduction measures in a systematic way to eliminate hazardous factors that compromise health and safety/disaster prevention.
4. We strive to raise awareness regarding health and safety/disaster prevention through employee education/training and promote continuous improvements by setting voluntary objectives/goals.
5. We proactively disclose any necessary information as well as gain a higher level of trust by having close communication with public administrations and local communities.

SEKISUI CHEMICAL Group Cyber Security Policy

Mission

We, SEKISUI CHEMICAL Group, recognize that cyber assets —information received from a wide range of parties, confidential corporate information, and systems for managing this information —are an increasingly important management resource and a source of our competitiveness.
We believe that preparations against cyber-attacks threatening these assets are an important management responsibility, and strive to continually undertake cyber security measures as defined in the basic policy, to ensure a stable management foundation.

Basic Policy

1.Compliance with laws and regulations
We comply with laws, regulations, contractual requirements, and other social norms related to cyber security.

2.Maintenance of the cyber security management system
We have established a cyber security management system across the entire SEKISUI CHEMICAL Group, positioning cyber security as essential to management policies and investments, and always strive for continuous improvement under the responsibility of management.

3.Implementation of cyber security measures
We identify cyber security risks, and undertake measures to prevent cyber security incidents.

4.Ensuring business continuity
We formulate business continuity plans (BCPs) and recovery plans in preparation for the occurrence of cyber security incidents, and strive to quickly recover and prevent reoccurrence should any incident occur.

5.Education of employees
We continually perform education and awareness activities with regard to the appropriate use, management, and maintenance of cyber assets, so as to develop the cyber security literacy of our employees.

SEKISUI CHEMICAL Group Social Contribution Activities Policy

As a good corporate citizen, we, SEKISUI CHEMICAL Group, engage in activities that focus on the Environment, the Next Generation, and Local Communities, and contribute not only to business activities but also to society.
All employees working for SEKISUI CHEMICAL Group are proactively involved in the society and act so that they can serve as prominent human resources in society as well. In addition, their activities are supported by each company of the Group in order to generate synergistic effects.

SEKISUI CHEMICAL Group Basic Procurement Policy

SEKISUI CHEMICAL Group supports the basis of LIFE and continues to create peace of mind for the future in line with its vision statement Innovation for the Earth, which aims to realize a sustainable society. In order to realize a sustainable society through innovation and creativity with a focus on ESG management, SEKISUI CHEMICAL Group will build its supply chain and conduct procurement activities based on the following purchasing policy.

- **Open**
  For purchasing transactions, we open our doors to a wide range of national and international companies in order to receive better proposals.

- **Fairness and impartiality**
  In the selection of our business partners, we respect the rights of our business partners and treat them with common sense and integrity. We also require that our business partners work together with us to achieve a sustainable society, and we will do so in a fair and equitable manner, with sound business conditions and with consideration based on quality, price, delivery time, and service.

- **Compliance with laws, regulations, and social norms**
  When conducting purchasing transactions, the company complies with national and international laws and regulations. We equally comply not only with laws and regulations, but also with social norms as a discipline that must be observed in social life.

- **Mutual trust**
  We recognize that all our business partners are partners in the conduct of our business, and we build relationships of trust by exchanging corporate and other necessary information in a fair, timely, and appropriate manner, and deepening mutual understanding. We also aim to build genuine partnerships to achieve a sustainable society.

- **Contribution to global environmental conservation**
  When conducting purchasing transactions, the company contributes to the prevention of global warming, the conservation of biodiversity, and the building of a circular economy, and the company requires that our business partners also contribute to global environmental conservation.

- **Prevention of corruption**
  When conducting purchasing transactions, the company works across the supply chain to ensure that all forms of corruption, including bribery, suspected bribery, and money laundering, do not take place.

- **Responsibility for respecting human rights**
  When conducting purchasing transactions, the company works with our business partners to ensure that we do not infringe on human rights, including child labor, forced labor, and discrimination, and that if any negative impact on human rights occurs, we will take the appropriate measures to correct the situation and fulfill our responsibility to respect human rights.

[Requests to business partners on sustainable procurement]

In order to promote more socially and environmentally friendly procurement activities, SEKISUI CHEMICAL Group has formulated the "Sustainable Procurement Guidelines (Supplier Code of Conduct)" for the Company and all business partners involved in the production of our products, which sets out standards to be observed based on its basic procurement policy. We ask our business partners to cooperate with us in aiming to understand and comply with the aims and content of this Code of Conduct, so that together we can work toward the realization of a sustainable society. The Code of Conduct applies to the entire SEKISUI CHEMICAL Group.

SEKISUI CHEMICAL Group Guidelines for Sustainable Procurement (Code of Conduct for Suppliers)
https://www.sekisuichemical.com/about/assets/pdf/GuidelinesForSusutainableProcurement_20230303.pdf

[About sustainable timber procurement]

In the course of our business activities, the company procures wood itself or wood-based raw materials and recognizes that this may have negative impacts with regard to human rights and the environment.
In addition, at COP26 in November 2021, leaders from over 100 countries, including Japan, signed a document committing to end deforestation by 2030.
In response to this, we have set a new target of "2030: Zero Deforestation" and revised our "Timber procurement policy" to achieve this goal. And in order to realize procurement in line with this policy, we have established new "Sustainable Timber Procurement Guidelines", and are working to further reduce the negative impact of deforestation on the human rights and environment of indigenous peoples, performing legal timber procurement to date as a matter of course.

[Timber procurement policy]

(1) Environmental considerations for timber procurement
- Promote the procurement of timber from forests that are properly managed for sustainable use.
- Promote the procurement of timber that does not lead to natural forests being converted to other uses.
- Procure timber from forests other than those with high conservation value, such as biodiversity conservation.
- Procure timber from non-threatened tree species.
- Procure wood materials that contribute to resource circulation, such as recycled materials and unused thinned wood.
- Proactively employ suppliers that are implementing activities that lead to an increase in forests.

(2) Social considerations for timber procurement
- Promote procurement in a manner that does not have a negative impact on local communities and respects local cultures, traditions, and economies in the sales channels, including logging and processing of timber products.
- Promote procurement that respects the rights of indigenous peoples.
- Promote procurement that respects the rights of all workers.

(3) Governance initiatives
- Comply with all laws and regulations relating to forest procurement.
- Ensure traceability of timber and timber products, and promote clear place of origin and problem-free procurement of timber and timber products.

[About responsible mineral procurement]

At SEKISUI CHEMICAL Group we strive to avoid human rights violations, the use of conflict minerals that fund armed groups, and other such risks related to minerals and mining. We comply with regulations such as the Dodd-Frank Act (USA) and EU Conflict Minerals Regulation, and take pains to eliminate any minerals connected to OECD Annex II risks in Conflict Affected and High-Risk Areas (CAHRAs), including the Democratic Republic of the Congo and surrounding countries.

In order to promote sustainable and responsible mineral procurement, if any minerals are discovered that are determined to be applicable to the above items, we will work with business partners to take appropriate measures.

Overview of SEKISUI CHEMICAL Group

Residential: Housing Company

Main businesses	Main products and services
Housing, Stock, Town and Community Development, Residential Services, and Overseas Businesses	Manufacture, construction, and sale of steel frames and wood unit housing as well as the sale of building lots, renovation, real estate brokerage, leasing management, interior goods, exterior sales and construction, homes for the elderly with services, power trading, and town and community development, etc.

Advanced Lifeline: Urban Infrastructure & Environmental Products Company

Main businesses	Main products and services
Pipe system field, Buildings and infrastructure composite materials field, infrastructure renovation field	Manufacture, sale, and installation of a wide range of products such as PVC pipes and fittings, polyethylene pipes and fittings, plastic valves, reinforced plastic composite pipes, chlorinated vinyl chloride resin compounds, rainwater storage materials, construction materials (rain gutters, materials for building interiors), nursing instruments, bathtub units, synthetic wood, soundproof vibration-suppressing materials, non-flammable polyurethane, fire protection materials, pipe renewal materials and methods, and panel tanks

Innovative Mobility: High Performance Plastics Company

Main businesses	Main products and services
The Electronics, Mobility, and Industrial fields	Manufacture and sale of products such as micro-particles for liquid crystal displays, photosensitive materials, semiconductor materials, optical films, industrial tapes, interlayer films for laminated glass, foamed polyolefins, resins for vehicle use, rubber molded products, heat release materials (grease and sheets), carbon fiber reinforced plastic (CFRP) composite mold materials, decorative sheets, polyvinyl alcohol resin, blow-molded containers, construction materials, adhesives, packaging tapes, plastic containers, tatami mats, and hygiene materials

Life Science: Medical Business

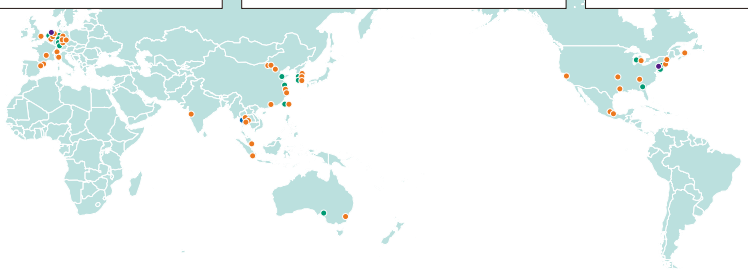
Main businesses	Main products and services
Diagnostics, Pharmaceuticals & Fine Chemicals	Manufacture and sale of products such as clinical reagents, automatic analyzers, blood collection tubes, active pharmaceutical ingredients (APIs) and pharmaceutical intermediates, drug development solutions, and enzymes

Other businesses

Main products and services
Manufacture, sale, and servicing off film-type lithium-ion batteries and other products outside of the above four main business divisions (Housing Company, UIEP Company, HPP Company, and Medical Business)

SEKISUI CHEMICAL Group Worldwide

Europe		Asia / Oceania		Japan		America (North America, Latin America)	
Companies:	16	Companies:	31	Companies:	78	Companies:	19
Employees:	1,053	Employees:	3,783	Employees:	19,856	Employees:	2,282



- Housing Company
- Urban Infrastructure & Environmental Products Company
- High Performance Plastics Company
- Headquarters (Medical Business,Other Business)

Totals: 144 companies,
26,929 employees

Note: Figures current as of the end of March 31, 2024 (on a consolidated basis)

See the Fact Book for details of management indicators.

Fact Book
https://www.sekisuichemical.com/ir/financial/factbook/

External Evaluation

Major External Evaluations Conducted During FY2023 (as of March 31, 2024)

ESG Index

- Earned selection to the World Index category of the DJSI
- Earned selection to the FTSE4Good Index series
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the FTSE Blossom Japan Sector Relative Index
- Earned selection to the Morningstar Japan ex-REIT Gender Diversity Tilt Index
- Earned selection to the MSCI ESG Leaders Indexes
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the MSCI Japan Empowering Women (WIN) Select Index
- Earned selection to the S&P / JPX Carbon Efficient Index

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

FTSE4Good
https://www.lseg.com/en/ftse-russell/indices/ftse4good

FTSE Blossom Japan Index
https://www.ftserussell.com/products/indices/blossom-japan

FTSE Blossom Japan Sector Relative Index
https://www.ftserussell.com/products/indices/blossom-japan

MORNINGSTAR GenDi J
Japan ex-REIT Gender Diversity Tilt Index

2024 MSCI ESG Leaders Indexes Constituent

THE INCLUSION OF SEKISUI CHEMICAL CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SEKISUI CHEMICAL CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES.
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2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX カーボン エフィシェント 指数

ESG-related Ranking, Awards

CSR in General

- Earned the top 10% S&P Global sustainability rating
- Ranked 65th in the 2024 Toyo Keizai CSR Ranking

Environment

- CDP 2023 A-list companies in both the 'climate-change' and 'water-security' divisions
- Reacquired certification from the SBT (Science-Based Targets) Initiative for the 1.5oC GHG reduction target (March 2023)

CDP DISCLOSURE INSIGHT ACTION A LIST 2023 CLIMATE WATER

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Human capital

- Certified as a 2024 Health and Productivity Management Organization in the large enterprise category (White 500)

2024 健康経営優良法人 Health and productivity ホワイト500

Third-party Assurance Report

Deloitte.
デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

July 29, 2024

Mr. Keita Kato,
President and Representative Director,
SEKISUI CHEMICAL CO., LTD.

Tomoharu Hase
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the sustainability information indicated with ☑ for the year ended March 31, 2024 (the "Sustainability Information") included in the "SUSTAINABILITY REPORT 2024 PDF Edition" (the "Report") of SEKISUI CHEMICAL CO., LTD. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the Sustainability Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the Sustainability Information included in the Report). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

GRI Content Index

GRI 1: Foundation	
Statement of use	SEKISUI CHEMICAL Group has reported in accordance with the GRI Standards for the period from April 1, 2023 to March 31, 2024.
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	Going forward, the Group will comply with the standards published by relevant sector as they become available.

Universal Standard

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
GRI 2: General Disuclosures 2021			
2-1	Organizational Details	a. report its legal name; b. report its nature of ownership and legal form; c. report the location of its headquarters; d. report its countries of operation	■Overview of SEKISUI CHEMICAL Group ・Company Profile ・Global Network
2-2	Entities included in the organization's sustainability reporting	a. list all its entities included in its sustainability reporting; b. if the organization has audited consolidated financial statements or financial information filed on public record, specify the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting; c. if the organization consists of multiple entities, explain the approach used for consolidating the information, including: i. whether the approach involves adjustments to information for minority interests; ii. how the approach takes into account mergers, acquisitions, and disposal of entities or parts of entities; iii. whether and how the approach differs across the disclosures in this Standard and across material topics.	■Scope of the Sustainability Report ■Environment ・Indicators and Targets>Scope of Tabulation for Environmental Performance Data ・Securities Reports
2-3	Reporting period, frequency, and contact information	a. specify the reporting period for, and the frequency of, its sustainability reporting; b. specify the reporting period for its financial reporting and, if it does not align with the period for its sustainability reporting, explain the reason for this; c. report the publication date of the report or reported information; d. specify the contact point for questions about the report or reported information.	■Scope of the Sustainability Report ■Back cover
2-4	Restatements of information	a. report restatements of information made from previous reporting periods and explain: i. the reasons for the restatements; ii. the effect of the restatements.	Partial revisions were made to past performance data coinciding with changes in aggregation scope and definition

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-5	External assurance	a. describe its policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved; b. if the organization's sustainability reporting has been externally assured: i. provide a link or reference to the external assurance report(s) or assurance statement(s); ii. describe what has been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; iii. describe the relationship between the organization and the assurance provider.	■Editorial Policy ■Scope of the Sustainability Report ■Independent Practitioner's Assurance Report
2-6	Activities, value chain, and other business relationships	a. Report the sector in which the organization is active b. Describe the organization's value chain, including the following: i. The organization's activities, products, services, and markets served ii. The organization's supply chain iii. the entities downstream from the organization and their activities; c. Report other relevant business relationships d. Describe significant changes in 2-6-a, 2-6-b, and 2-6-c from the previous reporting period	■SEKISUI CHEMICAL Group Profile ・Company Profile ・List of Products/Search ・Business Overview ・Securities Reports ・FACT BOOK
2-7	Employees	a. report the total number of employees, and a breakdown of this total by gender and by region; b. report the total number of: i. permanent employees, and a breakdown by gender and by region; ii. temporary employees, and a breakdown by gender and by region; iii. non-guaranteed hours employees, and a breakdown by gender and by region; iv. full-time employees, and a breakdown by gender and by region; v. part-time employees, and a breakdown by gender and by region; c. describe the methodologies and assumptions used to compile the data, including whether the numbers are reported: i. in head count, full-time equivalent (FTE), or using another methodology; ii. at the end of the reporting period, as an average across the reporting period, or using another methodology; d. report contextual information necessary to understand the data reported under 2-7-a and 2-7-b; e. describe significant fluctuations in the number of employees during the reporting period and between reporting periods.	■Overview of SEKISUI CHEMICAL Group ・Overview of SEKISUI CHEMICAL Group>SEKISUI CHEMICAL Group Worldwide ■Human Capital ・Promote the active participation of diverse human resources>Performance Data> Composition of Personnel (SEKISUI CHEMICAL), Composition of Personnel (SEKISUI CHEMICAL Group [excluding SEKISUI CHEMICAL on a non-consolidated basis]), Breakdown of the Number of Employees (SEKISUI CHEMICAL Group)
2-8	Workers who are not employees	a. report the total number of workers who are not employees and whose work is controlled by the organization and describe: i. the most common types of worker and their contractual relationship with the organization; ii. the type of work they perform; b. describe the methodologies and assumptions used to compile the data, including whether the number of workers who are not employees is reported: i. in head count, full-time equivalent (FTE), or using another methodology; ii. at the end of the reporting period, as an average across the reporting period, or using another methodology; c. describe significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods.	■Human Capital ・Promote the active participation of diverse human resources>Performance Data> Composition of Personnel (SEKISUI CHEMICAL)

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-9	Governance structure and composition	a. describe its governance structure, including committees of the highest governance body; b. list the committees of the highest governance body that are responsible for decisionmaking on and overseeing the management of the organization's impacts on the economy, environment, and people; c. describe the composition of the highest governance body and its committees by: i. executive and non-executive members; ii. independence; iii. tenure of members on the governance body; iv. number of other significant positions and commitments held by each member, and the nature of the commitments; v. gender; vi. under-represented social groups; vii. competencies relevant to the impacts of the organization; viii. stakeholder representation.	■SEKISUI CHEMICAL Group's Sustainability ・Governance ■Corporate Governance ・Governance ・Corporate Governance Report
2-10	Nomination and selection of the highest governance body	a. Describe the nomination and selection process for the highest governance body and its committees b. describe the criteria used for nominating and selecting highest governance body members, including whether and how the following are taken into consideration: i. views of stakeholders (including shareholders); ii. diversity; iii. independence; iv. competencies relevant to the impacts of the organization.	■SEKISUI CHEMICAL Group's Sustainability ・Governance ■Corporate Governance ・Governance>Nomination and Remuneration Advisory Committee ・Corporate Governance Report
2-11	Chair of the highest governance body	a. report whether the chair of the highest governance body is also a senior executive in the organization; b. if the chair is also a senior executive, explain their function within the organization's management, the reasons for this arrangement, and how conflicts of interest are prevented and mitigated.	■Corporate Governance ・Governance>Board of Directors ・Corporate Governance Report
2-12	Role of the highest governance body in overseeing the management of impacts	a. Describe the roles of the highest governance body and senior executives in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development b. Describe the role of the highest governance body in overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people, including the following items: i. Whether and how the highest governance body engages with stakeholders to support these processes ii. How the highest governance body considers the outcomes of these processes c. Describe the role of the highest governance body in reviewing the effectiveness of the organization's processes described in 2-12-b, and report the frequency of this review	■SEKISUI CHEMICAL Group's Sustainability ・Governance ・Risk Management ■Corporate Governance ・Governance ・Corporate Governance Report
2-13	Delegation of responsibility for managing impacts	a. Describe how the highest governance body delegates responsibility for managing the organization's impacts on the economy, environment, and people, including the following items: i. whether it has appointed any senior executives with responsibility for the management of impacts; ii. whether it has delegated responsibility for the management of impacts to other employees; b. describe the process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people.	■SEKISUI CHEMICAL Group's Sustainability ・Governance ・Risk Management ■Corporate Governance ・Governance ・Corporate Governance Report

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-14	Role of the highest governance body in sustainability reporting	a. Report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, and if so, describe the process for reviewing and approving the information b. If the highest governance body is NOT responsible for reviewing and approving the reported information, including the organization's material topics, explain the reason for this	■SEKISUI CHEMICAL Group's Sustainability ・Governance
2-15	Conflicts of interest	a. describe the processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated; b. Report whether conflicts of interest are disclosed to stakeholders, including, at a minimum, conflicts of interest relating to the following: i. Cross-board membership ii. Cross-shareholding with suppliers and other stakeholders iii. Existence of controlling shareholders iv. Related parties, their relationships, transactions, and outstanding balances	■Legal and Ethical Issues ・Strategy (Stance, Approach, and Awareness of Risk)>Formulating the Compliance Policy ・Major Initiatives>Status Regarding the Prevention of Transactions That Represent a conflict of Interest
2-16	Communication of critical concerns	a. Describe whether and how critical concerns are communicated to the highest governance body b. report the total number and the nature of critical concerns that were communicated to the highest governance body during the reporting period.	■SEKISUI CHEMICAL Group's Sustainability ・Governance ■Stakeholder Engagement
2-17	Collective knowledge of the highest governance body	a. report measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.	■Corporate Governance ・ Governance>Grasp External Trends on Economic, Environmental, and Social Topics
2-18	Evaluation of the performance of the highest governance body	a. Describe the processes for evaluating the performance of the highest governance body in overseeing the management of the organization's impacts on the economy, environment, and people b. Report whether the evaluations are independent or not, and the frequency of the evaluations c. Descrivbe actions taken in response to the evaluations, including changes to the composition of the highest governance body and organizational practices	■Corporate Governance ・Governance>Assessment Relating to the Board's Effectiveness ・Corporate Governance Report
2-19	Remuneration policies	a. Describe the remuneration policies for members of the highest governance body and senior executives, including the following items: i. Fixed pay and variable pay ii. Sign-on bonuses or recruitment incentive payments iii. termination payments iv. Clawbacks v. Retirement benefits b. Describe how the remuneration policies for members of the highest governance body and senior executives relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environment, and people	■Corporate Governance ・Governance>Remuneration and Other Compensation for Officers ・Corporate Governance Report

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-20	Process to determine remuneration	a. Describe the process for designing its remuneration policies and for determining remuneration, including: i. Whether independent highest governance body members or an independent remuneration committee oversees the process for determining remuneration ii. How the views of stakeholders (including shareholders) regarding remuneration are sought and taken into consideration iii. Whether remuneration consultants are involved in determining remuneration and, if so, whether they are independent of the organization, its highest governance body, and senior executives b. Report the results of votes of stakeholders (including shareholders) on remuneration policies and proposals (if applicable)	■Corporate Governance ・Governance>Nomination and Remuneration Advisory Committee, Remuneration and Other Compensation for Officers ・Corporate Governance Report ・Securities Reports ・Notice of Convocation
2-21	Annual total compensation ratio	a. Report the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) b. Report the ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) c. Report contextual information necessary to understand the data and how the data has been complied	Not calculated because compensation for employees of consolidated companies has not been aggregated. We are considering aggregation and disclosure of details in the future.
2-22	Statement on sustainable development strategies	a. Report a statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategies for contributing to sustainable development	■Top Message
2-23	Policy commitments	a. Describe the organization's policy commitments for responsible business conduct, including: i. the authoritative intergovernmental instruments that the commitments reference; ii. Whether the commitments stipulate conducting due diligence iii. Whether the commitments stipulate applying the precautionary principle iv. Whether the commitments stipulate respecting human rights b. describe its specific policy commitment to respect human rights, including: i. The internationally recognized human rights that the commitment covers ii. The categories of stakeholders, including at-risk or vulnerable groups, that the organization gives particular attention to in the commitment c. provide links to the policy commitments if publicly available, or, if the policy commitments are not publicly available, explain the reason for this; d. Report the level at which each of the policy commitments was approved within the organization, including whether this is the most senior level e. Report the extent to which the policy commitments apply to the organization's activities and to its business relationships f. Describe how the policy commitments are communicated to workers, business partners, and other relevant parties	■SEKISUI CHEMICAL Group's Sustainability ・Strategy ■Environment ・Strategy (Stance, Approach, Risks and Opportunities) ■Respect for Human Rights ・Strategy ■Risk Management ・Strategy (Stance and Approach) ■SEKISUI CHEMICAL Group's Various Policies

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-24	Embedding policy commitments	a. describe how it embeds each of its policy commitments for responsible business conduct throughout its activities and business relationships, including: i. how it allocates responsibility to implement the commitments across different levels within the organization; ii. how it integrates the commitments into organizational strategies, operational policies, and operational procedures; iii. how it implements its commitments with and through its business relationships; iv. training that the organization provides on implementing the commitments.	■SEKISUI CHEMICAL Group's Sustainability ・Governance ・Products to Enhance Sustainability ■Environment ・Governance ■Human Capital ・Governance ■Stakeholder Engagement ・Strategy>Promoting Understanding and Acceptance of ESG Management Concepts Among Employees ■Respect for Human Rights ・Major Initiatives>Human Rights Education ■Responsible Procurement ・Governance ■Enhancing the Ability to Contribute to Solving Social Issues through Employee Training as well as Social and SDGs Contribution Activities ■Corporate Governance ・Governance ■Innovation ・Governance ■DX ・Governance
2-25	Processes to remediate negative impacts	a. describe its commitments to provide for or cooperate in the remediation of negative impacts that the organization identifies it has caused or contributed to; b. describe its approach to identify and address grievances, including the grievance mechanisms that the organization has established or participates in; c. describe other processes by which the organization provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to; d. Describe how the stakeholders who are the intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms e. Describe how the organization tracks the effectiveness of the grievance mechanisms and other remediation processes. and report examples of their effectiveness, including stakeholder feedback	■Respect for Human Rights ・Strategy ・Governance>Grievance Mechanism ・Risk Management ■Responsible Procurement ・Strategy (Stance, Approach, and Awareness of Risk)>Awareness of Risk ■Legal and Ethical Issues ・Major Initiatives>Promoting and Operating the S・C・A・N. Internal Whistle-blowing System ・Major Initiatives>Responding to Compliance Violations ■CS & Quality Management ・Major Initiatives>Strengthening QMS>Compliance with laws and voluntary regulations regarding product safety
2-26	Mechanisms for seeking advice and raising concerns	a. Describe the mechanisms for individuals to: i. Seek advice on implementing the organization's policies and practices for responsible business conduct ii. Raise concerns about the organization's business conduct	■Legal and Ethical Issues ・Major Initiatives>Promoting and Operating the S・C・A・N. Internal Whistle-blowing System ・ Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
2-27	Compliance with laws and regulations	a. Report the total number of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by: i. Instances for which fines were incurred; ii. Instances for which non-monetary sanctions were incurred b. Report the total number and the monetary value of fines for instances of noncompliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by: i. Fines and penalties for instances of non-compliance with laws and regulations that occurred in the current reporting period ii. Fines and penalties for instances of non-compliance with laws and regulations that occurred in previous reporting periods c. Describe any significant instances of non-compliance d. Describe how the organization confirmed that the incident was considered a significant instances of noncompliance	■Environment ・Indicators and Targets>Setting Self-management Targets In fiscal 2023, there were no major violations of environmental laws and regulations related to such issues as the treatment of waste, water discharge, air emissions, and soil pollution. There were also no reports on incidences of administrative guidance. ■Legal and Ethical Issues ・Major Initiatives>Status Regarding the Prevention of Bribery and Corruption No serious violations related to corruption or bribery were confirmd in fiscal 2023. ・Major Initiatives>Compliance with Antitrust Law as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling No significant violations regarding anti-trust laws or advertising and labeling were identified in fiscal 2023. ■CS & Quality Management ・Major Initiatives>Strengthening QMS>Compliance with laws and voluntary regulations regarding product safety In fiscal 2023, there were no cases of violation of various laws and voluntary regulations regarding product safety. ・Major Initiatives>Strengthening QMS>Product quality disclosure and labeling In fiscal 2023, there were no cases of violation of various laws and voluntary regulations regarding product safety.
2-28	Membership associations	a. report industry associations, other membership associations, and national or international advocacy organizations in which it participates in a significant role.	■Stakeholder Engagement ・Strategy>Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates ・Strategy>Information Disclosure Based on the Recommendations of the Task Force on Climate Change-related Financial Disclosures (TCFD)/Information Disclosure in Accordance with the Task Force on Nature-related Financial Disclosures (TNFD) Guide ・Strategy>Major Organizations in Which SEKISUI CHEMICAL Group Participates
2-29	Approach to stakeholder engagement	a. Describe the organization's approach to engaging with stakeholders, including: i. The categories of stakeholders it engages with, and how they are identified ii. The purpose of the stakeholder engagement iii. How the organization seeks to ensure meaningful engagement with stakeholders	■Stakeholder Engagement
2-30	Collective bargaining agreements	a. Report the percentage of total employees covered by collective bargaining agreements b. For employees NOT covered by collective bargaining agreements, report whether the organization determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organizations	■Human Capital>Achieving Diversity ・Major Initiatives>Realize an Environment That Enhances Individual and Workplace Vitality>Number of Labor Union Members The SEKISUI CHEMICAL Labor Union serves as the Company's labor union. Adopting a union shop system, 100% of eligible employees are members (2,390 in fiscal 2023).

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	a. describe the process it has followed to determine its material topics, including: i. how it has identified actual and potential, negative and positive impacts on the economy environment, and people, including impacts on their human rights, across its activities and business relationships; ii. how it has prioritized the impacts for reporting based on their significance; b. specify the stakeholders and experts whose views have informed the process of determining its material topics.	■SEKISUI CHEMICAL Group's Sustainability ・Strategy>Identifying Key Issues (Materiality)
3-2	List of material topics	a. List its material topics; b. Report changes to the list of material topics compared to the previous reporting period.	■SEKISUI CHEMICAL Group's Sustainability ・Strategy>Identifying Key Issues (Materiality) ・Indicators and Targets

Disclosure by Materiality

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
Materiality Items			
Environment			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights; b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships; c. Describe its policies or commitments regarding the material topic; d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts; ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; iii. Actions to manage actual and potential positive impacts; e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions; ii. Goals, targets, and indicators used to evaluate progress; iii. The effectiveness of the actions, including progress toward the goals and targets; iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures; f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	■SEKISUI CHEMICAL Group's Sustainability ・Indicators and Targets>Key ESG Management Issues (Materiality) and KPIs ■Environment ■Addressing Climate Change ■Realizing Resource Recycling ■Reducing Water-related Risks ■Addressing Biodiversity ■Chemical Substance Management ■Stakeholder Engagement
201: Economic Performance 2016			
201-2	Financial implications and other risks and opportunities due to climate change	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity.	■Addressing Climate Change ・Strategy (Stance, Approach, Risks and Opportunities) ・Information Disclosure Based on the Recommendations of the Task Force on Climate Change-related Financial Disclosures (TCFD)/Information Disclosure in Accordance with the Task Force on Nature-related Financial Disclosures (TNFD) Guide
301: Materials 2016			
301-1	Materials used by weight or volume	a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used.	■Environment ・Indicators and Targets>Material Balance Data for renewable resources and non-renewable resources are not disclosed because scope of tabulation is vast and complex.

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
301-2	Recycled input materials used	a. Percentage of recycled input materials used to manufacture the organization's primary products and services.	■Realizing Resource Recycling ・Strategy (Stance, Approach, Risks and Opportunities)>Plan to Accelerate the Recycling of Waste Plastics into Materials ・Strategy (Stance, Approach, Risks and Opportunities)>Addressing Plastic Waste Issues ・Major Initiatives>Waste Plastic Initiatives ・Major Initiatives>Promoting Construction Material Recycling ・Major Initiatives>Converting External Wall Panel Scrap into Raw Material for Products ・Performance Data We do not disclose the ratio because the scope of tabulation is vast and complex.
301-3	Reclaimed products and their packaging materials	a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected.	■Realizing Resource Recycling ・Strategy (Stance, Approach, Risks and Opportunities)>Plan to Accelerate the Recycling of Waste Plastics into Materials ・Strategy (Stance, Approach, Risks and Opportunities)>Addressing Plastic Waste Issues ・Major Initiatives>Waste Plastic Initiatives ・Major Initiatives>Promoting Construction Material Recycling ・Major Initiatives>Converting External Wall Panel Scrap into Raw Material for Products ・Performance Data We do not disclose the ratio because the scope of tabulation is vast and complex.
302: Energy 2016			
302-1	Energy consumption within the organization	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used.	■Environment ・Indicators and Targets>Material Balance ■Addressing Climate Change ・Indicators and Targets>Targets>Indicator 2. Renewable energy ratio of purchased electricity (including solar power generation for in-house use) ・Major Initiatives>Promoting the Use of Renewable Energy ・Performance Data
302-2	Energy consumption outside of the organization	a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used.	■Addressing Climate Change ・Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
302-3	Energy intensity	a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both.	■Addressing Climate Change ・Performance Data
302-4	Reduction of energy consumption	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. d. Standards, methodologies, assumptions, and/or calculation tools used.	■Addressing Climate Change ・Strategy (Stance, Approach, Risks and Opportunities)>Addressing Climate Change ・Indicators and Targets>Reduce Energy usage Volume ・Major Initiatives>Head Office Building Renewal and New Energy Creation Products ・Major Initiatives>Contributing to Carbon Reduction and Decarbonization through Our Businesses ・Performance Data
302-5	Reductions in energy requirements of products and services	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. c. Standards, methodologies, assumptions, and/or calculation tools used.	■SEKISUI CHEMICAL Group's Sustainability ・Products to Enhance Sustainability ■Addressing Climate Change ・Major Initiatives>Environmental Management Across the Supply Chain ・Major Initiatives>Addressing Climate Change Challenges ・Major Initiatives>Contributing to Carbon Reduction and Decarbonization through Our Businesses
303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	a. A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts caused or contributed to, or directly linked to the organization's activities, products or services by a business relationship (e.g., impacts caused by runoff). b. A description of the approach used to identify water-related impacts, including the scope of assessments, their timeframe, and any tools or methodologies used. c. A description of how water-related impacts are addressed, including how the organization works with stakeholders to steward water as a shared resource, and how it engages with suppliers or customers with significant waterrelated impacts. d. An explanation of the process for setting any water-related goals and targets that are part of the organization's management approach, and how they relate to public policy and the local context of each area with water stress.	■Reducing Water-related Risks ・Strategy (Stance, Approach, Risks and Opportunities)
303-2	Management of water discharge-related impacts	a. A description of any minimum standards set for the quality of effluent discharge, and how these minimum standards were determined, including: i. how standards for facilities operating in locations with no local discharge requirements were determined; ii. any internally developed water quality standards or guidelines; iii. any sector-specific standards considered; iv. whether the profile of the receiving waterbody was considered.	■Reducing Water-related Risks ・Risk Management ・Major Initiatives>Impact of Water-Related Risks on the Supply Chain ・Major Initiatives>Reducing Water-related Risks at Businesses Sites with High Water Intake and Discharge Volumes ・Major Initiatives>Assessment of the Impact on Businesses from Water-related Risks ・Major Initiatives>Reducing of Water Intake and the Chemical Oxygen Demand (COD) of Discharged Water ・Major Initiatives>Increase in Water Treatment Capacity

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
303-3	Water withdrawal	a. Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water. b. Total water withdrawal from all areas with water stress in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water, and a breakdown of this total by the withdrawal sources listed in i-iv. c. A breakdown of total water withdrawal from each of the sources listed in Disclosures 303-3-a and 303-3-b in megaliters by the following categories: i. Freshwater (≤ 1,000mg/L Total Dissolved Solids); ii. Other water (> 1,000mg/L Total Dissolved Solids). d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■Environment ・Indicators and Targets>Material Balance ■Reducing Water-related Risks ・Performance Data
303-4	Water discharge	a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Third-party water, and the volume of this total sent for use to other organizations, if applicable. b. A breakdown of total water discharge to all areas in megaliters by the following categories: i. Freshwater (≤ 1,000 mg/L Total Dissolved Solids); ii. Other water (>1,000 mg/L Total Dissolved Solids). c. Total water discharge to all areas with water stress in megaliters, and a breakdown of this total by the following categories: i. Freshwater (≤ 1,000 mg/L Total Dissolved Solids); ii. Other water (>1,000 mg/L Total Dissolved Solids). d. Priority substances of concern for which discharges are treated, including: i. how priority substances of concern were defined, and any international standard, authoritative list, or criteria used; ii. the approach for setting discharge limits for priority substances of concern; iii. number of incidents of non-compliance with discharge limits. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■Environment ・Indicators and Targets>Material Balance ■Environment>Reducing Water-related Risks ・Major Initiatives>Reducing of Water Intake and the Chemical Oxygen Demand (COD) of Discharged ・Major Initiatives>Increase in Water Treatment Capacity ・Major Initiatives>Water Recycling ・ Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
303-5	Water consumption	a. Total water consumption from all areas in megaliters. b. Total water consumption from all areas with water stress in megaliters. c. Change in water storage in megaliters, if water storage has been identified as having a significant water-related impact. d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modeled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.	■Reducing Water-related Risks ・Performance Data
304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information: i. Geographic location; ii. Subsurface and underground land that may be owned, leased, or managed by the organization; iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas; iv. Type of operation (office, manufacturing or production, or extractive); v. Size of operational site in km2 (or another unit, if appropriate); vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem); vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation).	■Addressing Biodiversity ・Strategy (Stance, Approach, Risks and Opportunities)>Land Use Concept ・Major Initiatives>Initiatives to Improve the Quality of Green Spaces
304-2	Significant impacts of activities, products, and services on biodiversity	a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following: i. Construction or use of manufacturing plants, mines, and transport infrastructure; ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources); iii. Introduction of invasive species, pests, and pathogens; iv. Reduction of species; v. Habitat conversion; vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level). b. Significant direct and indirect positive and negative impacts with reference to the following: i. Species affected; ii. Extent of areas impacted; iii. Duration of impacts; iv. Reversibility or irreversibility of the impacts.	■Environment ・Risk Management>Environmental Impact Assessment ■Realizing Resource Recycling ・Strategy (Stance, Approach, Risks and Opportunities)>Addressing Plastic Waste Issues ■Reducing Water-related Risks ・Major Initiatives>Impact of Water-Related Risks on the Supply Chain ■Addressing Biodiversity ・Strategy (Stance, Approach, Risks and Opportunities)>Risks and Opportunities ・Risk Management>Assessment of Impact on Biodiversity (Natural Capital) Some information is not disclosed because the scope is vast. This is an issue to be considered in the future.
304-3	Habitats protected or restored	a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals. b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures. c. Status of each area based on its condition at the close of the reporting period. d. Standards, methodologies, and assumptions used.	■Addressing Biodiversity ・Major Initiatives>Initiatives to Improve the Quality of Green Spaces ・Major Initiatives>Activities to Survey Non-native and Conservation Plant Species and to Eradicate Nonnative Plant Species ・Major Initiatives>Certified as a Site Coexisting with Nature by Japan's Ministry of the Environment ・Major Initiatives>Mangrove Reforestation Activities in Thailand ・Major Initiatives>Collaboration with External Organizations

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk: i. Critically endangered IA (CR) ii. Endangered IB (EN) iii. Vulnerable II (VU) iv. Near threatened (NT) v. Least concern	■Addressing Biodiversity ・Strategy (Stance, Approach, Risks and Opportunities)>Land Use Concept As a general rule, SEKISUI CHEMICAL Group does not use or develop land in the vicinity of protected areas (World Natural Heritage, IUCN Category I, II, III, and Ramsar Convention on Wetlands sites).
305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	a. Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent. b. Gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. c. Biogenic CO_2 emissions in metric tons of CO_2 equivalent. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used.	■Environment ・Indicators and Targets>Material Balance ■Addressing Climate Change ・ Performance Data
305-2	Energy indirect (Scope 2) GHG emissions	a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent. b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent. c. If available, the gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used.	■Addressing Climate Change ・ Performance Data
305-3	Other indirect (Scope 3) GHG emissions	a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO_2 equivalent. b. If available, the gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. c. Biogenic CO_2 emissions in metric tons of CO_2 equivalent. d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. e. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. g. Standards, methodologies, assumptions, and/or calculation tools used.	■Addressing Climate Change ・Major Initiatives>Environmental Management Across the Supply Chain ・Major Initiatives>Addressing Climate Change Challenges ・Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
305-4	GHG emissions intensity	a. GHG emissions intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. Gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all.	■Addressing Climate Change ・Performance Data
305-5	Reduction of GHG emissions	a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO_2 equivalent. b. Gases included in the calculation; whether CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, or all. c. Base year or baseline, including the rationale for choosing it. d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). e. Standards, methodologies, assumptions, and/or calculation tools used.	■Addressing Climate Change ・Major Initiatives>Certification under the SBT Initiative ・Performance Data
305-6	Emissions of ozonedepleting substances (ODS)	a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent. b. Substances included in the calculation. c. Source of the emission factors used. d. Standards, methodologies, assumptions, and/or calculation tools used.	■Chemical Substance Management ・Major Initiatives>Controlling VOC Emissions ・Major Initiatives>Disposal and Storage of Devices Containing PCBs and Management of Equipment That Uses Fluorocarbons
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	a. Significant air emissions, in kilograms or multiples, for each of the following: i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used. c. Standards, methodologies, assumptions, and/or calculation tools used.	■Environment ・Indicators and Targets>Material Balance ■Chemical Substance Management ・Performance Data
306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	a. For the organization's significant actual and potential waste-related impacts, a description of: i. the inputs, activities, and outputs that lead or could lead to these impacts; ii. whether these impacts relate to waste generated in the organization's own activities or to waste generated upstream or downstream in its value chain.	■Realizing Resource Recycling ・Strategy (Stance, Approach, Risks and Opportunities)
306-2	Management of significant waste-related impacts	a. Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated. b. If the waste generated by the organization in its own activities is managed by a third party, a description of the processes used to determine whether the third party manages the waste in line with contractual or legislative obligations. c. The processes used to collect and monitor waste-related data.	■Realizing Resource Recycling ・Strategy (Stance, Approach, Risks and Opportunities) ・Governance ・Risk Management ・Indicators and Targets ・Major Initiatives

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
306-3	Waste generated	a. Total weight of waste generated in metric tons, and a breakdown of this total by composition of the waste. b. Contextual information necessary to understand the data and how the data has been compiled.	■Environment ・Indicators and Targets>Material Balance ■Realizing Resource Recycling ・Performance Data ■Chemical Substance Management ・Performance Data
306-4	Waste diverted from disposal	a. Total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste. b. Total weight of hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations: i. Preparation for reuse; ii. Recycling; iii. Other recovery operations. c. Total weight of non-hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations: i. Preparation for reuse; ii. Recycling; iii. Other recovery operations. d. For each recovery operation listed in Disclosures 306-4-b and 306-4-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste diverted from disposal: i. onsite; ii. offsite. e. Contextual information necessary to understand the data and how the data has been compiled.	■Realizing Resource Recycling ・Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
306-5	Waste directed to disposal	a. Total weight of waste directed to disposal in metric tons, and a breakdown of this total by composition of the waste. b. Total weight of hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations: i. Incineration (with energy recovery); ii. Incineration (without energy recovery); iii. Landfilling; iv. Other disposal operations. c. Total weight of non-hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations: i. Incineration (with energy recovery); ii. Incineration (without energy recovery); iii. Landfilling; iv. Other disposal operations. d. For each disposal operation listed in Disclosures 306-5-b and 306-5-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste directed to disposal: i. onsite; ii. offsite. e. Contextual information necessary to understand the data and how the data has been compiled.	■Realizing Resource Recycling ・Performance Data
308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	a. Percentage of new suppliers that were screened using environmental criteria.	■Responsible Procurement ・Strategy>Revising the Basic Procurement Policy ・Strategy>Sustainable Procurement Guidelines (Supplier Code of Conduct)
308-2	Negative environmental impacts in the supply chain and actions taken	a. Number of suppliers assessed for environmental impacts. b. Number of suppliers identified as having significant actual and potential negative environmental impacts. c. Significant actual and potential negative environmental impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	■Responsible Procurement ・Governance>Building Supply Chains based on Sustainable Procurement Surveys ・Risk Management>Sustainable Procurement Survey Process ・Major Initiatives>Fiscal 2023 Sustainable Procurement Survey ・Major Initiatives>Request to Sign the Supplier Code of Conduct ・Major Initiatives>Declaration of Partnership Building ・Major Initiatives>Fiscal 2023 Responsible Mineral Procurement Survey ・Major Initiatives>Sustainable Timber Procurement

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
Human Capital			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights; b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships; c. Describe its policies or commitments regarding the material topic; d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts; ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; iii. Actions to manage actual and potential positive impacts; e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions; ii. Goals, targets, and indicators used to evaluate progress; iii. The effectiveness of the actions, including progress toward the goals and targets; iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures; f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	■SEKISUI CHEMICAL Group's Sustainability ・Indicators and Targets>Key ESG Management Issues (Materiality) and KPIs ■Stakeholder Engagement ■Human Capital ■Human Capital>Fostering a Culture That Embraces Challenge ■Human Capital>Achieving The Right Talent in the Right Position ■Human Capital>Achieving Diversity
401: Employment 2016			
401-1	New employee hires and employee turnover	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	■Human Capital>Achieving Diversity ・Performance Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for 'significant locations of operation'.	■Human Capital>Achieving Diversity ・Major Initiatives>Promote the Active Participation of Diverse Human Resources
401-3	Parental leave	a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	■Human Capital>Achieving Diversity ・Major Initiatives>Promote the Active Participation of Diverse Human Resources>2-5. Support for Balancing Childcare and Work

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
404: Training and Education 2016			
404-1	Average hours of training per year per employee	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender; ii. employee category.	■Human Capital>Achieving The Right Talent in the Right Position ・Performance Data
404-2	Programs for upgrading employee skills and transition assistance programs	a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	■Human Capital>Fostering a Culture That Embraces Challenge ・Major Initiatives ■Human Capital>Achieving The Right Talent in the Right Position ・Major Initiatives ■Human Capital>Achieving Diversity ・Major Initiatives>Promote the Active Participation of Diverse Human Resources>2-1. Promote Gender Diversity ・Major Initiatives>Promote the Active Participation of Diverse Human Resources>2-3. Promote the Active Participation of Seniors ・Major Initiatives>Realize an Environment That Enhances Individual and Workplace Vitality>1. Create a Safe and Secure Work Environment
404-3	Percentage of employees receiving regular performance and career development reviews	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	■Human Capital>Fostering a Culture That Embraces Challenge ・Major Initiatives>Encouraging Employees to Pursue Challenges>2. Fostering a Culture of Career Autonomy
405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). b. Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	■Human Capital>Achieving Diversity ・Major Initiatives>Promote the Active Participation of Diverse Human Resources ■Corporate Governance ・Governance>Composition of the Board of Directors>About the Age-group Composition of Officers
405-2	Ratio of basic salary and remuneration of women to men	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. The definition used for 'significant locations of operation'.	■Human Capital>Achieving Diversity ・Major Initiatives>Promote the Active Participation of Diverse Human Resources>2-1. Promote Gender Diversity

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
Governance (Internal Control)			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights; b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships; c. Describe its policies or commitments regarding the material topic d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; iii. Actions to manage actual and potential positive impacts; e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions; ii. Goals, targets, and indicators used to evaluate progress; iii. The effectiveness of the actions, including progress toward the goals and targets; iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures; f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	■SEKISUI CHEMICAL Group's Sustainability ・Indicators and Targets>Key ESG Management Issues (Materiality) and KPIs ■Safety Issues ■Stakeholder Engagement ■Respect for Human Rights ■Responsible Procurement ■Corporate Governance ■Risk Management ■Legal and Ethical Issues ■Information Management ■CS & Quality Management
205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment.	■Legal and Ethical Issues ・ Major Initiatives>Status Regarding the Prevention of Bribery and Corruption
205-2	Communication and training about anti-corruption policies and procedures	a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	■Legal and Ethical Issues ・Major Initiatives>Fostering Compliance Awareness ・Major Initiatives>Compliance Training ・Major Initiatives>Status Regarding the Prevention of Bribery and Corruption ・Major Initiatives>Initiatives to Strengthen Accounting Compliance ・Major Initiatives>Compliance Reinforcement Month ・Performance Data
205-3	Confirmed incidents of corruption and actions taken	a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	■Legal and Ethical Issues ・Major Initiatives>Status Regarding the Prevention of Bribery and Corruption No serious violations related to corruption or bribery were confirmed in fiscal 2023.

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. b. Main outcomes of completed legal actions, including any decisions or judgments.	■Legal and Ethical Issues ・Major Initiatives>Compliance with Antitrust Law as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling No significant violations regarding anti-trust laws or advertising and labeling were identified in fiscal 2023.
207: Tax 2019			
207-1	Approach to tax	a. A description of the approach to tax, including: i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available; ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review; iii. the approach to regulatory compliance; iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.	■Legal and Ethical Issues ・Major Initiatives>Tax Compliance Initiatives
207-2	Tax governance, control, and risk management	a. A description of the tax governance and control framework, including: i. the governance body or executive-level position within the organization accountable for compliance with the tax strategy; ii. how the approach to tax is embedded within the organization; iii. the approach to tax risks, including how risks are identified, managed, and monitored; iv. how compliance with the tax governance and control framework is evaluated. b. A description of the mechanisms to raise concerns about the organization's business conduct and the organization's integrity in relation to tax. c. A description of the assurance process for disclosures on tax including, if applicable, a link or reference to the external assurance report(s) or assurance statement(s).	■Legal and Ethical Issues ・Major Initiatives>Tax Compliance Initiatives
207-3	Stakeholder engagement and management of concerns related to tax	a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including: i. the approach to engagement with tax authorities; ii. the approach to public policy advocacy on tax; iii. the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.	■Legal and Ethical Issues ・Major Initiatives>Tax Compliance Initiatives

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
207-4	Country-by-country reporting	a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. b. For each tax jurisdiction reported in Disclosure 207-4-a: i. Names of the resident entities; ii. Primary activities of the organization; iii. Number of employees, and the basis of calculation of this number; iv. Revenues from third-party sales; v. Revenues from intra-group transactions with other tax jurisdictions; vi. Profit/loss before tax; vii. Tangible assets other than cash and cash equivalents; viii. Corporate income tax paid on a cash basis; ix. Corporate income tax accrued on profit/loss; x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax. c. The time period covered by the information reported in Disclosure 207-4.	■Stakeholder Engagement ・Strategy>Distributing Value to Stakeholders
403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	a. A statement of whether an occupational health and safety management system has been implemented, including whether: i. the system has been implemented because of legal requirements and, if so, a list of the requirements; ii. the system has been implemented based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines. b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.	■Safety Issues ・Governance
403-2	Hazard identification, risk assessment, and incident investigation	a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including: i. how the organization ensures the quality of these processes, including the competency of persons who carry them out; ii. how the results of these processes are used to evaluate and continually improve the occupational health and safety management system. b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals. c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals. d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.	■Safety Issues ・Risk Management ・Major Initiatives>New Equipment Design Safety Standards ・Major Initiatives>Increasing Opportunities to Uncover Risks and Deploying Best Practices through Mutual On-site Inspections ・Major Initiatives>Measures to Prevent Fires and Explosions ・Major Initiatives>Safety Audits at Overseas Business Sites

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
403-3	Occupational health services	a. A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them.	■Safety Issues ・Governance>Declaration of the Commitment to Safe Business Practices Announced by the Leadership of Each Division ・Major Initiatives>New Equipment Design Safety Standards ・Major Initiatives>Increasing Opportunities to Uncover Risks and Deploying Best Practices through Mutual On-site Inspections ・Major Initiatives>Measures to Prevent Fires and Explosions ・Major Initiatives>Safety Awards
403-4	Worker participation, consultation, and communication on occupational health and safety	a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers. b. Where formal joint management–worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees.	■Safety Issues ・ Governance>Occupational Safety Committee Meeting Held
403-5	Worker training on occupational health and safety	a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.	■Safety Issues ・Major Initiatives>Development of Human Resources to Take the Initiative in Safety Activities ・Major Initiatives>Improving Emergency Response Skills ・Major Initiatives>Deepening Understanding of the Basic Safety Principles ・Major Initiatives>Safety Management Across Supply Chains ・Major Initiatives>Emergency-preparedness Drills
403-6	Promotion of worker health	a. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided. b. A description of any voluntary health promotion services and programs offered to workers to address major nonwork-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.	■Safety Issues ・Risk Management>Implementation of Medical Examinations ■Human Capital ・Major Initiatives>Realize an Environment That Enhances Individual and Workplace Vitality>2. Ensure a Healthy and Comfortable Working Environment ・Major Initiatives>Management Issues to be Solved through Health and Productivity Management
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	a. A description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.	■Safety Issues ・Governance>Occupational Safety Committee Meeting Held ・Major Initiatives>Deepening Understanding of the Basic Safety Principles ・Major Initiatives>Safety Audits at Overseas Business Sites ・Major Initiatives>Safety Management Across Supply Chains

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
403-8	Workers covered by an occupational health and safety management system	a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines: i. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system; ii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited; iii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party. b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. c. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■Safety Issues ・Governance
403-9	Work-related injuries	a. For all employees: i. The number and rate of fatalities as a result of work-related injury ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. c. The work-related hazards that pose a risk of high-consequence injury, including: i. how these hazards have been determined; ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls. e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked. f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■Safety Issues ・Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
403-10	Work-related ill health	a. For all employees: i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. c. The work-related hazards that pose a risk of ill health, including: i. how these hazards have been determined; ii. which of these hazards have caused or contributed to cases of ill health during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	■Safety Issues ・Performance Data ■Human Capital ・Major Initiatives>Management Issues to be Solved through Health and Productivity Management>Performance Data
406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	a. Total number of incidents of discrimination during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.	Not applicable for the fiscal year under review.
407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	■Respect for Human Rights ・Risk Management
408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	a. Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work. b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	■Respect for Human Rights ・Risk Management

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	■Respect for Human Rights ・Risk Management
414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	a. Percentage of new suppliers that were screened using social criteria.	■Responsible Procurement ・Strategy>Revising the Basic Procurement Policy ・Strategy>Sustainable Procurement Guidelines (Supplier Code of Conduct)
414-2	Negative social impacts in the supply chain and actions taken	a. Number of suppliers assessed for social impacts. b. Number of suppliers identified as having significant actual and potential negative social impacts. c. Significant actual and potential negative social impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	■Responsible Procurement ・Governance>Building Supply Chains based on Sustainable Procurement Surveys ・Risk Management>Sustainable Procurement Survey Process ・Major Initiatives>Fiscal 2023 Sustainable Procurement Survey ・Major Initiatives>Request to Sign the Supplier Code of Conduct ・Major Initiatives>Declaration of Partnership Building ・Major Initiatives>Fiscal 2023 Responsible Mineral Procurement Survey ・Major Initiatives>Sustainable Timber Procurement
416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	■CS & Quality Management ・Strategy>Awareness of Risk ・Strategy>Formulating Quality Guidelines ・Performance Data Since it is currently difficult to calculate percentages in this area, we plan to consider disclosure of this information from the next fiscal year.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	■CS & Quality Management ・Major Initiatives>Strengthening QMS>Compliance with laws and voluntary regulations regarding product safety ・Major Initiatives>Strengthening QMS>Product quality disclosure and labeling ・Performance Data

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling: i. The sourcing of components of the product or service; ii. Content, particularly with regard to substances that might produce an environmental or social impact; iii. Safe use of the product or service; iv. Disposal of the product and environmental or social impacts; v. Other (explain). b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	Currently, it is difficult to ascertain each information about all products and calculate the compliance evaluation of the procedure as a percentage. so we do not disclose it. We plan to consider disclosure of this information from the next fiscal year.
417-2	Incidents of non-compliance concerning product and service information and labeling	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	■Legal and Ethical Issues ・Major Initiatives>Compliance with Antitrust Law as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling No significant violations regarding anti-trust laws or advertising and labeling were identified in fiscal 2023. ■CS & Quality Management ・Major Initiatives>Strengthening QMS>Product quality disclosure and labeling In fiscal 2023, there were no violations of information disclosure relating to product quality and safety.
417-3	Incidents of non-compliance concerning marketing communications	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	■Legal and Ethical Issues ・Major Initiatives>Compliance with Anti-trust Law as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling No significant violations regarding anti-trust laws or advertising and labeling were identified in fiscal 2023.
418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. b. Total number of identified leaks, thefts, or losses of customer data. c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.	Not applicable for the fiscal year under review.

Code No.	Disclosure Items	Requirements	Publication Location/Omission Reason
Innovation			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights; b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships; c. Describe its policies or commitments regarding the material topic; d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts; ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; iii. Actions to manage actual and potential positive impacts; e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions; ii. Goals, targets, and indicators used to evaluate progress; iii. The effectiveness of the actions, including progress toward the goals and targets; iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures; f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	■SEKISUI CHEMICAL Group's Sustainability ・Indicators and Targets>Key ESG Management Issues (Materiality) and KPIs ■Stakeholder Engagement ■Innovation
DX			
3-3	Management of material topics	a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights; b. Report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships; c. Describe its policies or commitments regarding the material topic; d. Describe actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts; ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; iii. Actions to manage actual and potential positive impacts; e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions; ii. Goals, targets, and indicators used to evaluate progress; iii. The effectiveness of the actions, including progress toward the goals and targets; iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures; f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	■SEKISUI CHEMICAL Group's Sustainability ・Indicators and Targets>Key ESG Management Issues (Materiality) and KPIs ■Stakeholder Engagement ■DX

SASB Content Index

Sector: Infrastructure: Home Builders 2023
https://www.sasb.org/standards-overview/download-current-standards/

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Metric	Category	Unit of Measure	Code	Disclosure
Land Use & Ecological Impacts	Number of (1) lots and (2) homes delivered on redevelopment sites	Quantitative	Number	IF-HB-160a.1	—
	Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	Quantitative	Number	IF-HB-160a.2	—
	Total amount of monetary losses as a result of legal proceedings associated with environmental regulations	Quantitative	Reporting currency	IF-HB-160a.3	■Environment ・Indicators and Targets > Setting Self-management Targets In fiscal 2023, there were no major violations of environmental laws and regulations related to such issues as the treatment of waste, water discharge, air emissions, and soil pollution. There were also no reports on incidences of administrative guidance.
	Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	Discussion and Analysis	n/a	IF-HB-160a.4	■Environment ・Indicators and Targets > Integrated Index SEKISUI Environment Sustainability Index ■Environment ・Addressing Biodiversity ・Information Disclosure Based on TCFD Recommendations and in Accordance with TNFD Guidelines
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	IF-HB-320a.1	■Society ・Safety Issues > Performance Data > Frequency Rate Over Time Lost Time Injury Frequency Rate (LTIFR) Occurrence of fatalities due to occupational accidents

Topic	Metric	Category	Unit of Measure	Code	Disclosure
Design for Resource Efficiency	(1) Number of homes that obtained a certified residential energy efficiency rating and (2) average rating	Quantitative	Number, Rating	IF-HB-410a.1	■Environment ・Climate Change > Major Initiatives > Contributing to Carbon Reduction and Decarbonization through Our Businesses > [Progress against Commitments] Increasing the market penetration rate of ZEH housing In fiscal 2023, the ratio of new detached net-zero energy houses (ZEH) (actual results calculated based on ZEH builder's reporting methods) was 96%. of which 89% was for ZEH, which has the highest rate of energy savings among the three categories defined in the national ZEH.
	Percentage of installed water fixtures certified to a water efficiency standard	Quantitative	Percentage (%)	IF-HB-410a.2	—
	Number of homes delivered certified to a third-party multi-attribute green building standard	Quantitative	Number	IF-HB-410a.3	■Environment ・Climate Change > Major Initiatives > Contributing to Carbon Reduction and Decarbonization through Our Businesses > [Progress against Commitments] Increasing the market penetration rate of ZEH housing In fiscal 2023, the ratio of new detached net-zero energy houses (ZEH) (actual results calculated based on ZEH builder's reporting methods) was 96%. of which 89% was for ZEH, which has the highest rate of energy savings among the three categories defined in the national ZEH. ■Environment ・Addressing Biodiversity > Strategy (Stance, Approach, Risks and Opportunities) > Risks and Opportunities Our group's town development project model, "Asaka Lead Town," has obtained ABINC-ADVANCE certification.
	Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	Discussion and Analysis	n/a	IF-HB-410a.4	■SEKISUI CHEMICAL Group's Sustainability ・Products to Enhance Sustainability ■Environment ・Climate Change >Major Initiatives > Contributing to Carbon Reduction and Decarbonization through Our Businesses
Community Impacts of New Developments	Description of how proximity and access to infrastructure, services, and economic centers affect site selection and development decisions	Discussion and Analysis	n/a	IF-HB-410b.1	—
	Number of (1) lots and (2) homes delivered on infill sites	Quantitative	Number	IF-HB-410b.2	—
	(1) Number of homes delivered in compact developments and (2) average density	Quantitative	Number	IF-HB-410b.3	—
Climate Change Adaptation	Number of lots located in 100-year flood zones	Quantitative	Number	IF-HB-420a.1	—
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Discussion and Analysis	n/a	IF-HB-420a.2	■Environment ・Addressing Biodiversity > Strategy (Stance, Approach, Risks and Opportunities) ・Information Disclosure Based on TCFD Recommendations and in Accordance with TNFD Guidelines

Table 2. Activity Metrics

Activity Metric	Category	Unit of Measure	Code	Disclosure
Number of controlled lots	Quantitative	Number	IF-HB-000.A	—
Number of homes delivered	Quantitative	Number	IF-HB-000.B	—
Number of active selling communities	Quantitative	Number	IF-HB-000.C	—

Sector: Resource Transformation: Chemicals: 2023
https://www.sasb.org/standards-overview/download-current-standards/

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Metric	Category	Unit of Measure	Code	Disclosure
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t) CO_2-e, Percentage (%)	RT-CH-110a.1	■Environment ・Climate Change > Performance Data > Greenhouse Gas Emissions throughout Our Supply Chain as a Whole (Classified by Scope)
	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	RT-CH-110a.2	■Environment ・Strategy (Stance, Approach, Risks and Opportunities) > Approach to Environmental Issues and Our Long-term Vision Environmental Medium-term Plan, SEKISUI Environment Sustainability Plan EXTEND (fiscal 2023-2025) ■Environment Climate Change > Strategy (Stance, Approach, Risks and Opportunities) Indicators and Targets
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N_2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	Quantitative	Metric tons (t)	RT-CH-120a.1	■Environment ・Chemical Substance Management > Performance Data > Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere / Japan NOx Emissions / Japan SOx Emissions / Japan Soot and Dust Emissions / Japan
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	Quantitative	Gigajoules (GJ), Percentage (%)	RT-CH-130a.1	■Environment ・Indicators and Targets > Material Balance > Energy ■Environment ・Climate Change > Indicators and Targets > Targets > Indicator 2. Renewable energy ratio of purchased electricity (including solar power generation for in-house use) ・Climate Change > Performance Data > Energy Use and per Unit of Production (Index) during Manufacturing / Japan Energy Use and per Unit of Production (Index) during Manufacturing / Overseas Breakdown of Energy Use during Manufacturing / Japan Breakdown of Energy Use during Manufacturing / Overseas Electricity Consumption in Japan and Overseas Ratio of Renewable Energy to Total Energy Consumption / Electricity, Biomass Boilers Energy generated for in-house consumption, amount of purchased electricity derived from renewable energy sources / Japan and overseas* Ratio of electricity derived from renewable energy sources / Japan and overseas* *excluding co-generation

Topic	Metric	Category	Unit of Measure	Code	Disclosure
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m³), Percentage (%)	RT-CH-140a.1	■Environment ・Indicators and Targets > Material Balance > Industrial water ■Environment ・Reducing Water-related Risks > Performance Data > Water Intake Volume at Production Sites / Japan Water Intake Volume at Production Sites / Overseas Water Consumption at Production Sites / Japan Water Consumption at Production Sites / Overseas Water Intake Volume at Production Sites by Water Source Water Consumption at Production Sites
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Quantitative	Number	RT-CH-140a.2	■Environment ・Indicators and Targets > Setting Self-management Targets In fiscal 2023, there were no major violations of environmental laws and regulations related to such issues as the treatment of waste, water discharge, air emissions, and soil pollution. There were also no reports on incidences of administrative guidance.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	RT-CH-140a.3	■Envrionment ・Reducing Water-related Risks > Strategy (Stance, Approach, Risks and Opportunities) Governance Risk Management Indicators and Targets Major Initiatives
Hazardous Waste Management	(1) Amount of hazardous waste generated, (2) percentage recycled	Quantitative	Metric tons (t), Percentage (%)	RT-CH-150a.1	■Envitonment ・Realizing Resource Recycling > Performance Data > Amount of Hazardous Waste Generated / Recycling rate (Japan and Overseas)
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	Discussion and Analysis	n/a	RT-CH-210a.1	■Society ・Enhancing the Ability to Contribute to Solving Social Issues through Employee Training as well as Social and SDGs Contribution Activities > Strategy (Stance and Approach) Governance Major Initiatives

Topic	Metric	Category	Unit of Measure	Code	Disclosure
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	RT-CH-320a.1	■Society ・Safety Issues > Performance Data > Frequency Rate Over Time Lost Time Injury Frequency Rate (LTIFR) Number of fatalities due to occupational accidents
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	Discussion and Analysis	n/a	RT-CH-320a.2	■Society ・Human Capital > Achieving Diversity > Major Initiatives > Realize an Environment That Enhances Individual and Workplace Vitality > 2. Ensure a Healthy and Comfortable Working Environment Management Issues to be Solved through Health and Productivity Management ■Society ・Safety Issues > Strategy (Stance, Approach, and Awareness of Risk) Governance Risk Management Major Initiatives
Product Design for Use-phase Efficiency	Revenue from products designed for usephase resource efficiency	Quantitative	Reporting currency	RT-CH-410a.1	■SEKISUI CHEMICAL Group's Sustainability ・Products to Enhance Sustainability > Indicators and Targets > Net Sales / Proportion of Products to Enhance Sustainability
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	Quantitative	Percentage (%) by revenue, Percentage (%)	RT-CH-410b.1	—
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	Discussion and Analysis	n/a	RT-CH-410b.2	■Environment ・Chemical Substance Management > Strategy (Stance and Approach)
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Quantitative	Percentage (%) by revenue	RT-CH-410c.1	—

Topic	Metric	Category	Unit of Measure	Code	Disclosure
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	Discussion and Analysis	n/a	RT-CH-530a.1	■Environment ・Indicators and Targets > Setting Self-management Targets ■Society ・Stakeholder Engagement > Major Initiatives > Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates ■Society ・Respect for Human Rights > Major Initiatives > Response to the UK Modern Slavery Act ■Governance ・Legal and Ethical Issues > Major Initiatives > Compliance with Antitrust Law as well as Statutory and Regulatory Requirements Relating to Advertising and Labeling Tax Compliance Initiatives Performance Data > Donations to Political Organizations
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	Quantitative	Number, Rate	RT-CH-540a.1	—
	Number of transport incidents	Quantitative	Number	RT-CH-540a.2	■Environment ・Indicators and Targets > Setting Self-management Targets In fiscal 2023, there were no major violations of environmental laws and regulations related to such issues as the treatment of waste, water discharge, air emissions, and soil pollution. There were also no reports on incidences of administrative guidance. ■Society ・Safety Issues > Performance Data > Number of Occupational Accidents Number of Facility Accidents Frequency Rate Over Time

Table 2. Activity Metrics

Activity Metric	Category	Unit of Measure	Code	Disclosure
Production by reportable segment	Quantitative	Cubic meters (m^3) and / or metric tons (t)	RT-CH-000.A	—

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